

**Shakarganj
Mills Limited**
ANNUAL REPORT
1985



THE FINEST SWEETENER KNOWN TO MAN.

PRODUCTION RECORD

1974 - 1985

Season	Cane Crushed (M. Ton)	Sugar Produced (M. Tons)	Recovery (Percent)	Process Losses (Percent)
1984-85	441,717.765	39,522.600	8.96	2.38
1983-84	427,169.490	35,501.200	8.31	2.40
1982-83	361,291.485	29,440.000	8.16	2.44
1981-82	466,040.000	39,474.000	8.47	2.48
1980-81	287,723.000	25,562.000	8.89	2.42
1979-80	61,206.625	5,619.300	8.95	2.25
1978-79	107,106.070	9,267.300	8.80	2.27
1977-78	319,960.400	27,620.000	8.61	2.44
1976-77	308,987.443	26,085.600	8.45	2.67
1975-76	246,393.593	18,864.880	7.61	2.68
1974-75	104,069.161	8,525.618	8.30	2.75
1973-74	87,824.720	5,476.830	6.28	3.57



Board of Directors

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

Auditors

Riaz Ahmad & Company
Chartered Accountants

Management

Mr. Altaf M. Saleem,
Chief Executive Officer
Mr. Mohammad Awais Qureshi,
Executive Vice President
Mr. Abdul Haq Saeed,
Vice President (Agriculture)
Mr. Hilal Ahmed,
Vice President (Finance & Control)
Mr. Mohammad Zahid,
Vice President (Plant Operation)
Mr. M. Shahzaman Syed,
Vice President (Management Services)

Corporate Secretary

Mr. Zaheer A. Shaikh

Legal Advisors

Hassan & Hassan,
Advocates

Registered Office

45, Shahrah-e-Quaid-e-Azam,
Lahore-3.

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the shareholders of SHAKARGANJ MILLS LIMITED, will be held at Company's Registered Office, 45-Shahrah-e-Quaid-e-Azam, Lahore on Monday March 31, 1986 at 3.00 P.M. to transact the following business : —

AGENDA

- ... To confirm the minutes of Extraordinary General Meeting held on November 6, 1985.
- ... To receive and adopt the Directors' and Auditors' Reports and Accounts for the year ended September 30, 1985.
- ... To declare a Dividend.
The Directors have recommended the payment of Cash Dividend at the rate of 27% (Rupees 2.75 per share).
- ... To appoint Auditors for the year 1985-86 and fix their remuneration.
- ... 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 less than 48 hours before the time for holding the Meeting.

BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from March 16, 1986 to March 31, 1986 (both days inclusive).

HIGHLIGHTS

- Earnings were Rs. 7.21 per share.
- Return on average equity up to 30.40 percent from 21.42 percent in 1984.
- Shareholders equity was up 24.73 percent to Rs. 89.87 million compared to Rs. 72.05 million at the end of 1984.
- Additions to Property, Plant and Equipment to the tune of Rs. 58.75 million.

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Shakarganj Mills Limited

FROM THE BOARD ROOM

Dear Shakarganj Investor :

Your Directors are pleased to present the Seventeenth Annual Report along with detailed notes for the year ended 30th September, 1985.

Your company's operations for the year resulted in a net profit of Rs. 28.82 million as against Rs. 12.93 million in 1984. After charging Rs. 19.15 million for Depreciation and Rs. 13.68 million for Interest on Loans and Advances profit available for appropriation comes to Rs. 28.87 million. Your Directors recommend appropriation of profit as follows :


	Rupees in Thousand
Profit available for Appropriation	28 870
Proposed Dividend @ 27½%	11 000
Dividend Equalization Reserve	10 000
Transfer to General Reserve	7 500
Un-appropriated Profit c/f	370

Financial condition of the company and future prospects are discussed in detail in the Management Review of Operation and Analysis of Financial Position which form part of this report.

The retiring Auditors, M/S Riaz Ahmad & 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 1985 a successful year for Shakarganj Mills Limited.

For and on Behalf of the Board.


Altaf M. Saieem

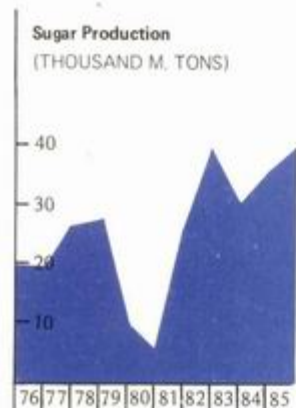
Chief Executive

February 20, 1986.

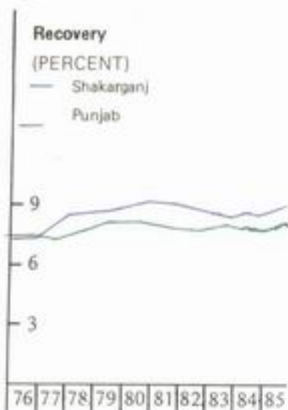
Management Review

Dear Shakarganj Investor :

By the grace of Allah, your company achieved in 1985 the highest level of sugar production of any year in its history. Sugar production for the year increased to 39,522 M. Tons from 35,501 M. Tons in 1984.



Recovery of sugar was 8.96 percent up from 8.31 percent last year. Process losses were further reduced to 2.38 percent, being the lowest in company's 12 years of operation.



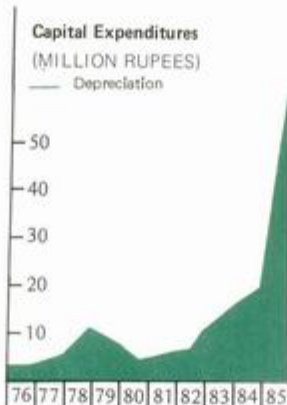
The numbers tell part of our story. By the end of fiscal 1985, we had recorded net income of Rs. 28.82 million, had increased our net worth from Rs. 72.05 million to Rs. 89.87 million and return on average equity increased from 21.42 percent to 30.40 percent.

Discussion and Analysis of Financial Condition

Shakarganj's sound financial condition contributed largely to the company's outstanding performance in 1985. It provided opportunity to fund :

- .. Record capital expenditures.
- .. Dividend payment of Rs. 11 million to our stockholders.
- .. Working capital level necessary to support sales exceeding Rs. 270 million inspite of credit squeeze by the commercial banks.

Capital expenditures in 1985 were Rs. 58.7 million primarily for more cost efficient facilities and equipment dedicated to improving quality, reducing cost and increasing productivity. In 1986, Shakarganj has planned capital expenditures of approximately Rs. 30 million.



Total debt increased by 17.65 percent in 1985 to Rs. 46.4 million at the year end. However, company's total debt at September 30, 1985 represented only 34.02 percent of stockholders equity. Debt at the end of fiscal 1984 stood at 35.35 percent of stockholders equity. For fiscal 1985, 38.16 percent of net income has been set aside by the Directors to be paid as cash dividend to the stockholders. The total amount comes to Rs. 11 million and this is for the fifth consecutive year that the company has paid dividend.

Stockholders Equity

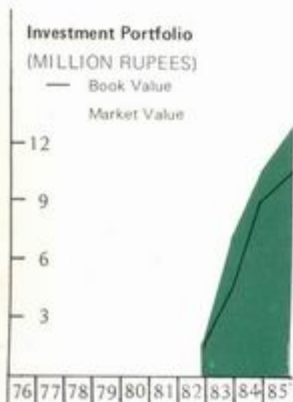
Stockholders equity increased to Rs. 89.9 million at the end of Fiscal 1985 from Rs. 72.1 million a year ago. The return on average stockholders equity increased to 30.40 percent from 21.42 percent in 1984. Stockholders equity per share was 22.47 on September 30, 1985 an increase of 16.97 percent over last year.

Composition of Assets and Return

We are following a policy of maintaining a balanced composition of assets and ensuring appropriate level of return to our shareholders. In 1985, our total assets were Rs. 305.1 million compared to Rs. 250.3 million in 1984. In spite of high levels of capital investment, available cash and liquid financial resources showed an improvement. Our working capital position which was Rs. (31.2) million in 1984 improved to Rs. (24.6) million at the end of fiscal 1985 and was in line with our operations. We are aiming an improvement in these and other financial indexes through diversification, improved operational efficiency and best use of assets.

Investment Portfolio

We continued to follow the policy of building a balanced investment portfolio by selective investment in areas of strong profit potential. This will make your company stronger and capable of absorbing any shocks that could be experienced as a result of fluctuation in sugarcane availability due to unfavourable weather condition or other unforeseen circumstances.



In fiscal 1985 growth of investment portfolio in terms of book value was to the extent of 19.10 percent. Our investment portfolio increased to Rs. 10.55 million in 1985 from Rs. 8.86 million at the end of last fiscal. Increase in terms of market value was 6.72 percent. At the year end, the market value of investment portfolio was Rs. 12.7 million.

Contribution to Economy

In addition to productivity and profitability the performance of your company can be evaluated on the basis of its contribution to economy. In fiscal 1985, value added to materials and services of Rs. 117.5 million came to Rs. 154.8 million up from Rs. 140.8 million in 1984. Contribution of your

company towards Federal, Provincial and Local taxes alone exceeded Rs. 77 million or 49.9 percent of value added. Moreover, Rs. 14.67 million went to the employees and Rs. 13.68 million to Banks and Financial Institutions.

Value Added Statement	
Value of Production	270.87
Other Receipts	1.43
	272.30
Less : Materials and Services	117.50
Value Added :	154.80
Applied as Follows :	
To employees	14.67
To Government (Taxes)	77.28
To Financing	13.68
To Shareholders	11.00
To replacement of assets (Depreciation)	19.15
To Social, Public benefits	1.20
Retained earning	17.82
Value Added :	154.80

Area of Concern

The serious problem of Purchasing Centres which is confined to the province of Punjab is eroding the profit of the Sugar Industry of this province for several years. The Punjab Sugar Industry has brought it to the attention of concerned authorities on a number of occasions but so far no corrective action has been taken. We are made to incur heavy extra expenditures on the sugarcane purchase at the Purchasing Centres and are being unnecessarily penalised. During fiscal 1985

our supplies at Purchasing Centres increased to 51.91 percent from 43.15 percent in 1984. This resulted in extra expenditure of Rs. 6.8 million.

Break-Up of Sugarcane Supplies as percentage of total.

Year	Factory Gate	Purchasing Centres
1980-81	60.42	39.58
1981-82	50.96	49.04
1982-83	57.17	42.83
1983-84	56.85	43.15
1984-85	48.09	51.91

We alongwith many other Sugar Mills of Punjab moved a case in Lahore High Court in this connection and the Court directed the Food Department of Government of the Punjab to look into this matter and fix reasonable price of sugarcane for the Purchasing Centres. Subsequently, we had several meetings with the concerned authorities and a reasonable price was also agreed. We were assured that new price will be effective for 1984-85 campaign but so far Notification to this effect has not been issued. We again moved the Honourable Lahore High Court for redress. The Court directed the Punjab Government to decide this issue latest by September 07, 1985, but so far no action has been taken.

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

Purchase price of sugarcane for Purchasing Centres at a distance of 10 miles from the Mills is Rs. 8.70 per maund as against Rs. 9.00 per maund for sugarcane supplied at Factory Gate. A further deduction of Paisas 3 per maund per mile subject to a maximum of 75 paisas for Purchasing Centres at a distance of 25 miles is allowed by the Government. This means that minimum price for sugarcane purchased at Purchasing Centres at a distance of 25 miles or more from the Factory Gate is Rs. 8.25 per maund.

Once sugarcane is purchased at the Purchasing Centres, Mills are responsible for transportation charges and other expenses like octroi, loading charges, shortage and miscellaneous expenses.

Purchasing Centre Expenses (Per Maund)	
Transportation	Re. 1.33
Less : Recovered	0.64
Subsidized by Mills	0.69
Octroi Duty	0.11
Loading	0.17
Miscellaneous	0.20
(Depreciation on Weighbridges, Tents, Furniture & Salary of Staff)	
Shortage etc.	0.12
Total :	Re. 1.29

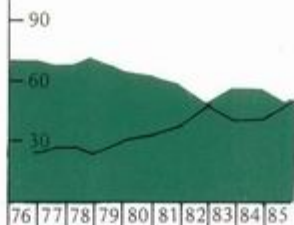
The problem of Purchasing Centres which is peculiar to the Mills of the Punjab only, is becoming more serious with the ever increasing price of fuel and lubricants.

Percentage of sugarcane being supplied at Factory Gate is decreasing year after year and more sugarcane is delivered at the Purchasing Centres. Factory Gate supplies constituted 72 percent of the total supplies in our case in 1977-78. In Fiscal 1985, only 48.09 percent of sugarcane was delivered at the Factory Gate while the other 51.91 percent was delivered at Purchasing Centres

Sugarcane Supplies

(PERCENTAGE)

— Factory Gate
— Purchasing Centre



This problem has become even more serious after the Government decision regarding sharing of profit, with the farmers, earned by the Sugar Mills on account of higher sucrose content. The sugarcane purchased at the Purchasing Centres has lower recovery of sugar as compared to the sugarcane supplied directly at the Factory Gate because the latter is atleast 36 hours fresh than the sugarcane transported from the Purchasing Centres not only brings loss to the factory, but at the same time adversely affects the right of sharing of profit on account of higher sucrose content of the farmers supplying fresh sugarcane at the factory gate.

It has been observed over a number of years that practice of Purchasing Centres has encouraged concentration of sugarcane plantation away from the Mills rather than nearer to the Factory because the growers supplying sugarcane at the Purchasing Centres get a better return as compared to those supplying at the Factory Gate inspite of their sugarcane being of lower quality.

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

The practice of Purchasing Centres is a national loss because due to double handling and delay in transportation of sugarcane to the Factory Gate, substantial loss of sucrose content takes place due to inversion and a lot of sugar is lost in this process which can otherwise be bagged.

Campaign 1985-86

Before giving my review of 1985-86 campaign, I would like to quote from my review which was issued with Semi-Annual Report issued on May 16, 1985 :

"There was a serious shortage of water at the time of Spring Sowing and this has resulted in atleast 25 percent decrease in sowing of sugarcane. I would, therefore, like to caution the shareholders that a shortage of raw material in 1985-86 campaign is very much likely."

Sugarcane crop remained under extreme stress due to serious water shortage on account of load-shedding throughout the growing season and especially during the hot summer months. This resulted in further decrease in yield further reducing overall availability of sugarcane during 1985-86 campaign.

The crushing campaign started on October 30, 1985 and ended on February 20, 1986. It was only during the first two months of operation that enough sugarcane was available to the factory for round the clock operation. During the later period the factory was run intermittently which reduced operational efficiency. By the first week of January the price of gur touched Rs. 160 per maund mark resulting in a gross return of Rs. 16 per maund of sugarcane to the farmers who converted their crop into gur. The gross return from supplies of sugarcane to the sugar mills at the support price of Rs. 9 per maund came to Rs. 90 only. This diverted a large portion of our supplies towards gur starving us of our share of raw material.

Most of the mills in Punjab were hit by this situation and total production of sugar in the Punjab for 1985-86 is estimated at 360,000 M. Tons compared to 652,892 M. Tons in 1984-85. Our total production in 1985-86 is 20,625 M. Tons compared to 39,523 M. Tons in 1984-85. Sugar recovery was also down to 8.66 percent in 1985-86 campaign from 8.96 percent last year mainly due to short crop and intermittent crushing.

Research and Development

We are working in a systematic manner to transfer the technology of sugarcane farming to progressive farmers of our areas by total supervision of their crop, from land preparation to harvesting, under our Supervised Plantation Programme.

Shakarganj Sugar Research Institute has been set up for scientific research on sugarcane. This Institute is the first of its kind in the private sector in Pakistan.

Future Outlook

We look forward to the future with confidence and expect that investment made in balancing and modernization will bring substantially higher profit for the investors in Shakarganj. As reported earlier our balancing and modernization plan which was to be implemented over a period of two years is progressing ahead of schedule and we estimate that 80 percent work will be completed by November, 1986.

Although the price of sugarcane has been increased by the Government but availability of sugarcane largely depends on market price of gur and availability of water at proper time to the crop.

Distillery Project

The Distillery Project is in advanced stages of erection and trial production will be completed within fiscal 1986. This plant will Insha Allah run on commercial scale during 1986-87 campaign. There was slight delay in the implementation schedule mainly because of late supply of locally fabricated equipment by a State Enterprise company.

In Appreciation

This review will be incomplete without giving recognition to the hardwork and loyalty to our employees. We are grateful to our customers and especially to our growers who are back bone of our business. We also want to express our appreciation for the continued interest and support of our shareholders.



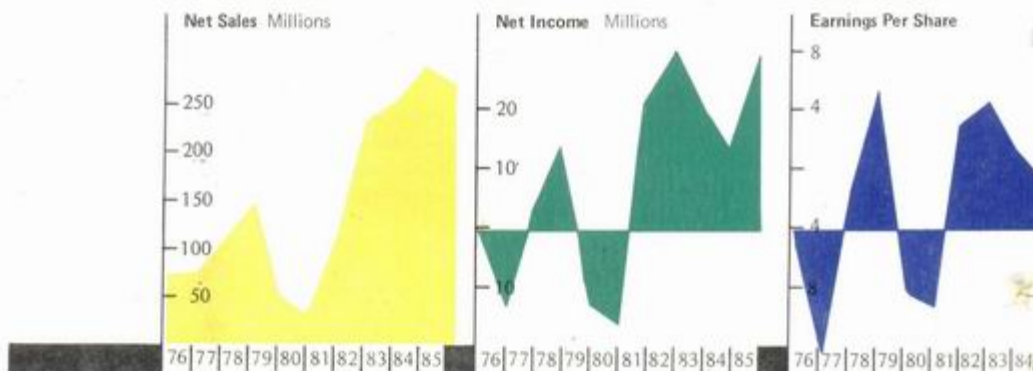
Mazhar Karim
Chairman



Altaf M. Saleem
Chief Executive Officer

(Rupees in thousands,
except per share amounts)

	1985	1984	1983
Net sales	270,870	287,511	251,160
Cost of sales	211,172	240,049	203,074
Selling, general and administrative expenses	11,390	6,493	5,150
Interest expense	13,683	8,151	6,217
Other charges	3,931	3,525	2,216
Other income, net	1,427	1,740	3,767
Income taxes	3,300	18,100	18,000
Net Income	28,821	12,933	20,270
Earnings per share	7.21	3.45	5.41
Cash dividends per share	2.75	1.50	3.00
Stock dividends paid	—	1:15	—
Net income as a percent of net sales	11.86%	10.79%	15.24%
Return on average assets	12.32%	13.39%	16.12%
Return on average equity	30.40%	21.42%	59.11%
Break-up value per share	22.47	19.21	17.26
Current assets	102,835	71,677	95,895
Current liabilities	127,430	102,874	109,537
Working capital	(24,595)	(31,197)	(13,642)
Ratio of current assets to current liabilities	1.24	1.44	1.14
Plant & equipment, net	177,694	139,999	157,246
Total assets	305,143	250,261	268,289
Long-term debt	46,350	39,396	44,461
Shareholders' equity	89,870	72,049	64,741
Debt to debt-equity percent	34.02%	35.35%	40.71%
Depreciation	19,150	11,405	6,941
Capital expenditures	58,753	18,955	15,724



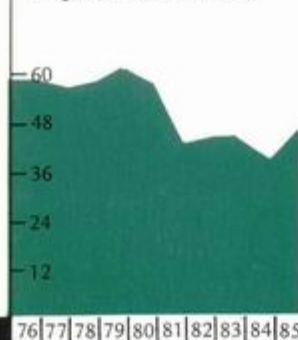
Shakarganj Mills Limited

1982	1981	1980	1979	1978	1977	1976
231,783	117,942	28,651	45,744	143,417	106,610	71,332
170,297	83,314	30,861	44,875	122,420	91,061	70,442
5,241	2,704	2,159	2,252	2,246	1,693	1,165
7,884	9,642	11,188	11,148	10,704	10,961	11,700
4,883	1,147	—	—	409	160	110
1,815	519	221	388	6,221	306	24
15,000	—	—	—	—	—	—
30,293	21,654	(15,336)	(12,143)	13,859	3,041	(12,361)
8.66	7.22	(5.11)	(4.05)	9.24	2.03	(8.24)
4.00	1.25	—	1.25	—	—	—
—	—	—	—	—	—	—
19.54%	18.36%	(53.52)%	(26.55)%	9.66%	2.85%	(17.33)%
18.61%	13.43%	(3.93)%	(1.71)%	12.77%	8.55%	(1.73)%
85.10%	70.02%	(104.58)%	(40.48)%	136.95%	(81.33)%	(182.31)%
15.21	10.31	4.89	10	6.75	(2.49)	(4.52)
124,492	75,557	16,715	18,464	18,893	34,995	27,088
148,320	148,511	107,077	83,687	79,027	101,415	108,263
(23,828)	(72,954)	(90,362)	(65,223)	(60,128)	(66,420)	(81,175)
1.19	1.97	6.41	4.53	4.18	2.90	4.00
150,886	147,584	152,280	153,588	108,658	103,501	103,783
281,452	223,376	169,018	172,176	133,118	138,788	131,165
44,968	43,089	59,221	62,279	59,443	57,571	59,483
53,221	30,928	14,664	30,000	10,120	(3,739)	(6,780)
45.80%	58.21%	80.15%	67.48%	85.45%	106.95%	112.86%
7,344	6,100	4,090	4,144	5,471	5,386	5,040
10,848	1,621	2,859	6,860	10,557	5,137	4,552

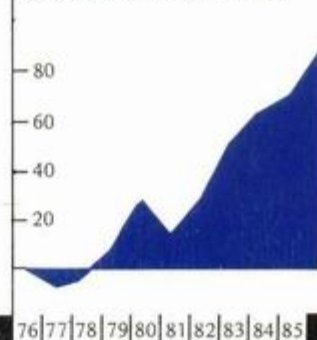
Total Assets Millions



Long-Term Debt Millions



Shareholders' Equity Millions





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

PRINCIPAL FUNCTIONS

- .. Sugarcane breeding to evolve fertilizer-responsive, diseases 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 pest 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 :

We have successfully raised two original seedling crops; one transplanted in September, 1984 and the other in March, 1985 from the true seed of 34 biparental and 20 polycrosses. The hybrid seed was received from the Sugarcane Breeding Institute, Sao Paulo. Some of the important agronomic characteristics like the growth pattern, tillering capacity, height and thickness of the canes and a few economic characteristics like disease responses under natural conditions, yield potential and maturity of the canes were carefully observed. In mid October Brix readings were recorded and those giving higher values than BL4 used as check alongwith equivalent or better agronomic performance were selected for progeny testing.

A total of 750 stools were selected and planted in progeny rows as the first generation crop from the original seedlings. Out of these, 34 stools gave brix readings in the range of 18-21% as against 15% of the BL4 in mid October. About a dozen stools of high brix reading appeared good competitors to BL4 for no of millable canes, thickness and height. Detailed field observations like rate of emergence, early growth pattern and winter tolerance remained under study. The screening for field characteristics, adaptability, maturity, sugar contents and yield potentials will remain under study during crop season of 1985-86.

It was an exciting experiment and a challenge to run it on optimum requirements for temperature, light and humidity. We succeeded to control temperature, but light intensity during noon in the chamber remained below the optimum level. This has adversely affected the photo induction treatment thus delayed the flowering which was expected in November.

The problem of maintaining proper level of nutrition and salt balance in the pots for growing plants was also experienced. It gave excellent growth but C/N ration remained disturbed. However, all possible measures are being taken to make it a success. The plants on trolleys are still handled although photo treatment was completed in mid September.

A new crop of parental lines was planted in September, 1985 for the experiment during 1986-87 crop season with better care and other arrangements for successful photo induction.

It has been decided to add soil chemistry and agronomy sections to the existing sugarcane breeding programme before September, 1986. It will involve two fold objectives, firstly the present experiments of breeding aspects are brought on more scientific lines to efficiently work out the agronomic requirements of the newly developed strains. Secondly the advisory services are rendered to the sugarcane growers of the area.

Sincerely,

Dr. S. A. Qureshi,
Director General.

FLOW OF FUNDS ANALYSIS

Development of net current
position in Million of Rupees :

	Sep. 30, 1983.	Change.	Sep. 30, 1984.	Change.	Sep. 30, 1985.
Liquid Assets	91.57	- 22.00	69.57	+ 27.52	97.09
Short-term receivable	4.32	- 2.22	2.10	+ 3.64	5.74
Short-term liabilities and provision	- 109.54	+ 6.67	- 102.87	- 24.56	- 127.43
	- 13.65	- 17.55	- 31.20	6.60	- 24.60
Factors affecting the change in the next current position					
Source of Funds :					
Net income for the year			+ 12.93		+ 28.82
Depreciation			+ 11.41		+ 19.15
Deferred Taxation			+ 2.50		- 1.50
Gain on sale of investment			-		- 0.15
Profit on sale of Fixed Assets			- 0.09		+ 0.21
Internal Financing			+ 26.75		+ 46.53
Proceeds of Fixed Assets			+ 0.84		+ 1.69
Custom Debentures			-		+ 1.22
Investment			-		+ 1.18
Long-Term loans			+ 26.34		+ 28.14
Source of Funds - Total :			+ 53.93		+ 78.76
Application of Funds :					
Addition to Fixed Assets			- 37.96		- 41.76
Addition to Investment			- 4.43		- 2.72
Long-term loans & deposits			- 0.01		+ 0.06
Custom Debentures			-		- 0.05
Loan repaid			- 23.46		- 16.69
Dividend paid			- 5.62		- 11.00
Application of Funds - Total :			- 71.48		- 72.16
Change in the net position			- 17.55		+ 6.60



AUDITORS' REPORT TO THE MEMBERS

We have audited the balance sheet of SHAKARGANJ MILLS LIMITED as at 30 September 1985 and the related profit and loss account and statement of changes in financial position for the year then ended together with the notes. Our examination was made in accordance with the generally accepted auditing standards applicable in Pakistan and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We report that :

- a) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit ;
- b) in our opinion :
 - i) proper books of account as required by Section 230 of the Companies Ordinance, 1984 have been kept by the company ;
 - ii) the balance sheet and profit and loss account which are in agreement with the books of account have been drawn up in conformity with the Companies Ordinance, 1984 and are in accordance with the accounting policies consistently applied except for the change as stated in Note No. 2.1 with which we concur ;
- c) in our opinion and to the best of our information and according to the explanations given to us :
 - i) the balance sheet, profit and loss account and the statement of changes in financial position together with notes respectively give a true and fair view of the Company's affairs as at 30 September 1985 and of the profit and the changes in the financial position for the year then ended ;
 - ii) the expenditure incurred during the year was for the purpose of the company's business ;
 - iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the company ; and
- d) in our opinion zakat deductible at source under Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

(Riaz Ahmad & Company)

BALANCE SHEET AS AT 30 SEPTEMBER 1985

	Note	1985	1984
(Rupees in thousand)			
SHARE CAPITAL AND RESERVES			
Share Capital	Authorised capital		
	5 000 000 ordinary shares of Rupees 10 each	50 000	50 000
	Issued, subscribed and paid up capital		
	4 000 000 ordinary shares of Rupees 10 each 3	40 000	37 500
Reserves and Surplus	Capital reserves 4	30 824	33 324
	Revenue reserves 5	30 000	12 500
	Unappropriated profit	370	49
		61 194	45 873
Long term and deferred liabilities		101 194	83 373
	Long term loans 6	41 056	28 125
	Custom debentures 7	1 463	389
	Deferred taxation 8	34 000	35 500
		76 519	64 014
Current liabilities	Short term borrowings 9	62 679	29 438
	Current portion of long term liabilities 10	5 294	10 882
	Creditors, accrued and other liabilities 11	30 419	40 846
	Provision for taxation	17 528	15 600
	Dividend payable 12	11 510	6 108
		127 430	102 874
Contingencies and Commitments	13		
		305 143	250 261

		Note	1985	1984
(Rupees in thousand)				
Tangible fixed assets	Operating fixed assets	14	177 694	139 999
	Capital work-in-progress	15	13 908	29 517
			191 602	169 516
Long Term Investments		16	10 555	8 862
Long Term Loans and Advances		17	23	82
Long Term Security Deposits			128	124
Current Assets	Stores, spare parts and loose tools	18	13 887	14 252
	Stocks-in-trade	19	51 076	26 569
	Trade debts	20	5 747	2 104
	Advances, deposits, prepayments and other receivables	21	29 609	26 521
	Cash and bank balances	22	2 516	2 231
			102 835	71 677
			305 143	250 261
The annexed notes form an integral part of these accounts.				
Aitaf M. Saleem Chief Executive			Mazhar Karim Director	

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1985**

	Note	1985	1984
(Rupees in thousand)			
Sales	23	270 870	287 511
Cost of Goods Sold	24	211 172	240 049
Gross Profit		59 698	47 462
Administrative, selling and general expenses	25	11 390	7 493
Operating profit		48 308	39 969
Other income	26	1 427	1 740
Other charges	27	49 735 17 614	41 709 10 676
Profit before taxation		32 121	31 033
Provision for taxation	28	3 300	18 100
Profit after taxation		28 821	12 933
Unappropriated profit brought forward		49	41
Profit available for appropriation		28 870	12 974
Appropriations			
Reserve for issue of bonus shares			2 500
Dividend equalisation		10 000	
Proposed final dividend		11 000	5 625
General reserve		7 500	4 800
		28 500	12 925
Unappropriated profit		370	49
Annexed notes form an integral part of these accounts.			
Altat M. Saleem			Mazhar Karim
Chief Executive			Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 30 SEPTEMBER 1985

	1985	1984
	(Rupees in thousand)	
FINANCIAL RESOURCES WERE PROVIDED BY :		
Operations		
Profit after taxation	28 821	12 933
Items not involving movement of funds		
Depreciation	19 150	11 405
Deferred taxation	(1 500)	2 500
Gain on disposal of long term investments	(153)	—
Loss/(gain) on disposal of tangible fixed assets	214	(90)
	<u>46 532</u>	<u>26 748</u>
Other sources		
Proceeds from disposal of tangible fixed assets	1 693	839
Custom debentures	1 220	—
Long term loans	22 547	26 343
Proceeds from disposal of long term investments	1 176	—
Long term loans and advances	59	21
	<u>73 227</u>	<u>53 951</u>
FINANCIAL RESOURCES WERE USED FOR		
Acquisition of tangible fixed assets	41 758	37 960
Long term loans repaid	16 688	23 296
Custom debentures	47	—
Long term Investments made	2 716	4 427
Proposed dividend	11 000	5 625
Long term security deposits	4	26
Net increase/(decrease) in working capital	1 014	(17 383)
	<u>73 227</u>	<u>53 951</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

	1985	1984
	(Rupees in thousand)	
Increase/(decrease) in current assets		
Stores, spare parts and loose tools	(365)	(1,671)
Stocks-in-trade	24,507	(18,544)
Trade debts	3,643	(2,218)
Advances, deposits, prepayments and other receivables	3,088	125
Cash and bank balances	285	(1,910)
	31,158	(24,218)
(Increase)/decrease in current liabilities		
Short term borrowings	(33,241)	(11,382)
Creditors, accrued and other liabilities	10,427	27,703
Provision for taxation	(1,928)	(15,600)
Dividend payable	(5,402)	6,114
	(30,144)	6,835
NET INCREASE/(DECREASE) IN WORKING CAPITAL	1,014	(17,383)

Tangible fixed assets and foreign currency loans have been shown exclusive of exchange rate differences.

Altaf M. Saleem
Chief Executive

Mazhar Karim
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1985

1. STATUS AND NATURE OF BUSINESS

Shakarganj Mills Limited is a public company quoted on stock exchanges and was incorporated in Pakistan under the repealed Companies Act, 1913 on 20 September 1967. The company is principally engaged in the production and sale of white sugar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Tangible fixed assets and depreciation

These are stated at cost or appreciated value less accumulated depreciation except freehold land and capital work-in-progress. Freehold land is stated at appreciated value and capital work-in-progress is stated at cost.

Depreciation on tangible fixed assets is charged to profit on a reducing balance method to write off the cost or appreciated value and related exchange rate differences over their expected useful life. In the previous years, depreciation on appreciated value of tangible fixed assets was adjusted against surplus on revaluation of such assets. During the year under reference the depreciation on appreciated value of tangible fixed assets has been charged to current year's profit in accordance with the provisions of the Companies Ordinance, 1984. As a result of this change, the profit for the year is lower by Rupees 3,180 million.

Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

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

Gain or loss on disposal of tangible fixed assets is included in current income statement.

2.2 Long term investments

These are stated at cost.

2.3 Stores, spare parts and loose tools.

These are valued at moving average cost while adequate provision is made for the items which are likely to become obsolete.

2.4 Stocks-in-trade

Stocks-in-trade are valued at the lower of average cost and net realisable value except molasses (by-products) which is valued at estimated realisable value.

Average cost means production cost including a proportion of production overheads, while net realisable value signifies the estimated selling prices in the ordinary course of business less selling expenses incidental to sales.

2.5 Foreign currency

Liabilities in foreign currency are translated into Pak rupee at the rate of exchange ruling at the balance sheet date. Exchange gain or loss on foreign currency loans has been adjusted against the cost of tangible fixed assets acquired from the proceeds of the loans.

2.6 Taxation

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

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

2.7 Staff retirement benefits

The company operates a pension scheme for all permanent employees who are not covered under any other scheme of the Government of Pakistan. The scheme is insured under the group pension policy by State Life Insurance Corporation of Pakistan and the premium is payable annually on the basis of actual computation based on accrued benefit valuation method @ 17.95 percent of the basic salary of employees.

2.8 Revenue recognition

Revenue from sales is recognised on delivery of goods to customers. Investment income is accounted for on receipt basis.

2.9 Accounting convention

These accounts have been prepared under the historical cost convention as modified by adjustments of exchange fluctuations and revaluation of certain tangible fixed assets as referred to in Note 2.1, 2.5, 14.1 and 14.2.

	1985	1984		1985	1984
	(Rupees in thousand)			(Rupees in thousand)	
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			4.1 SURPLUS ON REVALUATION OF TANGIBLE FIXED ASSETS		
3 000 000 ordinary shares of Rupees 10 each fully paid up in cash	30 000	30 000	This represents the balance amount of surplus on revaluation of certain tangible fixed assets as referred to in Note 14.1		
750 000 ordinary shares of Rupees 10 each issued to Pakistan Industrial Credit and Investment Corporation Limited against their right of option to convert 20 percent of their loan into fully paid up shares	7 500	7 500	5. REVENUE RESERVE		
250 000 ordinary shares of Rupees 10 each issued as fully paid bonus shares	2 500	—	General		
			At the beginning of the year	12 500	7 700
			Transfer from profit and loss account	7 500	4 800
				20 000	12 500
	40 000	37 500	Dividend equalisation		
			Transfer from profit and loss account	10 000	—
				30 000	12 500
4. CAPITAL RESERVES			6. LONG TERM LOANS		
These are made up as under :			From financial institution		
Surplus on revaluation of tangible fixed assets (Note No. 4.1)			Pakistan Industrial Credit and Investment Corporation Limited.		
At the beginning of the year	11 324	14 900	Foreign currency	—	12,082
Depreciation provided on appreciated value of tangible fixed assets	—	3 576	Local currency (Note 6.1)	33 171	23 018
	11 324	11 324	From banks		
Balancing and modernisation	15 000	15 000	Allied Bank of Pakistan Ltd. (Note 6.2)	8 033	3 860
Research and development	4 500	4 500	Agricultural Development Bank of Pakistan (Note 6.3)	5 000	—
For issue of bonus shares				13 033	3 860
At the beginning of the year	2 500	—		46 204	38 960
Transfer from profit and loss account	—	2 500	Less : Current portion (Note No. 10)	5 148	10 835
Bonus shares issued	(2 500)	—		41 056	28 125
	—	2 500			
	30 824	33 324			

6.1	Local currency loan from PICIC is secured against :	7.1	Unsecured debentures 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 commenced from 8 August 1985 and carry interest at the rate of 1% above the bank rate.		
a)	a first legal mortgage on company's present and future immovable properties wherever situated including all buildings, plant and machinery and fixtures ;				
b)	a first charge ranking pari passu with the existing charge by way of hypothecation in respect of all the machinery of the company, present and future ;				
c)	a first floating charge ranking pari passu with the existing charge on all other assets of the company both present and future subject to the hypothecation or charge in favour of company's bankers as referred to in Note No. 9.2; and	8.	DEFERRED TAXATION	1985	1984
d)	a demand promissory note.			(Rupees in thousand)	
	Loan carries interest at the rate of 9 percent per annum and will be repaid in the semi annual instalments commencing from 1 July 1987,		Timing differences due to accelerated tax depreciation	35 000	35 500
			Other timing differences	(1 000)	—
				34 000	35 500
6.2	Loan from Allied Bank of Pakistan Limited is secured against second charge by way of equitable mortgage on the entire plant and machinery and carries interest at the rate of one percent above the bank rate subject to minimum 11 percent per annum. The loan is repayable in six half yearly equal instalments of Rupees 900 000 and Rupees 1 174 000 commenced from June 1984 and April 1985 respectively.	9.	SHORT TERM BORROWINGS		
			From financial institution (Note 9.1)	20 000	—
			From banking companies :		
			Secured (Note 9.2)	42 157	29 094
			Unsecured	522	344
				42 679	29 438
				62 679	29 438
6.3	Loan from Agricultural Development Bank of Pakistan was obtained for research project and is secured against second charge by way of equitable mortgage ranking pari passu with other banks loan and repayable in five equal instalments commencing from 7 January 1986 and carries interest at the rate of 12% per annum.	9.1	This represents the amount due to National Development Finance Corporation under the financing agreement for Rupees 20 million. Under this agreement National Development Finance Corporation has purchased stocks of refined sugar of Rupees 20 million from the company which are treated to have been resold to the company at a mark up price of Rupees 22 million. The markup has been accounted for on proportionate basis during the period under reference. This financing facility is secured by guarantees issued by company's banks.		
6.4	The sanctioned limits of loans from Pakistan Industrial Credit and Investment Corporation Limited, Allied Bank of Pakistan Limited and Agricultural Development Bank of Pakistan are Rupees 35.291 million, Rupees 12.00 million and Rupees 5 million respectively.	9.2	These are secured against pledge and hypothecation of stores, spares, stocks, book debts and second charge on fixed assets and company's guarantees. These form a part of aggregate credit facility of Rupees 79.25 million (1984 : Rupees 56 million).		
				1985	1984
				(Rupees in thousand)	
7.	CUSTOM DEBENTURES				
	These are made up as under :				
	Balance as at 30 September			1 609	436
	Less : Current portion				
	(Note No. 10)			146	47
				1 463	389

Shakarganj Mills Limited

	1985	1984		1985	1984
	(Rupees in thousand)			(Rupees in thousand)	
10. CURRENT PORTION OF LONG TERM LIABILITIES			12. DIVIDEND PAYABLE		
Loans			Unclaimed	510	483
Pakistan Industrial Credit and Investment Corporation Ltd.	—	9 035	Proposed	11 000	5 625
				11 510	6 108
Allied Bank of Pakistan Ltd.	4 148	1 800	13. CONTINGENCIES & COMMITMENTS		
Agricultural Development Bank of Pakistan	1 000	—	Contingencies		
	5 148	10 835	The company is contingently liable in respect of claims against the company not acknowledged as debt amounting to Rupees - 0.548 million (1984 : Rupees 2.031 million).		
Custom debentures	146	47	Commitments		
	5 294	10 882	Commitments in respect of contracts for capital expenditure are approximately amounting to Rupees 30,877 million as at 30 September 1985 (1984 : Rupees 15,829 million).		
11. CREDITORS, ACCRUED AND OTHER LIABILITIES			Other commitments in respect of letters of credit other than for capital expenditure are Rupees 7,587 million (1984 : Rupees 2,385 million).		
Creditors					
Trade	454	755			
Others	7 630	1 048			
	8 084	1 803			
Advances from customers	1 762	11 394			
Employees' Provident Fund Trust	—	67			
Security deposits from contractors	776	98			
Income tax deducted at source	48	116			
Interest/mark up on secured borrowings	7 628	3 965			
Interest on custom debentures —					
Unsecured	41	20			
Excise duty	3 143	4 580			
Due to associated undertakings	600	13 266			
Due to director	98	15			
Workers' Profit Participation Fund	1 767	1 699			
Workers' Welfare Fund	1 555	655			
Accrued expenses	4 917	3 168			
	30 419	40 846			

14. OPERATING FIXED ASSETS

DESCRIPTION	C O S T			Accumulated Depreciation As at 30 September 1985	Book Value As at 30 September 1985	Depreciation Charge for the year	Rate %
	Re-assessed value/cost as at 1 October 1984	Additions/ (Deletions)	As at 30 September 1985				
Land-freehold	3 750	—	3,750	—	3 750	—	—
Buildings and roads on freehold land	32 592	3 237	35 829	11 194	24 635	2 245	5-10
Plant and machinery	157 953	54 171 (2 209)	209 915	66 691	143 224	15 914	10
Laboratory equipments	439	101	540	177	363	40	10
Tubewell and water pumps	405	50	455	217	238	26	10
Electric installations	541	26	567	321	246	27	10
Weighbridges and scales	951	72	1,023	495	528	59	10
Furniture and fixtures	1 190	233 (18)	1 405	541	864	96	10
Office equipments	537	2	539	203	336	37	10
Vehicles	3 928	649 (965)	3 612	1 617	1 995	499	20
Guns	10	—	10	7	3	1	10
Library books	249	83 (1)	331	209	122	52	30
Tools and equipments	1 551	127	1,678	417	1,261	140	10
Telephone equipments	170	1	171	42	129	14	10
1985 Rupees in thousand	204 266	58 752 (3 193)	259 825	82 131	177 694	19 150	
1984 Rupees in thousand	206 662	18 955 (21 351)	204 266	64 267	139 999	14 981	

14.1 Land, buildings, plant and machinery were revalued by an independent valuer as at 30 September 1979 and stated in the above note at appreciated value. Had there been no revaluation, the value of these operating fixed assets would have been lower by Rupees 42.214 million.

14.2 Included in the additions to plant and machinery is exchange loss of Rupees 1,385 million relating to foreign currency loans utilised for acquisition of these assets. (1984 : Exchange gain of Rupees 20,471 million).

14.3 The depreciation charge for the year has been allocated as follows :

	1985	1984
	(Rupees in Thousand)	
Cost of goods sold	18 541	10 840
Administrative, selling and general expenses	609	565
Capital reserve-Revaluation of operating fixed assets	—	3 576
	<u>19 150</u>	<u>14 981</u>

14.4 DISPOSAL OF OPERATING FIXED ASSETS

(Rupees in thousand)

DESCRIPTION	COST/ RE-ASSESSED VALUE	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS/ ADJUSTMENT	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Plant and machinery						
Centrifugal machines	2 209	810	1 399	1 125	Negotiation	Al-Noor Sugar Mills Limited.
Vehicles						
Car Datsun No. 131-415	113	55	58	61	—do—	Mian Muhammad Awais, 139-B, Railway Colony, Lahore
Car Datsun No. 131-416	113	55	58	66	—do—	Mst. Nasreen Sadique Ali, 316/D, Liaquatabad, Faisalabad.
Car Mazda No. 105-224	305	180	125	115	—do—	Mr. Khalid Mahmood, Shop No. 22 Anarkali, Lahore.
Car Suzuki No. 5580 FX Meater	59	—	59	63	—do—	C/o Ch. Saif Ullah.
Toyota Corolla 153-587	174	63	111	150	—do—	Crescent Group Services Ltd. An associated company.
Motor Cycles	102	65	37	43	—do—	Various parties.
Tractor Massey Ferguson	99	48	51	56	—do—	Mr. Nazir Hussain S/o Ch. Ghulam Rasool.
Furniture and fixtures						
Deep freezer	8	5	3	3	—do—	Hafiz Zulfiqar Ahmad (Company Employee).
Deep freezer	10	4	6	10	—do—	Messrs Crescent Jute Products Limited — An associated company.

	1985	1984		1985	1984
	(Rupees in thousand)			(Rupees in thousand)	
15. CAPITAL WORK-IN-PROGRESS			Associated companies – Unquoted		
			Crescent Steel and Allied Products Limited		
This comprises of :			300 000 (1984 : 300 000) fully paid		
Plant and machinery	6 105	25 333	ordinary shares of Rupees 10 each	3,000	3,000
Buildings	—	319	Equity held 16.66 percent (1984 : 16.66 percent) and break up value is		
Advances to suppliers	5 420	597	Rupees 3 million as at 31 December		
Advances to contractors	2 383	3 268	1984	—	—
	<u>13 908</u>	<u>29 517</u>			
16. LONG TERM INVESTMENTS			Other – Quoted		
Associated companies – Quoted			State Enterprise Mutual Fund		
Crescent Sugar Mills and Distillery Limited			(1984 : 18 000) fully paid ordinary shares of Rupees 10 each	—	170
106 100 (1984 : 106 100) fully paid ordinary shares of Rupees 10 each	1 995	1 995	Bahawalnagar Sugar Mills Limited		
10 610 fully paid bonus shares of Rupees 10 each	—	—	2,000 (1984 : 3 000) fully paid ordinary shares of Rupees 10 each	38	56
Crescent Boards Limited			Noon Sugar Mills Limited		
36 300 (1984 : 36 300) fully paid ordinary shares of Rupees 10 each	440	440	13,500 (1984 : 13 500) fully paid ordinary shares of Rupees 10 each	166	166
Crescent Jute Products Limited			Pakistan Industrial Credit and Investment Corporation Limited		
141 000 (1984 : 138 900) fully paid ordinary shares of Rupees 10 each	2 526	2 473	163 742 fully paid ordinary shares of Rupees 10 each	1 749	—
23 499 bonus shares of Rupees 10 each	—	—	Karachi Electric Supply Corporation Limited		
Jubilee Spinning and Weaving Mills Limited			10 000 fully paid ordinary shares of Rupees 10 each	111	—
4 000 (1984 : 4 000) fully paid ordinary shares of Rupees 10 each	66	66			
The Premier Insurance Company of Pakistan Limited				<u>10 555</u>	<u>8 862</u>
3 600 (1984 : 3 600) fully paid ordinary shares of Rupees 5 each	60	60	16.1 Market value of quoted investments as at 30 September 1985 was Rupees 9.7 million (1984 : Rupees 8.9 million).		
3 266 (1984 : 1 983) bonus shares of Rupees 5 each	—	—			
The Crescent Textile Mills Limited			17. LONG TERM LOANS AND ADVANCES		
19 500 (1984 : 20 900) fully paid ordinary shares of Rupees 10 each	404	436	These interest free loans considered good, have been advanced to employees against purchase of motor cars and motor cycles and are outstanding for less than three years.		

	1985	1984		1985	1984
	(Rupees in thousand)			(Rupees in thousand)	
18. STORES, SPARE PARTS AND LOOSE TOOLS					
			Deposits	27 304	23 681
Stores	6 131	5 344	Excise duty	367	—
Spare parts	9 160	8 816	Education cess	92	92
Loose tools	96	92	Margin deposits	105	16
			Earnest money		1 353
	15 387	14 252			
Less : Provision for obsolescence	1 500	—	Claims	564	1 461
	13 887	14 252	Insurance	16	17
			Others	83	128
19. STOCKS-IN-TRADE				99	145
Finished goods					
Sugar	50 696	23 158	Short term prepayments	400	768
Molasses	—	3 225	Due by associated undertakings	7	—
Work-in-process	380	186	Due by Employees' Provident Fund Trust	8	—
	51 076	26 569	Interest outstanding	354	14
			Commitment charges	130	—
			Sundry receivables	743	452
20. TRADE DEBTS				29 609	26 521
These are unsecured but considered good :					
Due by :			21.1 The maximum aggregate amount due from Chief Executive and		
Customers	5 634	2 104	Executive at the end of any month during the year was Rupees		
Associated undertaking	113	—	204,681 (1984 : Rupees 40,587).		
	5 747	2,104	21.2 The aggregate amount due from Executive of the company is		
			Rupees 2 666 at the close of financial year (1984 : Rupees Nil)		
21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			22. CASH AND BANK BALANCES		
Loans and advances			Cash in hand	23	42
Considered good :			Cash in transit	—	580
To employees	63	79	Cash with banks on		
To suppliers and contractors	2 335	1 473	Current accounts	988	1 109
To Income Tax Department	14 065	4 299	Fixed deposit account	340	340
Letters of credit	1 594	2 312	Short term deposit account	1 066	—
To sugarcane growers	9 247	15 518	Dividend accounts	99	160
	27 304	23 681		2 493	1 609
Considered doubtful :					
To sugarcane growers	6 449	3 620		2 516	2 231
Less : Provision for doubtful	6 449	3 620			
	—	—			

22.1 Fixed deposit receipts and short term deposit receipts		1985	1984
amounting to Rupees 1.406 Million lying under banks lien		(Rupees in thousand)	
against guarantees issued to banks for loans to sugarcane growers.			
		Salaries, wages and other benefits	8 941 8 154
		Workers' welfare	123 136
23. SALES	1985 1984	Store and spare parts	2 861 2 871
	(Rupees in thousand)	Dyes and chemicals	648 664
Sugar	257 777 282 600	Packing material	5 465 4 655
Molasses	14 778 7 154	Power and fuel	1 339 1 663
Bagasse	— 5	Repair and maintenance	4 729 5 417
		Insurance	523 475
	272 555 289 759	Vehicles' running	206 212
Commission to selling agents	1 685 2 248	Travelling, conveyance and entertainment	51 66
	270 870 287 511	Printing and stationery	161 185
		Rent, rates and taxes	59 48
		Excise duty	69 812 74 083
24. COST OF GOODS SOLD		Other factory overheads	669 516
		Sugarcane research and development	905 278
Raw material		Depreciation	18 541 10 840
Sugarcane purchased	105 587 101 221		
			235 679 221 505
Delivery expenses	8 564 5 424	Work-in-process inventory	
Less : Recovered	348 370	As at 1 October	186 310
Sugarcane subsidy	8 216 5 054	As at 30 September	380 186
Development subsidy	1 813 1 432		
Sugarcane development cess	2 650 1 475		
Market committee fee	663 641		
Loading and unloading	1 034 873		(194) 124
Octroi and toll tax	683 546		
	120 646 111 242	Cost of goods produced	235 485 221 629
		Finished goods inventory	
		As at 1 October	26 383 44 803
		As at 30 September	50 696 26 383
			(24 313) 18 420
			211 172 240 049

	1985	1984		1985	1984
	(Rupees in thousand)			(Rupees in thousand)	
25. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES			26. OTHER INCOME		
Salaries, wages and other benefits	2608	2 543	Sale of scrap	218	149
Directors' meeting fee	4	1	Commission on fertilizer	226	218
Travelling and conveyance	250	241	Gain/(loss) on disposal of tangible fixed assets	(214)	90
Printing and stationery	147	119	Gain on sale of investments	153	—
Telephone, postage and telegrams	181	196	Dividend (Note 26.1)	716	733
Vehicles' running	353	325	Interest on bank deposits	102	91
Legal and professional	260	142	Interest on advances to associated undertakings	40	—
Auditors' remuneration	—	—	Agricultural farm income	30	207
Audit fee	30	20	Rental	19	24
Out of pocket expenses	4	4	Miscellaneous	137	214
	34	24		1 427	1 740
Repairs and maintenance	156	94			
Entertainment	56	71	26.1 DIVIDEND INCOME		
Subscription	124	223			
Rent, rates and taxes	22	20	Crescent Sugar Mills and Distillery Limited	232	205
Publicity	187	483	Crescent Brands Limited	36	—
Loading and unloading	89	109	Crescent Jute Products Limited	141	486
Insurance	337	360	Jubilee Spinning and Weaving Mills Limited	5	10
Handling and distribution	323	305	The Premier Insurance Company of Pakistan Limited	6	10
Registered office expenses	744	530	The Crescent Textile Mills Limited	42	17
Provision for doubtful loans to growers	2 829	1 000	Bahawalnagar Sugar Mills Limited	5	7
Doubtful loans to sugarcane growers written off	1 540	—	State Enterprises Mutual Fund	33	28
Miscellaneous	172	144	Pakistan Industrial Credit and Investment Corporation Limited	219	—
Depreciation	609	565	Noon Sugar Mills Limited	17	—
	11 390	7 493		716	733

	1985	1984		1985	1984
	(Rupees in thousand)			(Rupees in thousand)	
27. OTHER CHARGES			28. PROVISION FOR TAXATION		
Financial charges					
Interest/mark up on :			Current year	4 800	12 500
Short term borrowings	5 579	2 887	Prior year's	—	3 100
Long term loans	5 406	2 424			
Advances from associated undertakings	2 250	2 200		4 800	15 600
Other balances	35	506	Deferred tax		
Custom debentures	82	48	Current year	5 600	2 500
			Prior year's	(7 100)	—
Bank charges and commission	331	86			
				(1 500)	2 500
	13 683	8 151			
Donations (Note 27.1)	1 200	200		3 300	18 100
Workers' Profit Participation Fund	1 742	1 670			
Workers' Welfare Fund	900	655			
Loss on sale of stores	89	—			
	17,614	10,676			

27.1 DONATIONS

A sum of Rupees 200,000 was donated to West Pakistan Educational Trust, 45-Shahrah-e-Quaid-e-Azam, Lahore, in which the following company's directors are trustees:

Mr. Shaukat Shafi
 Mr. Mazhar Karim
 Mr. Muhammad Javed Amin
 Mr. Mohammad Anwar
 Mr. Khalid Bashir

29. DIRECTORS' AND
EXECUTIVE'S REMUNERATION

The aggregate amount charged in the account for the year for remuneration, allowances including all benefits to

Chief Executive and executive of the company was as follows :

	1985		1984	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	120	132	108	114
Bonus	95	82	61	67
Housing	54	54	44	24
Company's contribution to provident fund	—	9	—	8
Contribution to pension fund	—	21	—	19
Other benefits				
Conveyance allowance	—	4	—	1
Utility allowance	—	12	—	2
Servant allowance	—	—	15	17
Entertainment allowance	6	6	6	6
Reimbursable expenses	2	20	2	20
	<u>277</u>	<u>340</u>	<u>236</u>	<u>278</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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

The aggregate amount of remuneration paid as meetings fee to 6 directors was Rupees 4 000 (1984 : Rupees 1 500 for 3 directors).

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS.

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 2.00 million (1984 : Rupees 0.779 million).

The company purchased from and sold to associated undertakings material, goods and services in the aggregate sum of Rupees 4,823 million and Rupees 6,113 million respectively (1984 : Rupees 3,226 million and Rupees 0,388 million respectively).

Interest and mark up on advances from/to associated undertakings was paid/recovered at the rate of 13.50 percent per annum and 43 paise per thousand per day as stated in Note No. 26 and 27.

31. PLANT CAPACITY AND ACTUAL PRODUCTION

Sugar

Capacity	23167 M. Tons in 160 days i.e., 144,793 M. Tons per day.
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Actual production

Current year	39522.60 M. Tons in 168 days i.e., 235,254 M. Tons per day.
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Previous year	35501.20 M. Tons in 173 days i.e., 205,209 M. Tons per day.
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32. FIGURES

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

FORM "A"

PATTERN OF HOLDING OF THE SHARES
HELD BY THE SHAREHOLDERS AS AT 30TH SEPTEMBER, 1985.

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
5	1	100	128
469	101	500	72796
52	501	1000	32644
124	1001	5000	267270
25	5001	10000	168447
25	10001	Above	3458715
<u>700</u>			<u>4000000</u>

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	684	806809	20.17%
Investment Companies	4	858112	21.46%
Insurance Companies	2	39573	0.99%
Joint Stock Companies	5	1985374	49.63%
Financial Institutions	1	256992	6.42%
Private Companies	3	33823	0.85%
Trust	1	19317	0.48%
	<u>700</u>	<u>4000000</u>	<u>100.00%</u>

FORM OF PROXY

I, _____

of _____

member of SHAKARGANJ MILLS LIMITED and entitled to vote hereby appoint

as my proxy in my absence to attend and vote for and on my behalf at the Eighteenth Annual General Meeting of the Company to be held on March 31, 1986 at 3.00 P.M. at Company's Registered Office, 45, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

As witness my hand this _____ day of _____ 1986

Signed by the said _____ in the presence

of _____

(Members Signature)

(Witness Signature)

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

Date _____

Place _____

Note : The proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the Meeting.

Please quote Folio No.

Please quote Number of shares held

