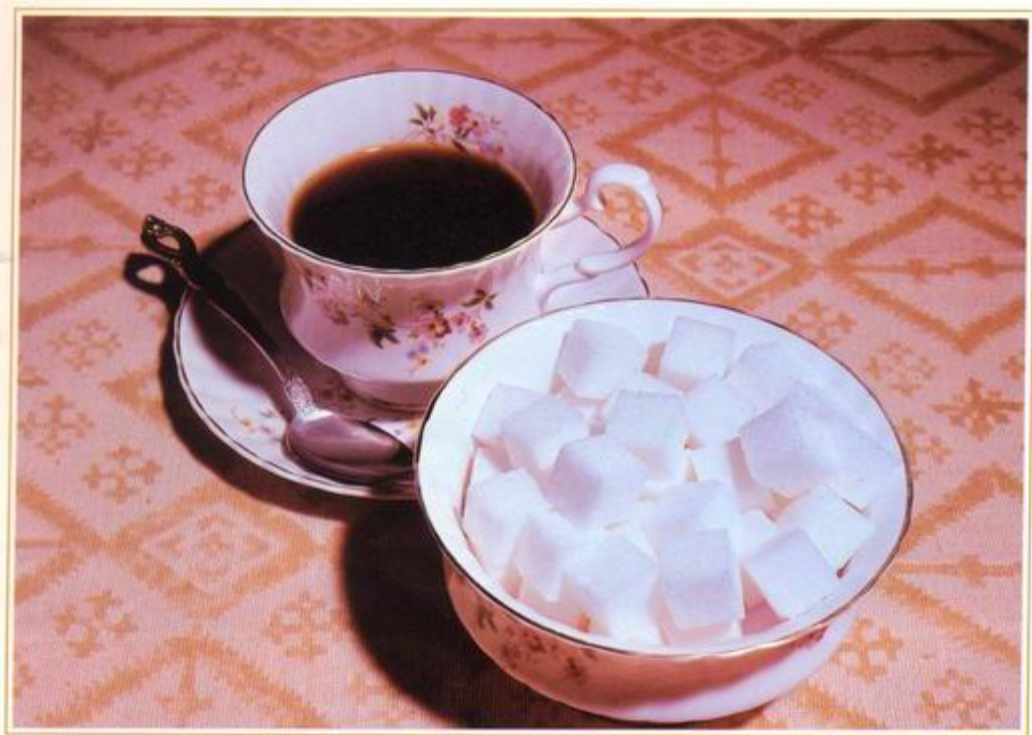


SHAKARGANJ MILLS LIMITED

ANNUAL REPORT

1986





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



Shakarganj Mills Limited

THE SWEET TRUTH : REAL SUGAR HAS ONLY 16 CALORIES A TEASPOON
AND, FOR CENTURIES IT HAS SET THE STANDARD OF QUALITY THE WORLD OVER.
IT'S TOTALLY PURE, SAFE AND NATURAL. . .
THE FINEST SWEETENER KNOWN TO MAN



1974 – 1986

Season	Cane Crushed (M. Tons)	Sugar Produced (M. Tons)	Recovery (Percent)	Process Losses (Percent)
1985-86	237,601.670	20,625.000	8.66	2.29
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 Ahmad

Mr. Mazhar Karim

(Chairman)

Mr. Muhammad Anwar

Mr. Muhammad Javed Amin

Mr. Shaukat Shafi

Auditors

Riaz Ahmad & Company

Chartered Accountants

Management

Mr. Altaf M. Saleem,

Chief Executive

Mr. Mohammad Awaiz 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)

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 Nineteenth 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 Tuesday March 31, 1987 at 3.00 P.M. to transact the following business :

AGENDA :

- ... To confirm the minutes of Extraordinary General Meeting held on December 23, 1986.
- ... To receive and adopt the Directors' and Auditors' Reports and Accounts for the year ended September 30, 1986.
- ... To declare a Dividend. The Directors have recommended the payment of Cash Dividend at the rate of 27½% (Rupees 2.75 per share).
- ... To elect 7 (Seven) Directors of the Company for a period of three years with effect from June 1, 1987 in accordance with section 178 of the Companies Ordinance, 1984 in place of retiring directors namely : —
 1. MR. ALTAH M. SALEEM
 2. MR. KHALID BASHIR
 3. MR. MAQBUL AHMAD
 4. MR. MAZHAR KARIM
 5. MR. MUHAMMAD ANWAR
 6. MR. MUHAMMAD JAVED AMIN
 7. MR. SHAUKAT SHAFI

However, any Director nominated by Financial Institutions in accordance with section 182 of the Companies Ordinance, 1984 by virtue of contractual arrangements will be in addition to the seven elected Directors.

SPECIAL BUSINESS

- ... To consider and pass the following Resolutions as Special Resolutions under section 208 of the Companies Ordinance, 1984.
- a. "RESOLVED THAT the consent of the company be and is hereby accorded to invest in purchasing/acquiring fully paid up 2000000 Ordinary Shares of Rs. 10/- each of Pakistan Industrial Leasing Corporation Ltd., an associated Company."

STATEMENT UNDER SECTION 160 (b) OF THE COMPANIES ORDINANCE, 1984.

The Pakistan Industrial Leasing Corporation Limited is a Public Limited Company with an Authorised Capital of Rs. 100 Million divided into 10 Million Ordinary shares of Rs. 10/- each. This is a joint venture leasing company of Pakistan Industrial Credit & Investment Corporation, Asian Development Bank & Crescent Group. The Pakistan Industrial Leasing Corporation Limited is an Associated Company and some of Directors of Shakarganj Mills Limited and their relatives are also Directors therein. A copy of Memorandum of understanding signed by PICIC, Asian Development Bank and Crescent Group and a copy of Memorandum and Articles of Pakistan Industrial Leasing Corporation Limited are kept at the Registered Office which can be inspected from 10.00 A.M. to 11.30 A.M. on all working days upto 25.03.1987.

- b. "RESOLVED THAT Investment, Loan advance upto Rupees 20 Million in any one or all of the following associated undertakings be and is hereby approved :

1. CRESCENT JUTE PRODUCTS LIMITED.
2. CRESCENT STEEL & ALLIED PRODUCTS LTD.
3. THE CRESCENT TEXTILE MILLS LIMITED.

FURTHER RESOLVED THAT the Chief Executive be and is hereby authorised to undertake such investments as and when necessary and interest on advance/loans be charged at the bank rate/mark up as mutually settled between the parties."

- ... To appoint Auditors for the year 1986-87 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.

Nominations from Shareholders for the office of Directors must be received at least 14 clear days before the time of Meeting at the Registered Office of the Company.

BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from March 16, 1987 to March 31, 1987 (both days inclusive).



HIGHLIGHTS

- Earnings were Rs. 3.94 per share.
- Shareholders equity was up 5.71 percent to Rs. 95.00 million compared to Rs. 89.87 million at the end of 1985.
- Additions to Property, Plant and Equipment to the tune of Rs. 53.58 million.

INSIDE THIS REPORT

5	From the Board Room
6	Management Review
10	Ten-Year Financial Summary
12	Shakarganj Sugar Research Institute
14	Flow-of-Funds Analysis
15	Auditors' Report to the Members
16	Balance Sheet
18	Profit and Loss Account
19	Statement of Changes in Financial Position
20	Analysis of Changes
21	Notes to the Accounts.

FROM THE BOARD ROOM

Dear Shakarganj Investor:



Altaf M. Saleem
Chief Executive

Your Directors are pleased to present the Eighteenth Annual Report along with detailed notes for the year ended 30 September, 1986.

Your company's operations for the year resulted in a net profit of Rs. 15.77 million as against Rs. 28.82 million in 1985. After charging Rs. 22.56 million for Depreciation and Rs. 12.42 million for Interest on Loans and Advances, profit available for appropriation comes to Rs. 16.14 million. Your Directors recommend appropriation of profit as follows:

	Rupees in Thousand
Profit available for appropriation	16 144
Proposed Dividend @ 27½%	11 000
Transfer to General Reserve	5 000
Un-appropriated Profit c/f.	144

The Directors have also approved to issue 25% right shares at a premium of Rs. 10/- per share subject to approval by the Controller of Capital Issues. 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 1986 a successful year for Shakarganj Mills Limited.

For and on Behalf of the Board:



ALTAF M. SALEEM
Chief Executive
February 22, 1987.



Management Review

Dear Shakarganj Investor:

A short sugarcane crop for 1985-86 was predicted as early as May 1985 and I informed the shareholders accordingly in my Semi Annual Review issued on 16 May 1985.

Crushing Campaign for 1985-86 lasted 113 days compared to 168 days in 1984-85. It was only for the first two months of operations that enough sugarcane was available for round the clock operation of the factory. During the later period, factory operated intermittently at reduced operational efficiency and higher fuel consumption.

A shorter sugarcane crop and higher gur price were two major factors for the serious raw material crisis in Fiscal 1986. In Punjab, about 60 percent of sugarcane is consumed for gur manufacturing. Gross return from gur manufacturing worked out to Rs. 429 per ton of sugarcane compared to Rs. 241 per ton paid by the sugar mills on the basis of government support price. This encouraged the farmers to convert their crop into gur and as such even the mills share of sugarcane supplies was used for gur. This deprived your factory of the sugarcane which was to be supplied to us under legal contracts with the farmers.

It was a similar scenario all over Punjab and most of the mills here, operated at fifty percent capacity. Sugar production in the province fell to 371,145 M. Tons from 652,892 M. Tons in 1984-85.

After achieving highest level of sugar production of any year in its history, in 1985-86 campaign, your factory produced 20,625 M.Tons compared to 39,523 M.Tons an year ago. Sugar recovery was also down to 8.66 percent compared to 8.96 percent last year mainly due to short crop and intermittent operation.

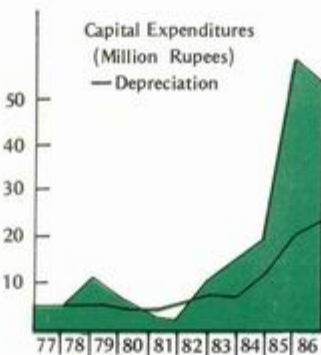
At the end of Fiscal 1986, your company recorded a net income of Rs. 15.77 million and increased its net worth from Rs. 135.19 million to Rs. 147.27 million.

Discussion and Analysis of Financial Condition

In spite of sharp decline in sugar production, your company's sound financial condition contributed largely to company's modernization and diversification Plans. It provided the opportunity to fund,

- .. Capital expenditure to the tune of Rs. 53.58 million.
- .. Dividend payment of Rs. 11.00 million to the stockholders.
- .. Building up of Investment Portfolio from Rs. 10.56 million to Rs. 15.83 million.

Capital Expenditure in Fiscal 1986 was Rs. 53.58 million primarily for more cost efficient facilities and equipment dedicated to improving quality, reducing cost, increasing productivity and adding value to by-products.



Total debt increased by 60 percent to 74.28 million at the year end. However, company's total debt on September 30 1986 represented 78 percent of stockholders equity.

Dividend Policy

For Fiscal 1986, 70 percent of the net income which comes to Rs. 11.00 million has been set aside by the Directors to be paid as cash dividend to the stockholders. This is for the sixth consecutive year that your company has paid dividend.

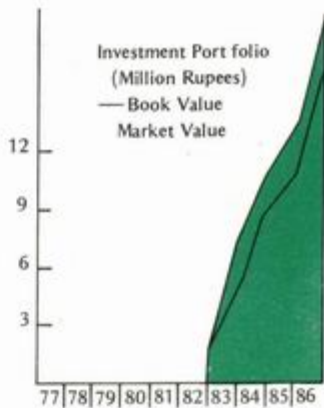
Stockholders equity increased to Rs. 95.00 million at the end of Fiscal 1986 from Rs. 89.90 million an year ago. Stockholders equity per share was 23.75 on September 30 1986, an increase of 5.70 percent over last year.

Composition of Assets and Return

Your company is following a policy of maintaining a balanced composition of assets and ensuring appropriate level of return to our stockholders. In 1986, total assets of the company increased to Rs. 472 million from Rs. 305 million in 1985 and Rs. 250 million in 1984. High level of capital expenditure has resulted in a strain of cash and liquid resources and at the year end, working capital position was Rs. (32.75) million. We are aiming to increase these and other financial indexes through diversification, and improved operational efficiency and best use of our assets.

Investment Portfolio

Selective investment has been made in area of strong profit potential by building a balanced Investment Portfolio. Market value of our investments reached Rs. 21.96 million at the end of Fiscal 1986 from 12.70 million an year ago, an increase of 72.9 percent. This represents a premium of 38.7 percent over the cost of acquisition.



These investments will make your company stronger and capable of absorbing any shocks like the one it experienced as a result of fluctuation in sugarcane availability in 1986.

Contribution to Economy

In addition to productivity and profitability your company can also be evaluated on the basis of its contribution to economy. In Fiscal 1986, value added to materials and services of Rs. 36.97 million came to Rs. 154.47 million. Our contribution towards federal, provincial and local taxes alone exceeded Rs. 67.80 million or 51.20 percent of the total value added. Moreover, Rs. 12.30 million went to employees and Rs. 12.41 million to Banks and Financial Institutions

Value Added Statement	
Sales	284.16
Other receipts	2.72
	286.88
Less: Material and Services	154.47
Value added:	132.41
Applied as Follows:	
To employees	12.30
To Government (Taxes)	67.80
To Financing	12.41
To Shareholders	11.00
To replacement of assets (Depreciation)	22.56
To Social, Public Benefits.	1.20
To growth of Company:	
Retained earning	5.14
Value Added:	132.41

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 1986 our supplies at Purchasing Centres decreased to 35.81 percent from 51.91 percent in 1985. This resulted in extra expenditures of Rs. 2.99 million.

Break - Up of Sugarcane Supplies as percentage of total:

Year	Factory Gate	Purchasing Centres
1985-86	64.19	35.81
1984-85	48.09	51.91
1983-84	56.85	43.15
1982-83	57.17	42.83
1981-82	50.96	49.04

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 07th 1985 but so far no action has been taken.

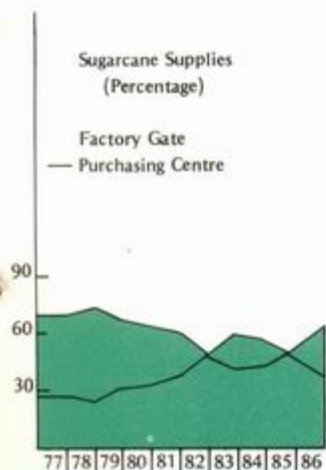
Unlike in the province of Sind and NWFP, two purchase prices of sugarcane are fixed in Punjab; one is meant for purchase of cane at Factory Gate and the other at Purchasing Centres.

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 paise 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. 1.09
Less: Recovered	0.65
Subsidized by Mills	0.44
Octroi Duty	0.12
Loading	0.15
Miscellaneous	0.45
(Depreciation on Weighbridges, Tents, Furniture & Salary of Staff)	
Shortage etc.	0.13
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. Factory Gate supplies constituted 72 percent of the total supplies in our case in 1977-78. In Fiscal 1986, only 64.19 percent of sugarcane was delivered at the Factory Gate while the other 35.81 percent was delivered at Purchasing Centres.



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 1986-87

Whenever there is a short sugarcane crop its after affects are carried over to the next year and this is precisely what happened in 1986-87 campaign. As forecast, the fresh plantation of sugarcane increased by about 15 percent over the previous year. The ratoon crop was even worse than last year. This resulted in an average increase of ten percent on overall basis.

The crushing campaign 1986-87 started on November 03rd 1986 and upto February 22nd 1987 total sugar production was 23,972 M.Tons at an average recovery of 8.27 percent. Although when compared with the previous year the sugar production does show an increase but it is not expected to have any positive impact on the financial results in the final analysis. In addition to the increase of Rs. 53.61 per ton in the support price of sugarcane announced by the government, we had to further increase the price to remain in line with the other surrounding factories. While the cost of raw material will be much higher, the sale price of sugar is not expected to increase correspondingly.

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

I can predict a bright future for your company with confidence. The investment made in balancing, modernization and diversification will bring substantially higher profit for the investors in Shakarganj. Next year, a much better sugarcane crop is expected. Your company, by the grace of Allah, is perfectly

poised to take advantage of larger sugarcane crop in 1987-88.



Distillery Project

Distillery project was successfully commissioned in the last month of Fiscal 1986. By the grace of Allah, this project is running satisfactorily and will start contributing positively to the financial results of your company in future years.

In Appreciation

I am grateful to our customers and the farmers who are the back bone of our business. I would also like to express my appreciation for the continued interest and support of all the stockholders. I also express my appreciation for the loyalty and hard work of Shakarganj employees who have made it a fine place to work.

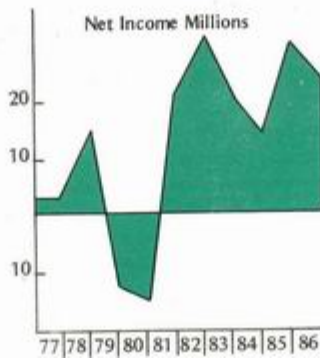
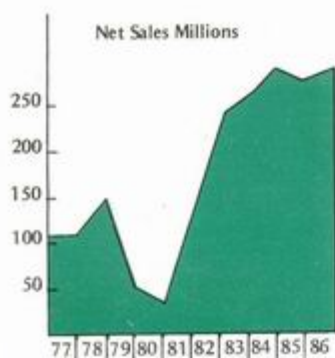


ALTAf M. SALEEM:
Chief Executive.

TEN YEAR FINANCIAL SUMMARY

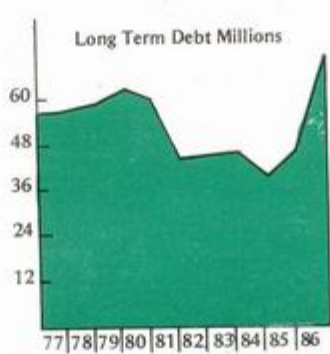
(Rupees in thousands,
except per share amounts)

	1986	1985	1984	1983
Net sales	284,162	270,870	287,511	251,160
Cost of sales	240,104	211,172	240,049	203,074
Selling, general and administrative expenses	8,474	11,390	6,493	5,150
Interest expense	12,415	13,683	8,151	6,217
Other charges	2,817	3,931	3,525	2,216
Other income, net	2,722	1,427	1,740	3,767
Income taxes	7,300	3,300	18,100	18,000
Net Income	15,774	28,821	12,933	20,270
Earnings per share	3.94	7.21	3.45	5.41
Cash dividends per share	2.75	2.75	1.50	3.00
Stock dividend paid	—	—	1:15	—
Net income as a percent of net sales	8.12%	11.86%	10.79%	15.24%
Return on average assets	6.20%	12.32%	13.39%	16.12%
Return on average equity	24.28%	30.40%	21.42%	59.11%
Break-up value per share	23.75	22.47	19.21	17.26
Current assets	216,099	102,835	71,677	95,895
Current liabilities	248,850	127,430	102,874	109,537
Working capital	(32,751)	(24,595)	(31,197)	(13,642)
Ratio of current assets to current liabilities	1.15	1.24	1.44	1.14
Plant & equipment, net	207,750	177,694	139,999	157,246
Total assets	472,763	305,143	250,261	268,289
Long-term debt	74,276	46,350	39,396	44,461
Shareholder's equity	95,001	89,870	72,049	64,741
Debt to debt-equity percent	43.88%	34.02%	35.35%	40.71%
Depreciation	22,562	19,150	11,405	6,941
Capital expenditures	53,575	58,753	18,955	15,724





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





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:

During September, 1985, 750 progenies were planted as the first generation crop each in 7 ft rows which remained under study for field performance. The study involved the observations at 3 stages of the life cycle of the plant such as the early growth phase relating to growth habit, tillering capacity and frost tolerance the second stage related to quick or slow growing, leaf area and the leaf angle, the third stage involved the economic characteristics like final height, cane thickness and millable canes.

Brix readings were recorded during the last weeks of August, September and October on 290 selections based on agronomic performance. The final selection for 2nd generation crop was so directed to establish a variety carrying a good compromise for yield and quality. A total of 247 progenies were selected on visual estimates for yield based on components like cane height, thickness, number of canes and actual brix with more reliability on final reading. Some stools from original seedling were selected mainly on brix reading and repeated in the field to get more seed which also remained under study.

These 247 selections were again planted in short rows in 1st week of September, 1986 in 3.5 ft. apart rows to keep 15 plants per progeny for further study. The ratoon crop from 750 progenies of the 1985-86 crop will also be studied for ratooning behaviour and other desirable characteristics.

It is too early to predict of a future variety because the screenings for diseases, pests and actual yield performance under various farming conditions are yet in preliminary stages, but may not be out of place to mention the promising strains to be subjected to detailed study. Such strains are numbered under internationally accepted system as *SP-J 26, SP-J 394, SP-J 683, SP-J 106, SP-J 039 and SP-J 220. Fresh seed of 15 single crosses and 8 open pollinated varieties was received from Sao Paulo, Brazil in May, 1986. The whole seed lot carried seed borne fungi which led to seedling mortality. The Plant Pathologist, Ayub Agricultural Research Institute, Faisalabad helped to isolate the causal agent and to find out the matching fungicide. Many attempts were made to make the seed free of fungus, finally we succeeded when the seed was dipped in distilled water for 12 hours and treated with Topsin M-1 : 400 for 5 minutes and planted in beds filled with soil sterilized with 2% formaline solution about a week before use. Boiled water was used on seedlings in beds for the 1st month and in August when these were about 6 inches tall ordinary canal water was used and finally transplanted in the field in 2nd fortnight of September. These seedlings which cover about 9 acres will remain under study till final selection in September, 1987. During December, 1986 hybrid seed of six single crosses has also been obtained from Ishurdi, Bangladesh on personal contacts, it will be sown in July, 1987.

The attempts to initiate our own breeding program also continued, first time the flower appeared in May and this time flowering came in December and that too on the ratoon stools. The successful crossing under our temperatures and the facilities will be possible if the flowers appear by end of September. The mechanism how to get it was discussed with Dr. J.D. Miller and Dr. Wilson whom the undersigned visited during March, 1986 at Canal Point, U.S.A. and Piracicaba, Brazil. Accordingly the new crop of parental lines planted in September, 1986 were kept in growth during the winter which produced 4-5 tillers and stout stools, the crop will be raised under good management to complete the vegetative phase by end of June, 1987 when the lines will be subjected to photo induction. At present our whole strategy rests on the hybrid seed obtained from Brazil.

Sincerely,



Dr. S. A. Qureshi,
Director General.

* SP denotes Sao Paulo the origin of hybrid seed and JD denotes Jhang where detailed studies are being conducted.

FLOW OF FUNDS ANALYSIS

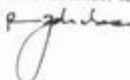
Development of net current position in Million of Rupees:

	Sep. 30, 1984	Change	Sep. 30, 1985	Change	Sep. 30, 1986
Liquid assets	69.59	+ 27.52	97.11	+ 107.99	205.10
Short-term receivable	2.10	+ 3.64	5.74	+ 5.26	11.00
Short-term liabilities and provision	-80.49	- 30.14	-110.63	- 114.88	-225.51
	- 8.80	+ 1.02	- 7.78	- 1.63	- 9.41
Factors affecting the change in the next current position :					
Source of Funds :					
Net income for the year			+ 28.82		+ 15.77
Depreciation			+ 19.15		+ 22.56
Amortization of Assets subject to Finance Lease			-		+ 0.97
Deferred Taxation			- 1.50		+ 7.30
Gain on sale of investment			- 0.15		-
Profit on sale of Fixed Assets			+ 0.21		- 0.18
Internal Financing			+ 46.53		+ 46.42
Proceeds of Fixed Assets			+ 1.69		+ 1.14
Redeemable Capital-Long Term Running Finance			-		+ 5.50
Custom Debentures			+ 1.22		+ 0.99
Investment			+ 1.18		-
Long-term loans			+ 22.56		+ 28.12
Liability against Assets subject to Finance Lease			-		+ 12.26
Source of Funds - Total :			+ 73.18		+ 94.43
Application of Funds :					
Addition to Fixed Assets			- 41.76		- 59.49
Assets subject to Finance Lease			-		- 12.26
Addition to Investment			- 2.72		- 5.27
Redeemable capital-long term running finance			-		0.62
Long-term loans and deposits			+ 0.06		- 1.84
Liability against assets subject to finance lease			-		- 0.58
Custom Debentures			- 0.05		- 0.15
Loan repaid			- 16.69		- 4.92
Dividend paid			- 11.00		- 10.93
Application of Funds - Total :			- 72.16		- 96.06
Change in the net position			+ 1.02		- 1.63

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SHAKARGANJ MILLS LIMITED as at 30 September 1986 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 1986 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.



BALANCE SHEET AS AT 30 SEPTEMBER 1986

	Note	1986	1985
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
10 000 000 (1985: 5 000 000)			
ordinary shares of Rupees 10 each		100 000	50 000
Issued, subscribed and paid up share capital			
4 000 000 ordinary shares of Rupees			
10 each	3	40 000	40 000
Capital reserves	4	19 500	19 500
Revenue reserves	5	35 357	30 000
Unappropriated profit		144	370
		95 001	89 870
Surplus on revaluation of operating fixed assets	6	10 967	11 324
Redeemable capital	7	3 231	
DEBENTURES AND LONG TERM LOANS			
Custom debentures-unsecured	8	2 267	1 463
Long term loans	9	59 463	41 056
		61 730	42 519
Liability against assets subject to finance lease	10	9 603	
Deferred taxation	11	41 300	34 000
CURRENT LIABILITIES			
Current portion of:			
Redeemable capital		1 646	
Debentures and long term loans	12	10 119	5 294
Assets subject to finance lease		2 081	
Short term running finances	13	16 094	64 008
Creditors, accrued and other liabilities	14	204 532	29 090
Provision for taxation		4 880	17 528
Dividend payable	15	11 579	11 510
		250 931	127 430
Contingencies and commitments	16		
		472 763	305 143

Rupees in thousand)

TANGIBLE FIXED ASSETS

	Note	1986	1985
Operating fixed assets	17	207 750	177 694
Assets subject to finance lease	18	11 294	—
Capital work-in-progress	19	19 819	13 908
		<u>238 863</u>	<u>191 602</u>
Long term investments	20	15 831	10 555
Long term deposits	21	1 970	128

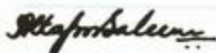
CURRENT ASSETS

Stores, spare parts and loose tools	22	18 326	13 887
Stocks-in-trade	23	169 025	51 076
Trade debts	24	11 004	5 747
Advances, deposits, prepayments and other receivables	25	15 013	29 632
Cash and bank balances	26	2 731	2 516
		<u>216 099</u>	<u>102 858</u>

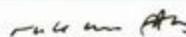
472 763

305 143

The annexed notes form an integral part of these accounts



Altaf M. Saleem
Chief Executive



Muhammad Anwar
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1986

	Note	1986	1985
		(Rupees in thousand)	
Sales	27	284 162	270 870
Cost of Goods Sold	28	240 104	211 172
Gross Profit		44 058	59 698
Administrative, selling and general expenses	29	8 474	11 390
Operating Profit		35 584	48 308
Other Income	30	2 722	1 427
		38 306	49 735
Financial and other charges	31	15 232	17 614
Profit before taxation		23 074	32 121
Provision for taxation	32	7 300	3 300
Profit after taxation		15 774	28 821
Unappropriated profit brought forward		370	49
Profit available for appropriation		16 144	28 870
Appropriations			
Dividend equalization reserve		—	10 000
Proposed dividend		11 000	11 000
General reserve		5 000	7 500
		16 000	28 500
Unappropriated profit carried forward		144	370

The annexed notes form an integral part of these accounts.

Altaf M. Saleem
Chief Executive

Muhammad Anwar
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR
THE YEAR ENDED 30 SEPTEMBER 1986

1986 1985
(Rupees in thousand)

SOURCES OF FUNDS

Profit after taxation	15 774	28 821
Add/(deduct) Items not involving the movement of funds		
Depreciation	22 562	19 150
Amortisation of assets subject to finance lease	971	—
Deferred taxation	7 300	(1 500)
Gain on disposal of long term investments	—	(153)
(Gain)/loss on disposal of operating fixed assets	(183)	214
Funds provided by operations	46 424	46 532
Other sources		
Proceeds from disposal of operating fixed assets	1 140	1 693
Redeemable capital - Long term running finance	5 500	—
Custom debentures	987	1 220
Long term loans	28 118	22 547
Liability against assets subject to finance lease	12 265	—
Proceeds from disposal of long term investments	—	1 176
Long term loans and advances	—	59
	94 434	73 227

APPLICATION OF FUNDS

Tangible fixed assets acquired	59 486	41 758
Assets subject to finance lease	12 265	—
Redeemable capital - Long term running finance	623	—
Liability against assets subject to finance lease	581	—
Custom debentures	146	47
Long term loans repaid	4 923	16 688
Long term investments	5 276	2 716
Long term deposits	1 842	4
Dividend paid	10 931	5 598
Net increase/(decrease) in working capital	(1 639)	6 416
	94434	73227



ANALYSIS OF INCREASE/(DECREASE) IN WORKING CAPITAL

	1986	1985
	(Rupees in Thousand)	
Increase/(decrease) in current assets		
Stores, spare parts and loose tools	4 439	(365)
Stocks-in-trade	117 949	24 507
Trade debts	5 257	3 643
Advances, deposits, prepayments and other receivables	(14 619)	3 088
Cash and bank balances	215	285
	<u>113 241</u>	<u>31 158</u>
(Increase)/decrease in current liabilities		
Short term running finances	47 914	(33 241)
Creditors, accrued and other liabilities	(175 442)	10 427
Provision for taxation	12 648	(1 928)
	<u>(114 880)</u>	<u>(24 742)</u>
NET INCREASE/(DECREASE) IN WORKING CAPITAL	<u>(1 639)</u>	<u>6 416</u>

Altaf M. Saleem
Chief Executive

Muhammad Anwar
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1986

1. STATUS AND NATURE OF BUSINESS

Shakarganj Mills Limited is a public company listed with Lahore and Karachi Stock Exchanges and incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance 1984) on 20 September 1967. The company is principally engaged in the business of production, purchase and sale of white sugar and spirit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention as modified by capitalisation of exchange differences and revaluation of certain operating fixed assets as referred to in note No. 2.4 and 2.5.

2.2 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 at the rate of 17.95 percent of the basic salary of employees.

The company also operates a funded Provident Fund scheme covering all employees and monthly contribution is made at the rate of 7 percent of basic pay of employees.

2.3 Taxation

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

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

2.4 Foreign currencies

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

2.5 Tangible fixed assets and depreciation

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 at cost (Note No. 2.1).

Depreciation on operating fixed assets is charged to income on reducing balance method to write off the cost or appreciated value including related exchange differences over their expected useful life.

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

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

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

2.6 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of assets. The aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of the liability. The assets so acquired are amortised over the useful life of the assets or the lease term which ever is shorter. The amortisation of leased assets is charged to current year's income as part of depreciation.

2.7 Long term investments

These are stated at cost.

2.8 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.



1986 1985
(Rupees in thousand)

2.9 Stocks-in-trade

Stocks-in-trade are valued at the lower of average cost and net realisable value except molasses (By-product) which is valued at estimated realisable value. Average cost and net realisable value is defined as follows:

Average cost

For work-in-process

and finished goods — Average manufacturing cost including a proportion of overheads.

For goods purchased for resale

— The invoice value including the directly attributable cost of acquisition.

Net realisable value — Signifies the estimated selling prices in the ordinary course of business less selling expenses incidental to sales.

4. CAPITAL RESERVES

Balancing and modernisation

Research and development

5. REVENUE RESERVES

General

Balance as at 01 October

Transfer from:

Profit and loss account

Surplus on revaluation of operating fixed assets

Dividend equalisation

Balance as at 01 October

Transfer from profit and loss account

2.10 Revenue recognition

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

1986 1985
(Rupees in thousand)

6. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

Balance as at 01 October

Transfer to general reserve relating to the operating fixed assets disposed of during the year

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

3 000 000 ordinary shares of Rupees

10 each fully paid up in cash 30 000 30 000

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

250 000 ordinary shares of Rupees 10 each issued as fully paid bonus shares 2 500 2 500

40 000 40 000

7. REDEEMABLE CAPITAL

Long term running finance utilised under mark-up arrangement is made up as under:

Marked-up price

Less: Mark-up

Rebate on timely payments

	1986	1985		1986	1985
	(Rupees in thousand)			(Rupees in thousand)	
Less: Instalments paid	623	—	From banking companies:		
Instalments due within twelve months	1 646	—	Allied Bank of Pakistan Limited (Note 9.4)	3 870	8 033
	2 269	—	Agricultural Development Bank of Pakistan (Note 9.5)	4 240	5 000
	3 231	—		8 110	13 033
				69 399	46 204
No. of monthly instalments	36		Less: Current portion (Note 12)	9 936	5 148
Date of payment of first instalment	May, 1986			59 463	41 056

Security and mark-up This is secured by second collateral registered mortgage charge on fixed assets of the company with NOC from other financial institutions. The mark-up has been computed at the rate of 11 percent per annum.

9.1 Loans from PICIC 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 charge 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 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. 13.1; and
- A demand promissory note.

8. CUSTOM DEBENTURES – UNSECURED

These are made up as under:

Balance as at 30 September	2 450	1 609
Less: Current portion (Note 12)	183	146
	2 267	1 463

8.1 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 commenced from 8 August 1985 and carry interest at the rate of 1 percent above the bank rate.

9.2 Loan No. SBR-86 and SBR-61 are repayable in 10 semi annual instalments commencing from 1 January 1987 and 1 July 1987 respectively and carry interest at the rate of 9 percent per annum.

9.3 Loan No. IBRD-2380/IDA-1439/1 and ABD-455/20 are repayable in 20 semi annual instalments commencing from 1 January 1987 and 1 July 1987 and carry interest at the rate of 14 percent per annum.

9. LONG TERM LOANS

From financial institution
Pakistan Industrial Credit and
Investment Corporation Limited:

Loan No.:

SBR-61 (Note 9.2)	35 170	33 171
SBR-86 (Note 9.2)	8 889	—
IBRD-2380-IDA-1439/1 (Note 9.3)	12 642	—
ADB-455/20 (Note 9.3)	4 588	—
	61 289	33 171

9.4 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 a minimum of 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.

1986 1985
(Rupees in thousand)

9.5 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 bank loans and is repayable in five yearly equal instalments commenced from 7 January 1986 and carries interest at the rate of 12 percent per annum.

9.6 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 77.40 million, Rupees 12.00 million and Rupees 5.00 million respectively (1985: Rupees 35.29 million, Rupees 12.00 million and Rupees 5.00 million respectively)

1986 1985
(Rupees in thousand)

10. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease

payments	11 684	—
Less: Instalments due within twelve months	2 081	—
	<u>9 603</u>	<u>—</u>

The present value of the minimum lease payments has been discounted using the sum of digit method which equates to an interest rate of approximately 10 percent. The balance rental due under the lease agreement amounting to Rupees 14 376 145 are payable in 55 equal monthly instalments and a lump sum payment of Rupees 859 015 uptill May 1991. Overdue rental payments are subject to an additional charge of 2 percent. Taxes, repairs and insurance costs shall be borne by the lessee. The lessee shall have no right to terminate the lease agreement and if the lease agreement is terminated by the lessee, the lessee shall pay the entire amount of rental for unexpired period of the lease agreement. The lease agreement is renewable at the option of the National Development Leasing Corporation Ltd. (Lessor) on such terms as may be agreed upon. The liability is secured by 15 percent deposit amounting to Rupees 1 839 750 included in long term deposits and deposit of shares of listed companies having face value of Rupees 2.50 million as referred to in note No. 20.2

11. DEFERRED TAXATION

Timing differences due to accelerated

tax depreciation	44 500	35 000
Other timing differences	<u>(3 200)</u>	<u>(1 000)</u>
	<u>41 300</u>	<u>34 000</u>

12. CURRENT PORTION OF CUSTOM DEBENTURES AND LONG TERM LOANS

Custom debentures	183	146
Long term loans	9 936	5 148
	<u>10 119</u>	<u>5 294</u>

13. SHORT TERM RUNNING FINANCES

From financial institution	—	20 000
From banking companies (1985: Bank over draft/running finances)		
Secured (Not 13.1)	12 203	42 157
Unsecured	<u>3 891</u>	<u>1 851</u>

16 094 44 008

16 094 64 008

13.1 These are secured against pledge and hypothecation of stores, spares, stocks, book debts, second charge on fixed assets and company's guarantee. These form part of aggregate credit facility of Rupees 70 million (1985: Rupees 79.25 million).

13.2 Mark-up is charged at the rate of 43 paise per Rupees 1 000 per day by the banking companies, other than Agricultural Development Bank of Pakistan which charges mark-up at the rate of 12 percent per annum. These are repayable within twelve months from the date of balance sheet.

14. CREDITORS ACCRUED AND OTHER LIABILITIES

Creditors

Trade	88 914	970
Others	<u>10 746</u>	<u>5 513</u>
	99 660	6 483

Advances from customers 112 1 762

Security deposits from contractors, payable on completion of contracts—

Interest free 364 776

Income tax deducted at source 63 48

Interest on custom debentures—
unsecured 74 41

1986 1985
(Rupees in thousand)

Mark-up accrued on redeemable capital - Secured	172	
Interest accrued on long term secured loan	6 272	4 679
Mark-up accrued on short term running finances - Secured	1 124	2 948
Excise duty	103	3 143
Custom duty	85 745	
Due to associated undertakings	1 576	600
Due to director	73	98
Workers' Profit Participation Fund	1 247	1 767
Workers' Welfare Fund	1 100	1 555
Accrued expenses	6 847	5 190
	<u>204 532</u>	<u>29 090</u>

15. DIVIDEND PAYABLE

Un-claimed	579	510
Proposed	11 000	11 000
	<u>11 579</u>	<u>11 510</u>

16. CONTINGENCIES AND COMMITMENTS

Contingencies:

... The company is contingently liable in respect of claims against the company not acknowledged as debt amounting to Rupees 0.527 million (1985: Rupees 0.548 million).

Commitments:

... Commitments in respect of contracts for capital expenditure are amounting to Rupees 12.896 million approximately as at 30 September 1986 (1985: Rupees 30.877 million).

... Other commitments in respect of letters of credit other than capital expenditure are Rupees 2.598 million (1985: Rupees 7.587 million).

17. OPERATING FIXED ASSETS

(Rupees in thousand)

DESCRIPTION	C O S T			Accumulated Depreciation As at 30 September 1986	Book Value As at 30 September 1986	Depreciation	
	Cost/Re-assessed value as at 1 October 1985	Additions/ (Deletions)	As at 30 September 1986			Charge for the year	Rate %
Land-freehold	3 750	—	3 750	—	3 750	—	—
Buildings and roads on free-hold land	35 829	1 206	37 035	13 356	23 679	2 162	5-10
Plant and machinery	209 915	50 782 (1 473)	259 224	85 374	173 850	19 317	10
Laboratory equipment	540	5	545	214	331	37	10
Tube-well and water pumps	455	—	455	241	214	24	10
Electric installations	567	24	591	348	243	27	10
Weighbridges and scales	1 023	202	1 225	568	657	73	10
Furniture and fixtures	1 405	180 (25)	1 560	631	929	103	10
Office equipments	539	3	542	237	305	34	10
Vehicle	3 612	993 (230)	4 375	2 069	2 306	577	20
Guns	10	—	10	7	3	1	10
Library books	331	73	404	268	136	58	30
Tools and equipments	1 678	51	1 729	548	1 181	131	10
Telephone equipments	171	56	227	61	166	18	10
1986	259 825	53 575 (1 728)	311 672	103 922	207 750	22 562	
1985	204 266	58 752 (3 193)	259 825	82 131	177 694	19 150	

17.1 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 on that date, the value of these operating fixed assets would have been lower by Rupees 42,214 million.

17.2 Included in the additions to plant and machinery is exchange loss of Rupees NIL (1985: Rupees 1,385 million) relating to foreign currency loans utilised for acquisition of these assets.

17.3 Borrowing cost amounting to Rupees 2,025 million has been capitalised in plant and machinery. The company has adopted the policy to capitalise the borrowing cost up till the date, the relevant asset is ready for intended use.

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

	1986	1985
	(Rupees in thousand)	
Cost of goods sold	21 917	18 541
Administrative, selling and general expenses	645	609
	<u>22 562</u>	<u>19 150</u>

17.5 DISPOSAL OF OPERATING FIXED ASSETS

(Rupees in thousand)

DESCRIPTION	COST/ RE-ASSESSED VALUE	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PRO- CEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Plant and machinery						
Centrifugal machine	1 473	633	840	1 000	Negotiation	Messrs The Thal Industries Corporation Limited, Lower Mall, Lahore.
Vehicles						
Fiat-640-JG-2362	79	70	9	32	—do—	Mr. Mohammad Rashid, Kabaria Bazar, Sargodha.
158-065	151	54	97	100	—do—	Mr. Azmat Ullah S/o. Mr. Atta Ullah, Karachi.
Furniture and fixtures						
Refrigerator 2 Nos.	12	7	5	2	—do—	Mr. Nisar Mohammad Kabaria, Faisalabad.

No other assets with book value of more than 5 000 were sold during the year.

18. ASSETS SUBJECT TO FINANCE LEASE

The following assets have been acquired under finance lease:

(Rupees in thousand)

DESCRIPTION	C	O	S	T	ACCUMULATED	BOOK VALUE	AMORTIZATION
	As at 01	Additions	As at 30 Septem-	AMORTIZATION	AS AT 30	FOR THE YEAR	
	October		ber 1986	AS AT 30	SEPTEMBER 1986	CHARGED TO COST	
	1985			SEPTEMBER 1986		OF GOODS SOLD	
Plant and machinery	—	12 265	12 265	971	11 294	971	



1986 1985
(Rupees in thousand)

1986 1985
(Rupees in thousand)

19. CAPITAL WORK-IN-PROGRESS

This comprises of:

Plant and machinery	9 654	6 105
Buildings	55	—
Tubewell	31	—
Advance to suppliers	8 190	5 420
Advance to contractors	1 278	2 383
Advance for purchase of land	611	—
	<u>19 819</u>	<u>13 908</u>

Noon Sugar Mills Limited

13 500 (1985: 13 500) ordinary shares of Rupees 10 each fully paid	166	166
1 620 (1985: Nil) bonus shares of Rupees 10 each	—	—

Pakistan Industrial Credit and Investment Corporation Limited

545 242 (1985: 163 742) ordinary shares of Rupees 10 each fully paid	7 025	1 749
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Karachi Electric Supply Corporation Limited

10 000 (1985: 10 000) ordinary shares of Rupees 10 each fully paid	111	111
	<u>12 831</u>	<u>7 555</u>

20. LONG TERM INVESTMENTS

Quoted

Associated companies

Crescent Sugar Mills and Distillery Limited		
106 100 (1985: 106 100) ordinary shares of Rupees 10 each fully paid	1 995	1 995
22 281 (1985: 10 610) bonus shares of Rupees 10 each	—	—
Crescent Boards Limited		
36 300 (1985: 36 300) ordinary shares of Rupees 10 each fully paid	440	440
Crescent Jute Products Limited		
141 000 (1985: 141 000) ordinary shares of Rupees 10 each fully paid	2 526	2 526
39 948 (1985: 23 499) bonus shares of rupees 10 each	—	—
Jubilee Spinning and Weaving Mills Limited		
4 000 (1985: 4 000) ordinary shares of Rupees 10 each fully paid	66	66
The Premier Insurance Company of Pakistan Limited 3 600 (1985: 3 600) ordinary shares of Rupees 5 each fully paid	60	60
4 639 (1985: 3 266) bonus shares of Rupees 5 each	—	—
The Crescent Textile Mills Limited		
19 500 (1985: 19 500) ordinary Shares of Rupees 10 each fully paid	404	404

Unquoted

Associated company

Crescent Steel and Allied Products Limited 300 000 (1985: 300 000) ordinary shares of Rupees 10 each fully paid (Equity held 14.63 percent (1985: 16.66 percent) and break up value is Rupees 3 million as at 31 December 1985 (31 December 1984 Rupees 3 million)	3 000	3 000
	<u>15 831</u>	<u>10 555</u>

20.1 Market value of quoted investments as at 30 September 1986 was Rupees 18,960 million (1985: Rupees 9.7 million).

20.2 Investment having face value of Rupees 0.11 million and Rupees 2.5 million is pledged with Muslim Commercial Bank Limited against guarantee issued in favour of Employees Social Security Institution and National Development Leasing Corporation Limited as security against assets subject to finance lease respectively.

21. LONG TERM DEPOSITS

Others

Adam Sugar Mills Limited (Former Bahawalnagar Sugar Mills Limited)

2 000 (1985: 2 000) ordinary shares of Rupees 10 each fully paid	38	38
200 (1985: Nil) bonus shares of Rupees 10 each	—	—

Securities	130	128
Margin with National Development Leasing Corporation Limited, against assets subject to finance lease	1 840	—
	<u>1 970</u>	<u>128</u>

1986 1985
(Rupees in thousand)

1986 1985
(Rupees in thousand)

22. STORES, SPARE PARTS AND LOOSE TOOLS

	1986	1985		1986	1985
			Deposits		
Stores	7 123	6 131	Excise duty	11	167
Spare parts	12 563	9 160	Education cess	92	92
Loose tools	140	96	Margin deposit	88	105
	19 826	15 387		191	561
Less: Provision for obsolescence	1 500	1 500	Claims		
	18 326	13 887	Insurance	16	16
			Others	83	83
				99	99

23. STOCKS-IN-TRADE

Work in Process			Short term prepayments	160	400
Finished good	191	380	Due by associated undertakings	367	7
Sugar	347	50 696	Due by Employees' Provident		
Own products	167 833		Fund Trust	1	8
Purchased			Interest outstanding	23	354
Molasses	444		Commitment charges		130
Spirit	210		Sundry receivables	1 167	743
	168 834	50 696		15 013	29 632
	169 025	51 076			

24. TRADE DEBTS

These are unsecured but considered good

Due from:		
Customers	10 798	5 634
Associated undertaking	206	113
	11 004	5 747

25.1 The maximum aggregate amount due from Chief Executive and Executive at the end of any month during the year was Rupees 18 363 (1985: Rupees 204 681).

25.2 The aggregate amount due from Chief Executive and Executive of the company is Rupees NIL and Rupees 2 843 respectively at the close of financial year (1985: Rupees NIL and Rupees 2 666).

25. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans and advances		
Considered good		
To employees	96	86
To suppliers and contractors	574	2 335
To Income tax department	3 774	14 065
Letters of credit	1 750	1 594
To sugarcane growers	6 811	9 247
	13 005	27 327
Considered doubtful		
To sugarcane growers	8 009	6 449
Less: Provision for doubtful	8 009	6 449
	13 005	27 327

26. CASH AND BANK BALANCES

Cash in hand	80	23
Cash with banks on:		
Current accounts	1 016	988
Fixed deposit account		340
Short term deposit account	1 348	1 066
Dividend accounts	287	99
	2 651	2 493
	2 731	2 516



26.1 Term deposit receipts amounting to Rupees 1.348 million (1985: 1.406 million) are lying with banks under lien against guarantees issued to banks for loans to sugarcane growers.

1986 1985
(Rupees in thousand)

		Work-in-process inventory			
		As at 01 October		380	186
		As at 30 September		191	380
27. SALES		1986 1985			
		(Rupees in thousand)			
Own products:				189	(194)
Sugar	250 147	257 727			
Molasses (by-product)	7 846	14 778	Cost of goods produced	152 953	235 485
Goods purchased for resale	27 740		Cost of goods purchased for resale	205 289	
	285 733	272 555		358 242	235 485
Commission to selling agents			Finished goods inventory		
Own products	1 513	1 685	As at 01 October	50 696	26 383
Goods purchased for resale	58		As at 30 September	168 834	50 696
	1 571	1 685		(118 138)	(24 313)
	284 162	270 870		240 104	211 172

28. COST OF GOODS SOLD

Raw material

Sugarcane purchased	56 879	105 587
Delivery expenses	5 297	8 564
Less: Recovered	515	348
Sugarcane subsidy	4 782	8 216
Development subsidy	1	1,811
Sugarcane development cess	1,426	2,650
Market committee fee	356	663
Loading and unloading	349	1,034
Octroi	281	683
	64 074	120 646

Salaries, wages and other benefits	7 755	8 941
Workers' Welfare	34	123
Store and spare parts	3 065	2 861
Dyes and chemicals	226	6 48
Packing material	2 875	5 465
Power and fuel	1 893	1 339
Repair and maintenance	3 208	4 729
Insurance	594	523
Vehicles' running	241	206
Travelling, conveyance and entertainment	23	51
Printing and stationery	139	161
Rent, rates and taxes	73	59
Excise duty	44,344	69,812
Other factory overheads	408	669
Sugarcane research and development	924	905
Depreciation/amortization	22,888	18,541

152,764 235,679

1986 1985
(Rupees in thousand)

29. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries, wages and other benefits	2 896	2 968
Directors' meeting fee	3	4
Travelling and conveyance	371	250
Printing and stationery	192	147
Telephone, postage and telegrams	194	181
Vehicles' running	354	353
Legal and professional	173	260
Auditors' remuneration		
Audit fee	30	30
Out of pocket expenses	4	4
	34	34

Repairs and maintenance	221	156
Entertainment	53	56
Subscription	179	124
Rent, rates and taxes	17	22
Publicity	163	187
Loading and unloading	80	89
Insurance	217	337
Handling and distribution	274	323
Registered office expenses	615	744
Provision for doubtful loans to sugarcane growers	1 560	2 829
Doubtful loans to sugarcane growers written off	—	1 540
Miscellaneous	233	177
Depreciation	645	609
	8 474	11 390

30. OTHER INCOME

Sale of scrap	276	218
Commission on fertilizer	87	226
Gain/(loss) on disposal of operating fixed assets	183	(214)
Gain on sale of investments	—	153
Dividend (Note 30.1)	1 147	716
Return on bank deposits	73	102
Interest on advances to associated undertakings	803	40
Agricultural farm income	87	30
Rental	18	19
Miscellaneous	48	137
	2 722	1 427

30.1 DIVIDEND INCOME

Associated Undertakings,

Crescent Sugar Mills and Distillery Limited	362	212
Crescent Boards Limited	36	36
Crescent Jute Products Limited	—	141
Jubilee Spinning and Weaving Mills Limited	10	5
The Premier Insurance Company of Pakistan Limited	7	6
The Crescent Textile Mills Limited	44	42
Others		
Adam Sugar Mills Limited (Former Bahawalnagar Sugar Mills Limited)	3	5
State Enterprises Mutual Fund	—	33
Pakistan Industrial Credit and Investment Corporation Limited	668	219
Noon Sugar Mills Limited	17	17

1 147 716

	1986	1985		1986	1985
	(Rupees in thousand)			(Rupees in thousand)	

31. FINANCIAL AND OTHER CHARGES

32. PROVISION FOR TAXATION

Financial charges			Current year	—	4 800
Mark-up on:					
Redeemable capital (Rupees 172 177 payable)	548	—		—	4 800
Short term running finances	5 603	5 579			
Interest on:			Deferred tax		
Custom debentures	248	82	Current year	7 300	5 600
Long term loans	4 750	5 406	Prior years	—	(7 100)
Advances from associated undertaking	131	2 250		7 300	(1 500)
Other balances	20	35		7 300	3 300
Finance charges on assets subject to finance lease	498	—			
Lease agreement fee	122	—			
Bank charges and commission	495	331			
	12 415	13 683			
Donations (Note 31.1)	1 200	1 200			
Workers' Profit Participation Fund	1 247	1 742			
Workers' Welfare Fund	370	900			
Loss on sale of stores	—	89			
	15 232	17 614			

31.1 DONATIONS

A sum of Rupees 200 000 (1985: Rupees 200 000) was donated to Crescent 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. Muhammad Anwar
 Mr. Khalid Bashir

33. DIRECTORS' AND EXECUTIVE'S REMUNERATION

	1986		1985	
	Chief Executive	Executive	Chief Executive	Executive
The aggregate amount charged in the accounts for the year for remuneration, allowances including all benefits to Chief Executive and executive of the company was as follows:	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	120	163	120	132
Bonus	65	59	95	82
Housing	54	60	54	54
Company's contribution to provident fund	—	11	—	9
Contribution to pension fund	—	23	—	21
Other benefits				
Conveyance allowance	—	4	—	4
Utility allowance	—	14	—	12
Entertainment allowance	6	6	6	6
Reimbursable expenses	3	16	2	20
	<u>248</u>	<u>356</u>	<u>277</u>	<u>340</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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

33.2 The aggregate amount charged in the accounts for fee to 6 directors in respect of two meetings was Rupees 3 000 (1985: Rupees 4 000 for 8 directors).

34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 13,314 million (1985: Rupees 2.00 million).

The company purchased from and sold to associated undertakings material, goods and services in the aggregate sum of Rupees 4,612 million and Rupees 3,865 million respectively (1985: Rupees 4,823 million and Rupees 6,113 million respectively). Purchase/sale of goods and services is made at prevailing market price.

Mark-up on advances from/to associated undertakings is paid/recovered at the rate of 43 paise per Rupee 1 000 per day.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

Sugar

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

Actual production:
Current year 20625 M. Tons in 113 days i.e.
182,522 M. Tons per day.

Previous year 39523 M. Tons in 168 days i.e.
235,254 M. Tons per day.

Spirit

Capacity 40 000 litres per day.
Actual 26 239 litres in 11 days.

35.1 REASONS FOR LOW PRODUCTION

Sugar production was low mainly due to acute shortfall of sugarcane in the area.

Distillery operations were started on 20 September 1986. Initial eight days were spent in propagation of yeast and production of fermented mash. Distillery operation i.e. actual Spirit production was carried out in the last 3 days.

36. FIGURES

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



Altaf M. Saleem



Muhammad Anwar



FORM '34'

**PATTERN OF HOLDING OF THE SHARES HELD BY THE
SHAREHOLDERS AS AT 30TH SEPTEMBER, 1986**

No. of Shareholders	Shareholding		Total Shares Held.
	From	To	
59	1	100	1934
451	101	500	70063
50	501	1000	33893
107	1001	5000	245988
25	5001	10000	171640
6	10001	15000	69111
2	15001	20000	34756
2	20001	25000	44660
3	25001	30000	76339
2	35001	40000	71039
1	55001	60000	55426
1	60001	65000	60066
1	120001	125000	122730
1	190001	195000	190613
2	305001	310000	611221
1	360001	365000	362492
1	440001	445000	441256
1	585000	590000	590000
1	745001	750000	746773
717			4000000

Categories of shareholders	Number	Shares held	Percentage.
Individuals	702	797736	19.94%
Investment Companies	3	840679	21.02%
Insurance Companies	2	39573	0.99%
Joint stock companies	5	1921980	48.05%
Financial Institutions	1	362492	9.06%
Private Companies	3	18223	0.46%
Trust	1	19317	0.48%
	717	4000000	100.00%