

ANNUAL REPORT  
1979

Shakarganj Mills Limited



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# BOARD OF DIRECTORS

Mr. Altaf M. Saleem  
(Chief Executive)  
Mr. Haroon I. Kayani  
(Nominee ICP)  
Mr. Khalid Bashir  
Mr. Maqbul Ahmed  
Mr. Mazhar Karim  
Mr. Mohammad Javed Amin  
Mr. Shaukat Shafi  
Mr. Wahabuddin Shah  
(Nominee PICIC)

**CORPORATE SECRETARY** MUHAMMAD YAR RAHI

**AUDITORS** Riaz Ahmed & Co.  
Chartered Accountants

**LEGAL ADVISORS** Hasan & Hasan  
(Advocates)

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

**WORKS** Jhang

## NOTICE OF MEETING

Whereas in Civil Original No. 76 of 1981 in the matter of Shakarganj Mills Limited, 40-B, Off Zafar Ali Road, Gulberg-V, Lahore, Mr. Justice Gul Mohammad Khan, Lahore High Court, Lahore has appointed me vide Orders dated January 07, 1982, as Chairman to hold Annual General Meeting of the Company for the year ended 30th September, 1979.

Now, THEREFORE,

Notice is hereby given that the 12th Annual General Meeting of the Shareholders of Shakarganj Mills Limited will be held at Shakarganj Mills Limited, Toba Tek Singh Road, Jhang, on Monday the 22nd March, 1982, at 11.30 A.M., to transact the following business:

1. To confirm the Minutes of the last Extra-Ordinary General Meeting held on June 01, 1981;
2. To receive and adopt Directors' Report and audited accounts along with Auditors' Report, of the Company for the year ended 30th September, 1979;
3. To appoint Auditors of the Company for the year 1979-80, and to fix their remunerations;
4. To approve 12½% dividend recommended by the Directors to all the Shareholders except Sponsors as committed in the Prospectus issued on May 21, 1979, out of subsequent years' Profit;
5. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By Order of Lahore High Court, Lahore.

Dated: 1st March, 1982.

Syed Kamal Mufti,  
Advocate  
Chairman of the Meeting.

### NOTES:

- i) A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective must be received by the Company at Registered Office, 40-B, Off Zafar Ali Road, Gulberg-V, Lahore not less than 72 hours before the Meeting.
- ii) The Share Transfer Books of the Company will remain closed from 18th to 27th March, 1982 (both days inclusive).
- iii) Shareholders are requested to notify any change in address immediately.

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twelfth Annual Report with audited accounts of the Company for the year ended 30th September, 1979:

Net Loss after providing all operational and administrative expenses, depreciation and interest on loans	12,143,443
Added to this, loss brought forward from previous years	4,879,801
Total accumulated loss	17,023,244
Gain on revaluation of Fixed Assets	42,214,409
Adjusted against this gain:	
Accumulated loss	17,023,244
Deferred Expenditure	8,201,002
	25,224,246
Capital gain carried forward	16,990,163

Your Directors have proposed to pay guaranteed dividend to the Shareholders except Sponsors as stated in the Prospectus issued on May 21, 1979, from the profits of subsequent period.

The present day cost or replacement value of new assets bears no comparison to the cost shown in the books. Your Directors decided to revalue the fixed assets of the Company to correct the situation. The revaluation of land, building and plant & machinery as assessed by the firm of valuer and assessors has been adopted by the Directors and surplus arising thereby has been transferred to capital reserve.

Eight Directors (including two nominated by PICIC & ICP) were elected for a period of three years. These Directors were elected at the Extra-Ordinary General Meeting held on June 01, 1981, in accordance with Companies Managing Agency and Election of Directors Order, 1972.

The Auditors, Messrs. Riaz Ahmad & Co., retire and offer themselves for re-appointment.

FOR AND ON BEHALF OF THE BOARD

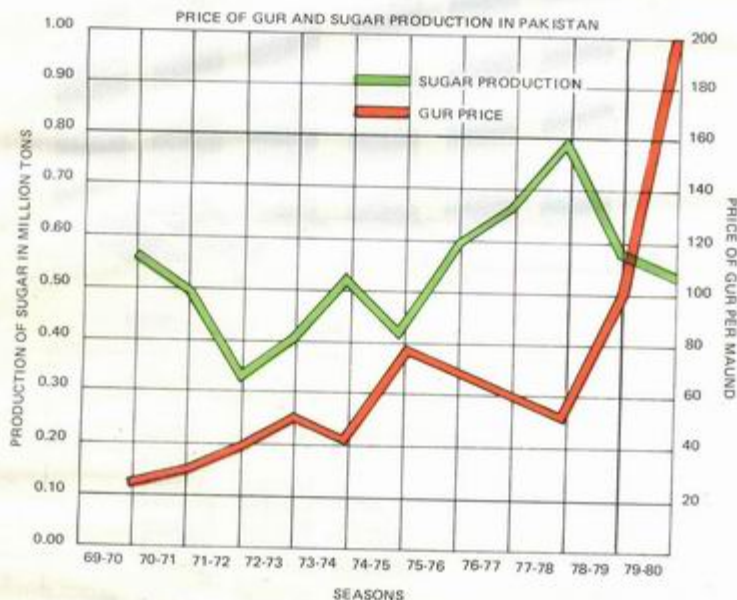
  
MAZHAR KARIM  
Director

# CHIEF EXECUTIVE'S REVIEW

Fellow Shareholders:

Sugar production touched its peak in Fiscal 1978 and drastically came down from 28,717 M. Tons to 9,256 M. Tons in 1979 and like the entire Sugar Industry of Punjab, the year under review proved to be bad for your Company.

Gur price plays a major role in the availability of sugarcane to the Mills. As the price of this commodity goes up sugar production falls because it becomes profitable for the farmers to convert their crop to gur rather than taking to the Sugar Factories



During the year under review huge quantity of sugarcane was diverted to gur manufacturing due to attractive price of gur. As the price of sugarcane was not revised while the prices of other competitive crops was revised upwards, farmers shifted to cultivation of these profitable crops.

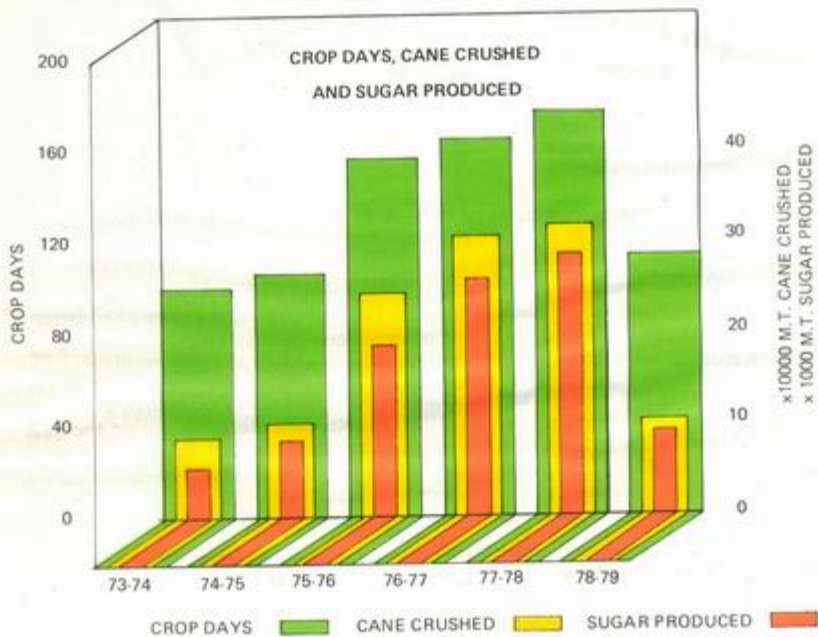
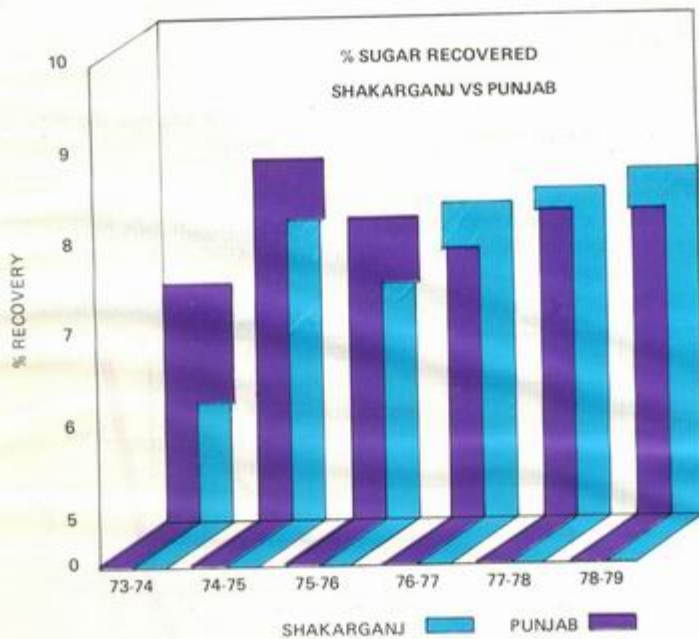
During the year factory worked for 114 days (2717.60 Hours) as against 177 days (4232 Hours) in year 1977-78. No cane stoppage during the year was for 992.15 Hours (36.5% of total crushing period) as against 308.55 Hours (7.29% of total crushing period) during the last year. The cane crushing and sugar production was lowest and was hardly 32.23% of last year's production.

Your Company's operating results for Fiscal 1977 and 1978 were quite satisfactory but to say that Fiscal 1979 was bad, is an understatement. However, our employees worked with loyalty and dedication and we would like to express our appreciation for their commitment and their contribution.

Sincerely *Altam Saleem*

ALTAF M. SALEEM  
Chief Executive Officer.

# OPERATING RESULTS OF LAST FIVE YEARS



	Note	1979 Rupees	1978 Rupees
<b>FIXED ASSETS</b>			
Operating assets	8	153,587,588	108,657,691
Capital work-in-progress	9	124,070	605,121
		<u>153,711,658</u>	<u>109,262,812</u>
<b>DEFERRED EXPENDITURE</b>		—	4,961,920
<b>CURRENT ASSETS</b>			
Stores and spares	10	9,504,429	7,301,181
Stocks	11	4,132,998	7,540,252
Trade debtors	12	28,992	308,486
Other receivables	13	3,862,082	2,944,971
Cash and bank balances	14	936,139	799,013
		<u>18,464,640</u>	<u>18,893,903</u>
<b>PROFIT AND LOSS ACCOUNT —</b>			
Adverse balance		—	4,879,801
		<u>172,176,298</u>	<u>137,998,436</u>

*Altaf M. Saleem*

ALTAF M. SALEEM  
Director



# BALANCE SHEET AS AT SEPTEMBER 30, 1979

	Note	1979 Rupees	1978 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised capital			
5,000,000 ordinary shares of Rupees 10 each		50,000,000	50,000,000
Issued, subscribed and paid up capital			
3,000,000 ordinary shares of Rupees 10 each fully paid up in cash		30,000,000	15,000,000
Capital reserve	2	16,990,163	—
<b>LONG TERM DEBTS</b>			
Loans	3	39,499,390	39,977,064
Debentures	4	2,000,000	4,000,000
		41,499,390	43,977,064
<b>CURRENT LIABILITIES</b>			
Borrowing from banks	5	13,385,231	10,295,199
Current maturity of long term debts	6	20,779,530	15,465,955
Advance-cum bridge finance		—	8,500,000
Creditors and accrued expenses	7	49,521,984	44,351,477
Workers' Profit Participation Fund		—	408,741
		83,686,745	79,021,372
		172,176,298	137,998,436

The annexed notes form an integral part of these accounts.

MAQBUL AHMED  
Director



# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 1979

	Note	1979 Rupees	1978 Rupees
<b>SALES</b>	15	45,744,332	143,417,463
<b>COST OF SALES</b>	16	44,875,704	122,420,445
<b>GROSS PROFIT</b>		868,628	20,997,018
<b>LESS: EXPENSES</b>			
Administrative	17	2,174,530	1,845,533
Selling and distribution	18	78,069	280,419
Financial	19	11,147,718	10,704,437
Doubtful debts		—	120,000
Workers' Profit Participation Fund		—	408,741
		13,400,317	13,359,130
<b>OPERATING PROFIT/(LOSS)</b>		(12,531,689)	7,637,888
Other income	20	388,246	128,188
<b>PROFIT/(LOSS) FOR THE YEAR</b>		(12,143,443)	7,766,076
Losses brought forward		4,879,801	18,738,907
Prior year's adjustment		—	6,093,030
		(4,879,801)	(12,645,877)
		(17,023,244)	(4,879,801)
<b>LOSSES ADJUSTED AGAINST CAPITAL RESERVE</b>	2	17,023,244	—
<b>ACCUMULATED LOSS CARRIED TO BALANCE SHEET</b>		—	(4,879,801)

The annexed notes form an integral part of these accounts.

  
ALTAF M. SALEEM  
Director

  
MAZHAR KARIM  
Director



# STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED SEPTEMBER 30, 1979

	1979 Rupees	1978 Rupees
<b>SOURCES OF FUNDS</b>		
Profit/(loss)	(12,143,443)	7,766,076
Prior year's adjustments	—	6,093,030
Charges/(credits) to income not affecting working capital		
Depreciation	4,144,391	5,337,589
Gain on disposal of fixed assets	—	(6,201)
	4,144,391	5,331,388
Funds provided by operation	(7,999,052)	19,190,494
Other sources		
Proceeds from issue of shares	15,000,000	—
Proceeds from sale of fixed assets	—	69,439
Net movement of specified current assets less current liabilities	5,573,218	(9,969,445)
	12,574,166	9,290,488
<b>APPLICATION OF FUNDS</b>		
Capital expenditure	1,542,927	3,071,809
Repayment of loans	—	6,218,679
Repayment of bridge finance advance	8,500,000	—
Repayment of debentures	2,000,000	—
Payment of shares issued expenses and underwriter's commission	531,239	—
	12,574,166	9,290,488
<b>MOVEMENT OF SPECIFIED CURRENT ASSETS AND LIABILITIES</b>		
Increase/(decrease) in current assets		
Stores and spares	2,203,248	1,326,570
Stocks	(3,407,254)	(19,412,429)
Trade debtors	(279,494)	279,495
Other receivables	917,111	1,157,123
Cash and bank balances	137,126	553,037
	(429,263)	(16,096,204)
(Increase)/decrease in current liabilities		
Borrowing from banks	(3,090,032)	1,465,810
Creditors and accrued expenses	(2,462,664)	24,848,538
Workers' Profit Participation Fund	408,741	(248,699)
	(5,143,955)	26,065,649
	5,573,218	9,969,445

# NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1979

The following notes form part of the accounts presented herewith:

## 1. ACCOUNTING POLICIES

### 1.1 Fixed Assets

Depreciation is charged to income applying reducing balance method and is based on the historical cost and not the reassessed value of fixed assets. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

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

### 1.2 Stores, spares and stocks

These are valued on the following basis:

Stores and spares	.....	at average cost
Work in process	.....	at net realisable value
Sugar	.....	at net realisable value
Molasses	.....	at net realisable value

### 1.3 Exchange rates

Foreign currency loans are converted into Pakistani rupee at the rates of exchange ruling at the balance sheet date. Exchange gain is transferred to exchange equalisation and any loss is first set off against such reserve and balance, if any, charged to plant and machinery.

### 1.4 Taxation

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

### 1.5 Cost

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



## 2. CAPITAL RESERVE

This represents unrealised surplus resulting from its revaluation of fixed assets which is arrived at as follows

	Rupees
Appreciated value of fixed assets as on September 30, 1979	153,587,588
Less: Book value of fixed assets as on September 30, 1979	111,373,179
Gain on revaluation	42,214,409
Less: Accumulated loss as on September 30, 1979	17,023,244
: Deferred expenditure written off	8,201,002
	25,224,246
	16,990,163

## 3. LONG TERM LOANS

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

Loan No.	Currency	Amount in foreign currency	1979 Rupees	1978 Rupees
NI.BK/1	Dutch Guilders	329,940	1,697,982	1,557,085
AL.BK/1	Dutch Guilders	10,260,000	52,801,408	48,419,980
Dutch Suppliers Loan-Addendum	Dutch Guilders	734,412	3,779,530	3,465,954
			58,278,920	53,443,019
Less: Current maturity (Note 6)			18,779,530	13,465,955
			39,499,390	39,977,064

### 3.1 Loans referred to in Note 3 above are secured against:

- a first charge by way of equitable mortgage (with option to convert the same into a legal mortgage whenever required by PICIC) on the Company's immovable properties wherever situated by deposit of title deed with PICIC;
- a letter of hypothecation of all plant and machinery;
- a first floating charge on all other undertakings, goodwill and assets;
- an irrevocable power of attorney in favour of PICIC with full powers among others to sell all assets of the Company;
- personal guarantee of the directors of the Company.

- 3.2 The entire loan shall be represented and evidenced by PICIC debentures. The trust deed amongst other shall:
- ... provide that all debentures representing the loan shall rank pari passu in point of security;
  - ... provide that 20 per cent of the debentures shall be convertible into shares in the Company at the option of PICIC.
- 3.3 Loan No. NI.BK/1 carries interest at the annual rate of 9 per cent and is repayable in twenty-four semi-annual instalments commencing from July 1, 1972.
- 3.4 Loan No. AL.BK/1 carries interest at the annual rate of 8 per cent and is repayable in twenty semi-annual instalments commencing from May 15, 1972.
- 3.5 The Dutch Suppliers loan-addendum represents the additional liability on account of price increase and is payable in cash to PICIC in seven equal half yearly instalments commencing from July 1, 1975 and bears interest at the annual rate of 7 per cent.
- 3.6 PICIC has agreed to reschedule the repayment of overdue instalments of the loans in half yearly instalments commencing from December 31, 1977.
- 3.7 The Dutch Guilders have been converted into Pak Rupee at the rate of Dfl 19.4313 = Pak Rupees 100.
- 3.8 According to Ministry of Finance letter No. 6(1)CM.111/69 dated August 10, 1974, the amount of this additional claim is no longer payable to Dutch Suppliers as Royal Government of Netherland accorded debt relief to Government of Pakistan for this amount. Since the additional claim is now not to be remitted to Dutch Suppliers in foreign exchange, the Company made representation to Ministry of Finance, Economic Affairs Division firstly for passing this lawful relief to the Company. Secondly, since no foreign excahnge is to be remitted by PICIC on this account the amount should be recovered equivalent rupee as due on the date of debt relief.
- 3.9 The Company has filed the suit against PICIC claiming that originally sanctioned loan was for Rupees 14 million which was increased to Rupees 15.180 million. The Company and its counsels are of view that amounts were expressed in terms of Pak Rupee at the time of sanction of these loans. The agreement with PICIC contains no clause or provision to alter this basic position as such all exchange rate risk will be borne by PICIC. If these cases are adjudicated in favour of the Company, the above liability will disappear and such amount will be refundable by PICIC to the Company as may be found due after rendition of accounts through the High Court of Sind in the above suit.



	1979 Rupees	1978 Rupees
<b>4. DEBENTURES</b>		
As at October 1,	6,000,000	8,000,000
LESS: Redeemed during the year	2,000,000	2,000,000
Current maturity (Note 6)	2,000,000	2,000,000
	4,000,000	4,000,000
	2,000,000	4,000,000

- 4.1 The debentures are registered and secured by way of mortgage of land, buildings and machinery ranking pari passu with mortgage in favour of PICIC and ICP.
- 4.2 These are repayable in ten equal half yearly instalments commencing after the expiry of two years from the date of allotment, the first instalment being payable on January 1, 1977 and carry interest at 4 per cent per annum above the bank rate, which is payable bi-annually on the first day of January and July.

	1979 Rupees	1978 Rupees
<b>5. BORROWING FROM BANKS</b>		
Secured:		
i) United Bank Limited-Cash credit	4,969,130	2,450,945
ii) Muslim Commercial Bank Limited	1,040,796	—
iii) Muslim Commercial Bank Limited	7,373,645	7,838,109
	13,383,571	10,289,054
Unsecured:		
iv) Habib Bank Limited	—	4,485
v) National Bank of Pakistan	1,660	1,660
	1,660	6,145
	13,385,231	10,295,199



5.1 The above referred borrowings i), ii) and iii) are secured by way of hypothecation of stores, stocks of sugar, second charge on fixed assets and personal guarantee of all the directors. The total credit facility is of Rupees 13 million.

	1979 Rupees	1978 Rupees
<b>6. CURRENT MATURITY OF LONG TERM DEBTS</b>		
Long term loans		
Overdue instalments	8,779,530	3,465,955
Instalments due within one year	10,000,000	10,000,000
	<u>18,779,530</u>	<u>13,465,955</u>
Debentures		
Instalments due within one year	2,000,000	2,000,000
	<u>20,779,530</u>	<u>15,465,955</u>
<b>7. CREDITORS AND ACCRUED EXPENSES</b>		
Creditors	3,574,777	626,276
Advances from customers	2,751,430	2,802,825
Due to associated companies (Note 7.1)	1,708,232	2,689,325
Miscellaneous accrued expenses	549,827	641,210
Interest on secured loans	39,729,651	34,616,431
Excise duty	1,058,222	2,771,757
Others	149,845	203,653
	<u>49,521,984</u>	<u>44,351,477</u>
<b>7.1 Due to Associated Companies</b>		
Crescent Textile Mills Limited	1,169,028	1,951,097
Crescent Jute Products Limited	—	41,693
M.A.M.B. Limited	34,287	34,287
Jubilee Spinning and Weaving Mills Limited	13,000	13,000
Crescent Sugar Mills and Distillery Limited	491,917	649,248
	<u>1,708,232</u>	<u>2,689,325</u>



7.2 The liabilities referred to in Note 7 above may be reclassified as follows:

	1979 Rupees	1978 Rupees
For goods	6,326,207	3,429,101
For expenses	41,487,545	38,233,051
For other finance	1,708,232	2,689,325
	<u>49,521,984</u>	<u>44,351,477</u>

## 8. OPERATING ASSETS

Description	C O S T				Rate %	Accumulated depreciation as at September 30, 1979	Book value as at September 30, 1979	Re-assessed value as at September 30, 1979
	As at October 1, 1978	Additions	Deletions	As at September 30, 1979				
Land	920,983	—	—	920,983	—	—	920,983	3,750,000
Buildings and roads	8,788,881	944,586	—	9,733,467	5-10	2,863,038	6,850,429	14,155,000
Plant and machinery	115,657,212	5,358,413	—	121,015,625	10	19,529,613	101,486,012	133,566,833
Laboratory equipments	163,104	—	—	163,104	10	65,821	97,283	97,283
Tubewell and water pumps	249,044	31,813	—	280,857	10	97,897	182,960	182,960
Electric installations	394,800	73,365	—	468,165	10	143,720	324,445	324,445
Weighbridges & scales	488,945	—	—	488,945	10	165,050	323,895	323,895
Furniture & fixtures	418,638	97,238	—	515,876	10	139,340	376,536	376,536
Office equipments	154,613	25,750	—	180,363	10	51,929	128,434	128,434
Vehicles	750,822	238,828	—	989,650	20	427,406	562,244	562,244
Guns	9,578	—	—	9,578	10	3,890	5,688	5,688
Library books	28,323	38,167	—	66,490	30	29,524	36,966	36,966
Tools and equipments	29,183	51,112	—	80,295	10	10,656	69,639	69,639
Telephone equipments	10,266	607	—	10,873	10	3,208	7,665	7,665
1979 Rupees	128,064,392	6,859,879	—	134,924,271		23,551,092	111,373,179	153,587,588
1978 Rupees	117,604,288	10,557,419	97,315	128,064,392		19,406,701	108,657,691	—

- 8.1 In order to evaluate fixed assets of the Company and to ensure that the value of fixed assets is realistic, a firm of valuation consultant was appointed by the management. The consultant appraised the value of fixed assets of the Company as referred to in Note 8.

## 9. CAPITAL WORK-IN-PROGRESS

This represents the cost of stores issued for construction work.

	1979 Rupees	1978 Rupees
<b>10. STORES AND SPARES</b>		
Stores	3,488,156	3,231,269
Spares	6,016,273	4,069,912
	<u>9,504,429</u>	<u>7,301,181</u>
<b>11. STOCKS</b>		
Sugar	3,317,191	5,619,308
Molasses	—	1,457,385
Work-in-process	723,723	48,737
Other stock	92,084	414,822
	<u>4,132,998</u>	<u>7,540,252</u>
<b>12. TRADE DEBTORS</b>		

These are unsecured but considered good.

## 13. OTHER RECEIVABLES

These comprise of:

Advances:

Suppliers	1,290,212	1,001,953
Employees	166,732	98,074
Transport contractors	17,651	18,581
Letters of credit	420,181	1,238,206
Advance income tax	—	505,093
Due by associated companies (Note 13.1)	1,785,069	—
Security deposits	80,626	74,196
Claims (Note 13.2)	205,262	118,937
Prepayments	16,349	9,931
	<u>3,982,082</u>	<u>3,064,971</u>
Less: Provision for doubtful	120,000	120,000
	<u>3,862,082</u>	<u>2,944,971</u>



	1979 Rupees	1978 Rupees
<b>13.1 DUE BY ASSOCIATED COMPANIES</b>		
Crescent Jute Products Limited	1,782,550	—
Ujala Cotton Mills Limited	2,519	—
	<u>1,785,069</u>	<u>—</u>
<b>13.2</b> Claims include a sum of Rupees 80,741 due from an ex-employee for which the case has been filed in a court of law.		
<b>13.3</b> The maximum debit balances outstanding at any time during the year in respect of the following are as follows:		
	1979 Rupees	1978 Rupees
Associated companies	2,155,122	5,012,073
Directors	203,142	31,023
Officers	28,349	6,076
<b>14. CASH AND BANK BALANCES</b>		
Cash in hand	28,741	15,662
Cash in transit	320,000	—
With banks - On current accounts	587,398	783,351
	<u>936,139</u>	<u>799,013</u>
<b>15. SALES</b>		
Sugar	42,085,648	142,659,270
Molasses	3,658,684	758,193
	<u>45,744,332</u>	<u>143,417,463</u>
<b>16. COST OF SALES</b>		
Cane procurement	18,596,510	56,736,359
Salaries, wages and other benefits	2,529,927	3,311,300
Store consumed	1,266,088	2,974,578
Power and fuel	1,251,013	1,244,833
Other manufacturing expenses	1,913,863	1,803,458
Excise duty	12,495,600	31,275,450
Depreciation	3,738,187	5,248,772
	<u>41,791,188</u>	<u>102,594,750</u>
(Increase)/decrease in:		
Work in process (Note 16.1)	(674,986)	243,668
Finished goods (Note 16.2)	3,759,502	19,582,027
	<u>3,084,516</u>	<u>19,825,695</u>
	<u>44,875,704</u>	<u>122,420,445</u>



	1979 Rupees	1978 Rupees
<b>16.1 Work in process inventory</b>		
As at October 1,	48,737	292,405
As at September 30,	723,723	48,737
	<u>674,986</u>	<u>243,668</u>
<b>16.2 Finished Goods Inventory</b>		
As at October 1,	7,076,693	26,658,720
As at September 30,	3,317,191	7,076,693
	<u>3,759,502</u>	<u>19,582,027</u>
<b>17. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and other benefits	771,074	958,106
Travelling and conveyance	92,019	49,377
Printing and stationery	123,210	66,992
Postage, telephone and telegrams	148,553	91,142
Vehicles running	238,747	209,574
Legal and professional	24,050	35,657
Auditors' remuneration:		
Audit fee	15,000	15,000
Consultancy charges	—	15,000
Out of pocket expenses	5,342	1,585
	<u>20,342</u>	<u>31,585</u>
Repair and maintenance	62,620	76,444
Uniforms and liveries	4,074	8,339
Entertainment	25,873	35,602
Subscriptions and donations	225,062	33,900
Advertisement	2,420	2,860
Miscellaneous	30,282	23,963
Depreciation	406,204	221,992
	<u>2,174,530</u>	<u>1,845,533</u>
<b>18. SELLING AND DISTRIBUTION EXPENSES</b>		
Loading and unloading	14,610	52,858
Insurance	33,298	127,390
Carriage outward	—	3,391
Stacking	29,775	89,619
Miscellaneous	386	7,161
	<u>78,069</u>	<u>280,419</u>



	1979 Rupees	1978 Rupees
<b>19. FINANCIAL EXPENSES</b>		
Interest on:		
Bank overdrafts and cash credit	1,566,922	980,467
Bridge finance	812,087	850,000
Debentures	700,000	981,953
Long term loans	7,685,769	7,403,705
Associated Companies	361,987	457,622
Bank charges	20,953	30,690
	<u>11,147,718</u>	<u>10,704,437</u>

**20. OTHER INCOME**

Sale of scrap	152,593	74,210
Commission on fertilizer	60,950	—
Profit on sale of fixed assets	—	6,201
Credit balances written back	137,192	—
Profit on sale of stores	3,238	—
Miscellaneous	34,273	47,777
	<u>328,246</u>	<u>128,188</u>

**21. TRANSACTIONS WITH ASSOCIATED COMPANIES**

Aggregate amounts of purchases from and sales to associated companies were as under:

	1979 Rupees	1978 Rupees
Purchases	555,556	483,441
Sales	23,935	—



## 22. PAYMENTS TO DIRECTORS AND OFFICERS

	1979		1978	
	Directors	Officers	Directors	Officers
Fees	—	—	400	—
Managerial remuneration	127,700	231,694	185,000	207,400
Housing	13,100	51,915	20,000	28,466
Company's contribution to provident fund	—	10,925	—	8,955
Group insurance	—	1,770	—	345
Other benefits	13,363	14,428	15,000	63,069
Reimbursable expenses	49,620	19,518	13,088	8,990

## 23. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity Metric Tons	Actual Production	
		1979 Metric Tons	1978 Metric Tons
Sugarcane crushing per 22 hours	1,500.00	107,106.07	319,960.40
Sugar production	23,167.00	9,267.30	27,620.00

### 23.1 Reasons for Low Production

The under utilisation of capacity was mainly due to short supply of sugarcane during the year under reference.

## 24. GENERAL

Dividend @ 12.5 per cent as mentioned in the prospectus issued on May 21, 1979 could not be declared due to accumulated losses. However, the board of directors has resolved to pay this dividend out of subsequent years' profits to the shareholders of the Company except the sponsors who have waived their right to receive the dividend.

## 25. FIGURES

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



# AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the annexed balance sheet as at September 30, 1979 and the annexed profit and loss account and statement of changes in financial position together with the notes to the accounts for the year ended September 30, 1979 of Shakarganj Mills Limited and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Act, 1913;
- (b) in our opinion, the balance sheet and Profit and loss account have been drawn up:
  - i) in conformity with the Companies Act, 1913; and
  - ii) in accordance with the requirements of the Second Schedule to the Securities and Exchange Rules 1971; and
- (c) in our opinion and to the best of our information and according to the explanations given to us:
  - i) the balance sheet and the profit and loss account and the statement of changes in financial position, which are in agreement with the books of account, exhibit respectively a true and correct view of the state of Company's affairs as at September 30, 1979 and of the loss and the changes in the financial position for the year ended on that date; and
  - ii) the expenditure incurred was for the purpose of the Company's business.

Lahore: February 9, 1982.

Riaz Ahmad & Co.  
CHARTERED ACCOUNTANTS



# Shakarganj Mills Limited



Please quote Folio No.

Please quote  
Number of shares held

## FORM OF PROXY

I, \_\_\_\_\_  
of \_\_\_\_\_ being a member of  
SHAKARGANJ MILLS LIMITED and entitled to vote hereby appoint  
\_\_\_\_\_ as my proxy in my absence to attend and vote for  
me and on my behalf at the \_\_\_\_\_ Annual General Meeting of the Company  
to be held on \_\_\_\_\_ at \_\_\_\_\_  
and at any adjournment thereof \_\_\_\_\_  
As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 1982  
signed by the said \_\_\_\_\_ in the presence  
of \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

Affix Forty Paisa  
Revenue Stamp which  
must be cancelled  
either by signature  
over it or by some  
other means

Note: The proxy should be deposited at the Registered Office of the Company  
not later than 72 hours before the time of holding the Meeting.