

*Annual
Report
1987*



*Shakarganj
Mills Limited*



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



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Highlights:

Earnings were Rs. 3.36 per share.

Shareholders Equity was up 25.18 percent to Rs.118.92 million compared to Rs. 95.00 million at the end of 1986.

Additions to Property, Plant and Equipment to the tune of Rs. 14.73 million.

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. Sk. Jahangir
(Nominee NIT)

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.



1974 — 1987

Season	Cane Crushed (M. Tons)	Sugar Produced (M. Tons)	Recovery (Percent)	Process Losses (Percent)
1986-87	333,601.075	27,898.600	8.36	2.24
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	8,252.618	8.30	2.75
1973-74	87,824.720	5,476.830	6.28	3.57

Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twentieth 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 Thursday March 31, 1988 at 11:30 A.M., to transact the following business:

Agenda

- To confirm the minutes of Extra-Ordinary General Meeting held on July 18, 1987.
- To receive and adopt the Directors' & Auditors' Reports and Accounts for the year ended September 30, 1987.
- To declare a Dividend. The Directors have recommended the payment of Cash Dividend at the rate of 22½ percent (Rupees 2.25 per share).

Special Business

- To consider and pass the following Resolution under section 208 of the Companies Ordinance, 1984:

RESOLVED THAT the company is a shareholder in Crescent Jute Products Limited and by virtue of shareholding, has been invited to purchase =57252= Right Shares of Rs. 10/- each @ Rs. 25/- (including Rs. 15/- as premium) per share of Crescent Jute Products Limited. The Company accepts the rights offer and acquires the above said Right Shares at the offered price. The Chief Executive be and is hereby authorised to take any and all actions necessary to purchase the aforesaid Right Shares on behalf of the Company.

Statement under Section 160(b) of the Companies Ordinance, 1984.

The Crescent Jute Products Limited is a Public Limited Company with an Authorised Capital of Rs. 100,000,000/- divided into 10,000,000 ordinary shares of Rs. 10/- each. The Crescent Jute Products Limited has offered Right Shares @ Rs. 25/- (including Rs. 15/- as premium) per share. The consent for issue of Right Shares has since been obtained from the Controller of Capital Issues by Crescent Jute Products Limited and a copy of the same has been kept in the Registered Office which can be inspected from 10:00 A.M. to 11:30 A.M. on all working days upto 20-03-1988. The Directors of the Company have no vested interest in the abovesaid investment except that some of the Directors of Shakarganj Mills Limited and their relatives are also Directors in the abovesaid Company.

- To appoint Auditors for the year 1987-88 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, 1988 to March 31, 1988 (both days inclusive).



From The Board Room

Dear Shakarganj Investor:

Your Directors are pleased to present the Nineteenth Annual Report alongwith detailed notes for the year ended 30 September, 1987.

Your company's operations for the year resulted in a net profit of Rs. 16.76 million as against Rs. 15.77 million in 1986. After charging Rs. 19.01 million for Depreciation and Rs. 21.81 million for Interest on Loans and Advances, profit available for appropriation comes to Rs. 16.90 million. Your Directors recommend appropriation of profit as follows:

	Rupees in Thousand
Profit available for appropriation	16 906
Proposed Dividend @ 22½%	11 250
Transfer to General Reserve	5 000
Un-appropriated Profit c/f.	656



Chief Executive

Financial condition of the company and future prospects are discussed in detail in the Management Review which forms part of this report.

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

The Management renews its pledge to continue its best efforts to manage prudently the company's business for the benefit of all and sincerely thanks its shareholders, employees, customers and suppliers who by their continued support have made 1987 a successful year for Shakarganj Mills Limited.

For and on behalf of the Board:

ALTAF M. SALEEM
Chief Executive

February 29, 1988

Management Review

Dear Shakarganj Investor:

There is not much good news for Fiscal 1987 as this was second consecutive year of raw material shortage. Higher sugarcane price compared to previous year was the major factor for low profitability. Production of sugar for the year under review was 27,898 M. Tons higher by 35.26 percent compared to Fiscal 1986. We could not qualify for Excise Duty exemption which is available on the production in excess of the average of last two years. We had one of our best years included in the last two years, making it difficult for us to achieve the target in a year of sugarcane shortage.

Best efforts were made to keep expenses under strict control. Your company managed to earn a net profit of Rs. 16.76 million compared to Rs. 15.77 million in 1986 under very difficult conditions. Shakarganj's net worth increased from Rs. 147.27 million in 1986 to Rs. 163.26 million at the end of Fiscal 1987.

In spite of two consecutive difficult years, we were able to implement Balancing and Modernization Plans. Shakarganj's strong financial position enabled funding of Rs. 14.72 million for Capital Expenditure and Rs. 11.25 million for payment of dividend.

Paid Up Capital

Company's Paid Up Capital was increased to Rs. 50 million by issuing 25 percent Right Shares at a premium of Rs. 8.62 per share. On the Balance Sheet date a small amount of Rs. 0.115 million remained unsubscribed but it was subsequently paid up.

Stockholders Equity

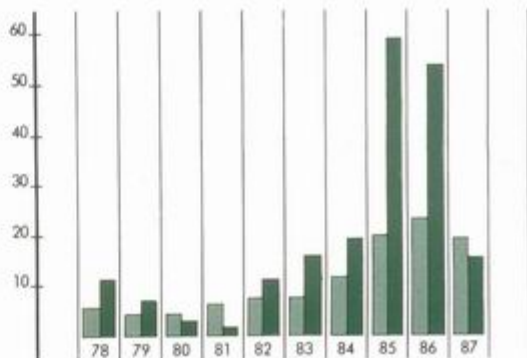
Stockholders equity increased to Rs. 118.92 million at the end of Fiscal 1987 from Rs. 95 million in 1986. Stockholders equity per share was Rs. 23.84 compared to Rs. 23.75 at the end of last Fiscal. This represents an increase of 0.38 percent over the previous year.

Composition of Assets and Return

Your company's total assets decreased to Rs. 350 million from Rs. 472 million in 1986. Your Management is conscious of the fact that a balanced composition of assets is to be ensured in order to maintain appropriate level of return to the stockholders. Continuous efforts are being made for improving various financial indexes through better operational efficiency, best use of assets and diversification.

Capital Expenditures Depreciation

(Million Rupees)



Investment Portfolio

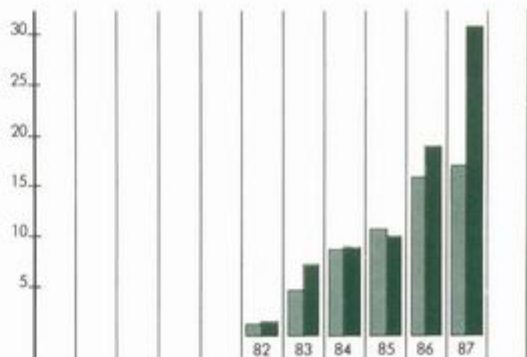
Market value of our investments was Rs. 31.12 million at the year end compared to Rs. 18.96 million at the end of Fiscal 1986. Market value of our total investment represents a premium of Rs. 14.46 million over the cost of acquisition. Your Management is making selective investment in area of strong profit potential to build a balanced investment portfolio. This will enable your company to absorb any shock resulting from fluctuation in sugarcane crop.

Investment Portfolio

Book Value

Market Value

(Million Rupees)





Contribution to Economy

Your company plays a very important role with regard to its contribution to economy. In Fiscal 1987 value added to material and services of Rs. 298.81 million, came to Rs. 184.87 million. Shakarganj's contribution towards Federal, Provincial and local taxes exceeded Rs. 109.42 million. Banks and Financial Institutions got Rs. 21.81 million and Rs. 13.41 million went to the employees.

	Value Added Statement (Rupees Million)	
	1987	1986
Sales	478.75	284.16
Other receipts	4.93	2.72
	483.68	286.88
Less: Material and Services	184.87	153.50
Value added:	298.81	133.38
Applied as Follows:		
To employees	13.41	12.30
To Government (Taxes)	109.42	67.80
To Financing	21.81	12.41
To Shareholders	11.25	11.00
To replacement of assets (Depreciation)/Amortisation	23.12	23.53
To Social, Public Benefits.	0.20	1.20
To growth of Company:		
Retained earning	5.66	5.14
Value Added:	184.87	133.38

Area of Concern

The serious problem of Purchasing Centres which is confined to the province of Punjab, remained unresolved inspite of our best efforts. The Sugar Industry in the Punjab province is made to suffer heavily on this account for no fault on its part. Your company had to pay extra Rs. 38.85 per ton of sugarcane purchased from the Purchasing Centres, which was 30.91 percent of the total supplies. Every year the cost of transportation is increasing but for reasons best known to the Government, the Sugar Factories are not allowed to deduct actual cost of transportation from the farmers supplying sugarcane at Purchasing Centres.

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.

Distillery

During the year the new installed Industrial Alcohol Plant was operated satisfactorily and produced 1.85 million litres of industrial alcohol. The plant was not run to full capacity as the international market of industrial alcohol was low due to lower price of oil.

Diversification

In order to pursue the diversification policy, a Fabric Unit is being installed and necessary financial package is being finalized. Land for installing this unit has been purchased and we plan to bring this division into operation 'Insha Allah' by June 1989.

Campaign 1986-87

In spite of the long drought, by the grace of God the sugarcane crop was saved. Although the sucrose content is lower but the overall situation is satisfactory. This year we have set a target of highest production in your company's fifteen years of history. Your Management is confident that 'Insha Allah' the target will be achieved.

The crushing campaign 1987-88 started on 02 November 1987 and upto 01 March 1988, 35838.6 M. tons of sugar was produced at an average recovery of 8.01 percent. It is expected that sugarcane crushing will continue till last week of April.

Future Outlook

Prospects of a good sugarcane crop for 1988-89 are very much there and I can predict a good future for your company with confidence.

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.

Board Room Changes

Shakarganj stockholders elected a new Board of Directors effective 01 June 1987. Mr. Shaukat Shafi who had a long association with the company left the Board. His contribution to the Board was invaluable and the company benefitted a lot from Mr. Shafi's experience. Mr. Sk. Jahangir joined the Board representing National Investment Trust Limited. I welcome him on the Board of Directors and I am confident that his presence will strengthen the Board. Directors of your company elected Mr. Mazhar Karim as Chairman of the Board for three years effective 29 February 1988.

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

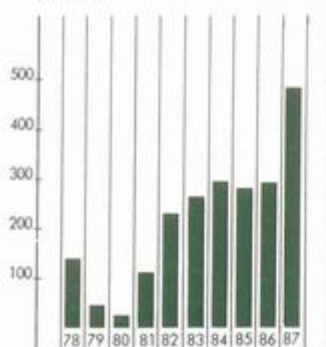


Ten Years Financial Summary

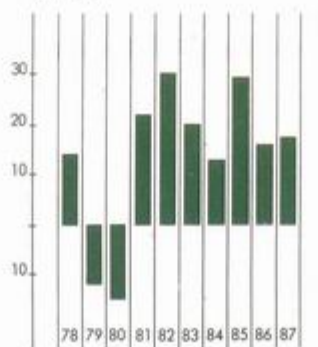
(Rupees in thousands,
except per share amounts)

	1987	1986	1985	1984
Net sales	478,748	284,162	270,870	287,511
Cost of sales	444,283	240,104	211,172	240,049
Selling, general and administrative expenses	8,499	8,474	11,390	6,493
Interest expense	21,814	12,415	13,683	8,151
Other charges	1,194	2,817	3,931	3,525
Other Income, net	4,927	2,722	1,427	1,740
Income taxes	(8,877)	7,300	3,300	18,100
Net Income	16,762	15,774	28,821	12,933
Earnings per share	3.36	3.94	7.21	3.45
Cash dividends per share	2.25	2.75	2.75	1.50
Stock dividend paid	—	—	—	1.15
Net Income as a percent of net sales	1.65%	8.12%	11.86%	10.79%
Return on average assets	3.53%	6.20%	12.32%	13.39%
Return on average equity	9.95%	24.28%	30.40%	21.42%
Break-up value per share	23.84	23.75	22.47	19.21
Current assets	96,897	216,099	102,835	71,677
Current liabilities	117,894	248,850	127,430	102,874
Working capital	(20,997)	(32,751)	(24,595)	(31,197)
Ratio of current assets to current liabilities	1.22	1.15	1.24	1.44
Plant & equipment, net	194,717	207,750	177,694	139,999
Total assets	350,257	472,763	305,143	250,261
Long-term debt	75,089	74,276	46,350	39,396
Shareholder's equity	118,919	95,001	89,870	72,049
Debt to debt-equity percent	40.48%	43.88%	34.02%	35.35%
Depreciation	19,010	22,562	19,150	11,405
Capital expenditure	14,727	53,575	58,753	18,955

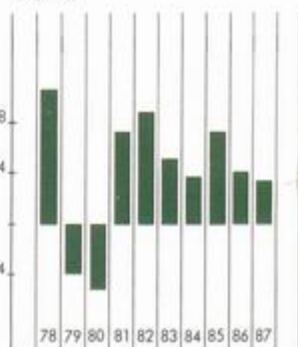
Net Sales
(Million)



Net Income
(Million)



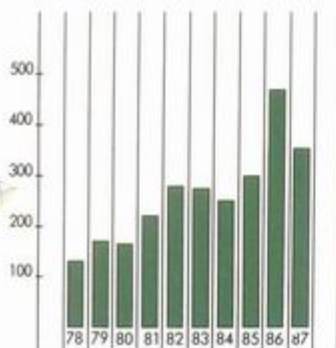
Earnings Per Share
(Rupees)



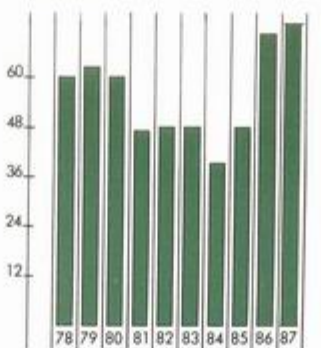


1983	1982	1981	1980	1979	1978
251,160	231,783	117,942	28,651	45,744	143,417
203,074	170,297	83,314	30,861	44,875	122,420
5,150	5,241	2,704	2,159	2,252	2,246
6,217	7,884	9,642	11,188	11,148	10,704
2,216	4,883	1,147	—	—	409
3,767	1,815	519	221	388	6,221
18,000	15,000	—	—	—	—
20,270	30,293	21,654	(15,336)	(12,143)	13,859
5.41	8.66	7.22	(5.11)	(4.05)	9.24
3.00	4.00	1.25	—	1.25	—
—	—	—	—	—	—
15.24%	19.54%	18.36%	(53.52)%	(26.55)%	9.66%
16.12%	18.61%	13.43	(3.93)%	(1.71)%	12.77%
59.11%	85.10%	70.02%	(104.58)%	(40.48)%	136.95%
17.26	15.21	10.31	4.89	10	6.75
95,895	124,492	75,557	16,715	18,464	18,893
109,537	148,320	148,511	107,077	83,687	79,027
(13,642)	(23,828)	(72,954)	(90,362)	(65,223)	(60,128)
1.14	1.19	1.97	6.41	4.53	4.18
157,246	150,886	147,584	152,280	153,588	108,658
268,289	281,452	223,376	169,018	172,176	133,118
44,461	44,968	43,089	59,221	62,279	59,443
64,741	53,221	30,928	14,664	30,000	10,120
40.71%	45.80%	58.21%	80.15%	67.48%	85.45%
6,941	7,344	6,100	4,090	4,144	5,471
15,724	10,848	1,621	2,859	6,860	10,557

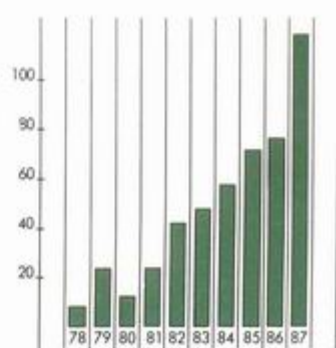
Total Assets
(Million)



Long Term Debt
(Million)



Shareholders Equity
(Million)





Board of Governors

Mr. Altaf M. Saleem
Chairman

Mr. M. Asghar Qureshi
Vice Chairman

Dr. S. A. Qureshi
Director General

Mr. M. Awais Qureshi
Member

Mr. Abdul Haq Saeed
Member

Shakarganj Sugar Research Institute

Principal functions

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

Shakarganj Sugar Research Institute

Director General's Review:

Shakarganj Mills Limited decided in 1983 to establish Shakarganj Sugar Research Institute (SSRI). The decision to set up SSRI was based mainly on the following facts.

- 1) The meagre financial resources of the country demand the involvement of the industry in agricultural research.
- 2) The fact that on the one hand favourable natural factors, more refined technology and better management, already demonstrated, can lead to improve the yield levels of the crop 2-3 folds and on the other hand not much emphasis is given on sugarcane research in the government research organizations.
- 3) The success stories of involvement of private sector in advanced countries of the world in Agricultural Research that have brought revolutions in both crop and animal sectors, prompts enterprising industrialists here also to come forward to play their role.

In the beginning it was decided to establish three research sections such as sugarcane breeding Soil Science including Agronomy and plant protection comprising of research on entomological, pathological and weed control aspects. However the research has been initiated in sugarcane breeding. It will be extended to disciplines mentioned above at a later stage. The breeding programme was streamlined to evolve new varieties, suitable for general cultivation combining better yield potential with built-in genetic resistance to diseases and tolerance to stresses like frost, drought and pests. With this objective in view both long term and short term approaches were followed which met a good success in the past four years.

The Long Term Approach:

It involved development of breeding programme under artificial conditions through photo induction to induce flowering necessary to produce the hybrid seeds. Since the conditions in the Punjab with respect to temperature, light and humidity requirements necessary for varieties to produce flowering are not conducive, artificial photo chamber equipped with temperature and light controls was constructed. In 1984 about 52 varieties comprising of both local adapted varieties and exotic strains were collected from Ayub Agricultural Research Institute, Faisalabad (AARI) and grown in pots which were later to be subjected to photo induction treatment in the chamber. During vegetative growth stage these genetic stocks were saved from scorching winds through sesbania grown around the pots and water sprinkling in the months of May and June. This system was followed both in 1984 and 1985. We succeeded to control the temperature but light intensity remained the problem because during very high temperature in June the plants had to be moved inside the chamber for 3 to 4 hours daily and this delayed flowering. In 1984 about 8 varieties produced flower in the month of May but it was too hot and a dry period to produce viable seed. Next year both the fresh planted material and ratoon stools in the pots were subjected to photo induction at a constant day length of 12.30 hours for 45 days. The ratoon stools produced flower in the month of December, it was again not a conducive time as low temperature became the constraint to produce the viable seed. The experiments, however, led to believe that it is possible to produce hybrid seed in plains of the Punjab if a combination of agronomic factors like balanced plant nutrition, proper moisture level and a good control over temperature, light and humidity during the photo induction stages are provided. Unfortunately, however, due to certain mishaps these levels could not be maintained in our 1986-87 crop season and the experiment had to be abandoned in June 1987.

The experiment has again been repeated during the crop season 1987-88 including our new selections combining early maturity and better quality. Attempt has been made to keep the plants in growth during winter months so that by end of July the plant produce healthy canes with 7-8 nodes. the experiment is so directed that photo induction treatment is completed by end of August forcing the plant to produce flower by end of September or early October, this is the time which provide optimum range of temperature necessary for production of viable seed.

In addition to these attempts to produce hybrid seed at Shakarganj Sugar Research Institute, Jhang the organization has planned a sub-station in coastal area where a suitable site for natural flowering has been selected. It is near Mirpur Sakro and the experiment started on a private agriculture farm with the cooperation of the farm owner. About 12 varieties have been planted in a nursery plot for transplanting in the pots in the



month of February 1988. Artificial photo induction treatment will also be given particularly to thick cane varieties as an attempt to synchronize with free flowering varieties.

Short Term Approach

Under this approach it was desired to procure the sugarcane true seed from countries identical to our climatic conditions and using the parents expected to grow under our conditions. For this purpose Dr. S.A. Qureshi, Director General of the Institute, visited Bangladesh and Brazil. Another purpose of this visit was to learn the new techniques being used towards artificial inductions in various varieties. Accordingly the visit to canal point in Florida (U.S.A.) was also included. This provided a good opportunity to create personal contacts with many sugarcane breeders helping to learn new techniques and procurement of the true seeds.

In 1984 we succeeded to procure hybrid seed of 16 biparental and 16 poly crosses from Dr. Willson of sugarcane breeding centre Piracicaba-Sao-Paulo, Brazil. This imported Fuzz carried some fungal diseases which led to seedling mortality but since we attempted to standardise a technique to handle the seedlings only a small quantity of seed was used in the first instance. With assistance from AARI, Faisalabad the fungus and Bacterial diseases were controlled and healthy nursery was raised. This lot produced only 1250 plants upto maturity in the field. Next year another lot comprising of 18 biparental and 4 poly crosses, received from the same source, was also raised in nursery and transplanted in the field on about 10 acres.

The more important Agronomic characteristics like growth pattern, tillering capacity, height and thickness of the cane and a few economic characteristics like disease and pest responses under natural conditions visual observation for yield potential and maturity were carefully watched. The selection pressure was so directed to identify early maturing varieties combined with high brix reading in the month of October.

A total of 750 stools were selected and planted in progeny rows as first generation crop from the original seedlings. From this generation 247 progenies were selected on visual estimates for various yield components and actual brix readings. About 20 progenies out of this material, based on high brix reading, early maturity, good growth pattern, with erect habit and medium thick cane were repeated for seed increase purposes. In September 1986 these 247 progenies were planted in 3'x5' apart rows keeping 15 plants in each row for further study. In addition the first generation crop of 750 progenies were ratooned to select line for this character and field characteristics of economic importance studied both in the planted and ratoon crop. The more important lines like SP-SG-26, 394, 683, 106, 039 and 220 also included in seed increase plots, appeared very promising for useful agronomic characteristics and also brix readings.

In October 1987 more than a dozen of these important lines were subjected to detailed cane analysis in our Laboratory and the lines like SP-SG 220, 106 and 26 showed much better performance over BL-4 in Brix POL and purity readings. The line SP-SG 26 though not the top one in these new selections in brix and purity but seems to be a good combination for yield, early maturity and tolerance to salinity. Agronomically it is an excellent selection giving up right if medium thick canes with better tillering capacity over BL4 and good emergence even in saline patches. Alongwith testing for various economic characteristics, the seed of this line has also been increased with the hope that if it excels the present commercial variety in yield diseases and pest attack, its seed should be available for rapid multiplication. Other new lines like SP-SG 220 and 106 both early maturing much better in readings for brix, pol and purity may not excel BL4 in yield, but carry a great promise of success for sugar production per acre. These 3 to 4 new lines are subjected to detailed agronomic studies so that a complete package of recommendations is derived before any one of these is established as a commercial variety. It is expected that enough seed of these early maturing, salt tolerant and better quality lines will be available to plant about 100 acres for their seed increase during the crop season 1988-89. The indication of superiority of these new selections invite dynamic approaches for all kinds of tests under various farming conditions alongwith efficient seed multiplication programme.

At present all our concentration rests on the imported fuzz from Brazil. In May 1987 the undersigned availed another opportunity to participate in an international sugarcane breeding workshop at Sao-paulo enabling him to collect much larger quantities of hybrid seed. This seed lot involves the varieties expected to be well adapted to the plains of the Punjab and carrying characteristics for early maturity better quality and good tolerance to drought and salinity and comprises of 39 cross combinations some carrying more than 50 gm. of seed. It has been decided to grow all the combinations in a smaller lot and preserve the rest of the seed so as to concentrate on more promising combinations in the subsequent years, thus during crop season of 1987-88 we have only about 1½ acres of the seedlings grown from the true seed. This approach will fit in our facilities for land, water and staff in a more efficient way.

Available Research Facilities

a) **Experimental Land.** A total of about 60 acres are available around the Research Institute and soil analysis on about 40 acres has been completed with the cooperation of soil at AARI, Faisalabad. The whole lot is being continuously improved for a proper salt balance and fertility status. The procurement of some more land, necessary for research purposes and seed multiplication, is in progress.

b) **Laboratory Facility:** A photo period chamber of adequate space for photo-induction treatment is available. The laboratories have been constructed and are expected to be equipped with necessary apparatus and other facilities within 1988.

c) **Staff:** At present technical research staff comprises of one Director General and one Agriculture Research Officer handling the breeding programme and agronomic research. The existing field staff of the organization is also available for testing and seed increase programmes of the newly evolved lines under various farming conditions in Jhang District. The staff to work on other disciplines is also being recruited as required.



Dr. S. A. Qureshi,
Director General.



Flow of funds analysis

Development of net current position in Million of Rupees

	Sep. 30 1985	Change	Sep. 30 1986	Change	Sep. 30 1987
Liquid assets	97.11	+ 107.99	205.10	— 109.06	96.04
Short-term receivables	5.74	+ 5.26	11.00	— 10.14	0.86
Short-term liabilities and provisions	— 110.63	— 114.88	— 225.51	+ 149.69	— 75.82
	— 7.78	— 1.63	— 9.41	+ 30.49	+ 21.08
Factors affecting the change in the net current position:					
Source of Funds:					
Net income for the year			+ 15.77		+ 16.76
Depreciation			+ 22.56		+ 19.01
Amortisation of assets subject to Finance Lease			+ 0.97		+ 4.11
Deferred Taxation			+ 7.30		— 4.93
Gain on sale of investment			—		—
Profit on sale of fixed assets			— 0.18		+ 0.56
Internal Financing			+ 46.42		+ 35.51
Right Shares Issued & premium thereon			—		+ 18.41
Proceeds of Fixed Assets disposed			+ 1.14		+ 1.74
Redeemable Capital Long-term					
Running Finance			+ 5.50		+ 12.38
Custom Debentures			+ 0.99		+ 0.25
Investments			—		—
Long-term loans			+ 28.12		+ 2.83
Liability against Assets subject to Finance Lease			+ 12.26		+ 10.36
Source of Funds — Total.			+ 94.43		+ 81.48
Application of Funds:					
Addition to Fixed Assets			— 59.49		— 9.43
Assets subject to Finance Lease			— 12.26		— 10.36
Addition to Investments			— 5.27		— 0.86
Redeemable capital long-term running finance			— 0.62		— 3.28
Long-term loans and deposits			— 1.84		— 1.51
Liability against assets subject to Finance Lease			— 0.58		— 3.34
Custom Debentures			— 0.15		— 0.18
Loans repaid			— 4.92		— 11.11
Dividend paid			— 10.93		— 10.95
Application of Funds — Total.			— 96.06		— 50.99
Change in the net position:			— 1.63		+ 30.49

Auditors' Report to the Members

We have audited the annexed balance sheet of SHAKARGANJ MILLS LIMITED as at 30 September 1987 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 1987 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.



LAHORE 2 March 1988

(RIAZ AHMAD & COMPANY)
CHARTERED ACCOUNTANTS

**Balance Sheet as at 30 September 1987**

	NOTE	(RUPEES IN THOUSAND)	
		1987	1986
Share Capital and Reserves			
Authorised share capital			
10 000 000 ordinary shares of Rupees 10 each		100 000	100 000
Issued, subscribed and paid up share capital	3	49 885	40 000
Capital reserves	4	28 021	19 500
Revenue reserves	5	40 357	35 357
Unappropriated profit		656	144
		118 919	95 001
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	6	10 967	10 967
REDEEMABLE CAPITAL	7	8 739	3 231
Debentures and Long Term Loans			
Custom debentures	8	1 887	2 267
Long term loans	9	40 941	59 463
		42 828	61 730
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	10	14 536	9 603
DEFERRED TAXATION	11	36 374	41 300
Current Liabilities			
Current portion of long term liabilities	12	30 203	13 846
Short term running finances	13	48 036	16 094
Creditors, accrued and other liabilities	14	27 776	204 532
Provision for taxation		—	4 880
Dividend payable	15	11 879	11 579
		117 894	250 931
Contingencies and Commitments	16		
		350 257	472 763

Tangible Fixed Assets

	NOTE	(RUPEES IN THOUSAND)	
		1987	1986
Operating fixed assets	17	194 717	207 750
Assets subject to finance lease	18	17 539	11 294
Capital work in progress	19	20 972	19 819
		<u>233 228</u>	<u>238 863</u>
LONG TERM INVESTMENTS	20	16 657	15 831
LONG TERM DEPOSITS	21	3 475	1 970

Current Assets

Stores, spare parts and loose tools	22	20 922	18 326
Stock-in-trade	23	40 249	169 025
Trade debts	24	855	11 004
Advances, deposits, prepayments and other receivables	25	24 539	15 013
Cash and bank balances	26	10 332	2 731
		<u>96 897</u>	<u>216 099</u>

350 257

472 763

The annexed notes form an integral part of these accounts.



Altaf M. Saleem
Chief Executive



Sk. Jahangir
Director



Profit and Loss Account for the Year ended 30 September 1987

	NOTE	(RUPEES IN THOUSAND)	
		1987	1986
SALES	27	478 748	284 162
COST OF GOODS SOLD	28	444 283	240 104
GROSS PROFIT		34 465	44 058
ADMINISTRATIVE, SELLING AND GENERAL EXPENSES	29	8 499	8 474
OPERATING PROFIT	30	25 966	35 584
OTHER INCOME	31	4 927	2 722
		30 893	38 306
FINANCIAL AND OTHER CHARGES	32	23 008	15 232
PROFIT BEFORE TAXATION		7 885	23 074
TAXATION	33	8 877	(7 300)
PROFIT AFTER TAXATION		16 762	15 774
UNAPPROPRIATED PROFIT BROUGHT FORWARD		144	370
PROFIT AVAILABLE FOR APPROPRIATION		16 906	16 144
APPROPRIATIONS			
Proposed dividend		11 250	11 000
Transfer to general reserve		5 000	5 000
		16 250	16 000
UNAPPROPRIATED PROFIT		656	144

The annexed notes form an integral part of these accounts.

Altaf M. Saleem
Chief Executive

Sk. Jahangir
Director

Statement of Changes in financial position for the year ended 30 September 1987

	(RUPEES IN THOUSAND)	
	1987	1986
Sources of Funds		
Profit after taxation	16 762	15 774
Adjustment of items not involving the movement of funds		
Depreciation	19 010	22 562
Amortization of assets subject to finance lease	4 110	971
Deferred taxation	(4 926)	7 300
(Gain)/loss on disposal of operating fixed assets	564	(183)
Funds provided by operations	35 520	46 424
Other sources		
Right shares issued and premium thereon	18 406	—
Proceeds from disposal of operating fixed assets	1 738	1 140
Redeemable capital-Long term running finance	12 376	5 500
Custom debentures	253	987
Long term loans	2 830	28 118
Liability against assets subject to finance lease	10 355	12 265
	<u>81 478</u>	<u>94 434</u>
Application of Funds		
Tangible fixed assets-net	9 432	59 486
Assets subject to finance lease	10 355	12 265
Redeemable capital-Long term running finance	3 280	623
Liability against assets subject to finance lease	3 342	581
Custom debentures	183	146
Long term loans repaid	11 113	4 923
Long term investments	826	5 276
Long term deposits	1 505	1 842
Dividend paid	10 950	10 931
Net increase/(decrease) in working capital	30 492	(1 639)
	<u>81 478</u>	<u>94 434</u>



Analysis of Increase/(decrease) in working capital

	(RUPEES IN THOUSAND)	
	1987	1986
Increase/(decrease) in current assets		
Stores, spare parts and loose tools	2 596	4 439
Stock-in-trade	(128 776)	117 949
Trade debts	(10 149)	5 257
Advances, deposits, prepayments and other receivables	9 526	(14 619)
Cash and bank balances	7 601	215
	<u>(119 202)</u>	<u>113 241</u>
(Increase)/decrease in current liabilities		
Short term running finances	(31 942)	47 914
Creditors, accrued and other liabilities	176 756	(175 442)
Provision for taxation	4 880	12 648
	<u>149 694</u>	<u>(114 880)</u>
Net increase/(decrease) in working capital	<u><u>30 492</u></u>	<u><u>(1 639)</u></u>

Altaf M. Saleem
Chief ExecutiveSk. Jahangir
Director

Notes to the Accounts for the year ended 30 September 1987

1. Status and nature of business

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

2. 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 contributory provident fund scheme for all permanent employees. Equal monthly contributions are made to the fund both by the company and employees at the rate of 7 percent of basic pay.

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

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

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

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

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are 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 agreements and the fair value of assets acquired on lease. The aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of liabilities. The assets so acquired are amortised over the useful life of the assets or the lease term whichever 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

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

2.9 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value except molasses (By-product) which is valued at net realisable value. Cost in relation to work-in-process and finished goods consists of average material cost, factory overhead and direct labour. Cost in relation to goods purchased for resale consists of average purchase price and other charges paid thereon. Net realisable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales.

2.10 Revenue recognition

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



(RUPEES IN THOUSAND)

3. Issued, subscribed and paid up share capital

4 000 000 (1986: 3 000 000) ordinary shares of Rupees 10 each
fully paid up in cash
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
250 000 ordinary shares of Rupees 10 each issued as
fully paid bonus shares

Less: Amounts due in respect of 11,475 ordinary
right shares of Rupees 10 each not paid by shareholders
to the balance sheet date

1987	1986
40 000	30 000
7 500	7 500
2 500	2 500
50 000	40 000
(115)	—
49 885	40 000

4. Capital reserves

Balancing and modernisation
Research and development

Premium on issue of 1 000 000 ordinary right shares
@ Rupees 8.62 per share
Less: Amount due in respect of 11,475 shares not paid by
shareholders to the balance sheet date

15 000	15 000
4 500	4 500
19 500	19 500
8 620	—
(99)	—
8 521	—

5. Revenue reserves

General

Balance as at 01 October
Transferred from:

Profit and loss account

Surplus on revaluation of operating fixed assets

28 021	19 500
25 357	20 000
5 000	5 000
—	357
30 357	25 357
10 000	10 000
40 357	35 357

Dividend equalisation

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

10 967	11 324
—	(357)
10 967	10 967

7. Redeemable Capital

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

	UBL	PICIC LOAN NO.SBR 15	PLS 23	1987	1986
Balance as on 01 October	4 877	—	—	4 877	—
Received during the year	—	5 976	6 400	12 376	5 500
	4 877	5 976	6 400	17 253	5 500
Less: Repaid	1 646	800	834	3 280	623
Instalments due within twelve months (Note 12)	1 965	1 600	1 669	5 234	1 646
	3 611	2 400	2 503	8 514	2 269
	1 266	3 576	3 897	8 739	3 231

Sanctioned limit	5 500	8 345	8 000
Unavailed credit facility	—	2 369	1 600
No. of instalments	36 (Monthly)	23 (Quarterly)	23 (Quarterly)
Payment date of 1st instalment	May 1986	October 1986	October 1986
Rate of mark-up (Per annum)	11%	3%	3%

The marked up price of loan obtained from United Bank Limited is Rupees 7.188 million which includes mark up of Rupees 1.340 million and rebate on timely payments of Rupees 0.348 million. This is secured by second collateral registered mortgage charge on fixed assets of the company with NOC from other financial institutions.

Long term running finance from PICIC form part of total credit facility sanctioned as per purchase and sale agreements. Under the agreements the PICIC has purchased machinery valuing Rupees 16.345 million from the company which was deemed to have been resold to the company at marked up price of Rupees 21.285 million which includes rebate of Rupees 3.548 million on timely payments of marked up prices. The securities are mentioned in Note No. 9.1

8. Custom debentures — unsecured

(RUPEES IN THOUSAND)

1987	1986
Balance as at 30 September	2 520
Less: Current portion (Note 12)	633
	<u>1 887</u>
	<u>2 450</u>
	<u>183</u>
	<u>2 267</u>

- 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 commencing from 08 August 1985 and carry interest at the rate of 1 percent above the bank rate.

9. Long term loans

(RUPEES IN THOUSAND)

From financial institutions	1987	1986
Pakistan Industrial Credit and Investment Corporation Limited		
Loan No:		
SBR-61 (Note 9.2)	32 328	35 170
SBR-86 (Note 9.2)	6 358	8 889
IBRD-2380-IDA-1439/1 (Note 9.3)	14 594	12 642
ADB-455/20 (Note 9.3)	4 476	4 588
	<u>57 756</u>	<u>61 289</u>
From banking companies		
Allied Bank of Pakistan Limited	—	3 870
Agricultural Development Bank of Pakistan (Note 9.4)	3 360	4 240
	<u>3 360</u>	<u>8 110</u>
	61 116	69 399
	20 175	9 936
	<u>40 941</u>	<u>59 463</u>
Less: Current portion (Note 12)		

9.1 Long term loans and running finance 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.



- 9.2 Loan No. SBR-61 and SBR-86 are repayable in 10 semi annual instalments commencing from 01 January 1987 and 01 July 1987 respectively and carry interest at the rate of 9 percent per annum.
- 9.3 Loan No. IBRD-2380/IDA-1439/1 and ADB-455/20 are repayable in 20 semi annual instalments commencing from 01 January 1987 and 01 July 1987 and carry interest at the rate of 14 percent per annum.
- 9.4 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 loans and is repayable in five equal yearly instalments commencing from 07 January 1986 and carries interest at the rate of 12 percent per annum.
- 9.5 The sanctioned limits of loans from Pakistan Industrial Credit and Investment Corporation Limited and Agricultural Development Bank of Pakistan are Rupees 64.781 million and Rupees 5.00 million respectively (1986: Rupees 94.40 million).

		(RUPEES IN THOUSAND)	
		1987	1986
10. Liabilities against assets subject to finance lease			
Present value of minimum lease payments		18 697	11 684
Less: Instalments due within twelve months (Note 12)		4 161	2 081
		<u>14 536</u>	<u>9 603</u>

The present value of minimum lease payments has been discounted using the sum of digit method. The rentals are payable in monthly equal instalments and in case of default of any payment an additional interest at the rate of 2 percent shall be paid. Taxes, repairs and insurance costs are to be born by the lessee. The lessee shall have no right to terminate the lease agreements and if the lease agreements are terminated, the lessee shall pay the entire amount of rentals for unexpired period of the lease agreements. The lease agreements are renewable at the option of the lessor on such terms as may be agreed upon. The liabilities are secured against deposit of Rupees 3.322 million included in long term deposits and a deposit of shares of listed companies having face value of Rupees 3.00 million as referred to in note No. 20.2.

Description	Balance rentals outstanding as at 30 September 1987 (Rupees in thousand)	Approximate rate of in - terest (% p.a.)	Number of instalments outstanding
Lease No. 1	11 427	10	44
Lease No. 2	5 738	5	48
Lease No. 3	249	17	24
Lease No. 4	679	17	27
Lease No. 5	2 967	15	51
Lease No. 6	960	15	53

		(RUPEES IN THOUSAND)	
		1987	1986
11. Deferred taxation			
Timing differences due to accelerated tax depreciation		38 987	44 500
Other timing differences		(2 613)	(3 200)
		<u>36 374</u>	<u>41 300</u>
12. Current portion of long term liabilities			
Redeemable capital		5 234	1 646
Custom debentures		633	183
Long term loans		20 175	9 936
Liabilities against assets subject to finance lease		4 161	2 081
		<u>30 203</u>	<u>13 846</u>

(RUPEES IN THOUSAND)

13. Short term running finances

From financial institutions (Note 13.1)
From banking companies
Secured (Note 13.2)
Unsecured-Unpresented cheques

1987	1986
19 545	—
23 929	12 203
4 562	3 891
28 491	16 094
48 036	16 094

13.1 This represents the amount due to National Development Finance Corporation. As per agreements, the National Development Finance Corporation has purchased goods valuing Rupees 70 million from the company which were deemed to have been resold to the company at marked up price of Rupees 84 million. This is secured against pledge of said goods and 20 percent additional goods of same description. Mark up has been accounted for proportionately upto 30 September 1987 at the rate of paisa 39 per Rupees 1 000 per day after considering paisa 16 rebate per Rupees 1 000 per day on timely payments of marked up prices.

13.2 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 facilities of Rupees 141.50 million (1986: Rupees 70.00 million).

Mark up is charged at the rate of paisa 41 to 43 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.

14. Creditors, accrued and other liabilities

Creditors
Trade
Others

1 911	88 914
3 349	10 746

Advances from customers
Security deposits from contractors, payable on completion of contracts-Interest free
Income tax deducted at source
Interest on custom debentures-Unsecured
Mark up accrued on redeemable capital-Secured
Interest accrued on long term loans-Secured
Mark up accrued on short term running finances-Secured
Excise duty
Custom duty
Due to associated undertakings
Due to directors
Workers' Profit Participation Fund (Note 14.1)
Workers' Welfare Fund
Accrued liabilities

5 260	99 660
429	112
239	364
45	63
75	74
83	172
1 830	6 272
5 611	1 104
8 354	103
—	85 745
58	1 576
116	73
519	1 267
631	1 100
4 526	6 847
27 776	204 532

14.1 Workers' profit participation fund

Share in company's profit for the year
Interest accrued

430	1 247
89	20
519	1 267

15. Dividend payable

Unclaimed
Proposed

629	579
11 250	11 000
11 879	11 579

16. Contingencies and commitments

Contingencies

- The company is contingently liable in respect of claims against the company not acknowledged as debt amounting to Rupees 0.407 million (1986: Rupees 0.527 million).

Commitments

- Contracts for capital expenditure approximately amounting to Rupees 3.454 million (1986: Rupees 12.896 million).
 Letters of credit other than for capital expenditure amounting to Rupees 2.339 million (1986: Rupees 2.598 million).

17. Operating fixed assets

(RUPEES IN THOUSAND)

Description	C Cost/Re-assessed value as at 01 October 1986	O Additions/ (Deletions)	S As at 30 September 1987	T Accumulated Depreciation as at 30 Sep- tember 1987	Book Value as at 30 September 1987	Depreciation Charge for the year	Rate %
Land freehold	3 750	—	3 750	—	3 750	—	—
Buildings and roads on freehold land	37 035	1 500	38 535	15 473	23 062	2 117	5—10
Plant and machinery	259 224	11 259 (10 335)	260 148	98 962	161 186	15 928	10
Laboratory equipment	545	2	547	247	300	33	10
Tubewell and water pumps	455	59	514	268	246	27	10
Electric installations	591	10	601	373	228	25	10
Weighbridges and scales	1 225	129	1 354	646	708	78	10
Furniture and fixtures	1 560	88 (16)	1 632	724	908	101	10
Office equipment	542	1 501 (14)	2 029	408	1 621	180	10
Vehicles	4 375	23 (1 086)	3 312	2 041	1 271	318	20
Arms and ammunition	10	—	10	7	3	1	10
Library books	404	55	459	325	134	57	30
Tools and equipment	1 729	101 (7)	1 823	672	1 151	128	10
Telephone equipment	227	—	227	78	149	17	10
1987	311 672	14 727 (11 458)	314 941	120 224	194 717	19 010	
1986	259 825	53 575 (1 728)	311 672	103 922	207 750	22 562	

- 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 0.178 million (1986: Rupees NIL) relating to foreign currency loans utilised for acquisition of these assets.
- 17.3 Borrowing cost amounting to Rupees NIL (1986: Rupees 2.025 million) has been capitalised.
- 17.4 The depreciation charge for the year has been allocated as follows:

Cost of goods sold-Sugar	14 544	21 917
Cost of goods sold-Distillate	3 794	—
Administrative, selling and general expenses	672	645
	19 010	22 562

17.5 Disposal of operating fixed assets

(RUPEES IN THOUSAND)

Description	Cost/re-Assessed value	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Plant and machinery						
Raw juice scale and sulphur furnaces	1 048	505	543	275	Negotiation	Messrs Shahtaj Sugar Mills Limited
Centrifugals	1 399	681	718	250	Negotiation	Messrs Frontier Sugar Mills and Distillery Limited
Cooling towers	317	32	285	317	Lease agreement	Messrs National Development Leasing Corporation Limited
Vehicles						
171-381	178	87	91	93	Negotiation	Mr. Lodhi Haider Ali, 124/9, Shadab Colony Allama Iqbal Road, Lahore.
211-676	320	64	256	344	Negotiation	Mr. Javid Iqbal, House No. A-444, Chowk Mufti Baqir, Lahore.
FDS-2337	8	3	5	8	Negotiation	Mr. Sardar Mohammad Zahid (Company's employee).
JGA-8830	6	3	3	6	Negotiation	Mr. Khalid Mahmood Malik (Company's employee).
FDD-6126	39	32	7	10	Negotiation	Mr. Barkat Ali Contractor
JG-7895	14	7	7	10	Insurance claim	The Premier Insurance Company of Pakistan Limited (An associated undertaking)
JG-1835	262	52	210	260	Lease agreement	Messrs National Development Leasing Corporation Limited
177-283	224	81	143	145	Negotiation	Messrs Crescent Steel and Allied Products Limited- An associated undertaking
Trolley	35	17	18	17	Negotiation	Mr. Said Zareen, Contractor
Furniture and fixtures Electric water cooler	16	8	8	1	Negotiation	Mr. Nisar Ahmad and Mehmood Ahmad-Kaboria
Office equipment Calculators	14	9	5	1	Negotiation	Mr. Nisar Ahmad and Mehmood Ahmad-Kaboria
Tools and equipments Agriculture equipment	7	4	3	1	Negotiation	Mr. Nisar Ahmad and Mehmood Ahmad-Kaboria

18. Assets subject to finance lease

(RUPEES IN THOUSAND)

The following assets have been acquired under finance lease:

Description	C	O	S	T	Accumulated amortization as at 30 September 1987	Book value as at 30 September 1987	Amortization charge for the year
	As at 01 October 1986	Addition		As at 30 September 1987			
Plant and machinery	12 265	9 470		21 735	4 925	16 810	3 954
Vehicles	—	885		885	156	729	156
1987	12 265	10 355		22 620	5 081	17 539	4 110
1986	—	12 265		12 265	971	11 294	971

(RUPEES IN THOUSAND)
1987 1986

18.1 The amortisation charge for the year has been allocated as follows:

Cost of goods sold	3 954	971
Administrative, selling and general expenses	156	—
	<u>4 110</u>	<u>971</u>



19. Capital work-in-progress

This comprises of:

(RUPEES IN THOUSAND)

1987	1986
Plant and machinery	18 267
Buildings	16
Tubewell	—
Advance to suppliers	—
Advance to contractors	1 685
Advance for purchase of land	930
Project examination fee	74
	—
	20 972
	19 819

20. Long term investments

Quoted

Associated companies

Crescent Sugar Mills and Distillery Limited		
106 100 ordinary shares of Rupees 10 each fully paid	1 995	1 995
22 281 bonus shares of Rupees 10 each	—	—
Crescent Boards Limited		
48 400 (1986: 36 300) ordinary shares of Rupees 10 each fully paid	561	440
Crescent Jute Products Limited		
141 000 ordinary shares of Rupees 10 each fully paid	2 526	2 526
62 566 (1986: 39 948) bonus shares of Rupees 10 each	—	—
Jubilee Spinning and Weaving Mills Limited		
4 000 ordinary shares of Rupees 10 each fully paid	66	66
The Premier Insurance Company of Pakistan Limited		
3 600 ordinary shares of Rupees 5 each fully paid	60	60
6 286 (1986: 4 639) bonus shares of Rupees 5 each	—	—
The Crescent Textile Mills Limited		
19 500 ordinary shares of Rupees 10 each fully paid	404	404
Crescent Steel and Allied Products Limited		
300 000 ordinary shares of Rupees 10 each fully paid	3 000	3 000

Others

Adam Sugar Mills Limited (Former Bahawalnagar Sugar Mills Limited)		
2 000 ordinary shares of Rupees 10 each fully paid	38	38
200 bonus shares of Rupees 10 each	—	—
Noon Sugar Mills Limited		
13 500 ordinary shares of Rupees 10 each fully paid	166	166
1 620 bonus shares of Rupees 10 each	—	—
Pakistan Industrial Credit and Investment Corporation Limited		
553 142 (1986: 545 242) ordinary shares of Rupees 10 each fully paid	7 230	7 025
Karachi Electric Supply Corporation Limited		
10 000 ordinary shares of Rupees 10 each fully paid	111	111

Unquoted

Associated undertaking

Pakistan Industrial Leasing Corporation Limited	500	—
This represents the advance payment against issue of ordinary shares		
	16 657	15 831

20.1 Market value of quoted investments as at 30 September 1987 was Rupees 31.12 million (1986: Rupees 18,960 million).

20.2 Investments having face value of Rupees 3.00 million is pledged with National Development Leasing Corporation Limited as security against assets subject to finance lease.

21. Long term deposits

Securities	153	130
Margin with National Development Leasing Corporation Limited	3 322	1 840
	3 475	1 970

(RUPEES IN THOUSAND)

22. **Stores, spare parts and loose tools**

Stores
Spare parts
Loose tools
Discarded machinery held for disposal

1987	1986
7 480	7 123
12 219	12 563
174	140
2 549	—

Less: Provision for obsolescence

22 422	19 826
1 500	1 500
20 922	18 326

23. **Stock-in-trade**

Work in process

229	191
-----	-----

Finished goods

Own products

Sugar
Molasses
Distillate

30 757	347
821	444
8 249	210
193	167 833

Purchased goods

40 020	168 834
--------	---------

40 249	169 025
--------	---------

24. **Trade debts**

These are unsecured but considered good

Customers
Associated undertakings

855	10 798
—	206
855	11 004

25. **Advances, deposits, prepayments and other receivables**

Loans and advances—
Considered good

Employees-Interest free
Suppliers and contractors
Income Tax
Letters of credit
Sugarcane growers (Note 25.3)

143	96
1 034	574
2 981	3 774
1 550	1 750
13 876	6 811
19 584	13 005

Considered doubtful

Sugarcane growers
Less: Provision for doubtful

6 533	8 009
6 533	8 009

19 584	13 005
--------	--------

Deposits

Excise duty
Sales tax
Education cess
Margin

122	11
17	—
92	92
460	88

691	191
-----	-----

Claims

Insurance
Others

15	16
83	83



(RUPEES IN THOUSAND)

	1987	1986
Short term prepayments	98	99
Due by associated undertakings	132	160
Due by employees' provident fund trust	1 441	367
Accrued interest	24	1
Sundry receivables	9	23
	2 560	1 167
	<u>24 539</u>	<u>15 013</u>

- 25.1 The maximum aggregate amount due from Chief Executive and Executive at the end of any month during the year was Rupees 5 637 (1986: Rupees 18 363).
- 25.2 The aggregate amount due from Chief Executive and Executive of the company is Rupees NIL and Rupees 3 278 at the close of financial year (1986: Rupees NIL and Rupees 2 843) respectively.
- 25.3 Loans to sugarcane growers are partly interest free and partly interest bearing @ 11 to 12 percent per annum.

26. Cash and bank balances

Cash in hand	193	80
Cash with banks on:		
Right share collection accounts	8 011	—
Current accounts	1 396	1 016
Short term deposit accounts	725	1 348
Dividend accounts	7	287
	<u>10 139</u>	<u>2 651</u>
	<u>10 332</u>	<u>2 731</u>

- 26.1 Term deposit receipts amounting to Rupees 0.725 million (1986: Rupees 1.348 million) are lying with banks under lien against guarantees issued to banks for loans to sugarcane growers.

27. Sales

Own products:

Sugar	215 049	250 147
Molasses (By-Product)	8 092	7 846
Distillate	1 906	—

Purchased goods

<u>255 201</u>	<u>27 740</u>
480 248	285 733

Commission to selling agents

Own products	1 330	1 513
Purchased goods	170	58

<u>1 500</u>	<u>1 571</u>
<u>478 748</u>	<u>284 162</u>

28. Cost of goods sold

Sugar (Note 28.1)	442 605	240 104
Distillate (Note 28.2)	1 678	—
	<u>444 283</u>	<u>240 104</u>



28.1 Cost of goods sold-sugar

(RUPEES IN THOUSAND)

	1987	1986
Raw material		
Sugarcane purchased	97 148	56 879
Delivery expenses	16 530	5 297
Less: Recovered	767	515
Sugarcane subsidy	15 763	4 782
Development subsidy	239	1
Sugarcane development cess	2 469	1 426
Market committee fee	500	356
Loading and unloading	473	349
Octroi	360	281
	116 952	64 074
Salaries, wages and other benefits	9 082	7 755
Workers' welfare	57	34
Stores and spare parts	3 132	3 065
Dyes and chemicals	429	226
Packing material	3 864	2 875
Power and fuel	3 174	1 893
Repair and maintenance	3 434	3 208
Insurance	544	594
Vehicles' running	219	241
Travelling, conveyance and entertainment	79	23
Printing and stationery	189	139
Rent, rates and taxes	159	73
Excise duty	59 982	44 344
Other factory overheads	640	408
Sugarcane research and development	448	924
Depreciation/Amortisation	18 498	22 888
	220 882	152 764
Work in process-Inventory		
As at 01 October	191	380
As at 30 September	229	191
	(38)	189
Cost of goods produced	220 844	152 953
Cost of goods purchased for resale	84 907	205 289
	305 751	358 242
Finished goods-Inventory		
As at 01 October	168 625	50 696
As at 30 September	31 771	168 834
	136 854	(118 138)
	442 605	240 104

28.2 Cost of goods sold — Distillate

Molasses	4 312	—
Stores and spare parts	1 109	—
Salaries, wages and other benefits	300	—
Insurance	181	—
Other factory overheads	22	—
Depreciation	3 794	—
Cost of goods produced	9 718	—
Finished goods-Inventory		
As at 01 October	209	—
As at 30 September	8 249	—
	(8 040)	—
	1 678	—



29. Administrative, selling and general expenses

(RUPEES IN THOUSAND)

	1987	1986
Salaries, wages and other benefits	3 544	2 896
Directors' meeting fee	3	3
Travelling and conveyance	279	371
Printing and stationery	202	192
Telephone, postage and telegrams	276	194
Vehicles' running	380	354
Legal and professional	393	173
Auditors' remuneration		
Audit fee	35	30
Out of pocket expenses	4	4
Repairs and maintenance	39	34
Entertainment	173	221
Subscription	65	53
Rent, rates and taxes	79	179
Publicity	35	17
Loading and unloading	313	163
Insurance	637	80
Handling and distribution	179	217
Registered office expenses	249	274
Provision for doubtful loans to sugarcane growers	574	615
Miscellaneous	—	1 560
Depreciation/amortisation	251	233
	828	645
	8 499	8 474

30. Operating profit

Sugar (Note 30.1)	25 938	35 584
Distillate (Note 30.2)	28	—
	25 966	35 584

30.1 Operating profit-sugar

Sales-Net	476 959	284 162
Cost of goods sold	442 605	240 104
Gross profit	34 354	44 058
Less: Administrative, selling and general expenses	8 416	8 474
	25 938	35 584

30.2 Operating profit-Distillate

Sales-Net	1 789	—
Cost of goods sold	1 678	—
Gross profit	111	—
Less: Administrative, selling and general expenses	83	—
	28	—

31. Other income

Sale of scrap	294	276
Commission on fertilizer	161	87
Gain on disposal of operating fixed assets	—	183
Gain on sale of stores	72	—
Dividend (Note 31.1)	1 630	1 147
Return on bank deposits	41	73
Interest on advances to associated undertakings	18	803
Agricultural farm income	550	87
Rental	227	18
Miscellaneous	46	48
Shares underwriting commission	138	—
Bad debts recovered	105	—
Provision for doubtful debts written back	1 476	—
Interest on advance income tax	169	—
	4 927	2 722

31.1 Dividend income

(RUPEES IN THOUSAND)

Associated undertakings	1987	1986
Crescent Sugar Mills and Distillery Limited	257	362
Crescent Boards Limited	—	36
Crescent Jute Products Limited	181	—
Jubilee Spinning and Weaving Mills Limited	10	10
The Premier Insurance Company of Pakistan Limited	8	7
The Crescent Textile Mills Limited	49	44
Others		
Adam Sugar Mills Limited (Former Bahawalnagar Sugar Mills Limited)	3	3
Pakistan Industrial Credit and Investment Corporation Limited	1 105	668
Karachi Electric Supply Corporation Limited	17	17
	<u>1 630</u>	<u>1 147</u>

32. Financial and other charges

Financial

Mark up on

Redeemable capital	670	548
Short term running finances	10 307	5 603

Interest

Custom debentures	281	248
Long term loans	3 531	4 750
Advances from associated undertakings	4 589	131
Workers' Profit Participation Fund (Note 14.1)	69	20
Charge on assets subject to finance lease	1 784	498
Lease agreements fee	104	122
Bank charges and commission	479	495

Donations (Note 32.1)

Workers' Profit Participation Fund	200	1 200
Workers' Welfare Fund	430	1 247
Loss on disposal of operating fixed assets	—	370
	564	—

23 008 15 232

32.1 Donations

A sum of Rupees 200 000 (1986: 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. Mazhar Karim
Mr. Mohammad Javed Amin
Mr. Mohammad Anwar
Mr. Mian Khalid Bashir
Mr. Maqbool Ahmad

33. Taxation

Current-Prior year's	3 951	—
Deferred tax		
Prior years	5 327	—
Current year	(401)	(7 300)
	<u>4 926</u>	<u>(7 300)</u>
	<u>8 877</u>	<u>(7 300)</u>

34. Directors' and Executive's remuneration

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:

	1987		1986	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	243	214	120	163
Bonus	80	73	65	59
Housing	109	64	54	60
Company's contribution to provident fund	13	14	—	11
Contribution to pension fund	—	30	—	23
Other benefits				
Conveyance allowance	—	4	—	4
Utility allowance	19	18	—	14
Entertainment allowance	3	6	6	6
Reimbursable expenses	—	16	3	16
	<u>467</u>	<u>439</u>	<u>248</u>	<u>356</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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

34.2 The aggregate amount charged in the accounts for fee to 6 directors in respect of two meetings was Rupees 3 000 (1986: Rupees 3 000 for 6 directors).

35. Transactions with associated undertakings

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 1.855 million (1986: Rupees 13.314 million).

The company purchased from and sold to associated undertakings material, goods and services in the aggregate sum of Rupees 4.610 million and Rupees 3.340 million respectively (1986: Rupees 4.612 million and Rupees 3.865 million respectively). Purchase/sale of goods and services is made at prevailing market prices.

Mark up on advances from/to associated undertakings is paid/recovered at the rate of paisa 39 to 43 per Rupees 1 000 per day and 0.50 percent for annum as service charges.

36. 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 27898 M. Tons in 149 days i.e. 187.23 M. Tons per day.

Previous year 20625 M. Tons in 113 days i.e. 182.522 M. Tons per day.

Distillate

Capacity 40 000 litres per day.

Actual production

Current year 1 855 809 litres in 103 days.

Previous year 26 239 litres in 11 days.

36.1 Reason for low production of Distillery

The plant was not run to the full capacity as the international market of industrial alcohol was low due to lower prices of oil.

37. Segment assets and other information

Sugar Unit	307 768
Distillery Unit	<u>42 489</u>
	<u>350 257</u>

Molasses (By-product of sugar) is issued to distillery at selling price.

38. Comparative figures

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



Altaf M. Saleem
Chief Executive



Sk. Jahangir
Director



Form — 34

Pattern of holding of the shares held by the shareholders as at
September 30, 1987

No. of shareholders	Shareholding		Total shares held
	From	To	
94	1	100	2695
402	101	500	71081
46	501	1000	31388
98	1001	5000	235704
29	5001	10000	200624
9	10001	15000	115219
1	15001	20000	17298
1	20001	25000	24146
1	25001	30000	25225
4	30001	35000	126023
2	40001	45000	88798
1	45001	50000	45596
2	70001	75000	143803
1	80001	85000	81132
1	150001	155000	153412
1	175001	180000	176087
1	325001	330000	330000
1	380001	385000	382026
1	525001	530000	527207
1	550001	555000	551570
1	735001	740000	737500
1	930001	935000	933466
699			5000000

Categories of

Shareholders	Number	Sharesheld	Percentage
Individuals	683	930538	18.62%
Investment Companies	3	1030265	20.61%
Insurance Companies	2	49466	0.98%
Joint Stock Companies	5	2350474	47.01%
Financial Institutions	1	608339	12.17%
Others (See below)	5	30918	0.61%
Total:	699	5000000	100.00%
Others			
Private Companies.	4	6772	0.13%
Trust	1	24146	0.48%
Total:	5	30918	0.61%

