

CRESCENT GROUP



ANNUAL REPORT 1989



**Shakarganj
Mills
Limited**



شروع اللہ تعالیٰ کے پاکستان 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



Corporate Profile

Shakarganj Mills Limited is a Crescent Group company engaged in manufacturing of refined white sugar and industrial alcohol.

Shakarganj Mills Limited went into production on January 6, 1974 with a sugarcane crushing capacity of 1500 M.Tons per day. The plant is located in the famous town of Jhang in the central Punjab.

Ever since its inception, Shakarganj has recognised the technological improvements and has been constantly in step with the latest innovations and developments in the Sugar Industry. It is a prominent institution for its efforts in attracting, hiring and retaining excellent management and technical staff.

Shakarganj caters to the needs of 17,000 sugarcane farmers of the area and provides latest know how in the agricultural field through Shakarganj Sugar Research Institute which is the only Research Institute of its kind.

Positioning Profile

(based on September 30, 1988)

Category	Position	Competitor Group
Earning Per Share	12th	All Companies Quoted at K.S.E.
Sales	55th	All Companies Quoted at K.S.E.
Net Worth	39th	All Companies Quoted at K.S.E.
Break-up Value Per Share	54th	All Companies Quoted at K.S.E.

The Company earned TOP-COMPANIES AWARD - 1988 from Karachi Stock Exchange.

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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 Awais Qureshi
Executive Vice President
Mr. Abdul Haq Saeed
Vice President (Agriculture)
Mr. Hilal Ahmed
Vice President (Finance & Control)
Mr. Mohammad Zahid
Vice President (Operations)

Corporate Secretary

Mr. Zaheer A. Shaikh

Legal Advisors

Hassan & Hassan
Advocates

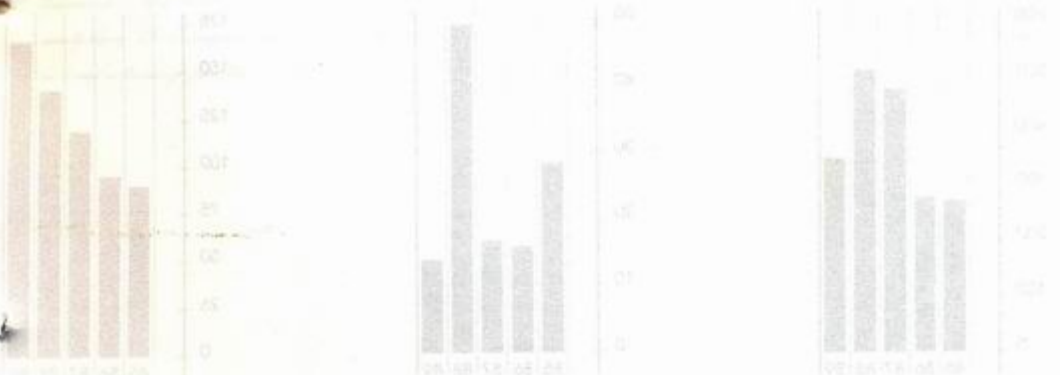
Registered Office

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

Production Data

1974 — 1989

Season	Cane Crushed (M. Tons)	Sugar Produced (M. Tons)	Recovery (Percent)	Process Losses (Percent)
1988-89	446,324.860	34,366.800	7.70	2.44
1987-88	698,604.856	55,726.000	7.98	2.61
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



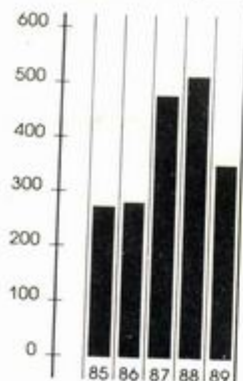
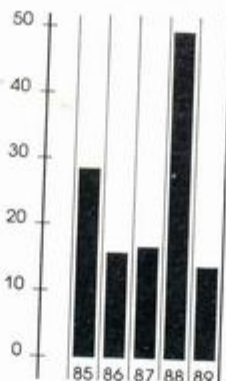
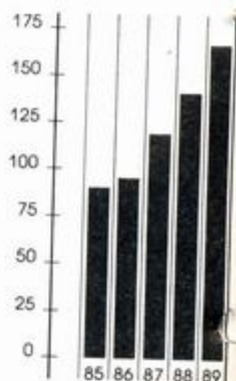
Financial Highlights

Millions of Rupees except per share data

	Year Ended September 30		
	1989	1988	Change
Revenue	350.7	516.8	- 32.14%
Gross Margin	23.2	149.2	- 84.44%
Operating Profit	11.6	136.1	- 91.47%
Pretax Profit	4.0	106.4	- 96.15%
Net Profit	13.7	49.5	- 72.32%
Earnings per share	2.2	9.9	- 77.77%

At September 30

	1989	1988	Change
Fixed Assets	295.1	237.6	+ 24.21%
Net Worth	166.5	141.2	+ 17.90%
Total Assets	456.0	388.8	+ 17.28%

Sales Revenue
(In Million Rupees)Net Income
(In Million Rupees)Net Worth
(In Million Rupees)

Corporate Mission

Preamble

We, the management of Shakarganj Mills Limited, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate.

We pledge our efforts to the accomplishment of the purpose within the agreed principles.

Basic Purpose

The basic purpose of Shakarganj Mills Limited is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar, food products, sugar by-products and other products wherein management or sponsors have expertise. In addition we persevere to assume a leadership position in related industry regarding: quality of the product, cost effectiveness, turnover and technology.

What We Do

Our main business area is the production of refined cane sugar and sugar by-products.

We recognise the value of technological improvement keep in step with the latest innovations and developments in our field. We believe in modern management practice and use latest techniques. We constantly train our people and keep them highly motivated as they are our most important assets. We strongly believe in integrity in business and integrity of Shakarganj depends on integrity of each one of its employees.

We consider Research and Development as back bone of our business and conduct extensive Agricultural Research through Shakarganj Sugar Research Institute.

We consider our farmers who are our raw material suppliers as the most important part of our business. We transfer the technology and results of our research to our farmers with the objective of matching their sugar cane output to world standard. We believe in diversification through new manufacturing facilities and through equity participation.

Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty second Annual General Meeting of the Shareholders of SHAKARGANJ MILLS LIMITED will be held at Principal Office, PAAF Building, 5th Floor, Kashmir Egerton Road, Lahore on Saturday the March 31, 1990 at 11.30 a.m. to transact the following business:-

Agenda

- To confirm the Minutes of Extra-ordinary General Meeting held on May 25, 1989.
- To receive and adopt the Directors' and Auditors' Reports and Accounts for the year ended September 30, 1989.
- To declare a Dividend. The Directors have recommended the payment of Cash Dividend at the rate of 22½% (Rupees 2.25 per share).
- To elect 7 (Seven) Directors of the Company for a period of three years with effect from June 1, 1990 in accordance with section 178 of the Companies Ordinance, 1984 in place of retiring directors namely:
 1. MR. ALIAF M. SALEEM
 2. MR. KHALID BASHIR
 3. MR. MAQBUL AHMAD
 4. MR. MAZHAR KARIM
 5. MR. MOHAMMAD ANWAR
 6. MR. MOHAMMAD JAVED AMIN
 7. MR. SK. JAHANGIR

All retiring Directors shall be eligible to offer themselves for re-election.

However any Director if nominated by Financial Institutions pursuant to 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 consent of the Company be and is hereby accorded to invest Rs. 10.00 Million in purchasing/acquiring fully paid up 1000000 Ordinary Shares of Rs. 10/- each of Shams Food Products Limited an Associated Company.
 - b. RESOLVED THAT consent of the Company be and is hereby accorded to invest Rs. 2.5 Million in Crescent Business Management (Pvt) Limited (A Modaraba Company) and to further invest upto Rs. 27.5 Million in the Modaraba to be floated by the Crescent Business Management (Pvt) Limited.
 - c. RESOLVED THAT consent of the Company be and is hereby accorded to invest Rs. 15.00 Million in purchasing/acquiring fully paid up shares of the following Companies:-
 1. The Crescent Textile Mills Limited
 2. Crescent Jute Products Limited
 3. Crescent Sugar Mills & Distillery Limited
 4. Pakistan Industrial Credit & Investment Corporation Limited (PICIC)
 5. Crescent Investment Bank Limited
 6. Pakistan Industrial Leasing Corporation Limited
- FURTHER RESOLVED THAT Chief Executive of the Company be and is hereby authorised to take any and all actions necessary to purchase the shares/Modaraba Certificates as he thinks fit on behalf of the Company.

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

Shams Food Products Limited, The Crescent Textile Mills Limited, Crescent Jute Products Limited, Crescent Sugar Mills & Distillery Limited, Crescent Investment Bank Limited and Pakistan Industrial Leasing Corporation Limited are Associated Public Limited Companies with an authorised capital of Rs. 50 Million, 150 Million, 100 Million, 50 Million, 200 Million and 100 Million respectively. Pakistan Industrial Credit & Investment Corporation Limited (PICIC) is a Public Limited Company with an authorised Capital of Rs. 300 Million and the Directors of Shakarganj Mills Limited 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 Companies. A copy of Memorandum and Articles of Association each of the above companies has been kept at the Registered Office which can be inspected from 10.00 a.m. to 11.30 a.m. on all working days upto March 22, 1990.

Crescent Business Management (Pvt) Limited is an Associated Modaraba Company being incorporated as Private Company. Shakarganj Mills Limited intends to sponsor and promote the Company pursuant to the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980. The initial paid up capital is proposed to be Rs. 2.5 Million and the Company will hold 100% equity of the Crescent Business Management (Pvt) Limited. Later on the Company intends to invest Rs. 27.5 Million in the Modaraba to be floated by Crescent Business Management (Pvt) Limited. It will be a company with a principal function of floating and managing Modaraba. The Directors of the company have no vested interest in the investment except that a Director of Shakarganj Mills Limited is also a Director in the abovesaid Company.

- To appoint Auditors for the year 1989-90 and fix their remuneration. The present Auditors M/S. Riaz Ahmad & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.
- To consider any other business which may be placed before the Meeting with the permission of the Chair.

Participation in the Annual General Meeting

A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the Registered Office not 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 for the entitlement of Dividend will remain closed from March 18 to March 31, 1990 (both days inclusive).

ON BEHALF OF THE BOARD
CORPORATE SECRETARY

REGISTERED OFFICE:
45-SHAHRAH-E-GUAIID-E-AZAM,
LAHORE.
Dated: February 26, 1990.



From The Board Room

Dear Shakarganj Investor:

Your Directors are pleased to present the twenty first Annual Report alongwith detailed notes for the year ended September 30, 1989.

Your Company's operations for the year resulted in a net profit of Rs. 13.72 million as against Rs. 49.51 million in 1988. After charging Rs. 19.95 million for Depreciation and Rs. 16.65 million for interest on Loans and Advances, profit available for appropriation comes to Rs. 13.89 million. Your Directors recommend appropriation of profit as follows:

(RUPEES IN THOUSAND)

Profit available for appropriation	13898
Proposed Final Dividend @ 22.5 percent	13500
Un-appropriated Profit c/f.	398

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

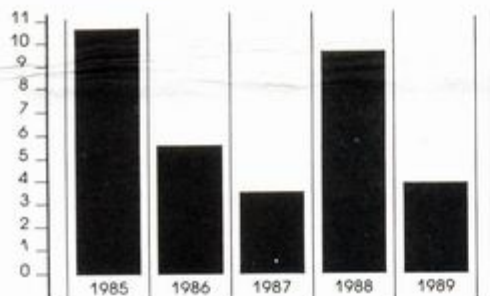
The retiring Auditors, M/S. Riaz Ahmad and Company, Chartered Accountants, retire and offer themselves for re-appointment as Auditors for the ensuing year.

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 for their support during 1989.

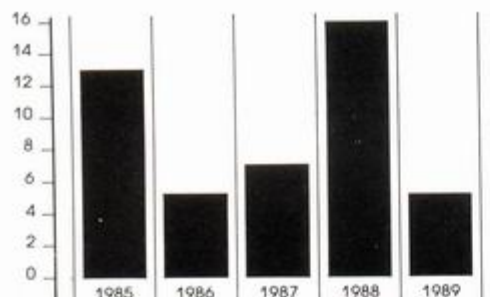
For and on behalf of the Board:

Altaf M. Saleem
Chief Executive

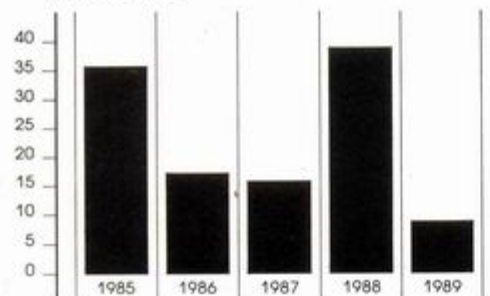
February 16, 1990.



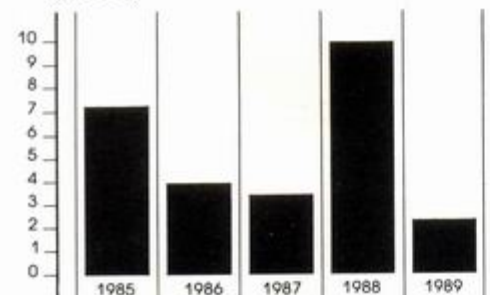
Return on Investment
(Percentage)



Return on Equity
(Percentage)



Earning Per Share
(Rupees)



Management Review

Dear Shakarganj Investor:

I am presenting this Annual Report to you with a sense of deep grief on the sad demise of Mian Mohammad Bashir, Chairman, of the Crescent Group who passed away in September 1989. Shakarganj has always benefited from his guidance and his business philosophy will still be an asset for us.

After record year in 1988, fiscal 1989 looks like a disaster. Short and inferior sugarcane crop, badly damaged by floods, high transportation expenses, low sugarcane recovery, lower sugar price, failure of Turbo Generator and illegal strike by some employees during the crushing campaign are just a few problems in the long list for fiscal 1989.

Financial Analysis

As a consequence of the factors listed above Shakarganj generated a lower sales revenue of Rs. 350.7 million in fiscal 1989 compared to Rs. 516.8 million in 1988.

Your Company recorded a decreased net profit of Rs. 13.72 million compared with Rs. 49.51 million last year. Decrease in earnings is also attributed to the change in Government policy regarding exemption of excise duty for production beyond the average of last two years.

In spite of the adverse circumstances, financial position of your Company was further strengthened during the year by increase in shareholders' equity by Rs. 25.30 million.

Funds generated by operations after provision for taxes decreased to Rs. 48.95 million in 1989 from Rs. 76.11 million in fiscal 1988. The burden on financing the growth of the Company and increase in short-term borrowing requirements was countered by lower inventory of stocks. Your Management reduced the inventory by 43 percent and increased inventory turnover to 11.36 times in 1989 compared to 9.41 times in the year before.



Capital Expenditure

Once again in fiscal 1989 your Company's focal point was its commitment to increase productivity to become a more cost effective producer. To achieve this objective Rs. 25.07 million were spent on balancing and modernization of manufacturing facilities.

Investment Portfolio

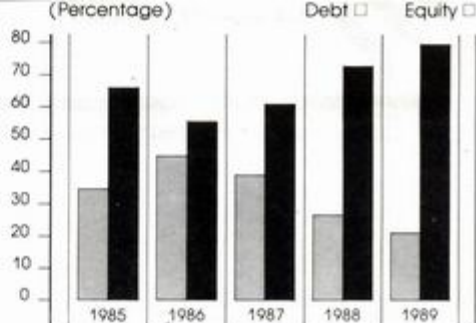
Your Company has an investment strategy for maximizing return on invested assets subject to constraints of safety, liquidity and diversification. Your Company has a healthy investment portfolio yielding handsome returns. During Fiscal 1989, Rs. 12.79 million were invested increasing the portfolio to Rs. 50.72 million. The share of quoted associated companies, other quoted companies and unquoted companies in Shakarganj's investment portfolio was 24.5 percent, 37.5 percent and 38 percent respectively. Our portfolio consists of Rs. 34.30 million in financial institutions. Market value of our investment portfolio was Rs. 74.69 million at the end of fiscal 1989, thus giving an unrealised gain of Rs. 23.88 million over the cost of acquisition. Dividend income was Rs. 2.67 million in 1989. This indicates the optimum utilization of surplus cash by your management. The companies in our investment portfolio are fairly stable and enable your company to cancel the inherent cyclical effect in the sugar industry, to some extent.

Contribution to Economy

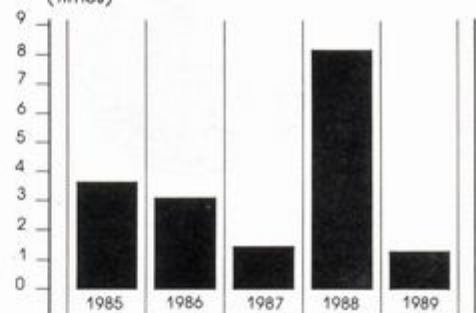
Shakarganj plays a very important role with regard to its contribution to economy. During the Year under review, value added to materials and services of Rs. 206.09 million was Rs. 154.33 million. Your Company's contribution towards Federal, Provincial and local taxes exceeded Rs. 77 million. Employees got a share of Rs. 15.81 million and shareholders got an amount of Rs. 13.50 million.

Future Prospects

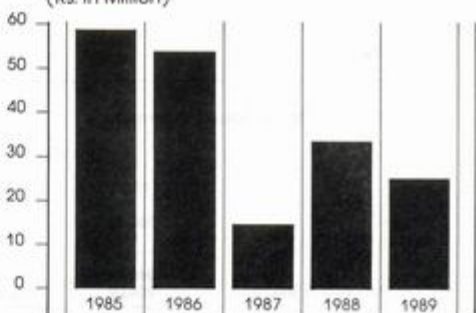
In my last review I had pointed out the unfair competition from the new sugar mills who were allowed exemption from excise duty on 50 percent of production during their first two years. This facility was withdrawn in June 1989 and now we are at par with the new sugar mills. This has given a boost to future prospects of your company. Earlier on we were threatened by unfair competition as a new sugarcane mill has recently started operations in close proximity to us.



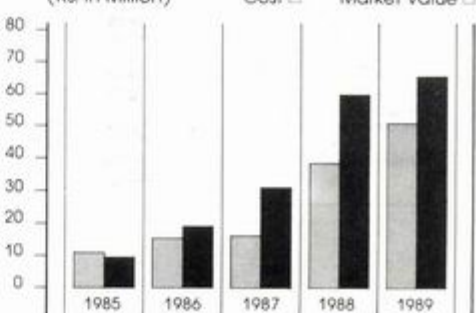
Interest Coverage (Times)

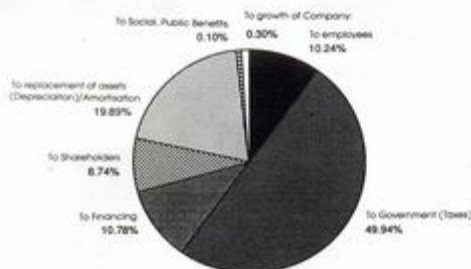


Capital Expenditure (Rs. in Million)



Investment Portfolio (Rs. in Million)





Last year your Directors had done a rethinking on your company's strategy for the 90s after consideration of the current environment. Unfortunately, the environment is not stable and very rapid changes are taking place making it difficult to plan on long-term basis. A number of changes have occurred during the past one year necessitating once again a rethinking of strategy. However, our strategy for 90s will primarily revolve around the following:

- Balancing, Modernization, Replacement and controlled expansion of sugar manufacturing facilities.
- Maximum utilization of By-Products like molasses and bagasse.
- Diversification into other industries in which the Management and sponsors have know-how.
- Selective investment in stocks to build up a strong and diversified Investment Portfolio.

In view of the changed Government policy of excise duty exemption to older mills, we have redesigned our balancing modernization, replacement and expansion programme. Expenditure of Rs. 200 Million which was originally planned over a period of two years will now be spent by 30th September 1993. This will bring our existing facilities at par with the latest Sugar Plant any where in the world and make our size economical. Financing package for this programme has been approved by a Financial Institution.

Particle Board Plant is in final stages of installation and we plan to do the trial run shortly.

I can predict a strong long-term future for your Company with confidence. Heavy investment during the next three years and unsatisfactory fiscal 1989, will put pressure in the short run but this will provide us an edge over our competitors on long-term basis.

Value Added Statement

(Rupees Million)

	1989	1988
Sales	350.74	516.89
Other receipts	9.68	3.39
	360.42	520.28
Less: Material & Services	206.09	272.68
	154.33	247.60
Value added:		
Applied as Follows		
To employees	15.81	29.45
To Government (Taxes)	77.07	121.40
To Financing	16.65	17.16
To Shareholders	13.50	27.50
To replacement of assets (Depreciation)/Amortisation	30.72	27.92
To Social, Public Benefits	0.18	1.50
To growth of Company:		
Retained earning	0.40	22.67
	154.33	247.60
Value Added:	154.33	247.60



Research and Development

Shakarganj management gives top priority to Research and Development. As we are a company based on agriculture, our major emphasis is on sugarcane research. Shakarganj Sugar Research Institute was set up for this purpose. This institute is making useful contribution. In addition we are also conducting research on sugar processing but on a much smaller scale. Scope of research on the processing aspect which is equally important, will be increased gradually.

Campaign 1989 - 90

The crushing campaign 1989-90 started on 18th October 1989. Upto 5th March, 1990, 43753 metric tons of sugar was produced at an average recovery of 7.97 percent. Last year sugar production on the same date was 29959 metric tons at an average recovery of 7.63 percent. We were able to achieve an average gross crushing rate of 4032 metric tons per day for the first time in your Company's history.

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 loyal and hard working employees of Shakarganj.

Altaf M. Saleem
Chief Executive

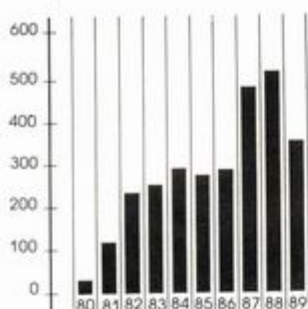


Ten Years Financial Summary

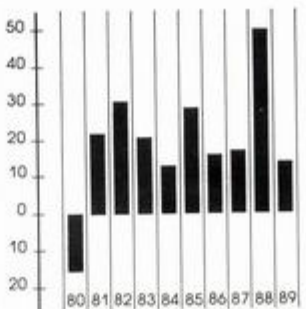
(Rupees in thousand,
except amounts per share)

	1989	1988	1987	1986
Operating Results				
Net sales	350,741	516,886	478,748	284,162
Cost of sales	327,520	367,590	444,283	240,104
Selling, general & admin. expenses	11,603	13,113	8,499	8,474
Interest expenses	16,651	17,158	21,814	12,415
Other charges	551	16,014	1,194	2,817
Other income, net	9,674	3,394	4,927	2,722
Pre-tax profit	4,090	106,405	7,885	23,074
Income taxes	(9,634)	56,887	(8,877)	7,300
Net income	13,724	49,518	16,762	15,774
Per Share Results and Return				
Earnings per share	2.28	9.9	3.36	3.94
Cash dividends per share	2.25	5.50	2.25	2.75
Stock dividends per share	—	—	—	—
Net income to sales	3.91%	9.58%	3.50%	5.55%
Return on average assets	3.24%	13.39%	7.04%	5.84%
Return on average equity	8.91%	38.06%	15.67%	17.06%
Financial Position				
Current assets	101,827	109,856	96,897	216,099
Current liabilities	162,045	155,849	117,894	248,850
Operating fixed assets	205,483	200,928	194,717	207,750
Total assets	456,055	388,884	350,257	472,763
Long-term debt	43,189	51,566	75,089	74,276
Shareholders' equity	166,594	141,294	118,919	95,001
Break-up value per share	27.76	28.25	23.84	23.75
Other Financial Ratios				
Current liabilities to current assets	1.72	1.42	1.22	1.15
Long-term debt to capitalization	20.58%	26.74%	38.70%	43.88%
Total debt to total assets	63.47%	63.67%	66.05%	79.91%
Interest coverage (times)	1.27	8.13	1.42	3.09
Average collection period (days)	0.30	4	1	14
Inventory turnover (times)	11.36	9.41	7.83	1.52
Fixed assets turnover (times)	1.19	2.18	2.05	1.19
Total assets turnover (times)	0.77	1.33	1.37	0.60
Other Data				
Depreciation	19,954	23,257	19,010	22,562
Capital expenditure	25,078	33,758	14,727	53,575

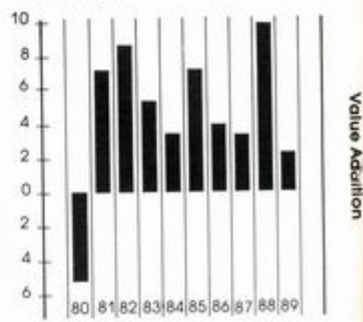
Net sales
(Million)



Net Income
(Million)



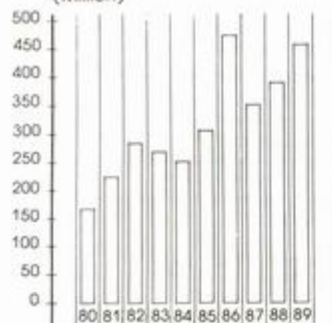
Earning Per Share
(Rupees)



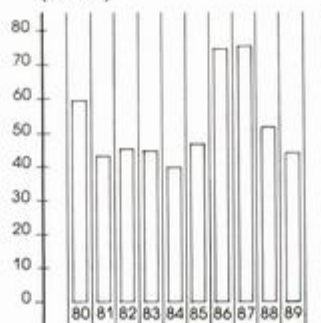


1985	1984	1983	1982	1981	1980
270,870	287,511	251,160	231,783	117,942	28,651
211,172	240,049	203,074	170,297	83,314	30,861
11,390	6,493	5,150	5,241	2,704	2,159
13,683	8,151	6,217	7,884	9,642	11,188
3,931	3,525	2,216	4,883	1,147	—
1,427	1,740	3,767	1,815	519	221
32,121	31,033	38,270	45,292	21,654	(15,336)
3,300	18,100	18,000	15,000	—	—
28,821	12,933	20,270	30,293	21,654	(15,336)
7.21	3.45	5.41	8.66	7.22	(5.11)
2.75	1.5	3	4	1.25	—
—	1:15	—	—	—	—
10.64%	4.50%	8.07%	13.07%	18.36%	— 53.53%
13.14%	6.75%	8.64%	13.75%	13.79%	— 5.32%
35.60%	18.91%	34.37%	72.00%	94.99%	— 68.67%
102,835	71,677	95,895	124,492	75,557	16,715
127,430	102,874	109,537	148,320	148,511	107,077
177,694	139,999	157,246	150,886	147,584	152,280
305,143	250,261	268,289	281,452	223,376	169,018
46,350	39,396	44,461	44,968	43,089	59,221
89,870	72,049	64,741	53,221	30,928	14,664
22.47	19.21	17.26	15.21	10.31	4.89
1.24	1.44	1.14	1.19	1.97	6.41
34.03%	35.35%	40.71%	45.80%	58.22%	80.15%
70.55%	71.21%	75.87%	81.09%	86.15%	91.32%
3.63%	5.24%	7.51	7.36	3.36	—
8	3	6	8	0	0
4.17	6.70	3.84	3.01	2.13	2.03
1.41	1.70	1.50	1.49	0.79	0.19
0.89	1.15	0.94	0.82	0.53	0.17
19,150	11,405	6,941	7,344	6,100	4,090
58,753	18,955	15,724	10,848	1,621	2,859

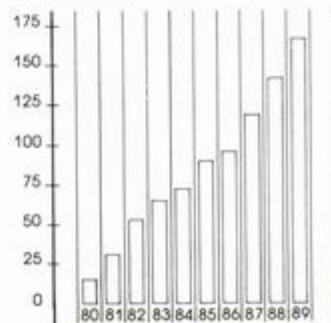
Total Assets
(Million)



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.



Director General's Review:

During the year under report, the following research experiments remained under study, for various agronomic and economic characteristics.

Original Seedlings from Ratoon Crop

About three fourth of an acre comprising of 2500 stools of the original seedling was retained as ratoon crop and kept under observation particularly to see the ratooning capacity. Final selection was based on the performance of individual stools for the yield components brix reading and early maturity. Stools giving a good number of millable canes and brix reading above 14 were selected in end August when BL4 the check variety gave brix reading around 13. A total of 63 stools were selected and some of those gave as high brix reading as 16 to 17 in early September. Their single canes were taken out and planted as first stage nursery in short rows of 7 feet long during September 1989.

First Stage Nursery

In September 1988 one acre was planted as first stage nursery comprising of about 700 progenies from 12 original crosses, all these progenies remained under study and final selection was made in August and early September on the basis of performance of individual progenies and brix reading. Since the selection pressure was directed towards early maturity, salt tolerance and acceptable for yield and quality. The good looking progenies giving brix reading above 16 were only retained. In view of the scarcity of land available only 34 entries were selected and planted as second stage nursery in September 1989.

Second Stage Nursery

In view of the experimental land available very high rate of rejection was adopted and only seven progenies were selected out of a total of 133 progenies under study as second stage crop and included in single row preliminary replicated trial with four replications.

Regular Yield Trials

Two yield trials were conducted, one under high fertilizer level 250-150-100 comprising of 10 varieties and the other with average dose of 150-100-100 comprising of 12 varieties with 4 replications in a plot size of 22' x 11'. All the varieties in the trial remained under observation all through the season with BL4 as check. Millable canes were also counted in the month of July 89 and yield recorded in the month of November 1989. The following newly evolved lines out yielded BL4 (See Table 1)

Maintenance of nucleus seed of the promising varieties included in various yield trials was also raised. SP-SG-26 was multiplied on little over one acre. These are also being included in red rot screening nursery.

Testing of Newly Evolved Varieties on Farmers Lands.

SP-SG-26 was successfully multiplied on about 35 locations with a plot of one acre each representing various soil types and farming conditions. This variety has shown good adaptability and gave excellent performance particularly where the farmers cooperated well towards weed control, fertilizer and water supply. The farmers have liked it and more than 90% of the produce was used for seed and expected to cover about 300 acres in September 89 planting, all these are under observations and well controlled till it is cleared for red rot reactions. In

TABLE 1

RESULT OF THE VARIETAL TRIAL AND QUALITY ANALYSIS (TOP YIELDING VARIETIES ONLY) AT SHAKARGANJ SUGAR RESEARCH INSTITUTE, JHANG. (250-150-100) NPK PLOT SIZE = 22' x 11' DATE OF SOWING 3-9-1988					
VARIETIES	YIELD IN TONS/HA.	QUALITY CHARACTERISTICS			
		FIBRE	POL% CANE	PURITY	
SP-SG-26	148.56	12.90	13.35	82.29	S.E. FOR
SP-SG-394	119.98	13.70	11.91	73.36	VAR = 7.16
BL 4	104.53	13.02	12.16	76.16	CD1 = 20.67 CD2 = 27.84
AT (150-100-100) NPK LEVELS					
SP-SG-32	128.99	12.87	12.49	73.19	S.E. FOR
SP-SG-26	120.98	13.23	13.47	76.27	VAR = 7.25
BL 4	116.69	12.98	12.32	75.81	CD1 = 20.81
SP-SG-61	111.20	14.87	13.01	72.69	CD2 = 27.91
SP-SG-26 a new promising variety out yielded the check BL4 with significant margin.					

case it is finally selected for its adaptability, yield, quality and its resistance to red rot, this will be vigorously multiplied.

SP-SG-106 and 394 were also multiplied on one acre plot at 2 & 8 locations respectively each and kept under observations for adaptability and other economic characteristics. SP-SG-106 is early maturing and giving excellent quality characteristics but is low yielder. SP-SG-394 has shown wide adaptability and included in regular trials on farmer land both these varieties will remain under study for about 2 years.

Staff Position

One Sugarcane Agronomist and other field staff is already working and we are under the process to recruit one soil chemist for soil and plant analysis. The following equipment has been purchased for soil, water and plant analysis.

1. Flame photometer
2. Spectronic-20
3. Kjeldaltherm (Digestion block)
4. Air circulation oven
5. Electronic weighing balance
6. Test tube shaking machine
7. Test tube centrifuge
8. Conductivity meter
9. Magnetic stirrer

Laboratories will start functioning soon as the staff is recruited.

Dr. S. A. Qureshi
Director General

Flow of funds analysis

Development of net current position in million of Rupees

	Sep. 30 1987	Change	Sep. 30 1988	Change	Sep. 30 1989
Liquid assets	96.04	7.62	103.66	2.12	101.54
Short-term receivable	0.86	5.34	6.20	5.19	0.29
Short-term liabilities and provisions	75.82	43.25	119.07	8.71	127.78
	21.08	30.29	9.21	16.74	25.95
Factors affecting the change in the net current position:					
Source of Funds:					
Net income for the year			49.52		13.72
Depreciation			23.25		19.96
Amortization of assets subject to Finance Lease			4.66		10.98
Deferred Taxation			2.31		4.25
Profit on sale of fixed assets			0.99		0.14
Internal Financing			76.11		49.05
Right shares issued & premium thereon			0.21		25.00
Proceeds of Fixed Assets disposed			1.96		0.43
Redeemable capital			—		1.75
Custom Debentures			—		0.59
Long-term loans			—		0.52
Liability against Assets subject to Finance Lease			1.81		47.20
Sale of Long-term investments			—		0.94
Source of Funds - Total			80.09		125.48
Application of Funds:					
Addition to Fixed Assets			33.20		41.83
Assets subject to Finance Lease			2.06		47.20
Addition to investments			21.09		13.91
Redeemable capital			5.24		4.54
Long-term deposits			0.18		4.70
Liability against assets subject to Finance Lease			4.14		8.46
Custom Debentures			0.63		0.78
Loans repaid			20.18		5.92
Dividend paid			23.66		14.88
Application of Funds - Total			110.38		142.22
Change in the net position:			30.29		16.74



Auditors' Report to the Members

We have audited the annexed balance sheet of **SHAKARGANJ MILLS LIMITED** as at 30 September, 1989 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 accounts 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 accounts 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, 1989 and of the profit and the changes in financial position for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

(RIAZ AHMAD & COMPANY)
Chartered Accountants

Faisalabad - 24 February 1990.



Balance Sheet as at 30 September 1989

		(RUPEES IN THOUSAND)	
	NOTE	1989	1988
SHARE CAPITAL AND RESERVES			
Authorised share capital			
10,000,000 ordinary shares of Rupees 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up share capital	3	60,000	50,000
Capital reserves	4	43,618	28,620
Revenue reserves	5	62,578	62,500
Unappropriated profit		398	174
		<u>166,594</u>	<u>141,294</u>
SURPLUS ON REVALUATION OF OPERATING			
FIXED ASSETS	6	10,746	10,824
REDEEMABLE CAPITAL	7	2,683	4,203
DEBENTURES AND LONG TERM LOANS			
Custom debentures	8	914	1,109
Long term loans	9	18,508	30,103
		<u>19,422</u>	<u>31,212</u>
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	10	42,756	11,441
DEFERRED TAXATION	11	38,309	34,061
CURRENT LIABILITIES			
Current portion of long term liabilities	12	33,436	21,071
Short term running finances	13	39,328	21,302
Creditors, accrued and other liabilities	14	42,902	35,327
Workers' Participation Fund	15	227	3,231
Provision for taxation		45,318	59,200
Dividend payable	16	14,334	15,718
		<u>175,545</u>	<u>155,849</u>
CONTINGENCIES AND COMMITMENTS			
	17	456,055	388,884



(RUPEES IN THOUSAND)

	NOTE	1989	1988
TANGIBLE FIXED ASSETS			
Operating fixed assets	18	205,483	200,928
Assets subject to finance lease	19	51,162	14,941
Capital work-in-progress	20	38,510	21,757
		<u>295,155</u>	<u>237,626</u>
LONG TERM INVESTMENTS	21	50,720	37,747
LONG TERM DEPOSITS	22	8,353	3,655
CURRENT ASSETS			
Stores, spare parts and loose tools	23	22,293	18,370
Stock-in-trade	24	8,573	36,575
Trade debts	25	287	6,196
Advances, deposits, prepayments and other receivables	26	66,510	33,728
Cash and bank balances	27	4,164	14,987
		<u>101,827</u>	<u>109,856</u>

456,055

388,884

The annexed notes form an integral part of these accounts.

ALTAf M. SALEEM
CHIEF EXECUTIVE

MAZHAR KARIM
DIRECTOR



Profit and Loss Account for the Year Ended 30 September 1989

	NOTE	(RUPEES IN THOUSAND)	
		1989	1988
SALES	28	350,741	516,886
COST OF GOODS SOLD	29	327,520	367,590
GROSS PROFIT		23,221	149,296
ADMINISTRATIVE, SELLING AND GENERAL EXPENSES	30	11,603	13,113
OPERATING PROFIT	31	11,618	136,183
OTHER INCOME	32	9,674	3,394
		21,292	139,577
FINANCIAL AND OTHER CHARGES	33	16,975	27,433
WORKERS' PARTICIPATION FUND		227	5,739
		17,202	33,172
PROFIT BEFORE TAXATION		4,090	106,405
TAXATION	34	9,634	(56,887)
PROFIT AFTER TAXATION		13,724	49,518
UNAPPROPRIATED PROFIT BROUGHT FORWARD		174	656
PROFIT AVAILABLE FOR APPROPRIATION		13,898	50,174
APPROPRIATIONS			
Interim dividend		—	12,500
Proposed final dividend		13,500	15,000
Transfer to general reserve		—	12,000
Transfer to dividend equalisation reserve		—	10,000
Transfer to research and development reserve		—	500
		13,500	50,000
UNAPPROPRIATED PROFIT		398	174

The annexed notes form an integral part of these accounts.


ALTAf M. SALEEM
CHIEF EXECUTIVE


MAZHAR KARIM
DIRECTOR



Statement of Changes in Financial Position for the year ended 30 September 1989

(RUPEES IN THOUSAND)

	1989	1988
SOURCES OF FUNDS		
Profit after taxation	13,724	49,518
Adjustment of items not involving the movement of funds		
Depreciation	19,954	23,257
Amortization of assets subject to finance lease	10,983	4,659
Deferred taxation	4,248	(2,313)
Fixed assets written-off	89	—
Loss on disposal of operating fixed assets	53	989
Profit on sale of long term investments	(100)	—
Funds provided by operations	48,951	76,110
Other sources		
Proceeds from issue of right shares	24,998	214
Proceeds from disposal of operating fixed assets	427	1,955
Sale of long term investments	1,040	—
Redeemable capital	1,749	—
Custom debentures	587	—
Long term loans	518	—
Liabilities against assets subject to finance lease	47,204	1,806
Net decrease in working capital	16,744	30,289
	<u>142,218</u>	<u>110,374</u>
APPLICATION OF FUNDS		
Tangible fixed assets	41,831	33,197
Assets subject to finance lease	47,204	2,061
Redeemable capital	4,535	5,235
Liabilities against assets subject to finance lease	8,457	4,142
Custom debentures	778	633
Long term loans	5,918	20,175
Long term investments	13,913	21,090
Long term deposits	4,698	180
Dividend paid	14,884	23,661
	<u>142,218</u>	<u>110,374</u>



(RUPEES IN THOUSAND)

ANALYSIS OF DECREASE IN WORKING CAPITAL

	1989	1988
Increase/(decrease) in current assets		
Stores, spare parts and loose tools	3,923	(2,552)
Stock-in-trade	(28,002)	(3,674)
Trade debts	(5,909)	5,341
Advances, deposits, prepayments and other receivables	32,782	9,189
Cash and bank balances	(10,823)	4,655
	(8,029)	12,959
(Increase)/decrease in current liabilities		
Short term running finances	(18,026)	26,734
Creditors, accrued and other liabilities	(7,575)	(8,070)
Workers' Participation Fund	3,004	(2,712)
Provision for taxation	13,882	(59,200)
	(8,715)	(43,248)
NET DECREASE IN WORKING CAPITAL	(16,744)	(30,289)

ALTAF M. SALEEM
CHIEF EXECUTIVEMAZHAR KARIM
DIRECTOR



Notes to the Accounts for the year ended 30 September 1989

1. Status and Nature of Business

Shakarganj Mills Limited was incorporated on 20 September 1967 under the Companies Act, 1913 (Now Companies Ordinance, 1984). 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 deslimate.

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 2.4 and 2.5.

2.2 Staff retirement benefits

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 premium is paid annually on the basis of actuarial-computation based on accrued benefit valuation method at the rate of 13.90 percent of basic salary of employees, effective from 1 January 1989, against 17.95 percent during prior period.

Company also operates a funded contributory Provident Fund Scheme for all permanent employees. Equal monthly contribution is made both by the company and employees at the rate of 7 percent of basic pay to the fund.

2.3 Taxation

Charge for current taxation is based on taxable income at 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 Rupee at the rate of exchange ruling at balance sheet date. Exchange gain or loss on foreign currency loans is adjusted against cost of operating fixed assets acquired from the proceeds of 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, appreciated value and direct attributable cost 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. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of liabilities. Assets so acquired are amortized over the useful life of the assets or the lease term whichever is shorter. Amortization 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 (bye-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

5,000,000 (1988: 4,000,000) ordinary shares of Rupees 10 each fully paid up in cash

1989 1988
50,000 40,000

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

60,000 50,000

4. Capital Reserves

Balancing and modernisation

15,000 15,000

Research and development

Balance as at 1 October

5,000 4,500

Transfer from profit and loss account

— 500

5,000 5,000

Premium on issue of right shares

Balance as at 1 October

8,620 8,620

Received during the year

14,998 —

23,618 8,620

43,618 28,620



(RUPEES IN THOUSAND)

5. Revenue Reserves	1989	1988
General :		
Balance as at 1 October	42,500	30,357
Transfer from :		
Profit and loss account	—	12,000
Surplus on revaluation of operating fixed assets	78	143
	42,578	42,500
Dividend equalisation		
Balance as at 1 October	20,000	10,000
Transfer from Profit and Loss Account	—	10,000
	20,000	20,000
	62,578	62,500
6. Surplus on Revaluation of Operating Fixed Assets		
Balance as at 1 October	10,824	10,967
Transfer to general reserve relating to operating fixed assets disposed of during the year	78	143
	10,746	10,824

7. Redeemable Capital

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

	United Bank Limited	PICIC Loan No.	SBR/PLS		
		15	23		
Balance as on 1 October	1,266	3,472	4,000	8,738	13,972
Received during the year	—	1,749	—	1,749	—
	1,266	5,221	4,000	10,487	13,972
Less: Paid	1,266	1,669	1,600	4,535	5,234
Current portion (Note 12)	—	1,669	1,600	3,269	4,535
	1,266	3,338	3,200	7,804	9,769
Balance as at 30 September	—	1,883	800	2,683	4,203
Sanctioned limit	5,500	8,345	8,000		
Unavailed credit facility	—	620	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%		



- 7.1 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.
- 7.2 As per purchase and sale agreements, Pakistan Industrial Credit and Investment Corporation Limited 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 price. Securities are mentioned in Note 9.1.

8. Custom Debentures - Unsecured

(RUPEES IN THOUSAND)

These are made up as under :

Balance as at 30 September

Less: Current portion (Note 12)

1989	1988
1,696	1,887
782	778
<u>914</u>	<u>1,109</u>

- 8.1 These have been issued in favour of Collector of Customs to cover the deferred element of custom duty on import of plant and machinery. Debentures are repayable in six half yearly instalments commencing from 4 May 1988 and carry interest at the rate of 1 percent above the bank rate.

9. Long Term Loans

From financial institution

Pakistan Industrial Credit and Investment Corporation Limited

Loan No :

SBR-61 (Note 9.2)
SBR-86 (Note 9.2)
IBRD-2380-IDA-1439/1 (Note 9.3)
ADB-455/20 (Note 9.3)
IBRD-2380-IDA-1439/18 (Note 9.3)

22,926	26,192
4,092	4,808
2,729	3,353
4,091	4,228
463	—
<u>34,301</u>	<u>38,581</u>
1,240	2,360
<u>35,541</u>	<u>40,941</u>
17,033	10,838
<u>18,508</u>	<u>30,103</u>

Agricultural Development Bank of Pakistan (Note 9.4)

Less: Current portion (Note 12)

- 9.1 Long term loans and running finances from PICIC are secured against :
- a first legal mortgage on company's present and future immovable properties wherever situated including all building, plant and machinery and fixtures;
 - a first charge ranking pari passu with the existing charge by way of hypothecation in respect of all 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 hypothecation or charge in favour of company's bankers as referred to in Note 13.2; and



(d) a demand promissory note.

- 9.2 Loan No. SBR-61 and SBR-86 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 ADB-455-20 are repayable in 20 and IBRD-2380-IDA-1439/18 in 12 semi annual instalments commencing from 1 January 1987, 1 July 1987 and 1 July 1989 respectively 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 7 January 1986 and carries interest at the rate of 12 percent per annum.
- 9.5 Sanctioned limit of loans from Pakistan Industrial Credit and Investment Corporation Limited and Agricultural Development Bank of Pakistan are Rupees 65.772 million and Rupees 5 million respectively. (1988: Rupees 69.781 million).

(RUPEES IN THOUSAND)

1989 1988

10. **Liabilities Against Assets Subject To Finance Lease**

Present value of minimum lease payments

55,108 16,361

Less: Current portion (Note 12)

12,352 4,920

42,756 11,441

Present value of minimum lease payments has been discounted using the sum of digit method. The rentals are paid in monthly/quarterly equal instalments and in case of default of any payment, an additional charge at the rate of 2 percent shall be paid. Taxes, repairs and insurance costs are to be borne by the lessee. Lessee shall have no right to terminate lease agreements and if lease agreements are terminated, the lessee shall pay entire amount of rentals for unexpired period of lease agreements. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against deposit of Rupees 8,200 million included in long term deposits and a deposit of shares of listed companies having face value of Rupees 4,720 million as referred to in Note 21.2.

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

DESCRIPTION	Balance Rentals Outstanding as at 30 September 1989	No. of instalments Outstanding	Approximate Rate of interest per annum %	Expiry Period
	(RUPEES IN THOUSAND)			
National Development Leasing Corporation Limited	49,022	352 (Monthly)	5-18	30-09-91 to 28-02-94
Asian Leasing Corporation Limited	1,706	13 (Quarterly)	15	30-01-93
Pakistan Industrial Leasing Corporation Limited	16,796	105 (Monthly)	19	30-03-93 to 30-04-94
Development Capital Management Limited	513	24 (Monthly)	16	30-09-91
Orient Leasing Pakistan Limited	2,555	33 (Quarterly)	14	28-02-92
BRR Capital Modaraba	508	27 (Monthly)	21	30-11-91



(RUPEES IN THOUSAND)

1989 1988

11. **Deferred Taxation**

Timing differences due to
accelerated tax depreciation

39,328 38,709
(1,019) (4,648)

Other timing differences

38,309 34,061

12. **Current Portion of Long Term Liabilities**

Redeemable capital

3,269 4,535

Custom debentures

782 778

Long term loans

17,033 10,838

Liabilities against assets
subject to finance lease

12,352 4,920
33,436 21,071

13. **Short Term Running Finances**

From financial institutions (Note 13.1)

2,230 -

From banking companies

Secured (Note 13.2)

35,762 19,839
1,336 1,463

Unsecured - Unpresented cheques

37,098 21,302
39,328 21,302

13.1 This represents the balance amount due to National Development Finance Corporation out of total credit facility of Rupees 50 million (1988: Rupees 70 million). National Development Finance Corporation has purchased goods valuing Rupees 50 million from the company which were deemed to have been resold to the company at marked-up price of Rupees 60 million. This is secured against pledge of said goods and 20 percent additional goods of same description. Mark-up has been accounted for proportionately uptill 30 September 1989 at the rate of paisas 39 per Rupees 1,000 per day after considering paisas 16 rebate per Rupees 1,000 per day on timely payments of marked-up price.

13.2 These are secured against pledge and hypothecation of stores, spares stocks, book debts, shares having face value of Rupees 6.056 million, second charge on fixed assets. Mark-up is charged at the rate of paisas 41 to 43 per Rupees 1,000 per day by banking companies, other than Agricultural Development Bank of Pakistan which charges mark-up at the rate of 12 percent per annum. These form part of aggregate credit facility of Rupees 88.500 million (1988: Rupees 78.500 million).

14. **Creditors, Accrued and other Liabilities**

(RUPEES IN THOUSAND)

1989 1988

Creditors
Trade

4,712 3,769
4,688 5,072

Others

9,400 8,841



(RUPEES IN THOUSAND)

	1989	1988
Advanced from customers	227	1,596
Security deposit from contractors payable on completion of contracts - Interest free	248	348
Income tax deducted at source	64	64
Interest on custom debentures - Unsecured	40	59
Mark-up accrued on redeemable capital - Secured	—	44
Interest accrued on long term loans - Secured	2,697	1,166
Mark-up accrued on short term running finances - Secured	4,897	6,893
Excise duty	267	—
Due to associated undertakings	14,314	99
Due to directors	151	12
Workers' Welfare Fund	3,031	3,031
Accrued liabilities	7,566	13,174
	<u>42,902</u>	<u>35,327</u>

15. **Workers' Participation Fund**

Balance as at 1 October	3,231	519
Share in company's profit for the year	227	5,739
Interest accrued	178	9
Profit on investment in khas deposit certificates	—	33
	<u>3,636</u>	<u>6,300</u>
Less: Paid to Workers' Participation Fund Trust	<u>3,409</u>	<u>3,069</u>
Balance as at 30 September	<u>227</u>	<u>3,231</u>

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

16. **Dividend Payable**

Unclaimed	834	718
Proposed	13,500	15,000
	<u>14,334</u>	<u>15,718</u>

17. **Contingencies and Commitments**

Contingencies

- Company is contingently liable in respect of claims not acknowledged as debt amounting to Rupees 0.385 million (1988: 0.446 million).

Commitments

- Contracts for capital expenditure are approximately amounting to Rupees 10.803 million (1988: Rupees 20.353 million).
 Letters of credit other than for capital expenditure are amounting to Rupees 3.484 million (1988: Rupees 0.331 million).



18. Operating Fixed Assets

(RUPEES IN THOUSAND)

DESCRIPTION	COST/RE-ASSESSED VALUE			Accumulated Depreciation As at 30 September 1989	Book Value As at 30 September 1989	DEPRECIATION	
	As at 01 October 1988	Additions/ (deletions)	As at 30 September 1989			Charge for the year	Rate %
Land - Freehold (Note 18.1)	9,817	6	9,823	—	9,823	—	—
Buildings and roads on freehold land	42,064	1,885	43,949	20,713	23,236	2,581	10
Plant and machinery	271,965	21,350 (736)	292,579	127,025	165,554	15,037	10
Laboratory equipments	547	—	547	439	108	71	40
Tubewell and water pumps	1,279	14	1,293	635	658	165	20
Electric installations	601	—	601	455	146	36	20
Weighbridges and scales	1,354	(133)	1,221	791	430	108	20
Furniture and fixtures	2,030	1,295	3,325	1,453	1,872	468	20
Office equipments	2,460	124	2,584	1,771	813	542	40
Vehicles	4,885	291 (361)	4,815	2,608	2,207	552	20
Arms and ammunition	10	—	10	8	2	1	10
Library books	513	48	561	435	126	54	30
Tools and equipments	1,910	65 (195)	1,780	1,332	448	299	40
Telephone equipments	244	—	244	184	60	40	40
1989	339,679	25,078 (1,425)	363,332	157,849	205,483	19,954	
1988	314,941	33,758 (9,020)	339,679	138,751	200,928	23,257	

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

18.2 Land, buildings, plant and machinery were revalued by an independent valuer as at 30 September 1979 and stated in Note 18 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.

18.3 Included in the additions to plant and machinery is exchange loss of Rupees 0.354 million (1988: 0.009 million) relating to liability in foreign currency for acquisition of these assets.

18.4 Failure of Turbo alternator resulted in inadequate power generation. As a result, Distillery Unit was not operated during the year. Distillery plant and machinery at book value of Rupees 30.218 million remained idle on which depreciation amounting to Rupees 3.022 million has not been provided in accounts.

18.5 Depreciation charge for the year has been allocated as follows :

(RUPEES IN THOUSAND)

	1989	1988
Cost of goods sold - Sugar	18,572	18,005
Cost of goods sold - Distillate	67	3,393
Administrative, selling and general expenses - Sugar	1,315	1,859
	19,954	23,257



(RUPEES IN THOUSAND)

18.6 Disposal of Operating Fixed Assets

Description	Cost/ Reassessed Value	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Plant and Machinery						
Centrifugal	736	430	306	200	Negotiation	Messrs Hitech Plant and Machinery (Pvt) Ltd., 3/5 Rumpa Skyline, Karachi.
Vehicles:						
Suzuki car JGA-3364	106	21	85	105	Insurance claim	The Premier Insurance Company of Pakistan Limited An associated undertaking of the company.
Jeep 152-997	96	71	25	45	Negotiation	Qaim Abbas, Moza Rashidpur, Jhang.
Car 191-135	145	86	59	70	"	Mr. Muhammad Shahid, Lahore.
Motor cycle JG-7892	14	9	5	7	"	Mr. Muhammad Afzal, Company's employee.

19. Assets Subject to Finance Lease

Following assets have been acquired under finance lease:

Description	C	O	S	T	Accumulated Amortization As at 30 September 1989	Book Value As at 30 September 1989	Amortization Charge for the year
	As at 1 October 1988	Additions	As at 30 September 1989				
Buildings	255	—	255		85	170	17
Plant and machinery	23,541	45,458	68,999		19,709	49,290	10,425
Vehicles	885	1,314	2,199		907	1,292	519
Equipments	—	432	432		22	410	22
1989	24,681	47,204	71,885		20,723	51,162	10,983
1988	22,620	2,061	24,681		9,740	14,941	4,659

19.1 Amortization charge of leasehold assets for the year has been allocated as follows:

(RUPEES IN THOUSAND)

	1989	1988
Cost of goods sold - Sugar	10,425	4,358
Administrative, selling and general expenses - Sugar	558	301
	<u>10,983</u>	<u>4,659</u>

20. Capital Work-in Progress

This comprises of:

Buildings	1,182	—
Plant and machinery	24,165	12,270
Advance to contractors	13,089	9,413
Project examination fee	74	74
	<u>38,510</u>	<u>21,757</u>

21. Long Term Investments

(RUPEES IN THOUSAND)

	1989	1988
Quoted		
Associated undertakings:		
Crescent Sugar Mills and Distillery Limited		
146,219 (1988: 106,100) ordinary shares of Rupees 10 each fully paid	2,798	1,995
54,376 (1988: 22,281) bonus shares of Rupees 10 each	—	—
Crescent Boards Limited		
48,400 ordinary shares of Rupees 10 each fully paid	561	561
Crescent Jute Products Limited		
261,988 (1988: 198,252) ordinary shares of Rupees 10 each fully paid	5,290	3,957
88,011 bonus shares of Rupees 10 each	—	—
Jubilee Spinning and Weaving Mills Limited		
4,000 ordinary shares of Rupees 10 each fully paid	66	66
1,500 (1988: 1,000) bonus shares of Rupees 10 each	—	—
The Premier Insurance Company of Pakistan Limited		
3,600 ordinary shares of Rupees 5 each fully paid	60	60
10,130 (1988: 8,263) bonus shares of Rupees 5 each	—	—
The Crescent Textile Mills Limited		
29,250 (1988: 24,375) ordinary shares of Rupees 10 each fully paid	648	526
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		
2,000 ordinary shares of Rupees 10 each fully paid	38	38
530 (1988: 200) bonus shares of Rupees 10 each	—	—
Noon Sugar Mills Limited		
27,500 (1988: 13,500) ordinary shares of Rupees 10 each fully paid	471	166
6,458 (1988: 3,132) bonus shares of Rupees 10 each	—	—
Pakistan Industrial Credit and Investment Corporation Limited		
832,027 (1988: 727,727) ordinary shares of Rupees 10 each fully paid	13,641	11,010
142,048 (1988: 55,314) bonus shares of Rupees 10 each	—	—
Karachi Electric Supply Corporation Limited		
10,000 ordinary shares of Rupees 10 each fully paid	111	111
1,000 bonus shares of Rupees 10 each	—	—
National Development Leasing Corporation Limited		
183,800 (1988: 203,800) ordinary shares of Rupees 10 each fully paid	3,850	4,270
I.C.I. Pakistan Limited		
(1988: 10,000) ordinary shares of Rupees 10 each fully paid	—	487
Pak Land Cement Limited		
15,000 ordinary shares of Rupees 10 each fully paid	172	—
Husein Sugar Mills Limited		
10,000 ordinary shares of Rupees 10 each fully paid	350	—
Sanghar Sugar Mills Limited		
5,000 ordinary shares of Rupees 10 each fully paid	77	—
Thal Jute Mills Limited		
50,000 ordinary shares of Rupees 5 each fully paid	337	—
	31,470	26,247



(RUPEES IN THOUSAND)

1989 1988

Unquoted

Associated undertakings:

Pakistan Industrial Leasing Corporation Limited

1,200,000 (1988: 900,000) ordinary shares of

Rupees 10 each fully paid

12,000 9,000

Equity held 30% (1988: 30%)

Break-up value is Rupees 11.352 million

(1988: Rupees 9 million) as per audited accounts

for the year ended 30 June 1989

Crescent Spinning Mills Limited

250,000 (1988: Deposit for 250,000 shares)

ordinary shares of Rupees 10 each fully paid

2,500 2,500

Equity held 10.15%

Break-up value is Rupees 2.500 million as per audited

accounts for the year ended 30 September 1988

Crescent Investment Bank Limited (Formerly

Crescent Masraf (Investment Finance Bank) Limited

475,000 ordinary shares of Rupees 10 each fully paid

4,750 —

Break-up value is Rupees 4.750 million

50,720 37,747

21.1 Aggregate market value of quoted investments as at 30 September 1989 was Rupees 74.697 million (1988: Rupees 59.320 million).

21.2 Investments having face value of Rupees 3 million, Rupees 1.720 million and Rupees 6.850 million are pledged with National Development Leasing Corporation Limited, Pakistan Industrial Leasing Corporation Limited and Standard Chartered Bank respectively as security against assets subject to finance lease and against guarantees issued and advances obtained from Standard Chartered Bank.

22. Long Term Deposits

(RUPEES IN THOUSAND)

1989 1988

Securities

Margin with:

National Development Leasing Corporation Limited

6,415 3,322

Asian Leasing Corporation Limited

180 180

BRR Capital Modaraba

22 —

Development Capital Management Limited

55 —

Pakistan Industrial Leasing Corporation Limited

1,307 —

Orient Leasing Pakistan Limited

221 —

8,353 3,655