

**SHAKARGANJ MILLS  
LIMITED**

Annual Report 1995

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**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 as sponsor have expertise. In addition we preserve 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 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 Agriculture 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.

#### Five Years Financial Summary

(Rupees in thousand), except amount per share)

	1995	1994	1993	1992	1991
<b>Operating Results:</b>					
Net Sales	1,204,483	1,090,098	645,774	686,466	727,225
Cost of Sales	1,017,561	1,011,269	623,989	601,602	641,841
Selling, General and Admin, Expenses	46,215	44,386	31,404	29,027	24,158
Interest Expenses	137,158	104,624	64,682	59,540	48,716
Other Charges	3,276	1,553	305	2,031	2,592
Other Income, Net	55,979	96,565	70,393	40,368	35,400
Pre-Tax Profit/(Loss)	56,252	24,831	(4,213)	34,634	45,318
Income Tax	1,522	5,450	(11,771)	(550)	10,636
Net Income	54,730	19,381	7,558	35,184	34,682
<b>Per Share Results and Return:</b>					
Earnings per Share	257	1.07	55	3.58	4.82
Cash Dividends per Share	-	-	-	-	-
Stocks Dividends per Share	1:10	1:10	1:10	1:5	1:5
Net Income to Sales Per cent	4.54	1.78	1.17	5.13	4.77
Return on Average Assets Per cent	3.39	1.24	0.56	3.65	5.18
Return on Average Equity Per cent	12.22	5.12	2:38	13.71	16.78
<b>Financial Position:</b>					
Current Assets	704,115	754,398	592,632	368,299	212,331
Current Liabilities	755,614	800,523	710,842	480,475	303,718
Operating Fixed Assets	808,026	529,515	401,084	282,970	265,694

Total Assets	1,594,810	1,630,077	1,500,634	1,187,794	738,071
Long-Term Debt	320,478	340,877	350,763	296,250	117,079
Shareholders' Equity	485,110	410,844	346,002	289,244	224,060
Break-up Value per Share	2,277	2,259	2,512	2,939	3,119

**Financial Ratios:**

Current Liabilities to Current Assets	1.07	1.06	1.20	1.30	1.43
Long-Term Debt to Capitalisation Percent	39.78	45.35	50.34	50.60	34.32
Total Debt to Total Assets Percent	69.58	74.80	76.94	75.64	69.64
Interest Coverage Times	1.43	1.25	0.94	1.62	1.98
Average Collection Period days	7.66	9.40	5.49	2.96	2.11
Inventory Turnover Times	6.90	6.13	3.46	5.15	10.55
Fixed Assets Turnover Times	1.40	1.29	0.75	0.89	1.54
Total Assets Turnover Times	0.76	0.67	0.43	0.58	0.99

**Other Data:**

Depreciation & Amortization	116,639	89,011	80,307	63,017	55,278
Capital Expenditure	367,357	187,346	163,433	49,679	67,016

**Production Data  
1974-1995**

Season	Duration of Season (Days)	SUGAR		Recovery (Percent)	Process Losses (Percent)	MOLASSES Produced (M. Tons)	INDUSTRIAL	PARTICLE BOARD
		Cane Crushed (M. Tons)	Sugar Produced (M. Tons)				ALCOHOL Industrial	Particle Board
Season	(Days)	(M. Tons)	(M. Tons)	(Percent)	(Percent)	(M. Tons)	Alcohol Produced (Litres)	Board Produced (Cubic Meters)
1994-95	157	1,057,036	86,075	8.11	2.77	53,172	5,460,000	5,299,250
1993-94	196	1,203,371	88,117	7.34	2.65	60,150	5,250,076	4,334,770
1992-93	161	691,839	54,055	7.85	2.68	35,980	4,887,020	1,662,757
1991-92	174	746,506	63,986	8.57	2.53	37,710	4,525,900	3,360,000
1990-91	204	866,552	65,537	7.56	2.59	47,135	3,422,204	642,940

							3,030,21
1989-90	187	708,632	57,912	8.17	2.31	33,180	7
1988-89	170	446,325	36,367	7.70	2.44	22,410	
1987-88	193	698,605	55,726	7.98	2.61	38,740	308,494
							1,855,80
1986-87	149	333,601	27,899	8.36	2.24	15,060	9
1985-86	113	237,602	20,625	8.66	2.29	11,470	20,239
1984-85	168	441,718	39,523	8.96	2.38	22,580	
1983-84	173	427,169	35,501	8.31	2.40	21,860	
1982-83	173	361,291	29,440	8.16	2.44	16,255	
1981-82	207	466,040	39,474	8.47	2.48	21,255	
1980-81	187	287,723	25,562	8.89	2.42	13,373	
1979-80	112	61,207	5,619	8.95	2.25	2,358	
1978-79	114	107,106	9,267	8.80	2.27	4,147	
1977-78	177	319,960	27,620	8.61	2.44	14,103	
1976-77	166	308,987	26,086	8.45	2.67	15,228	
1975-76	157	246,394	18,865	7.61	2.68	11,424	
1974-75	107	104,069	8,253	8.30	2.75	4,182	
1973-74	101	87,825	5,477	6.28	3.57	4726	

#### **ABOUT SHAKARGANJ:**

Shakarganj Mills Limited is a Public Limited Company incorporated on September 20, 1967 and is listed on the Stock Exchanges of Pakistan. The manufacturing facilities consisting of Sugar, Industrial Alcohol and Particle Board are located in the famous town of Jhang in the central Punjab. High quality sugar conforming to international standard is manufactured and used by Pharmaceutical Industry and other food manufacturers in addition to quality conscious housewives.

At Shakarganj three co-products of sugar are produced. Molasses is converted into Industrial Alcohol and Sugarcane bagasse is converted to high quality Particle Board. Surplus power is supplied to the National Grid, Power supplied by Shakarganj caters to the needs of 5375 domestic consumers. We take care of 12.86 percent of domestic load of Jhang City.

Research and development is very important aspect of business at Shakarganj and for this purpose Shakarganj Sugar Research Institute has been established since 1983 along side the other facilities. Shakarganj serves 24,500 farming families in addition to several other suppliers.

**Crescent Business Management (Private) Limited** is a wholly owned subsidiary of Shakarganj. This Company manages First Crescent Modaraba which is listed on Karachi, Lahore and Islamabad Stock Exchanges. First Crescent Modaraba is dedicated to reform the financial and business conduct and bring it in accordance with the principles enshrined

in the Sharia.

## **To Our Shareholders**

### **Review of Fiscal 1995**

Dear Shakarganj  
Investor:

During the year under review three weeks of valuable production time was lost due to delay in government decision regarding disposal of surplus sugar in the international market. For several years imported sugar was dumped in the local market at subsidized price. Local sugar industry was forced to sell Pakistani sugar at a loss. Domestic sugar price had no relevance to the cost of production. It was always preached that the industry had to compete in an environment of free market mechanism. When the industry accepted the challenge and demanded free import and export of sugar, the authorities refused to practice what they had been preaching for several years.

### **Production of Sugar and Co-Products**

Sugar production fell from 88,000 M. Tons in 1993/94 to 86,000 M. Tons during the year under review. Daily production and capacity utilization, however improved. As compared to a daily sugar production level of 450 M. Tons in 1993/94, during the year under review sugar production averaged at 548 M.Tons per day. Sugar recovery also increased from 7.34 percent in 1993/94 to 8.11 percent during 1994/95.

Production of Industrial Alcohol was up from 5.25 million litres in 289 days in 1993/94 to 5.46 million litres in 245 days this year. Particle Board production increased from 4300 cubic meters to 5300 cubic meters during fiscal 1995.

Power supply to the national grid increased from 2.43 million KWH to 2.92 million KWH during the year under review.

### **Financial Analysis**

By the grace of Allah, Shakarganj generated its best ever sales revenue of Rs. 1.2 billion in fiscal 1995 up from Rs. 1.09 billion last year registering an increase of 10.49 percent. Company's gross profit increased to Rs. 186 million from Rs. 78.8 million in 1994. In terms of percentage of sales, gross profit worked out to 15.52 percent this year compared to 7.23 percent in 1994.

Your company recorded a net income of Rs. 54.73 million compared to 19.38 million a year ago. In other words net income increased by 182 percent during fiscal 1995. Return on average assets improved from 1.24

percent to 3.39 percent and return on average equity was up from 5.12 percent to 12.22 percent.

Shareholders equity increased by 18.08 percent. It was up from Rs. 410 million in 1994 to Rs. 485 million in fiscal 1995.

Your management continued its efforts for effective utilization of assets. Inventory turnover improved marginally from 6.13 times to 6.90 times. Both, fixed assets turnover and total assets turnover registered a nominal increase.

#### **Increase in Paid up Capital**

The Board of Directors have followed the policy of increasing the paid up capital of the company in pace with growth rate.

For fiscal 1995 the Directors have recommended stock dividend of 10 percent which will increase the paid up capital of your company to Rs. 242.01 million. The cash retained in the company will be used to found the growth.

#### **Capital Expenditure**

Your company's focal point over the last few years has been its commitment to increasing productivity. This helps in reducing the cost of production and increasing the ratio of sales per employee. These objectives are achieved through investment in upgrading the manufacturing technology and increasing the production capacity. Capital expenditure to the tune of Rs. 127.93 million was made during the year. Depreciation and amortization expenses rose to Rs. 116.64 million in fiscal 1995 from Rs. 89.01 million last year.

#### **Investment Portfolio**

Inspite of unprecedented bearish tendency in the stock market, your investment portfolio carried an unrealized capital gain of Rs. 78.25 million or 20.71 percent over the cost at the year end. Disinvestment to the tune of RS. 62.77 million was made during the year. Capital gain of Rs. 19.38 million was realized in the process.

#### **Contribution to Economy**

Shakarganj plays a very important role with regard to its contribution to economy. During the year under review, value added to the materials and services of Rs. 714.50 million worked out to Rs. 545.96 million. Your company's contribution towards Federal, Provincial and local taxes exceeded Rs. 189.67 million. We spent Rs. 137.06 million as cost of financing and share of workers was Rs. 47.55 million. During the last ten years, your company has made a consolidated contribution of Rs. 1.33 billion in shape of Federal, Provincial and Local Taxes.

#### **Human Resource**

### **Development**

We at Shakarganj believe in professional management. All appointments are made on open merit. Our policies are geared for attracting and retaining competent people, Our team is well qualified and consists specialists in the fields of Agriculture, Engineering and Business Administration. We believe in continuous training and management resources are constantly developed through training both within and outside Pakistan. Foreign experts visit us on regular basis to upgrade the skills of our team.

### **Research and Development**

Shakarganj management gives top priority to Research and Development. We rely heavily on agricultural research with major emphasis on sugarcane. Shakarganj Sugar Research Institute has made useful contribution by releasing several suitable varieties of sugarcane.

### **Future Outlook**

The year ahead poses numerous challenges. Sugar Industry is facing a serious problem of excess capacity and raw material shortage. Some of the major issues are summarized below:

- Raw material availability down by 2.5 percent
- Raw material cost up by 50 percent
- All time high rate of inflation
- Rapid devaluation of Pak Rupee and unprecedented increase in cost of imported inputs
- Double digit increase in cost of all inputs on one hand and decrease in volume of production on the other hand

A portion of additional costs will be compensated by higher sugar price but it will be an uphill task to maintain a reasonable level of profit in 1995/96.

### **Sugar Supply to Utility Stores Corporation**

Sugar Industry has supplied 200,000 M.Tons of sugar to USC at a subsidy of Rs. 500 million. Our share of supply is 5611 M.Tons. Cheaper sugar supplied by the industry will cater to the needs of 40 million Pakistanis in the low income group.

### **Directors and Employees**

The Directors are always a source of guidance and support for the Management and we appreciate their commitment to your company's progress and prosperity.

Your company's progress has mainly been possible through the dedication of the employees and they deserve a very warm vote of thanks. they have always shown their willingness to take advantage of opportunities and face challenges of changing economic pictures. Our sugarcane farmers are the back bone of our industry and we thank them for their continued support.

Statement of Value  
Added

	(Rs in Million)			
	1995		1994	
Sales				
Revenue	1,204.48		1,090.10	
Other Receipts	55.98		96.56	
	-----		-----	
	<b>1,260.46</b>		1,186.66	
Less Materials & Services	714.50		738.27	
	-----		-----	
Value Added	545.96		448.39	
Applied the Following Way:		%AGE		%AGE
To Employee: Wages, Salaries and Related	47.55	8.71	43.61	9.73
To Government: Income Tax, Excise Duty, Sa and Other Taxes	189.67	34.74	191.53	42.72
To Providers of Capital: Finance Charges on Loans and Advances	137.06	25.10	104.62	23.33
Transfer From Share Premium Account	(22.00)	(4.03)		0.00
Dividend to Shareholders	22.00	4.03	18.18	4.05
	-----	-----	-----	-----
	137.06	25.10	122.80	27.39
To Charitable	0.31	0.06	0.24	0.05



Institutions

To Provide for  
Maintenance  
& Expansion of  
Assets

Depreciation/Amortization

Profit Retained

116.64	21.36	89.01	19.85
54.73	10.02	1.20	0.27
-----	-----	-----	-----
<b>171.37</b>	31.39	90.21	20.12
-----	-----	-----	-----
545.96	100.00	448.39	100.00

Flow of Funds  
Analysis

**Development of net current position in million of Rupees**

	Sept. 30 1993	Change	Sept.30 1994	Change	Sept. 30 1995
Liquid Assets	+ 372.19	+ 148.78	+ 520.97	+ 196.53	+ 324.44
Short term receivable	+ 9.72	+ 18.36	+ 28.08	+ 2.79	+ 25.29
Short term liabilities and	- 659.02	- 94.74	- 753.76	- 55.90	- 697.86
	- 277.11	+ 72.40	- 204.71	+ 143.42	- 348.13

Factors affecting the change in the  
net current position

Source of Funds

Net Income for the  
year

Depreciation

Amortization of assets subject to  
Finance

Lease

Deferred Taxation

Internal Financing:

+ 19.38	+ 54.73
+ 58.14	+ 88.73
+ 30.87	+ 27.91
-	- 4.50
+ 108.39	166.87

Right share issued and premium thereon	+ 45.46	+ 19.54
Fixed Assets disposed	+ 0.77	+ 0.12
Redeemable Capital	+ 4.59	—
Liability against Assets subject to Finance Lease	+ 12.68	+ 2.99
Sales of Investments	+ 71.03	+ 48.39
Long Term deposits	+ 5.21	—
Source of Funds - Total	+ 248.13	+ 232.91
Application of Funds:		
Addition to Fixed assets	- 58.49	- 127.93
Assets subject to Finance Lease	- 12.68	- 2.99
Addition to Investments	- 57.16	- 192.42
Redeemable Capital	- 12.18	- 14.52
Long Term deposits	—	- 0.85
Liabilities against Assets subject to Finance lease	- 32.94	- 31.66
Custom Debentures	- 0.18	- 0.84
Loans Repaid	- 2.04	- 5.12
Dividend paid	- 0.06	—
Application of Funds - Total	- 175.73	- 376.33
Changes in the net position	+ 72.40	- 143.42

**Board of Governors** Shakarganj Sugar Research Institute

Mr. Altaf M. Saleem **Principal Functions**

- Chairman · Sugarcane breeding to evolve fertilizer-responsive, disease resistant varieties of sugarcane with higher sucrose content.
- Mr. M. Asghar Qureshi Vice Chairman · To investigate the agronomic problems of sugarcane production.
- Dr. S. A. Qureshi · To study soils in sugarcane -production areas and to relate these to crop management.
- Director General · To study the nutritional requirements of sugarcane.
- Mr. M. Awais Qureshi Member · To study and monitor the pests and diseases of sugarcane and so develop appropriate control measures.

Mr. Abdul Haq Saeed Member To conduct basic research on the germination of sugarcane sets, sucrose production, translocation and storage, and on the environmental influences on the these processes.

- To provide advice on the use of fertilizers and other agricultural chemicals, irrigation, drainage, disease 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 education 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 Review 1995

**Varietal Position**

Testing of newly evolved varieties remained in progress with a view to complete variety spectrum meeting the requirement of early medium & late crushing seasons. It has met a success when two more varieties SPSG 224 & SPSG-79 have been added to the list. We are now in a position to recommend suitable varieties for specific months of crushing season from November to April.

Both our new varieties are well adapted to various farming systems and highly resistant to Red rot even under artificial screening procedure. Month wise report of the laboratory research samples of different varieties is shown below:

Month	SPSG26	SPSG394	SPSG223	SPSG79	BL-4	CO-1148
NOV.	8.89	9.31	7.75	7.56	7.58	6.59
DEC.	9.97	10.26	8.43	8.19	8.89	7.65
JAN.	10.79	10.69	9.50	8.95	9.77	8.44
FEB.	10.87	11.03	10.42	9.11	10.58	8.47
MAR.	10.65	11.01	10.02	9.74	10.14	9.02
APR.	11.56	11.34	10.26	10.02	10.40	9.60

Acreage under varieties SPSG-26 & SPSG-394 is increasing We expect that with incentives in payment on recovery basis the spread will be much faster.

An incentive to popularise the varieties amongst the small farmers through supply of fresh disease free seed free of cost was also arranged. More than 96% of plots measuring 1 kanal each were successful. Entire produce will be used as seed for spring 96 planting. Only 10% has been in Sept 95 planting. The details of the supply is given below:

Demonstration/Seed Increase Plots

Planting Season	No. of Plots	Seed Quantity (M. Tons)
Sept. 1994	234	

Feb. 1995	550	205
Total:	784	292

Most pressing demand of farmers relates to improvement in the cane procurement system so important towards the supply of fresh clean seed of the desired varieties. We invited a leading sugarcane expert from Australia in March, 1995 to find out reasons for low average production level of sugar and sugarcane in Pakistan.

SSRI arranged a training workshop at the end of his visit at Lahore. Entire Sugar Industry of Pakistan was invited to attend. The workshop made the following recommendations:

- a) A need for a National Sugarcane Breeding Station.
- b) A better co-ordination and participation of all the existing research centres for testing of the varieties.
- c) Availability of better yielding disease resistant varieties combining higher sugar contents.
- d) Solving the problems of small farmers through easy availability of inputs and more emphasis on cane development programme.
- e) Improving the procurement system with emphasis to improve harvesting techniques, ratoon handling & supply of fresh cane free of trash to the mill.

SSRI was established with all these objectives in view twelve years ago.

#### **Directors' Report to Shareholders**

**Dear Shakarganj  
Investor:**

Your Directors are pleased to present the Twenty-Eighth Annual Report along with detailed notes for the year ended September 30, 1995.

Your Company's operation for the year resulted in a net profit of Rs. 54.730 million as against Rs. 19.381 million in 1994. After charging Rs. 116.639 million for depreciation and amortization and Rs. 137.158 million for interest on loans and advances profit available for appropriation comes to Rs. 56.176 million. Your Directors recommend appropriation of profit as follow.

**(Rupees in thousand)**

Profit available for	56,176
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approp

Unappropriated profit c/f	56,176
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Your Directors recommend issue of bonus shares out of capital reserve created for premium on issue of right shares, at the rate of 10% of the shareholding.

Financial condition and future prospects are discussed in detail in Chief Executive's Review elsewhere.

The retiring Auditors M/S Riaz Ahmad & Company, Chartered Accountants, retire and offer themselves for reappointment 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 1995 a successful year for Shakarganj.

#### **Auditors' Report to the Members**

We have audited the annexed balance sheet of SHAKARGANJ MILLS LIMITED as at 30 September 1995 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 1995 and of the profit and the changes in financial position for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

	Note	Balance Sheet	
		(Rupees in thousand)	
		1995	1994
SHARE CAPITAL AND RESERVES			
<b>Authorised share capital</b>			
50 000 000 (1994: 25 000 000) ordinary shares of Rupees 10 each		500,000 =====	250,000 =====
<b>Issued, subscribed and paid up share capital</b>			
	3	213,051	181,843
Reserves	4	215,883	227,555
Unappropriated profit		56,176	1,446
		-----	-----
		485,110	410,844
SURPLUS ON REVALUATION or OPERATING FIXED ASSETS			
		10,775	10,745
REDEEMABLE CAPITAL	5	250,616	274,929
DEBENTURES AND LONG TERM LOANS			
Custom debentures		—	70
Long-term loans	6	43,412	51,113
		-----	-----
		43,412	51,183
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	7	<b>26,813</b>	54,853
DEFERRED TAXATION	8	22,500	27,000
CURRENT LIABILITIES			
Current portion of long term liabilities	9	57,025	46,032
Short-term running finances	10	532,187	592,952
Creditors, accrued and other liabilities	11	138,796	125,554
Workers' participation fund	12	2,966	1,370
Provision for		23,909	33,883

taxation			
Unclaimed dividend		731	732
		-----	-----
		755,614	800,523
CONTINGENCIES AND COMMITMENTS	13	-----	-----
		1,594,810	1,630,077
		=====	=====

The annexed notes form an integral part of these accounts.

**as at 30 September 1995**

	Note	(Rupees m thousand)	
		1995	1994
TANGIBLE FIXED ASSETS			
Operating fixed assets	14	808026	529515
Assets subject to finance Lease	15	46644	72632
Capital work-in-progress	16	4989	243350
		-----	-----
		859659	845497
LONG TERM INVESTMENTS	17	23450	23450
LONG TERM DEPOSITS	18	7586	6732
CURRENT ASSETS			
Stores, spare parts and loose tools	19	43764	41092
Stock-in-trade	20	<b>130717</b>	136784
Trade debts-Unsecured but considered good		25285	28078
Advances, deposits, prepayments and other rece	21	<b>135846</b>	199977
Short term investments	22	354387	205353
Cash and bank balances	23	14116	143114
		-----	-----
		<b>704115</b>	754398
		-----	-----
		<b>1594810</b>	1630077
		=====	=====

**Profit and Loss Account  
for the year ended 30 September  
1995**

	Note	(Rupees in thousand)	
		1995	1994
SALES	24	<b>1,204,483</b>	1,090,098
COST OF GOODS SOLD	25	1,017,561	1,011,269
		-----	-----
GROSS PROFIT		186,922	7,889
OPERATING EXPENSES			
Administrative and general	26	32,521	31,449
Selling and distribution	27	13,694	12,937
		46,215	44,386
		-----	-----
OPERATING PROFIT	28	140,707	34,443
OTHER INCOME	29	55,979	96,565
		-----	-----
		196,686	131,008
FINANCIAL AND OTHER CHARGES	30	137,468	104,864
WORKERS' PARTICIPATION FUND		2,966	1,313
		-----	-----
		140,434	106,177
PROFIT BEFORE TAXATION		56,252	24,831
TAXATION	31	(1,522)	(5,450)
		-----	-----
PROFIT AFTER TAXATION		54,730	19,381
UNAPPROPRIATED PROFIT BROUGHT FORWARD		1,446	249
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		56,176	19,630
APPROPRIATION			
Reserve for issue of bonus shares	—	—	18,184
		-----	-----
UNAPPROPRIATED PROFIT		56,176	1,446



The annexed notes form an integral part of these accounts.

**Statement of Changes in Financial Position  
for the year ended 30 September  
1995**

	Note	(Rupees in thousand)	
		1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		56 252	24831
<b>Add/(less): Adjustments to reconcile profit to net cash provided by operating activities</b>			
Depreciation and amortization		116639	89011
Gain on disposal of operating fixed assets		(719)	(78)
Profit on sale of investments		(19385)	(81664)
Financial charges		137158	104624
		-----	-----
<b>Cash flows from operating activities before working capital ch</b>		289945	136724
(Increase)/decrease in current assets			
Stores and spares		(2672)	17022
Stock in trade		6067	(8688)
Trade debts		2793	(18362)
Advances, deposits, prepayments and other receivables		50095	(21377)
		-----	-----
		56283	31405
Increase/(decrease) in current liabilities			
Short term running finances		(60765)	100130
Creditors, accrued and other liabilities		6353	(16841)
Workers' participation fund		1596	954
		-----	-----
		(52816)	84243
		-----	-----
Cash flows from working capital changes		3467	52838
		-----	-----
Cash flows from operating		293412	189562

activities		
Financial charges paid	(130269)	(99578)
Income tax paid	(1960)	(3683)
Dividend paid	(1)	(58)
	-----	-----
Net cash flows from operating activities	<b>161182</b>	86243

(Rupees in thousand)

	1995	1994
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of operating fixed assets	839	853
Fixed assets acquired	(127927)	(58493)
Long term deposits	(854)	5210
Sale proceeds of investments	62775	144195
Investments made	(192424)	(48660)
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	(257591)	43105
		<b>13024</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share capital	13024	30307
Share premium	6512	15154
Redeemable capital	—	4586
Redemption of redeemable capital	(14515)	(12181)
Custom debentures redeemed	(835)	(181)
Repayment of long term loans	(5119)	(2040)
Payment of liabilities against assets subject to finance lease	(31656)	(32944)
Net cash flows from financial activities	(32589)	(2701)
	-----	-----
Net increase/(decrease) in cash and cash equivalent	(128998)	132049
Cash and cash equivalent at the beginning of the year	143114	11065

Cash and cash equivalent at the end of the year

-----	-----
14116	143114
=====	=====

**Notes to the  
Accounts  
for the year ended 30 September  
1995**

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, distillate and kanewood.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention as modified by capitalization 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 pension and gratuity fund schemes for all permanent employees who are in management cader and salaried director. Premium is payable to the funds monthly on the basis of actuarial computation subject to a maximum 20% and 8.33% of basic salary of the employees respectively.

Company also operates a funded contributory provident fund scheme for all permanent employees. Equal monthly contributions are 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 Rupees 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

Operating fixed assets are stated at cost and appreciated value less accumulated depreciation. Freehold land is stated at cost/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 capitalized 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 capitalized.

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 is 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 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 realizable value except molasses (by-product) which is valued at net realizable value. Cost in relation to work-in-process and finished goods consists of average material cost, direct labour and factory overheads. Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales.

**2.10 Trade debts**  
Known bad debts are written off and provision is made against debts considered doubtful.

**2.11 Revenue recognition**  
Revenue from sales is recognized on delivery of goods to customers. Dividend income and gain on sale of investments are accounted for on receipt basis.

**(Rupees in  
thousand)**  
1995      1994

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL  
13 198 995 (1994:11 198 720) ordinary shares of Rupees 10 each  
each fully paid up  
in cash

**131990      111987**

750 000 ordinary shares of Rupees 10 each issued to Pakistan Industrial Credit and Inv. Corporation Limited against their right of option to convert 20 percent of their loan into fully paid up shares	7500	7500
8054 032 (1994:6 235 600) ordinary shares of Rupees 10 each issued as fully paid bonus shares	80540	62356
	-----	-----
	-	-
	220030	181843
Less: 697 893 right shares of Rupees 10 each not subscribed by members until 30 Sept	6979	-
	-----	-----
	-	-
	<b>213051</b>	181843
	=====	=====
RESERVE	==	===
4. S		
<b>Capital:</b>		
Balancing and modernization	15000	15000
Research and development	5000	5000
Premium on issue of right shares:		
Balance as at 01 October	86292	71138
Add: Premium on right shares issued during the year	10001	15154
	-----	-----
	-	-
	<b>96293</b>	86292
Less: Premium on 697 893 right shares at the rate of Rupees 5 each not subscribed by members until 30 September	3489	-
Transfer to reserve for	22003	-
	-----	-----
	-	-
For issue of bonus shares:	25492	-
	-----	-----
	-	-
	70801	86292
Balance as at 01 October	<b>18184</b>	13776
Transferred from profit and loss account	-	<b>18184</b>
Transferred from premium on issue of right shares	22003	-
	-----	-----
	-	-
Nominal value of shares issued	18184	13776

22003	18184
-----	-----
-	-
112804	124476
78079	78079
25000	25000
-----	-----
-	-
<b>103079</b>	103079
-----	-----
-	-
<b>215883</b>	227555
=====	=====
=	=

**Revenue:**

General  
Dividend  
equalization

5. REDEEMABLE  
CAPITAL

Long term finances utilized under mark up arrangements are made up as under:

										(Rupees in thousand)				
Pakistan Industrial Credit and Investment Corporation Limited (Note 5.1)										PICIC/PLS-	PICIC/PLS-	NDPC	1995	1994
										29	39	(NOTE 5.2)		
SBB/PLS-	SBR/PLS	SBR/PLS-XV/7	SBR-PLS	SBS/PLS-										
XII/9			XXXII/2	XIX/1										
AND XIV/IO	X/22	XXIII/3	PLS-XXI/2	PLS-XXII/1										
				PLS-XXVI/7										
				PLS-										
				XXXIII/20										
				PLS-XXIX/7										
				PLS-										
				XXXXII/II										
Balance as at														
01 October	1414	1386	100661	20161	110821	18994	8211	25000	286648	294243				
Received during the year	-	-	-	-	-	-	-	-	-	4586				
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----				
	1414	1386	100661	20161	110821	18994	8211	25000	286648	298829				
Less: Repaid	333	1386	2796	-	-	-	-	10000	14515	12181				
Less: Current portion (Note 9)	333	-	11184	-	-	-	-	10000	21517	11719				

	666	1386	13980	-	-	-	-	20000	36032	23900
Balance as at										
30 September	784	-	86681	20161	110821	18994	8211	5000	250616	274929
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Sanctioned limit	2870	10257	100661	32626	110945	19850	9279	50000		
Unavailed credit facility	-	-	-	12465	124	856	1068			
No. of instalments	23	21	36	38	38	24	13	10		
	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Half Yearly		
Repayment date of 1st instalment	Apr-93	April 1990	July 1995	Not yet finalised	Not yet finalised	Not yet finalised	Not yet finalised	March 1992		
Rate of (mark up )	6%	6%	7%	7%	8%	15.70%	17.16%	17%		

5.1 As per purchase and sale agreements, Pakistan Industrial Credit and Investment Corporation Limited has purchased machinery valuing Rupees

286.489 million (1994: Rupees 286.489 million) from the company which was deemed to have been resold to the company at marked up price of Rupees 464.490 million (1994: Rupees 464.490 million) which includes rebate of Rupees 77.415 million (1994: Rupees 77.415 million) on timely

payments of marked up price. Loans are secured against security mentioned in note 6.1.

5.2 Marked up price of the credit facility is Rupees 84.901 million. Rebate in the marked up price for timely payments will be allowed at a rate determined by National Development Finance Corporation (NDFC). Liability is secured against deposit of shares of listed companies having face

value of Rupees 5.000 million as referred to in note 17.2 and 22.2 and guarantee given by Crescent Investment Bank Limited (An associated undertaking).

## 6. LONG TERM LOANS

Pakistan Industrial Credit and Investment Corporation Limited

(Rupees in thousand)



	1995	1994
Loan No.		
ADB-455/20 (Note 6.2)	1135	1774
IBRD-3019 (Note 6.3)	11660	13372
ADB-996 (Note 6.3)	35550	38318
	-----	-----
	<b>48345</b>	53464
<b>Less: Current portion (Note 9)</b>	4933	2351
	-----	-----
	43412	51113
	=====	=====

6.1 Long term loans from Pakistan Industrial Credit and Investment Corporation Limited 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;

(b) first charge ranking pari passu with the existing charges by way of hypothecation in respect of all the machinery of the company, present and future;

(c) first floating charge ranking pari passu with the existing charges on all other assets of the company, both present and future, subject to the hypothecation or charges in favour of company's bankers as referred to in note 10.7: and

(d) demand promissory note.

6.2 Loan No. ADB-455/20 is repayable in 20 semi annual instalments commenced from 01 July 1987 and carries interest at the rate of 14 percent per annum.

6.3 Loan No. IBRD-3019 and loan No. ADB-996 are repayable in 15 and 20 semi annual instalments commenced from 01 January 1993 and 01 July 1994 and carry interest at the rate of 15 and 15.65 percent per annum respectively. Rupees 0.518 million remained undisbursed out of total sanctioned limit of Rupees 38.836 million in loan No.ADB-996.

#### 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease Payments	57388	86050
Less: Current portion (Note 9)	30575	31197
	-----	-----
	26813	54853
	=====	=====

7.1 The present value of minimum lease payments has been discounted using the sum of digit method. The rentals are paid in monthly/quarterly 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 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 deposits of Rupees 7.344 million (1994: Rupees 6.518 of million) included in long term deposits (Note 18) and Rupees 4.907 million (1994: Rupees 6.529 million) included in advances, deposits, prepayments and other receivables (Note 21).

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

DESCRIPTION	Balance rentals outstanding as at 30 September 1995	No . of instalments outstanding	Approximate rate of interest per annum	Repayment date of last instalment
(Rupees in thousand)				
National Development Leasing Corporation Ltd	1 787	32 Monthly	20-22	May 1998
Asian Leasing Corp Ltd	1576	11 Monthly	15	August 1996
ORLX Leasing Pakistan Ltd	19 586	24 Monthly	14-20	September 1997
Atlas BOT Lease Co Ltd	1 735	10 Monthly	18	July 1996
Crescent Leasing Corp. Ltd	1 738	11 Monthly	15	August 1996
International Multi Leasing Corporation Ltd	9 634	29 Monthly	23	February 1998
First Grindlays Modaraba	4 019	21 Monthly	19-22	June 1997
Standard Chartered Mercantile Leasing Company Limited	12 053	27 Monthly	20	December 1997
Al-Zamin Leasing Modaraba	1 339	12 Monthly	20	September 1996
Capital Assets				

Leasing Corporation Limited	5 446	36 Monthly	20	September 1998
Al-Atta Leasing Modaraba	3 965	15 Monthly	20	Dec-96
Ibrahim Leasing Limited	306	29 Monthly	22	February 1998
Security Leasing Corp Ltd	402	56 Monthly	21	May 2000
Pakistan Kuwait Investment Company (Private) Limited	258	8 Quarterly	21	August 1997

**(Rupees in thousand)**

1995      1994

**8. DEFERRED TAXATION**

Timing differences relating to accelerated tax depreciation  
Other timing differences

88422	44085
-65922	-17085
-----	-----
22500	27000
=====	=====
	=

**CURRENT PORTION OF LONG TERM**

**9. LIABILITIES**

Redeemable capital  
Custom debentures  
Long term loans  
Liabilities against assets subject to finance lease

21517	11719
-	765
4933	2351
30575	31197
-----	-----
57025	46032
=====	=====
	=

**10. SHORT-TERM RUNNING FINANCES**

Secured:

From financial institutions:

Pakistan Industrial Credit and Investment Corporation Limited  
National Development Finance Corporation (Note 10.1)  
Pakistan Venture Capital Limited

**(Rupees in thousand)**

1995      1994

-	90000
54900	90000
-	73800

From investment banks (Note 10.2)	72326	73800
From modaraba	—	50000
From investment companies (Note 10.3)	60000	141628
From Jhang Electric Supply Corporation (Private) Limited (Note 10.4)	50 000	50000
From Crescent Knitwear Limited (Note 10.5)	50 000	—
From leasing company (Note 10.6)	40 000	—
	-----	-----
	327226	495428
From banking companies:		
Secured (Note 10.7)	204040	97522
Unsecured-Unpresented cheques	921	2
	-----	-----
	204961	97 524
	-----	-----
	532187	592952
	=====	=====
	=====	=

10.1 National Development Finance Corporation has purchased goods valuing Rupees 60.00 million from the company which were deemed to have been resold to the company at marked up price of Rupees 73.20 million. The finance is secured against pledge of the said goods. Finance carries mark up at the rate of paisa 52 per Rupees 1 000 per day and is repayable on 30 September 1996.

10.2 Short term finances obtained from Investment Banks include Rupees 10.000 million (1994: Rupees 61.800 million) from Crescent Investment Bank Limited (An associated undertaking). Finances are secured by way of hypothecation of stores, spares, stocks and book debts and pledge of shares of listed companies having face value of Rupees 4.669 million as referred to in Note 22.2. Mark up is payable at the rate of 17.50 to 19.50 percent per annum. The finances are repayable on different dates between 09 October 1995 to 29 December 1995.

10.3 Short term running finance of Rupees 30.000 million obtained from Pakistan Kuwait Investment Company (Private) Limited and Rupees 30 million from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited carries mark up at the rate of 19 percent and 17.5 percent per annum respectively. The finances are secured by way of pledge of shares of listed companies having face value of Rupees 30.032 million as referred to Note 22.2. The finances are repayable on 28 December 1995 and 24 November 1995.

10.4 The finance obtained from Jhang Electric Supply Corporation (Private) Limited carries mark up at the rate of paisas 48 per Rupees 1000 per day. The finance is repayable on 11 January 1996.

10.5 The finance obtained from Crescent Knitwear Limited carries mark up at the rate of paisa 52 per Rupees 1 000 per day. The finance is repayable on 26 October 1995.

10.6 The finance was obtained from First Leasing Corporation under Morabaha arrangements. Leasing Company has purchased goods valuing Rupees 40.00 million from the company which were repurchased by the company at Rupees 47.60 million. The finance is secured by way of pledge and hypothecation of stocks and is repayable on 06 July 1996.

10.7 These are secured against pledge and hypothecation of stores, spares, stocks, book debts, pledge of shares of listed companies having face value of Rupees 71.774 million as referred to in note 17.2 and 22.2 and second charge on fixed assets of the company. Mark up is charged at the rate of paisas 48 to 58 per Rupees 1 000 per day. Agricultural Development Bank of Pakistan charged mark up at the rate of 13.50 percent per annum. These form part of aggregate credit facilities of Rupees 319.50 million (1994: Rupees 97.648 million).

(Rupees in thousand)

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1995	1994
Creditors		
Trade	5225	28075
Others	17107	10011
	-----	-----
	22332	38108
Advances from customers	19842	13552
Securities from contractors-Interest free, repayable on completion of contracts	<b>834</b>	795
Income tax deducted at source	361	691
Interest on custom debentures-Secured	-	45
Mark up accrued on redeemable capital-Secured	6017	5459
Interest accrued on long term loans-Secured	1897	2001
Mark up accrued on short term running finances-Secured	38204	31724
Excise duty and sales tax payable	12447	11147
Due to associated undertakings	28389	8148
Payable to pension fund	144	777
Due to Provident fund trust	32	-
Due to director	115	115
Workers' welfare fund	-	1885
other accrued liabilities	8182	11107
	-----	-----
	<b>138796</b>	125554
	=====	=====
	=====	=

**12. WORKERS' PARTICIPATION FUND**

Balance as at 01 October	1370	416
Share of company's profit for the year	2966	1313
interest accrued	92	—
	-----	---
	4428	1729
Payments made to workers	1462	359
	-----	---
	2966	1370
	=====	=====
	=====	=

12.1 The company retains workers' participation fund for its business operations till the date of allocation to workers. Interest is paid at the prescribed rate under the Act on funds utilized by the company.

**13. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

The company was contingently liable in respect of employees' claims amounting to Rupees 0.200 million (1994: Rupees 0.275million), Central Excise duty claims amounting to Rupees 2.197 million (1994: Rupees 5.273 million) and other claims amounting to Rupees 0.800 million (1994: Rupees Nil) as on 30 September 1995. These claims have not been acknowledged by the company and cases are pending with various courts.

**Commitments**

There was no capital commitments as on 30 September 1995 (1994: Rupees NIL). Letters of credit other than for capital expenditure were amounting to Rupees 2.159 million (1994: Rupees 2.155 million).

**14. OPERATING FIXED ASSETS**

DESCRIPTION	C O S T		VA L U E	(Rupees in thousand)s			
	As at 01 October 1994	RE-A S S E S S E D Additions/ (Deletions)		As at 30 September 1995	Accumulat ed depreciat ion as at 30 Sep-95	Book value as at 30 Sep-95	Depreciation Charge for the year
Land freehold(Note 14.1)	23764	2160	25924	-	25924	—	—
Buildings and roads							

on freehold land	82624	1863	84487	45664	38823	4314	10
Plant and machinery	736235	360448	1096683	362870	733813	81535	10
Laboratory equipments	917	-	917	877	40	27	40
Tubewell end wafer pumps	1744	90	1834	1411	423	106	20
Electric installations	719	54	773	660	113	28	20
Weighbridges and scales	3275	77	3352	2361	991	248	20
Furniture and fixtures	7701	969	8587	5318	3269	817	20
Office equipments	4914	149	5063	4486	577	385	40
Vehicles	5740	900	6485	3580	2905	726	20
Arms and ammunition	86	-	86	42	44	5	10
Library books	2062	539	2601	1761	840	360	30
Tools and equipments	3121	103	3224	2970	254	169	40
Telephone equipments	268	55	273	263	10	6	40
	1995	873170	367357	1240289	432263	808026	88726
			-238				
	1994	686614	187346	873170	343655	529515	58140
			-790				

14.1 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 3 968 per acre. Lease rent will be increased by 15 percent after a every three years and lease is extendible for an other term of 20 years with mutual consent of both parties.

14.2 Land, buildings, plant and machinery were revalued by an independent valuer as at 30 September 1979 and stated in note 14 at appreciated value. Had there been no revaluation on that date, the value of these operating fixed assets would have been lower by Rupees 38.637 million (1994: Rupees 38.637 million).

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

		(Rupees in thousand)	
		1995	1994
Cost of goods sold Sugar (Note 25.2)		81077	49881
Distillate (Note 25.4)		2001	2223
Kanewood (Note 25.5)		2045	2176
Administrative, selling and general expenses-Sugar(Note 26.1)		3603	3860
		-----	-----
		88726	58140
		=====	=====

**14.4 DISPOSAL OF OPERATING FIXED ASSETS**

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
<b>Vehicles</b>						
Suzuki Car JGA 4946	13	5	8	8	Negotiat 72ion	Muhammad Riaz Company's employee
Tractor JGA 7231	12	-	12	91	-	Sher Muhammad Cane Contractor
Tractor JGA 6991	12	-	12	91	-	Sher Muhammad Cane Contractor
Tractor JGA 6992	12	-	12	92	-	Sher Muhammad Cane Contractor
Motor Cycle (41 Nos.)	107	43	64	452	-	Company's employee
<b>Furniture and Fixtures</b>						
Air Conditioner 6 Nos.	60	58	2	23	-	Sher Muhammad Cane Contractor
TV Sony 1 No.	10	5	5	10	-	Company's employee
Refrigerator 1 No.	10	6	4	7	-	Company's employee
Dining Table set 1 No.	2	1	1	1	-	Company's employee

**15. ASSETS SUBJECT TO FINANCE LEASE**

Description	C O S T		As at 30 Sep-95	Accumulated amortization as at 30 Sep-95	Book value as at 30 Sep-95	Amortization charge for the year
	as at 01 October 1994	Additions/ (Deletions)				
Building	255	-	255	187	68	17



Plant and machinery	122691	-	112264	72004	40260	23385
		-10427				
Vehicles	14793	2994	12356	6296	6060	4259
		-5431				
Equipments	844	-	844	588	256	252
1995	138583	2994	125719	79075	46644	27913
		-15548				
1994	174451	12680	138583	65951	72632	30871
		-48548				
						125

15.1 Deletions represent the leased assets purchased at the expiry of lease term and transferred to operating fixed assets.

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

	(Rupees in thousand)	
	1995	1994
Cost of goods sold		
Sugar (Note 25.2)	23364	25821
Distillate (Note 25.4)	274	274
Administrative, selling and general expenses-Sugar (Note 26.1)	4275	4776
	-----	-----
	27913	30871
	=====	=====
16. CAPITAL WORK-IN-PROGRESS		
Buildings	2185	2274
Plant and machinery	2804	241076
	-----	-----
	4989	243350
	=====	=====
17. LONG TERM INVESTMENTS		
QUOTED		
Associated undertakings:		
Crescent Investment Bank Limited		
475 000 ordinary shares of Rupees 10 each fully paid	4750	4750
Crescent Steel and Allied Products Limited		
300 000 ordinary shares of Rupees 10 each fully paid	3000	3000
Crescent Knitwear		

Limited		
350 000 ordinary shares of Rupees		
10 each	3500	3500

UNQUOTED

Subsidiary company:

Crescent Business Management (Private) Limited Wholly owned

1000000 ordinary shares of Rupees 10 each fully paid. Break up value as per audited accounts of 30 June 1995 was Rupees 9.98 (1994: Rupees 13.25) per share	10000	10000
---	-------	-------

Associated undertaking:

Crescent Group Services (Private) Limited

220 000 ordinary shares of Rupees 10 each fully paid. Equity held 18.96 percent		
Break up value as per last audited accounts		
was Rupees -28.08 per share	2200	2200

-----	-----
23450	23450
=====	=====

17.1 Aggregate market value of quoted investments as at 30 September 1995 was Rupees 42.450 million (1994: Rupees 76.775 million).

17.2 Following investments having face value of Rupees 11.250 million (1994: Rupees 11.250 million) are deposited as security with financial institution, banking companies, and investment banks:

(Rupees in thousand)

	1995	1994
Against redeemable capital obtained from National Development Finance Corporation (Note 5.2)	4750	4750
Against short term running finances obtained from Banking companies (Note 10.7)	3500	3500
Against bank guarantee issued by Crescent Invt Bank Limited (An associated undertaking)	3000	3000
	-----	-----
	<b>11250</b>	11250
	=====	=====

18. LONG TERM DEPOSITS  
Securities

242	214
-----	-----

Margin against leasehold assets (Note 7.1)	7344	6518
	-----	-----
	7586	6732
	=====	=====
19. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	<b>29179</b>	27597
Spare parts	<b>19504</b>	18447
Loose tools	631	598
	-----	-----
	<b>49314</b>	46642
Less Provision for obsolescence	5550	5550
	-----	-----
	43764	41092
	=====	=====
20. STOCK-IN-TRADE		
<b>Work-in-process</b>		
Finished goods	493	4629
Sugar	108388	107423
Molasses	9571	17354
Distillate	6771	3567
Kanewood	5494	3811
	-----	-----
	130224	132155
	-----	-----
	130717	136784
21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Loans and advances-Considered good:		
Employees-Interest free	105	264
Due from gratuity fund trust	7	26
Due from provident fund trust	—	28
Suppliers and contractors	15477	10259
Income tax	20912	34948
Sugarcane growers (Note 21.3)	4922	9069
	-----	-----
	<b>41423</b>	54594
Considered doubtful:		
Sugarcane growers	5064	5064
Less: Provision for doubtful	5064	5064
	-----	-----

	-	-
	-----	-----
	<b>41423</b>	54594
	(Rupees in thousand)	
	1995	1994
Deposits:		
Excise duty	4578	594
Sales tax	53	53
Margin against bank guarantees	251	491
Margin against short term running finances		2500
Margin against leasehold assets (Note 7.1)	4907	6529
	-----	
	9789	10167
Letters of credit	30475	105906
Short term prepayments	10076	5022
Due from associated undertakings	39207	17845
Accrued interest	<b>92</b>	84
Excise duty refundable		555
Sundry receivables	4784	5804
	-----	-----
	135846	199977
	=====	=====

21.1 Maximum aggregate amount due from executives at the end of any month during the year was Rupees Rupees 0.229 million).

21.2 Aggregate amounts due from executives of the company are Rupees 0.005 million at the close of financial year (1994: Rupees 0.022 million).

21.3 Loans to sugarcane growers are partly interest free and partly interest bearing at the rate of 13.50 percent per annum.

**22. SHORT TERM  
INVESTMENTS**

	(Rupees in thousand)	
	1995	1994
<b>QUOTED</b>		
<b>Associated</b>		
<b>undertakings:</b>		

Crescent Sugar Mills and Distillery Limited 487 132 ordinary shares of Rupees 10 each fully paid	15118	15118
199 788(1994:137 341) bonus shares of Rupees 10 each		
<b>Crescent Boards Limited</b>	978	978
84 700 ordinary shares of Rupees 10 each fully paid		
7 260 bonus shares of Rupees 10 each		
<b>Crescent Jute Products Limited</b>	10249	10249
434 982 ordinary shares of Rupees 10 each fully paid		
101 835 bonus shares of Rupees 10 each		
<b>Jubilee Spinning and Weaving Mills Limited</b>	66	66
4 000 ordinary shares of Rupees 10 each fully paid		
7 200 (1994: 4 000) bonus shares of Rupees 10 each		
<b>The Premier Insurance Company of Pakistan Limited</b>	60	60
3 600 ordinary shares of Rupees 5 each fully paid		
42 341 (1994: 38 165) bonus shares of Rupees 5 each		
<b>The Crescent Textile Mills Limited</b>		
344 994 (1994: 87 937) ordinary shares of Rupees 10 each fully paid	8146	1505
71 409 (1994: 24 186) bonus shares of Rupees 10 each	—	—
<b>Crescent Steel and Allied Products Limited</b>		
180 000 ordinary shares of Rupees 10 each fully paid	1800	1800
120 000 bonus shares of Rupees 10 each	—	—
<b>Pakistan Industrial Leasing Corporation Limited</b>		
3 683 060 (1994:709 200) ordinary shares of Rupees 10 each fully paid	125644	7454
243 520 bonus shares of Rupees 10 each	—	—
<b>Crescent Investment Bank Limited</b>		

1892301(1994:1 324051) ordinary shares of Rupees 10 each fully paid	37560	26156
378814 (1994: 29 022) bonus shares of Rupees 10 each	—	—
<b>First Crescent Modaraba</b>		
110000 (1994: Nil) ordinary shares of Rs 10 each fully paid	965	—
1786 (1994: 1 440) bonus shares of Rupees 10 each	—	—
<b>Crescent Leasing Corporation Limited</b>		
2291 000 (1994: 1 420 500) ordinary shares of Rupees 10 each fully paid	<b>30474</b>	15213
<b>Others</b>		
<b>Pakistan Industrial Credit and Investment Corporation Limited</b>		
1435296 (1994: 2054503) ordinary shares of Rs 10 each fully paid	<b>90527</b>	92968
<b>2007 362 (1994:1 433 549) bonus shares of Rupees 10 each</b>	—	—
<b>Crescent Spinning Mills Limited</b>		
341 300 ordinary shares of Rupees 10 each fully paid	<b>3413</b>	3413
<b>Husein Sugar Mills Limited</b>		
1472 (1994: 1 309) bonus shares of Rupees 10 each	—	—
<b>AR Pak International Investment Limited</b>		
10 000 ordinary shares of Rupees 10 each fully paid	93	93
<b>Pakistan International Airlines Corporation</b>		
51 (1994: 47) bonus shares of Rupees 10 each	—	—
<b>Atlas Bot Lease Company Limited</b>		
33 604(1994:35 640) bonus shares of Rupees 10 each	—	—
<b>Pakistan Oil Fields Limited</b>		
500 ordinary shares of Rupees 10 each fully paid	34	34
<b>Prudential Discount and Guarantee House Limited</b>		
131 000 ordinary shares of Rupees 10 each fully paid	1033	1033

**Sui Northern Gas Pipelines Limited**

202 600 ordinary shares of Rupees 10 each fully paid	8133	8133
--	------	------

(Rupees in  
thousand)

1995	1994
------	------

**ICI Pakistan Limited**

50 ordinary shares of Rupees 10 each fully paid	4	4
---	---	---

**Muslim Commercial Bank Limited**

21125 ('94: 81122) ordinary shares of Rs 10 each fully paid	729	1715
---	-----	------

26 430(1994: 345) bonus shares of Rupees 10 each	—	—
--	---	---

**Nazir Cotton Mills Limited**

471 113 ordinary shares of Rupees 10 each fully paid	4711	4711
--	------	------

**Shaheen Cotton Mills Limited**

1 050 000 ordinary shares of Rupees 10 each fully paid	13650	13650
--	-------	-------

## UNQUOTED-ASSOCIATED UNDERTAKING

**Shams Food Products Limited**

Deposit for issue of 100000 ordinary shares of Rs 10 each	1000	1000
---	------	------

-----	-----
354387	205353
=====	=====

22.1 Aggregate market value of quoted investments as at 30 September 1995 was Rupees 413.625 million (1994: Rupees 615.928 million).

22.2 Following investments having face value of Rupees 109.818 million (1994: Rupees 39.554 million) are deposited as security with banks, financial institutions and investment companies.

**Against redeemable capital obtained from**

National Development Finance Corporation (Note 5.2)	250	250
---	-----	-----

**Against short term running finances obtained from:**

Financial institution	—	12909
Investment banks (Note 10.2)	4669	7479
Investment companies (Note 10.3)	30032	9196
Banking companies (Note 10.7)	68274	4447
		4669

**Against bank guarantees issued by:**

Standard Chartered Bank	—	616
-------------------------	---	-----

Crescent Investment Bank Limited	6124	4622
----------------------------------	------	------

**Against central excise duty on loan:**

Atlas Bot Investment Bank Limited	52	35
Pakistan Industrial Credit & Investment Corporation Limited	417	-
	-----	-----
	109818	39554
	=====	=====

**23. CASH AND BANK**

**BALANCES**

Cash in hand	221	245
Cash with banks on:		
Current accounts	3325	13703
Short term deposit accounts	6708	129158
Dividend account	14	4
PLS saving account	2	4
Right shares collection account	3846	-
	-----	-----
	<b>13895</b>	142869
	-----	-----
	<b>14116</b>	143114
	=====	=====

23.

1Term deposit receipts amounting to Rupees 3.315 million (1994: Rupees 3.009 million) are lying with Muslim Commercial under lien against loans to sugarcane growers.

(Rupees in thousand)

1995	1994
------	------

**24. SALES**

Sugar:		
Local	1034938	864989
Export	47613	92919
Distillate:		
Local		
Export	29941	12395
Kanewood	33143	71529
Molasses (By product)	21239	15565
Bagasse (By-product)	43606	34698
	96	2702



	-----	-----
	1210576	1094797
Less: Commission to selling agents	6093	4699
	-----	-----
	1204483	1090098
	=====	=====
<b>25. COST OF GOODS SOLD</b>		
Sugar (Note 25.1)	961773	936466
Distillate (Note 25.3)	38095	59400
Kanewood (Note 25.5)	17693	15403
	-----	-----
	1017561	1011269
	=====	=====
<b>25.1 COST OF GOODS SOLD-SUGAR</b>		
Raw material	549151	625247
Salaries, wages and other benefits	32283	28549
Stores, spare parts and loose tools	6609	5901
Dyes and chemicals	6163	7591
Packing material	15270	12796
Fuel and power	28765	27916
Repair and maintenance	33534	32543
Insurance	3703	3665
Vehicles' running	997	799
Travelling and conveyance	75	111
Printing and stationery	295	377
Rent, rates and taxes	320	304
Excise duty	157030	139493
Other factory overheads	4330	3461
Sugarcane research and development	6398	4905
Staff training and development	1455	1427
Depreciation/amortization (Note 25.2)	104441	75702
	-----	-----
	950819	970787
 Work-in-process inventory:		
As at 01 October	4629	2962
As at 30 September	493	4629
	-----	-----
	4136	-1667

(Rupees in  
thousand)

1995

1994

**Cost of goods  
produced**

Finished goods inventory:	954955	969120
As at 01 October	124777	92123
As at September	117959	124777
	-----	-----
	961773	936466
	=====	=====

25.2 DEPRECIATION/AMORTIZATION

Depreciation (Note 14.3)	<b>81077</b>	49881
Amortization (Note 15.2)	23364	25821
	-----	-----
	<b>104441</b>	75702
	=====	=====

25.3 COST OF GOODS SOLD-DISTILLATE

Molasses	28677	15346
Stores, spare parts and loose tools	2133	2500
Salaries, wages and other benefits	1332	1050
Chemicals	4269	2712
Fuel and power	1998	6631
Insurance	52	458
Other factory overheads	563	546
Depreciation/amortization (Note 25.4)	2275	2497
	-----	-----

Cost of goods produced	41299	31740
Finished goods inventory		
As at 01 October	3567	31227
As at 30 September	6771	3567
	-----	-----
	(3204)	27660
	-----	-----
	38095	59400
	=====	=====

25.4 DEPRECIATION/AMORTIZATION

Depreciation (Note 14.3)	2001	2223
Amortization (Note	274	274

15.2)

	-----	-----
	2275	2497
	=====	=====
25.5 COST OF GOODS SOLD-KANEWOOD		
Raw material	9112	7441
Store, spare parts and loose tools	2705	2805
Salaries, wages and other benefits	1208	1031
Insurance	125	152
Diesel	2206	-1861
Other factory overheads	1975	1964
Depreciation (Note 14.3)	2045	2176
	-----	-----
	19376	17430

(Rupees in thousand)

	1995	1994
Work-in-process inventory		
As at 01 October	-	27
As at 30 September	-	-
	-----	-----
	-	27
	-----	-----
Cost of goods produced	19376	17457
Finished goods inventory		
As at 01 October	3811	1757
As at 30 September	5494	3811
	-----	-----
	(1683)	(2054)
	-----	-----
	17683	15403
	=====	=====

26. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and other benefits	11752	10239
Directors' meeting fee	5	4
Travelling and conveyance	1471	1180
Printing and stationery	800	744

Telephone, postage and telegrams	1209	1321
Vehicles' running	1747	2256
Legal and professional	<b>1111</b>	417
Auditors' remuneration:		
Audit fee	130	115
Out of pocket expenses	15	15
	-----	-----
	145	130
Repair and maintenance	1676	1934
Entertainment	276	204
Subscription	1342	1168
Rent, rates and taxes	272	564
Publicity	158	352
Registered office expenses	1368	1368
Miscellaneous	1311	932
Depreciation/amortization (Note 26.1)	7878	8636
	-----	-----
	32521	31449
	=====	=====
26.1 DEPRECIATION/AMORTIZATION		
Depreciation (Note 14.3)	3603	3860
Amortization (Note 15.2)	4275	4776
	-----	-----
	7878	8636
	=====	=====
27 SELLING AND DISTRIBUTION EXPENSES		
Freight and forwarding	10014	10008
Handling and distribution	1317	1149
Loading and unloading	850	798
Insurance	1513	982
	-----	-----
	13694	12937
	=====	=====

28. OPERATING PROFIT/(LOSS)		
Sugar (Note 28.1)	116641	19357
Distillate (Note 28.2)	21846	15820
Kanewood (Note 28.3)	2220	-734
	-----	-----
	140707	34443
	=====	=====
28.1 OPERATING PROFIT-SUGAR		
<b>Sales</b> Net	1121708	991722
Cost of goods sold	961773	936466
	-----	-----
Gross profit	159935	55256
Operating expenses		
Administrative and general	30309	28649
Selling and distribution	12985	7250
	-----	-----
	43294	35899
	-----	-----
	116641	19357
	=====	=====
28.2 OPERATING PROFIT-DISTILLATE		
<b>Sales-Net</b> Net	62305	83277
Cost of goods sold	38095	59400
	-----	-----
Gross profit	24210	23877
Operating expenses		
Administrative and general	1655	2370
Selling and distribution	709	5687
	-----	-----
	2364	8057
	-----	-----
	21846	15820
	=====	=====
28.3 OPERATING PROFIT/(LOSS)-KANEWOOD		
Sales-Net	20470	15099
Cost of goods sold	17693	15403
	-----	-----
Gross profit/(loss)	2777	(304)
Administrative and general expenses	557	430
	-----	-----
	2220	-734

29. OTHER INCOME	=====	=====
Commission on fertilizer	146	137
Gain on disposal of operating fixed assets	719	78
Dividend income (Note 29.1)	19589	4674
Return on bank deposits	445	259
Interest on advances to associated undertaking	5478	2892
Profit on sale of investments Agricultural farm income	19385	81664
Lease income	860	2445
Rental	4	41
Underwriting commission	49	31
Electricity income	164	343
Miscellaneous	3011	2501
us	1129	1500
	-----	-----
	55979	96565
	=====	=====

29.1 DIVIDEND INCOME

**Associated undertakings**

Crescent Investment Bank Limited	3747	—
The Premier Insurance Company of Pakistan Ltd	21	16
Crescent Steel and Allied Products Limited	900	—
Pakistan Industrial Leasing Corporation Ltd	14729	3653
First Crescent Modaraba	—	65

**Others**

Pakistan Industrial Credit and Investment Corp	75	—
AR Pak International Investment Limited	5	5
Prudential Discount and Guarantee House Ltd	70	47
Pakistan Oilfields Limited	2	356
Atlas BOT Lease Company Limited	40	532
	-----	-----
	19589	4674

	=====	=====
30. FINANCIAL AND OTHER CHARGES		
<b>Financial</b>		
Mark up on:		
Redeemable capital	17552	12662
Short term running finances	88452	55967
Advances from associated undertakings	1671	6457
Interest on:		
Custom debentures	4	96
Long term loans	8273	8444
Workers' participation fund	92	-
Finance charges on liabilities against assets subject to finance lease	10335	14979
Lease agreements fee	405	316
Bank charges, commission and excise duty	10374	5703
	-----	-----
	137158	104624
<b>Donations (Note 30.1)</b>	310	240
(Rupees in thousand)	-----	-----
	137468	104864
	=====	=====

### 30.1 DONATIONS

A sum of Rupees 200 000 (1994: Rupees 200 000) was donated to Crescent Educational Trust, Lahore in which the following directors of the company are trustees:

Mr. Mazhar Karim  
Mr. Khalid Bashir  
Mr. Maqbool Ahmed

31.		
TAXATION		
For the year:		
Current	-6022	-5450
Deferred tax	4500	-
	-----	-----
	-1522	-5450
	=====	=====

Tax losses available to be carried forward are Rupees 339.951 million as on 30 September 1995 (1994: Rupees 240.157 million).

32 DIRECTORS' AND EXECUTIVES'  
REMUNERATION

The aggregate amount charged in the accounts for the year for remuneration, allowances including all benefits to chief executive and executives of the company are as follows:

	1995		1994	
	Chief Executive	Executives	Chief Executive (Rupees in thousand)	Executives
<b>Managerial remuneration</b>	1170	5482	1095	3825
Housing	<b>526</b>	1265	493	871
Company's contribution to provident fund	<b>82</b>	384	77	257
Contribution to:				
Pension fund	<b>234</b>	<b>901</b>	219	683
Gratuity fund	97	390	91	299
hospitalization	—	145	—	65
<b>Other benefits:</b>				
Utility allowance	<b>117</b>	542	110	383
Reimbursable expenses	<b>14</b>	250	6	163
	-----	-----	-----	-----
	2240	9359	2091	6546
	=====	=====	=====	=====
<b>Number of persons</b>	1	29	1	20
	=====	=====	=====	=====

32.1 Chief executive and five executives have been provided free maintained vehicles by the company.

32.2 Aggregate amount charged in the accounts for fee to six directors in respect of three meetings was Rupees 5 thousand (1994: Rupees 4 thousand for six directors).

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 39.873 million (1994: Rupees 23.871 million).

Company purchased from and sold to associated undertakings, materials, goods and services in the aggregate sum of Rupees 9.430 million and Rupees 1.605 million (1994: Rupees 7.471 million and Rupees 7.719 million) respectively. Purchases/ sales of material, goods and services are made



at prevailing market prices.

Mark up on advances to associated undertakings is received/paid at the rate of 21 to 22 percent per annum (Note 29 and 30).

#### 34. PLANT CAPACITY AND ACTUAL PRODUCTION

##### **Sugar:**

Capacity 68 000 M.Tons in 160 days i.e. 425.000 M.Tons per day

##### **Actual production:**

Current

year 86 075.250 M.Tons in 157 days i.e. 548.250 M.Tons per day

Previous

year 88 116.500 M.Tons in 196 days i.e. 449.574 M.Tons per day

##### **Distillery:**

Capacity 40 000 Litres per day

##### **Actual production:**

Current

year 5460 000 Litres in 245 days i.e. 22,286 Litres per day

Previous

year 5250 000 Litres in 289 days i.e. 181,166 Litres per day

##### **Kanewood:**

Capacity 30 Cubic meters per day

##### **Actual production:**

Current

year 5299.260 Cubic meters in 192 days i.e. 29.940 Cubic meters per day

Previous

year 4334.770 Cubic meters in 192 days i.e. 22.580 Cubic meters per day

#### 34.1 REASONS FOR LOW PRODUCTION

Distillery

Production of distillate was kept upto the level of available market.

##### **Kanewood**

Production was made according to the demand in the market.

(Rupees in thousand)

1995

1994

#### 35. SEGMENT ASSETS AND OTHER INFORMATION

Sugar	1558002	1579098
Distillery	18006	25585

Kanewood	18802	25394
	-----	-----
	1594810	1630077
	=====	=====

35.1 Molasses and bagasse (By-Products of Sugar) are issued to distillery plans and kanewood plans at market prices.

### 36. COMPARATIVE FIGURES

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

STATEMENT PURSUANT TO SECTION 237 OF THE COMPANIES ORDINANCE, 1984.

Accounts of the subsidiary company M/s. Crescent Business Management (Pvt) Limited for the year ended June 30, 1995 are annexed to these accounts.

The accumulated losses of the subsidiary company are not dealt with in the accounts of the holding company.

**Crescent  
Business  
Management  
(Private)  
Limited**

#### Directors' Report

The Directors' have pleasure in presenting the audited accounts of the company together with Auditor's Report thereon for the year ended June 30, 1995.

#### Financial Results

	Rupees
Net Loss for the period	(3,268,759)
Accumulated profit brought forward	3,252,913
	-----
Loss carried forward	15,846
	=====

#### Review of Operations

During the year under review the Company did not receive Management Fee from its Modaraba (FCM) which since inception

has remained the main source of its income. However, the company received 302467 bonus shares of Rs. 10/- each from First Crescent Modaraba for the year ended June 30, 1995. The market value of these of these bonus shares as on June 30, 1995 was Rs. 2.42 million. During the year the company earned capital gain of Rs. 1.3 million on its equity portion portfolio and underwriting commission of Rs. 0.24 million. The Directors have decided to skip

the dividend to the certificate holders of FCM for the year ended June 30, 1995 due to low profitability resulting from conservative provisioning and low earning on its equity portfolio.

#### **Further Prospects**

The Directors hope that during the next financial year the profitability of the company will improve.

#### **Auditors**

The Auditors M/S. Fazal Mahmood & company, Chartered Accountants retire and being eligible offer themselves for re appointment for the next financial year.

#### **Auditors' Report to the Members**

We have audited the annexed Balance Sheet of CRESCENT BUSINESS MANAGEMENT (PRIVATE) LIMITED, as at dune 30, 1995 and the related Profit and loss Account, 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 is the best of our knowledge and belief were necessary for the purpose 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 polices 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 the explanations given to us, the balance sheet, profit and loss account 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 June 30, 1995 and of the Loss for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance. 1980.

Note	Balance Sheet	
	1995 Rupees	1994 Rupees
CAPITAL AND LIABILITIES		
SHARE CAPITAL		
Authorised:		
5,000,000 Ordinary Shares of Rs. 10/- each.	50,000,000 =====	50,000,000 =====
Issued, Subscribed & Paid up:		
1,000,000 ordinary shares of Rs. 10/- each fully paid in cash. (All shares are held by holding company and its nominees)	10,000,000	10,000,000
Accumulated (Loss) / Profit	(15,846)	3,252,913
DEFERRED LIABILITIES		
Deferred Liabilities - Staff Gratuity	124,108	75,525
CURRENT LIABILITIES		
Due to Associated and Holding Companies 3	20,442,640	10,893,138
Accrued Liabilities	19,195	13,443
Provision for Taxation	303,013	273,330

	-----	-----
	20,764,848	11,179,911
CONTINGENCIES & COMMITMENTS	-----	-----
	<b>30,873,110</b>	24,508,349
	=====	=====

The annexed notes form an integral part of these accounts

	Note	1995 Rupees	1994 Rupees
<b>as at June 30, 1995</b>			
PROPERTY AND ASSETS			
FIXED ASSETS-At written down value			
5		692,934	40,987
LONG TERM INVESTMENT	6	29,486,955	21,986,510
CURRENT ASSETS			
Management fee & Reimbursable expenses	7	-	1,746,489
Advances, Deposits & Prepayments	8	551,679	364,438
Cash and Bank Balances	9	141,542	369,925
		-----	-----
		693,221	2,480,852
		-----	-----
		30,873,110	24,508,349
		=====	=====

	1995 Rupees	1994 Rupees
<b>Profit and Loss Account</b>		
<b>For the year ended dune 30, 1995</b>		
Profit received from bank	<b>17,166</b>	13,009
Dividend Income	-	1,800,000
Gain on Disposal of Shares	1,318,675	2,175,810
Management fee from 1st Crescent		

Modaraba	—	3,591,005
Underwriting & Take up Commission	235,556	312,500
	-----	-----
	1,571,397	7,892,324
Less:		
Staff Salary & Benefits	1,579,522	890,267
Traveling & Conveyance	121,381	221,576
Printing and Stationery	8,811	8,344
Legal & Professional	<b>8,540</b>	22,825
Audit Fee	11,000	10,000
Out of Pocket Expenses	2,500	2,500
Postage, Telephone & Telegram	28,495	32,930
Entertainment	14,695	35,017
Registration expenses	10,000	—
Corporate Service Charges	311,040	259,200
Advisory Service & Office Space Charges	300,000	300,000
Bank Charges & Commission	305	2,467
Meeting fee	4,000	4,000
Mark - up to Holding Company	1,926,540	2,336,725
General expenses	—	5,125
Meeting Expenses	—	162,042
Advertisement	—	3,500
Placement Fee	—	6,250
Repair & Maintenance	170,777	66,216
Donation	<b>136,200</b>	—
Expenses on Investment account	8,145	—
Depreciation	168,522	7,233
	-----	-----
	4,810,473	4,376,107
	-----	-----
(Loss)/Profit Before Taxation	(3,239,076)	3,516,107
Provision for Taxation - Current	9,488	268,059
- Prior	20,195	—
	-----	-----
(Loss)/Profit After Taxation	(3,268,759)	3,248,048
Previous year balance brought forward	3,252,913	4,865
	-----	-----

BALANCE CARRIED TO BALANCE SHEET	-15.846	3,252,913
	=====	=====

The annexed notes form an integral part of these accounts.

**Notes to the  
Accounts  
for the year ended June 30, 1995**

NOTE:

1. STATUS AND NATURE OF BUSINESS

Crescent Business Management (Pvt.) Limited is incorporated as private limited company by shares under the Companies Ordinance, 1984. The company is a wholly owned subsidiary of Shakarganj Mills Limited. The primary aim of the company is floatation and management of Modarabas and for this purpose it has been registered as Modaraba Company with the registrar of Modaraba Companies and Modaraba's, Islamabad.

2. SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES

2.1 ACCOUNTING  
CONVENTION

These accounts have prepared under the historical cost convention.

2.2 Long term  
investments

These are started at  
cost.

2.3 REVENUE  
RECOGNITION

Management fees from modarabas floated by the company is recognised on the basis of annual audited accounts of the modarabas.

Return on deposits with banks is recognised on a time proportionate basis after considering the principal outstanding and applicable rates of  
profit thereon.

2.4  
TAXATION

Provision for taxation is made on the basis of taxable income, as per provision of income tax Ordinance, 1979. Provision for current taxation is based on taxable Income at the current rates of taxation after taking into account brought forward losses and tax credits available, if any.

The company does not account for deferred taxation.

3. DUE TO ASSOCIATED AND HOLDING  
COMPANIES

	1995 Rupees	1994 Rupees
Crescent Investment Bank Ltd.		
3.1	276,646	1,646
M/s Shakarganj Mills Ltd. Secured		
3.2	19,751,853	10,891,492
First Crescent Modaraba	414,141	-

-----  
20,442,640  
=====

-----  
10,893,138  
=====

3.1 This includes Rs. 275,000/- payable on account of advisory service & office space charges and Rs. 1,646/- payable on account of 41 shares of Sui

Northern Gas Pipe Lines Limited ~ Rs. 40.15/- each.

3.2 i) This represents the loan payable to Holding Company and Mark - up thereon.

ii) Mark-up is charged @ 11.5% to 21% p.a. (1994 @ 17.3% & 21% p.a) on daily product basis.

iii) The loan is secured against the shares; namely of Sui Northern Gas Pipe Lines Limited 182,600 shares, taken up by the Crescent Business

Management (Pvt.) Limited. The above shares will remain in the custody of Shakarganj Mills Limited till repayment of loan.

iv) Repayment to be made as per availability of funds with the Company.

#### 4. CONTINGENCIES & COMMITMENTS

##### Contingent

##### Liability:

No provision for turnover tax for the year 1993 (Assessment year 1993-94) under Section 80 -D of the Income Tax Ordinance, 1979 was made as

constitutional writ petition were filed before the Honorable High Courts of Punjab, Sindh and N.W.F.P. in a number of similar cases. Since the Honourable Lahore High Court has announced decision on the said issue therefore the tax liability amounting to Rs. 20,195/- has been provided in these

accounts, in accordance with the decision of Honourable Lahore High Court.

#### 5. SCHEDULE OF TANGIBLE FIXED ASSETS

PARTICULARS	C O S T		RATE	D E P R E C I A T I O N				
	As on 01/07/1994	Additions/ (deletions)		As on 30/06/1995	Up to 01/07/19 94	Charged for the year	Accumulate d as at 30/06/1995	Writing down value as at 30/06/199 5
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Office Equipment Electric Installations	9,500	-	9,500	15	1,425	1,211	2,636	6,864
Telephone Equipment	38,720	2,700	41,420	15	5,808	5,342	11,150	30,270
Vehicles	-	31,700	31,700	15	-	4,755	4,755	26,945
	-	922,269 (136,200)	786,069	20	-	157,214	157,214	628,855
Total Rs. 1995	48,220	956,669	868,689		7,233	168,522	175,755	692,934



(136,200)

Total Rs. 1994 - - 48,220 - 7,233 7,233 40,987

**6. LONG TERM INVESTMENT**

1995 1994  
Rupees Rupees

1st Crescent Modaraba (Listed)  
1,000,000, certificate of Rs. 10/-  
each

592,476 Bonus Certificates of Rs.  
10/- each 6.1

10,000,000 10,000,000  
0

54,300 Shares @ Rs.  
20.14

1,093,595 436,650

(Aggregate Market value Rs.  
13,174,136)

(1994 Rs.26,  
278,000)

Pioneer Cement Ltd. (Listed)  
1,297 ordinary shares of Rs. 10/-  
each 6.2

12,970 12,970

2,000 Shares @ Rs. 56 (Aggregate Market value Rs. 60,170)  
(1994 Rs. 55,771)

112,000

Sui Northern Gas Pipe Lines Limited  
(Listed)

152,600 ordinary Shares of Rs  
40.15/- each 6.2

6,126,890 6,126,890

30,520 bonus shares of Rs. 10/-  
each

(Aggregate Market value Rs.  
5,493,600)

(1994 Rs. 7,706,300)

Nazir Cotton Mills  
Limited

300,000 ordinary shares of Rs. 10/-  
each 6.2

3,000,000

(Aggregate Market value Rs. 1,650,000) (1994 Rs. Nil)

**1995 1994**  
**Rupees Rupees**

Crescent Leasing Corporation Ltd.  
(Listed)

403,000 Ordinary Shares of Rs. 10/-  
each

(1994 453,000  
shares) 6.3

403,000 4,530,000

241,800 right shares @ Rs. 17.50

4,231,500

(Aggregate Market value Rs. 7,898,800) (1994 Rs. 13,476)

-

750)

International Asset Management Co.  
Ltd.  
88,000 Ordinary shares of Rs. 10/-  
each

	880,000	800,000
	-----	-----
		--
		21,986,51
	29,486,955	0
	=====	=====
		=

6.1 This represents investment made as Modaraba Company and forms 10% of the total paid up fund of the 1st Crescent Modaraba.

6.2 These shares were taken up to fulfill underwriting commitments.

6.3 These shares were taken up to fulfill underwriting commitments. This also includes 151,000/- right shares subscribed @ Rs. 10/- each.

7. MANAGEMENT FEE & REIMBURSABLE  
EXPENSES

**Management fee from 1st Crescent  
Modaraba**

		1,746,489
	-----	-----
		=

8. ADVANCE, DEPOSITS & PREPAYMENTS

Advance to Employees

2,000

--

Advance Income Tax

334,512

24,238

Propose Central

Asian Bank

200,000

200,000

Pak Suzuki Motor Co.

Ltd.

140,000

Prepayments

15,167

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	-----	-----
		--
	551,679	364,438
	=====	=====
		=

9. CASH AND BANK  
BALANCES

Cash in hand (Certified by the  
management)

36,515

8,419

Cash at Banks:

On Current

Account

26,003

11,878

On Deposit

Account

79,024

349,628

	-----	-----
		--
	105,027	361,506

-----	-----
141,542	369,925
=====	=====
	=

10. FINANCIAL STATEMENTS OF  
MODARABA

The Modaraba Company floated a Modaraba under the name of First Crescent Modaraba. Therefor financial statements of the company include the financial statements of the Modaraba, as required by the provisions of the Companies Ordinance, 1984.

11. GENERAL

11.1 The company is entitled to receive a management fee of 10% of the net annual profits of each Modaraba to be floated by it on the basis of annual audited accounts of the modarabas. However no fee has been received during the year as decided by the Board of Directors of the Company in their meeting.

11.2 i) Figures have been rounded off to the nearest rupee.

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

**Annual General Meeting**

NOTICE IS HEREBY GIVEN THAT the Twenty Eighth Annual General

Meeting of the Shareholders of SHAKARGANJ MILLS LIMITED will be held at Registered Office 83-Babar Block, New Garden Town, Lahore on Saturday the March 30, 1996 at 10:30 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To confirm the Minutes of 27th Annual General Meeting held on March 30, 1995.

2. To receive and adopt Audited Accounts of the Company for the year ended September 30, 1995 together with the Directors' and Auditors' Reports thereon.

3. To approve, as recommended by the Directors, the issue of Bonus shares to the shareholders in the ratio of one Bonus share for every ten existing shares (i.e. @ 10%). .

4. To elect Directors of the Company for a period of three years commencing from June 01, 1996 in accordance with the provisions of the Companies Ordinance, 1984. The following retiring Directors

shall be eligible to offer themselves for re-election:

- 1 MR IRFAN AHMAD IMTIAZI
- 2 MR. KHALID BASHIR
- 3 MR. MAQBUL AHMAD
- 4 MR. MAZHAR KARIM  
MR. MUHAMMAD
- 5 ANWAR

The Board of Directors have fixed the number of elected directors as six. In addition, one Director nominated by Pakistan Industrial Credit & Investment Corporation Limited is not subject to retirement as provided under section 183 of the Companies Ordinance, 1984.

5. To appoint Auditors of the Company for the next financial year and fix their remuneration. The present Auditors M/S Riaz Ahmad & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

6. To delete Article 55 of the Articles of Association of the Company.

**STATEMENT UNDER SECTION 160 (1) B OF THE COMPANIES**

ORDINANCE, 1984

In accordance with the Article 55 of Articles of Association, the amount for the time being remaining undischarged of the money borrowed or raised by Directors for purposes of the Company (otherwise than issue of Shares Capital) shall not at any time, without sanction of the Company in general meeting, exceed five times the issued Share Capital of the company, provided that no transaction shall be adversely affected by reason of non-observance of such limit.

Due to manifold increase in funds requirements particularly in working Capital and funds borrowed for capital expenditure on account of increase in cost of all items in International and Local Market, Working Capital requirement has increased . The Borrowing limit was fixed in 1967 when the Company was incorporated. Approval of the shareholders is solicited to delete the Article 55 to enable the Company to borrow to the extent of funds required to run Company operations efficiently.

The directors of the company are not interested in the above said business. The Articles of Association of the company have been kept at the Registered Office, 83-Babar Block, New Garden Town, Lahore which can

be inspected from 11:30 a.m. on all working days upto March, 1996.  
 The following resolution to be passed as Special  
 Resolution:

**RESOLVED:**

"That the Article 55 of the Articles of Association of the Company be and is hereby deleted".

**RESOLVED FURTHER:**

"That Corporate Secretary of the Company be and is hereby authorized to take all necessary steps. sign or authenticate all the documents as may be required by law for the implementation of this special resolution."

**PARTICIPATION IN THE ANNUAL GENERAL MEETING:**

A member eligible to attend and vote at this Meeting may appoint another member as/her proxy to attend and vote instead of him/her. Proxy in order to be effective must-be received by the Company at the Registered Officer not later than 48 hours before the time for holding the Meeting.

Nomination from shareholders for the office of Director must be received at last 14 clear days before the time of meeting at the Registered Officer of the Company.

**BOOK**

**CLOSURE:**

The Share Transfer Books of the Company for the entitlement of Bonus shares will remain closed from March 25, 1996 to April 01, 1996 (both days inclusive) and Bonus shares, if approved, will be issued to such members whose names appear in the Company's Register of Members as at the close of business on March 24, 1996.

**Pattern of Holding of Shares**

**Form '34'**

Held by the shareholders as at 30th September, 1995

NO. OF	SHAREHOLDING		TOTAL SHARE HELD
	FROM	TO	
-----	---	---	-----
143	1	100	4652
279	101	500	84682
197	501	1000	127892
178	1001	5000	388480
47	5001	10000	326404
14	10001	15000	165507

12	15001	20000	205340
14	20001	25000	313723
11	25001	30000	300690
8	30001	35000	265776
5	35001	40000	191181
3	40001	45000	126360
3	45001	50000	143139
3	50001	55000	162877
3	55001	60000	175983
1	60001	65000	62880
1	70001	75000	71219
1	75001	80000	78990
1	800101	85000	80341
1	105001	110000	106252
1	115001	120000	118638
1	130001	135000	133624
1	135001	140000	135932
2	140001	145000	284002
1	150001	155000	153348
1	155001	160000	259720
1	165001	170000	166375
1	175001	180000	175253
1	190001	195000	193029
1	230001	235000	230178
1	240001	245000	242588
1	585001	590000	585490
1	605001	610000	607011
1	625001	630000	627563
1	675001	680000	675096
1	785001	790000	789112
1	810001	815000	810278
1	1435001	1440000	1439141
1	2160001	2165000	2160324
1	2425001	2430000	2427235
1	5805001	5810000	5808829

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--  
947  
=====  
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21305134  
=====

CATEGORIES OF  
SHAREHOLDERS

NUMBER

SHARES HELD PERCENTAGE

Individuals	914	4069548	19.10
Investment Companies	3	829648	3.89

Insurance Companies	2	193120	0.91
Joint Stock Companies	16	8095913	38.00
Financial Institutions	7	7741417	36.34
Modarabas	5	375488	1.76
<b>TOTAL</b>	<b>947</b>	<b>21305134</b>	<b>100.00</b>

**Shakarganj Mills Limited**

**Directors**

Altaf M. Saleem  
Chief Executive  
Officer  
Shakarganj Mills  
Limited  
\*1975

Khalid  
Bashir  
Chief Executive  
Shams Textile Mills Limited  
196  
9

**Maqbul  
Ahmad**

Chief executive  
Crescent Boards  
Limited  
196  
9

**Mazhar  
Karim**

Chief Executive  
Crescent Jute Products Limited  
Chairman  
Shakarganj Mills  
Limited  
197  
1

**Muhammad Anwar**

Chief Executive  
The Crescent Textile Mills Limited  
198  
4

**Officers**

**Altaf M. Saleem, 45**  
  
President and  
  
Chief Executive Officer  
\*1973

**Muhammad Awais Qureshi, 55**  
Executive Vice President and  
Chief Operating Officer  
  
1980

**Abdul Haq Saeed, 55**  
Vice President  
  
1985

**Hilal Ahmad, 54**

Vice President and  
Chief Financial Officer  
1978

**Muhammad Zahid, 53**

Vice President  
1981

**Dr. S. A. Qureshi, 74**

Director General Research  
  
1983

**Irfan Amad Imliazi**

Nominee NIT

199

3

**Sikandar Rashid****Ahmad**

Nominee

PICIC

199

0

**\*Year elected to****Board****General Counsel**

Sh. Maqsood Ahmad, Advocate

**Independent Auditors**

Riaz Ahmad &amp; Company

Chartered

Accountants

**Corporate****Secretaries**

Zaheer A. Shaikh

Rashid

Sadiq

**Zulfiqar Ahmad, 43**

General Manager Planning

1976

**Pervaiz Akhtar, 42**

General Manager Production

1981

Nusrat Ali, 44

General Manager Engineering

1977

**\* Year Joined Company**