

# **Pangrio Sugar Mills Limited**

**Annual Report 2001**

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## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS:**

MR. SAJID HUSSAIN NAQVI  
BEGUM AKHTAR ABID  
MS. NAHEED ZAFFAR MIRZA  
MRS. YASMEEN BAIG  
MR. HIMMADULLAH BEG  
MR. ABBAS ALLY AGHA  
MR. AFTAB AHMAD (NDFC Nominee)  
MR. MUMTAZ ALI MEMON (ICP)  
MR. KEMAL SHOAIB (NIT)  
MR. HAMMAD MEHMOOD (NIT)

Chairman & Chief Executive

### **SECRETARY:**

MR. TAHIR MAHMOOD

### **AUDITORS:**

M. YOUSUF ADIL SALEEM & CO.  
Chartered Accountants

### **BANKERS TO THE COMPANY:**

ALLIED BANK OF PAKISTAN LIMITED  
UNITED BANK LIMITED  
DOHA BANK LIMITED

HABIB BANK LIMITED  
NATIONAL BANK OF PAKISTAN LIMITED  
BANKERS EQUITY LIMITED  
MUSLIM COMMERCIAL BANK LTD.

**LEGAL ADVISOR:**

MR. GHULAM QADIR ZARGAR

**REGISTERED OFFICE:**

10TH FLOOR, BUILDING NO. 1,  
LAKSON SQUARE,  
SARWAR SHAHEED ROAD,  
KARACHI.

**MILLS:**

DEH RAJAURI II,  
TALUKA TANDO BAGO,  
DISTRICT BADIN,  
SINDH.

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 17th Annual General Meeting of the Company will be held on Thursday, March 28, 2002 at 2:30 p.m. at the Raffia Choudri Memorial Centre, Ground Floor, Sidco Avenue Centre, 264 R.A. Lines, Karachi to transact the following business:

1. To confirm the Minutes of the 16th Annual General Meeting of the Company held on March 28, 2001.
2. To receive, consider and adopt the Annual Audited Accounts alongwith the Directors' and Auditors' Reports of the Company for the year ended September 30, 2001.
3. To appoint Auditors of the Company for the year ending September 30, 2002 and fix their remuneration. The retiring Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board,

**(TAHIR MAHMOOD)**

Karachi, March 05, 2002

Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from March 19, 2002 to March 28, 2002 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his / her behalf.

Form of Proxies in order to be valid, must be received at the Registered office of the Company 48 hours before the Scheduled time of Meeting. A proxy must be a member of the Company.

3. Shareholders are requested to notify any change in address immediately.

**DIRECTORS' REPORT**

Dear Shareholders:

**GENERAL**

It gives us great pleasure in presenting the Annual Accounts of the Company for the year ended September 30, 2001 together with Auditors' Report thereon.

The period under review was a catalyst year. Sugar rates touched its peak. Never in the sugar industry history did sugar rates went this high. Industry could not benefit from this boom, due to government intervention in shape of allowing liberal imports of sugar. A major point however has been registered that consumer in general is not bothered about the price of sugar, the willingness to pay the prevailing price was evident, no body or organization has any adverse remarks about the price flare-up. There is now a general perception that while rates of almost all the daily kitchen items have increased, the sugar rates are still at lower side. We also feel that unless sugar rates are around Rs. 25/- per kg. and keeps pace with the increase in yearly government enhancement of sugarcane price we will not be able to survive and the industry will have to start shutting its units one by one, which will ultimately result in our becoming an importer country of sugar and unemployment in the rural areas will further rise.

**PERFORMANCE REVIEW**

We have elaborated the crop situation in our mid-term report of March 31, 2001. Some of the contents are reiterated for emphasis sake :-

1. Crop size was lower
2. Competition for sugarcane procurement amongst the mills was severe.
3. Water shortage in Badin has taken its toll.
4. Some of the standing crop dried due to water shortage.
5. Yield per acre is gradually declining.
6. Rate of sugarcane are almost equalizing the Cost of Sales.

Despite the odds mentioned above, we were able to perform better.

The operating results of the company are as follows :-

<b>Particulars</b>	<b>2000-2001</b>	<b>1999-2000</b>
Season started	03-11-2000	30-10-1999
season closed	19-03-2001	26-02-2000
Days worked	136	120
Sugarcane crushing (tons)	277,269	222,676
(Mds)	7,428,646	5,965,991
Sugar recovery (%)	9.90	9.35
Sugar production (Tons)	27,490	20,890
Molasses recovery (%)	5.29	5.12
Molasses production (Tons)	14,662	11,440

Sugar industry as a whole is in a dire state. Sugar mills capacities have gone about double than the available sugarcane crop. Research on sugarcane crop and a concerted effort to achieve a national objective of making the industry viable, at government level, is the need of this crucial phase in the sugar industry history. Billions of Rupee worth of capital will go waste if utilization of idle capacity is not thought out.

#### **FINANCIAL RESULTS**

	<b>2000-2001</b>	<b>1999-2000</b>
Profit/(Loss) for the year		1,020,354 (109,519,811)
Taxation written back/(Provision)		(3,789,918) 616,128
		-----
Accumulated loss brought forward		(2,769,564) (108,903,683)
		(804,208,079) (695,304,396)
		-----
Accumulated loss carried forward		(806,977,643) (804,208,079)
		=====

The results are encouraging, however, losses due to imbalance in sugarcane rates need to be addressed. Sugarcane cost is eating up the expected generation. We have elaborated that sugar prices should also be allowed to be floated higher.

so that industry is saved from a total collapse.

Your mill is also constrained because of financial problems., Since the take-over of your mill by the present management during 1995-96, we have paid more than Rs. 100 million to Banks/DFIs, yet it is a matter of record, that we have not yet been provided any financial assistance by any lenders, nor we are still treated as a regular borrower.

However, efforts are underway to have the company loans rescheduled under the aegis of the Committee for Revival of Sock Units, we are hopeful of a favourable outcome.

### **SEASON 2001-2002**

There was heavy carry over stock of previous season, as such though the mills started crushing during mid November, 2001, the harvesting of sugarcane could not pick up as the sugar rates were very low, compelling the mills to stick to the government rates of sugarcane. There was strong efforts from the millers for obtaining sugarcane at the announced rates, however, growers agitated and stopped harvesting, resulting in the mills to be almost standstill for most of the times.

We may state here that we will not be able to achieve the performance of Season 2000-2001. Financially also the season would prove to be difficult.

### **AUDIT REPORT**

The Audit Report for the period under review contains certain qualifications, which are being addressed as follows:

- a) Company case for a favourable restructuring is being taken by National Bank of Pakistan (NBP) formerly National Development Finance corporation (NDFC) to the Committee for Revival of Sick Units (CORSU), management feels that CORSU will give a long-term breathing period to the company.
- b) Long-term loans have been arranged by the Directors from their friends and associates.
- c) The Institute of Chartered Accountants of Pakistan, Banks and DFIs have an understanding in the matter of direct confirmation by Banks and DFIs, we cannot influence Banks and DFIs in this matter.
- d) The liability is of growers who do not understand confirmation, these are in the nature of current account as sugarcane is received and amount paid on seasonal basis, on the receipt of sugarcane.

### **AUDITORS**

M/s. M. Yousuf Adil Saleem & Co., Auditors of the Company retire and offer their services for the ensuing year.

## **PATTERN OF SHAREHOLDING**

The pattern of shareholding as on September 30, 2001 is annexed.

## **EMPLOYEES, SHAREHOLDERS, BANKERS & DFIs**

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearances, as well as the assistance and cooperation to the management during these hard days.

In the end, let us pray to Almighty Allah to guide us in all our pursuits of national development and for the betterment of your organization, Ameen.

Karachi:

Date: February 26, 2002

**SAJID H. NAQVI**

Chartered Accountants

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of PANGRIO SUGAR MILLS LIMITED as at September 30, 2001 and the related profit and loss account, statement of changes in equity and cash flow statement, 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. The company has incurred a net loss of Rs. 2.7 million during the year. The next capital deficiency has increased to Rs. 698.477 million and current liabilities exceed current assets by Rs. 445.531 million. The eventual outcome of the proposed restructuring and rescheduling (refer Note No. 1.2) cannot be presently determined. These

factors create doubt that the Company will be able to continue as a going concern. No adjustments, if any, have been made in the accounts that may be determined to be necessary should the Company be unable to continue as a going concern.

b. Confirmation of balance and statement of account in respect of redeemable capital and accrued markup thereon of Rs. 243.1 million from NDFC (now merged with National Bank of Pakistan) has not been received therefore, these remain unconfirmed.

c. Confirmation of balance in respect of long term loans - other Rs. 27.7 million has not been received therefore, the balance remain unconfirmed.

d. Confirmation of balances of growers liabilities for Rs. 56.1 million (Refer Note No. 10) has not been received therefore, these balances remained unconfirmed.

e. In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

f. 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;

g. 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, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and, except for the financial effect and adjustments, if any, of the matters referred to in para (a) to (d) above and Note No. 11, these respectively give a true and fair view of the state of the company's affairs as at September 30, 2001 and of the profit, changes in equity and its cash flows for the year then ended; and

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

Karachi:

**M. YOUSUF ADIL SALEEM &  
CO.**

**PATTERN OF SHAREHOLDINGS  
AS AT 30TH SEPTEMBER, 2001**

<i>Number of Share Holders</i>	<i>Shareholding</i>		<i>Total Shares</i>	
	<i>From</i>	<i>To</i>	<i>Held</i>	<i>Percentage</i>
1850	1	100	185,000	1.71
396	101	500	142,800	1.32
327	501	1000	310,000	2.86
377	1001	5000	887,150	8.18
99	5001	10000	671,500	6.19
4	10001	15000	57,700	0.53
2	15001	20000	31,200	0.29
1	20001	25000	22,600	0.21
1	25001	30000	30,000	0.28
25	45001	50000	1,247,100	11.49
8	95001	100000	800,000	7.37
3	100001	145000	345,600	3.19
2	160001	175000	336,700	3.10
4	500001	1000000	2,373,850	21.88
2	1000001	1810000	3,408,800	31.42
-----	-----	-----	-----	-----
3101			10,850,000	100.00
=====	=====	=====	=====	=====

<b>Categories of Shareholders</b>	<b>Numbers of Shareholders</b>	<b>Total Share Held</b>	<b>Percentage</b>
Individual	3,089	6,605,350	60.88
Investment Companies	5	2,989,900	27.56
Insurance Companies	5	293,500	2.71
Joint Stock Companies	1	100	0.00
Financial Institutions	1	961,150	8.86
	-----	-----	-----
	3,101	10,850,000	100.00
	=====	=====	=====



## BALANCE SHEET AS AT SEPTEMBER 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>SHARE CAPITAL</b>			
Authorised 12,000,000 ordinary shares of Rs. 10/= each		120,000,000	120,000,000
Issued, subscribed and paid up	3	108,500,000	108,500,000
Accumulated Loss		(806,977,643)	(804,208,079)
		(698,477,643)	(695,708,079)
<b>PARTICIPATION RESERVE FOR ISSUE OF CONVERTIBLE SHARES</b>			
	4	73,328,776	73,328,776
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	5	281,803,020	281,803,020
<b>REDEEMABLE CAPITAL</b>			
	6	119,350,879	155,629,878
<b>LONG TERM LOANS - OTHER</b>			
Unsecured - interest free		27,672,603	27,672,603
<b>DEFERRED LIABILITIES</b>			
Staff gratuity		4,069,046	4,109,880
Banking Companies	7	27,526,667	38,148,149
		31,595,713	42,258,029
<b>CURRENT LIABILITIES</b>			
Short term borrowings	8	22,595,369	42,595,369
Current portion of long term liabilities	9	149,922,330	119,797,839
Creditors, accrued and other liabilities	10	314,537,069	293,512,588
Taxation		5,395,181	9,060,966
		492,449,949	464,966,762
<b>CONTINGENCIES</b>			
	11	--	--

		-----	-----
		327,723,297	349,950,989
		=====	=====
<b>OPERATING FIXED ASSETS</b>	12	280,437,199	308,665,482
<b>LONG TERM DEPOSITS</b>		367,874	367,874
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	13	28,642,604	29,263,201
Trade debtors -			
Unsecured considered good	14	556,377	1,252,242
Loans, advances and prepayments	15	12,815,782	9,697,134
Cash and bank balances	16	4,903,461	705,056
		-----	-----
		46,918,224	40,917,633
		-----	-----
		327,723,297	349,950,989
		=====	=====

The annexed notes from 1 to 30 form an integral part of these accounts.

**CHIEF  
EXECUTIVE**

**DIRECTOR**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Sales	17	585,789,022	308,877,414
Cost of goods sold	18	531,875,943	360,411,554
		-----	-----
<b>Gross profit / (loss)</b>		53,913,079	(51,534,140)
Operating expenses			

Administration	19	16,999,556	16,105,180
Selling	20	622,927	472,813
		-----	-----
		(17,622,483)	(16,577,993)
		-----	-----
<b>Operating profit/(loss)</b>		36,290,596	(68,112,133)
Other charges			
Financial	21	7,607,737	11,188,886
Other allocation and charges	22	27,746,299	30,879,786
Worker's profit participation fund		53,703	--
		-----	-----
		(35,407,739)	(42,068,672)
		-----	-----
		882,857	(110,180,805)
Other income	23	137,497	660,994
		-----	-----
<b>Profit/(Loss) before taxation</b>		1,020,354	(109,519,811)
Taxation			
Current		3,000,000	1,800,000
Prior years'		789,918	(2,416,128)
		-----	-----
		(3,789,918)	616,128
		-----	-----
<b>Loss after taxation</b>		(2,769,564)	(108,903,683)
Accumulated loss brought forward		(804,208,079)	(695,304,396)
		-----	-----
Accumulated loss carried forward		(806,977,643)	(804,208,079)
		=====	=====
Earnings per share	27	(0.26)	(10.04)

The annexed notes from 1 to 30 form an integral part of these accounts.

**CHIEF  
EXECUTIVE**

**DIRECTOR**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

	<i>Issued, Subscribed and paidup capital</i>	<i>Accumulated (Loss)/Profit</i>	<i>Total</i>
	-----Rupees-----		
Balance at October 01, 1999	108,500,000	(695,304,396)	(586,804,396)
Loss for the year	--	(108,903,683)	(108,903,683)
	-----	-----	-----
Balance at September 30, 2000	108,500,000	(804,208,079)	(695,708,079)
Loss for the year	--	(2,769,564)	(2,769,564)
	-----	-----	-----
Balance at September 30, 2001	108,500,000	(806,977,643)	(698,477,643)
	=====	=====	=====

**CHIEF  
EXECUTIVE**

**DIRECTOR**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Loss before taxation	1,020,354	(109,519,811 )
Adjustments for:		
Depreciation	31,236,734	34,154,732
Financial charges	7,607,737	11,188,886
Profit / markup on redeemable capital	29,801,986	35,865, 786
(Reversal of provision)/provision against doubtful recoveries	3,470,101)	(4,986,000)
Gain on disposal of fixed assets	(55,150)	--
	-----	-----
Operating profit / (loss) before changes in operating assets and liabilities	66,141,560	(33,296,407)
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets		

Stores, spares and loose tools	620,597	4,432,409
Trade debtors	695,865	6,692,770
Loans, advances and prepayments	(6,524,351)	28,228,772
Increase / (decrease) in operating liabilities		
Creditors, accrued and other liabilities	(4,686,970)	9,627,074
	-----	-----
Cash generated from operations	56,246,701	15,684,618
Financial charges paid	(4,381,415)	(2,723,521)
Taxes paid	(4,050,000)	(1,647,515)
Gratuity paid	(40,834)	--
	-----	-----
Net cash from operating activities	47,774,452	11,313,582
	-----	-----
<b>B. CASH FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(3,640,725)	(825,150)
Proceeds from disposal of fixed assets	687,424	169,727
	-----	-----
Net cash used in investing activities	(2,953,301)	(655,423)
	-----	-----
<b>C. CASH FROM FINANCING ACTIVITIES</b>		
Redemption of redeemable capital	(9,000,000)	(27,382,917)
Repayment of deferred liabilities	(11,622,746)	(4,478,080)
(Decrease)/Increase in short term borrowings	(20,000,000)	13,614,314
	-----	-----
Net cash used in financing activities	(40,622,746)	(18,246,683)
	-----	-----
Net increase / (decrease) in cash and bank balances (A+B+C)	4,198,405	(7,588,524)
Cash and bank balances at the beginning of the year	705,056	8,293,580
	-----	-----
Cash and bank balances at the end of the year	4,903,461	705,056
	=====	=====

**CHIEF  
EXECUTIVE**

**DIRECTOR**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED SEPTEMBER 30,2001**

## **1. STATUS AND ACTIVITIES**

1.1 The Company is limited by shares, incorporated in Pakistan on June 12, 1984 and quoted on Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacture and sale of white sugar. The Mills is located at District Badin in the Province of Sindh.

1.2 The Company requested the then NDFC (now merged with National Bank of Pakistan) for rescheduling / restructuring of their entire loan portfolio and to take up their case with the Committee for Revival of Sick Units (CORSU). In this regard the then NDFC, vide their letter dated January 30, 2001 requested the Company as well as approached the other lenders for providing loan figures so that the same could be taken up with the CORSU. Favourable outcome of the company's request has not yet been achieved. However, the management is hopeful of restructuring and rescheduling of the entire loan liabilities towards lenders. The operating performance of the Company has improved during the year as such these accounts have been prepared on the assumption that the Company will continue as a going concern.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention**

These accounts have been prepared under 'historical cost convention', except that certain fixed assets have been included at revaluation.

### **2.2 Basis of preparation**

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

### **2.3 Staff retirement benefits**

Head office and Mills management staff participate in an approved provident fund scheme. Permanent employees were also entitled to unfunded gratuity scheme till September 1995.

### **2.4 Taxation**

#### **Current**

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

#### **Deferred**

The Company accounts for deferred taxation on all material timing differences.

### **2.5 Operating assets**

Operating assets, except freehold land are stated at cost or valuation less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates

specified in the operating assets note. Depreciation on additions during the year is charged on the basis of whole year while no depreciation is charged on disposals during the year.

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

Gains and losses on disposal of assets are included in current income.

#### **2.6 Stores, spares and loose tools**

These are valued at moving average cost.

#### **2.7 Stock in trade**

These are valued at lower of cost and net realisable value applying the following basis:

Sugar at average manufacturing cost.

Sugar in process at average manufacturing cost.

Molasses at contracted price/net realisable value.

Average cost signifies in relation to work in process and finished goods cost including a portion of related direct overheads. Net realizable value signifies the selling prices prevailing in the market less selling expenses incidental to sales.

#### **2.8 Trade debtors**

Known bad debts are written off and provision is made for debts considered doubtful.

#### **2.9 Revenue recognition**

Sales are recorded on despatch of goods to customers.

### **3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

10,850,000 Ordinary shares of  
Rs. 10/= each fully paid in cash

*2001*  
*Rupees*

*2000*  
*Rupees*

108,500,000 108,500,000  
=====

National Development Finance Corporation now merged with National Bank of Pakistan, hold 813,750 shares, subscribed and paid under equity participation agreements. Separate buy back agreements have been entered into with the sponsors of the Company.

### **4. PARTICIPATION RESERVE FOR ISSUE**

## OF CONVERTIBLE SHARES

This represent the apportionment of loss to PTC holders, led by Bankers Equity Limited (BEL), calculated in the manner provided in caluse 2.03 of the PTC'-~ agreement dated October 09, 1984. The BEL has agreed to convert the shares of loss into redeemable shares to be redeemed as per the terms of the agreement.

Share of loss for the year ended September 30,	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
1990	22,962,408	22,962,408
1991	27,070,021	27,070,021
1992	8,490,253	8,490,253
1993	6,649,158	6,649,158
1994	8,087,580	8,087,580
1995	3,287,807	3,287,807
	-----	-----
	76,547,227	76,547,227
Adjustment in 1997 on determination of final amount by BEL	(3,218,451)	(3,218,451)
	-----	-----
	73,328,776	73,328,776
	=====	=====

4.1 a. In case the Company earns a profit, in the year following the year in which loss has occurred, such profits shall be appropriated according to the following priorities:

(i) First 25% of such profit shall be applied in the reconversion of convertible shares in PTCs;

(ii) Thereafter 75% i.e., the balance remaining from the profit, shall be distributed on PTCs in terms of the shares of profit of PTC holders in the same proportion as the PTCs have with the amount of investment against PTCs reserves, and the paid-up capital of the Company. If however, the profit is insufficient for accommodating and giving a return in above terms, then the entire amount of such balance of the profit shall be distributed on the outstanding PTCs'

(iii) Any profit still left after the foregoing appropriations i.e., adjustments and distributions, it shall be wholly or to the extent of outstanding convertible shares, as the case may be, applied to convert such convertible shares into PTCs; and



(iv) Such balance as remains after the profits have been subjected to (i) to (iii) shall be applied for payment of profit on the PTCs reconverted under Clause (i) and (iii) above at the rate of 17% of the face value of PTCs.

b. If in any year during the currency of Convertible Shares the Company declares dividend, the Convertible Shares shall also be entitled to dividend at the same rate and in the same manner as is available to ordinary shareholders;

c. The Convertible Shares after payment of dividend, if any, as prescribed in Clause (b) above and reconversion into PTCs as envisaged in Clause (a) above shall be redeemed immediately. However, if the Company's cash flow position does not permit their immediate redemption, they shall in any case, be redeemed within 180 days from the date of conversion.

d. Such reconverted PTCs shall be entitled to participate in the Profit and loss of the Company from the first day of the financial year in which they are issued and have the same character and basis and shall be treated at par and pari passu with the PTCs as originally issued.

#### 5. SURPLUS ON REVALUATION OF FIXED ASSETS

Valuation of land, building, machinery and electric installation have been carried out as on September 30,1995 by independent valuers M/s. Razzak Umerani & Co. on the basis of depreciated replacement values. Revaluation surplus has been credited to surplus on revaluation of fixed assets account.

#### 6. REDEEMABLE CAPITAL

	<i>Syndicate finance</i>	<i>Restructured TFC installments</i>	<i>Rescheduled Loan</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Opening balance	95,319,856	19,614,690	152,893,171	267,827,717	295,210,634
Payments during the year	--	--	(9,000,000)	(9,000,000)	(27,382,917)
	-----	-----	-----	-----	-----
	95,319,856	19,614,690	143,893,171	258,827,717	267,827,717
Shown under current liabilities					
Redemption due	32,562,646	19,614,690	51,020,503	103,197,839	77,462,091
Payable within one year	14,629,396	--	21,649,603	36,278,999	34,735,748
	-----	-----	-----	-----	-----
	(47,192,042)	(19,614,690)	(72,670,106)	(139,476,838)	(112,197,839)
	-----	-----	-----	-----	-----
	48,127,814	--	71,223,065	119,350,879	155,629,878
	=====	=====	=====	=====	=====

Sale price (Million)	84.61	26.15	157.89
Purchase price (Million)	203.57	33.55	528.75
Rebate price (Million)	192.86	-	285.41
Redemption and repayment No. of instalments	16	36	16
Instalment payment rest Rupees each including markup	Half yearly 12,053,939	Monthly 931,956	Half yearly 17,838,277
Date of first instalment as per rescheduling	July 01, 1997	March 01, 1998	July 01, 1997
Sub note No.	6.10	6.20	6.30

6.1 BEL had rescheduled this loan vide their letter No. BE/RMD/PSML/95/053 dated October 24, 1995 and accordingly TFC finance, part of LFM loans I, II and III have been transferred to rescheduled loan under new TFCs. TFCs have not yet been issued. BEL had further rescheduled their portion (three installments from July 1997 to July 1998) (Refer Note No. 6.2).

6.2 This represent three installments of BEL LT-TFCs and accrued markup thereon vide their letter No. BE/PD/PSML/FA/98/228-2445 dated February 10, 1998. The Company has made default in payment of installment and markup thereon. As per the restructuring / rescheduling arrangement with BEL in case of single default in payment of installments the arrangement will be reversed and the Company will have to repay as per the previous arrangement. The company has not paid monthly installments during the year.

The BEL syndicate has filed a suit against the Company for recovery of their loan dues. The Company has requested for rescheduling and restructuring of total loan liabilities (Refer Note 1.2) and as such the Company is hopeful of favourable outcome.

6.3 LMM and other financing from NDFC and their accruals were rescheduled vide letter No. PG111/ 42/96 and 111/288/96 dated July 02, 1996 and transferred to new finance under TFCs basis. NDFC has not yet confirmed the effect of rescheduling as legal formalities and issue of TFCs has not been completed. NDFC has filed suit before High Court Sindh, Karachi for recovery of their LMM and other financing amounting to Rs. 266.28 million. The matter is pending for decision before the Court.

#### Rescheduling / restructuring:

The Company has requested NDFC for rescheduling / restructuring of loan liabilities as referred in Note No. 1.2.

#### Security:

The principal and accruals of all redeemable capital are secured against first English mortgage on all the present and future movable and immovable properties of the Company ranking pari passu with each other and a continu-

ing floating charge on the Company's assets. BEL and NDFC finance are further secured against pledge of sponsors shares.

## 7. DEFERRED LIABILITIES

### Banking Companies

	AGRICULTURAL FINANCE			Cash	2001	2000
	Principal	Principal	Frozen Markup	Finance	Rupees	Rupees
Opening balance	17,912,320	6,189,713	--	21,646,116	45,748,149	53,742,463
Markup transferred from current liabilities / adjustment	--	50,320	3,796,436	--	3,846,756	--
	-----	-----	-----	-----	-----	-----
	17,912,320	6,240,033	3,796,436	21,646,116	49,594,905	53,742,463
Down payment	--	1,500,000	--	--	1,500,000	2,516,234 I
Installments paid	2,700,000	790,006	632,740	6,000,000	10,122,746	5,478,080
	-----	-----	-----	-----	-----	-----
	(2,700,000)	(2,290,006)	(632,740)	(6,000,000)	(11,622,746)	(7,994,314)
	-----	-----	-----	-----	-----	-----
	15,212,320	3,950,027	3,163,696	15,646,116	37,972,159	45,748,149
Payable within one year shown under current liabilities	(3,600,000)	(1,580,012)'	(1,265,480)	(4,000,000)	(10,445,492)	(7,600,000)
	-----	-----	-----	-----	-----	-----
	11,612,320	2,370,015	1,898,216	11,646,116	27,526,667	38,148,149
	=====	=====	=====	=====	=====	=====
No. of installment	60	12	12	24		
Installment payment rest	Monthly	Quarterly	Quarterly	Quarterly		
Amount of installment	300,000	395,003	316,370	1,000,000		
Date of first installment	January 2001	May 2001	May 2001	January 2002		
Markup rate paisas per Rs. 1,000/- per day	Free	45 paisas	Free	Free		
Sub note	7.10	7.20	7.20	7.30		

### Securities

Above borrowings including amount due to Doha Bank Limited against encashment of guarantee (Refer Note 8) are secured against pledge / hypothecation of stock, stores and spares and charge on other current assets of the Company, equitable mortgage of property and pledge of directors' shares and are further secured by demand promissory note and personal guarantee of directors.

7.1 This represents agricultural finance from Agriculture Development Bank of Pakistan (ADBP). The ADBP have obtained decree in their favour for Rs. 22.4 million from Banking Court, Hyderabad. The Company negotiated with the bank for out of court settlement according to which Rs. 4.5 million was paid as down payment and the balance amount is payable in 60 monthly installments of Rs. 0.3 million commenced from January 2001.

7.2 The running finance and agricultural finance facilities were obtained from Habib Bank Limited. The Bank filed suits for recovery of Rs. 5.4 million and Rs. 15.1 million in the Banking Court, Hyderabad against running finance and agricultural finance respectively.

The Company paid the amount of running finance during 1999-2000 and negotiated with Habib Bank Limited for out of court settlement. Total outstanding principal was agreed upon at Rs. 6.2 million at interest of 45 paisas per Rs. 1,000/- per day. Down payment of Rs. 1.5 million was made and balance amount will be paid in 12 quarterly installments of Rs. 0.395 million.

Markup from 1997 to 2001 was frozen at Rs. 3.79 million and will be paid in 12 quarterly installment of Rs. 0.316 million.

7.3 Doha Bank Limited had filed suit for recovery of their dues and Honorable High Court Sindh, Karachi issued decree in favour of the Bank amounting to Rs. 50.9 million including markup. The Company negotiated with the bank for out of court settlement. Accordingly the total amount payable was Rs. 46.3 million including markup of Rs. 12.1 million upto November 1997 and Rs. 21.2 million in respect of guarantee given by the bank for Central Excise Duty which was encashed by the Department (Refer Note 8). In respect of the balance amount of Rs. 25 million, down payment of Rs. 2.5 million has been made and the balance amount is payable in 6 years in quarterly installments of Rs. 1 million effective from January 2000.

## 8. SHORT TERM BORROWINGS

Secured - under markup arrangements

Banking company

Cash finance (8.1)

Unsecured - interest free

Others

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
	22,595,369	22,595,369
	--	20,000,000
	-----	-----
	22,595,369	42,595,369
	=====	=====

8.1 This represents amount of bank guarantee issued by Doha Bank Limited on behalf of the Company for central excise duty which was encashed by the Department (Refer Note 7.3). The Company in view of pending suit, negotiated with the Bank for out of court settlement according to which the amount is payable immediately. It is subject to markup @ 55 paisas per Rs. 1,000/- per day.

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>9. CURRENT PORTION OF LONG TERM LIABILITIES</b>		
Installments due		
Redeemable capital	103,197,839	77,462,091
Payable within one year		
Redeemable capital	36,278,999	34,735,748
Deferred liabilities	10,445,492	7,600,000
	-----	-----
	149,922,330	119,797,839
	=====	=====
<b>10. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Suppliers and others	6,928,712	6,242,878
Accrued expenses	15,002,091	16,689,196
Road cess	4,530,654	4,530,654
Advance against sale	1,746,100	2,310,268
Growers liabilities	56,181,061	64,803,741
Surcharge	5,554,975	4,515,211
Profit / markup on secured		
Redeemable capital	152,285,347	122,473,361
Short term borrowings	58,105,480	62,206,015
Excise duty on borrowings	8,432,039	8,432,039
Provident fund	3,146,929	327,207
Income tax and zakat withheld	259,284	220,308
Unclaimed dividend	144,150	144,150
Sales tax	1,993,805	282,904
Worker's profit participation fund	53,703	--
Others	172,739	334,656
	-----	-----
	314,537,069	293,512,588
	=====	=====

## 11. CONTINGENCIES

11.1 Reinstatement of charges waived by NDFC at the time of rescheduling and the amount of rebate lost due to non payment of installments on due dates comes to approximately Rs. 129 million.

The same has not been accounted for in the books as the total liabilities recognized in the balance sheet approximates the amount of suit filed against the Company and further in the opinion of the management the same will be waived on finalization of negotiations, as referred to in Note No. 1.2.

11.2 The markup on over due installments of redeemable capital (Note 6) has not been accrued. As per the management the same has been accounted for on the basis of repayment schedule as the financing is done under Islamic Mode on predetermined purchase and sale price.

11.3 Some of the banks and financial institutions claimed profit on PTC amounting to Rs. 59 million but the Company does not acknowledge the same for the reasons mentioned in Note No. 4

11.4 Quality premium for the years upto 1999-2000 at higher rate not acknowledged by the Company amounts to Rs. 18.8 million.

## 12. OPERATING ASSETS

Particulars	Cost/ valuation at		Cost/ valuation at		Accumulated Depreciation		Depreciation/ (Adjustment) Accumulated Depreciation		Written Down value at	Dep Rate %
	October 01, 2000	Addition/ (Disposal)	September 30, 2001	at October 01, 2000	for the year	at September 30, 2001	September 30, 2001			
Freehold land	5,824,913	--	5,824,913	--	--	--	--	--	--	
Building on freehold land	137,094,063	--	137,094,063	55,976,730	8,111,733	64,088,463	--	73,005,600	10	
Office premises	19,254,820	--	19,254,820	7,885,041	1,136,978	9,022,019	--	10,232,801	10	
Plant and machinery	320,000,000	--	320,000,000	131,043,200	18,895,680	149,938,880	--	170,061,120	10	
Electrical installation and appliances	20,083,700	--	20,083,700		8,219,734	1,186,396	9,406,130	10,677,570	10	
Mills and other equipment	3,544,550	--	3,544,550		2,695,606	84,894	2,780,500	764,050	10	
Agricultural vehicles	1,331,467	--	1,331,467		1,093,053	47,683	1,140,736	190,731	20	
Furniture and fixture	5,312,772	28,175	5,340,947		4,294,482	104,646	4,399,128	941,819	10	
Office equipment	8,132,188	103,550	8,235,738		4,108,344	412,739	4,521,083	3,714,655	10	
Vehicles	8,134,349	3,509,000 (1,188,420)	10,454,929		4,731,150	1,255,985 (556,146)	5,430,989	5,023,940	20	
Rupees	528,712,822	3,640,725 (1,188,420)	531,165,127	220,047,340	31,236,734	250,727,928	280,437,199			

2000 Rupees	528,220,172	825,150 (332,500)	528,712,822	186,055,381	34,154,732 (162,773)	220,047,340	308,665,482	=	=
	=====	=====	=====	=====	=====	=====	=====	=====	=====

12.1 Depreciation for the year has been allocated as under:

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>
Cost of of goods manufactured	28,326,386	31,561,749
Administration.	2,910,348	2,592,983
	-----	-----
	31,236,734	34,154,732
	=====	=====

12.2 Detail of disposal of operating assets - To employees as per policy of the Company

<b>Description of assets</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Written Down Value</b>	<b>Sale Proceed</b>	<b>Name</b>
Vehicle	200,000	72,000	128,000	120,000	Mr. Ali Mohammad
Vehicle	556,920	328,806	228,114	228,114	Mr., Tahir Mehmood
Vehicle	431,500	155,340	276,160	339,110	Mr. M. Athar Khan
	-----	-----	-----	-----	
Rupees	1,188,420	556,146	632,274	687,224	
	=====	=====	=====	=====	
2000 Rupees	332,500	162,773	169,727	169,727	
	=====	=====	=====	=====	

12.3 Had there been no revaluation the related figures of office premises, building, machinery and electric installation at September 30, 2001, would have been as follows:-

<b>Particulars</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Written down value</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Office premises	10,340,206	7,041,376	3,298,830
Building	93,618,097	73,527,065	20,091,032
Machinery	386,808,065	300,568,099	86,239,966
Electric Installation	19,494,736	15,163,869	4,330,867
	-----	-----	-----

510,261,104	396,300,409	113,960,695
=====	=====	=====

### 13. STORES, SPARES AND LOOSE TOOLS

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Stores	7,335,519	7,281,898
Spares	20,565,911	21,246,294
Loose tools	741,174	735,009
	-----	-----
	28,642,604	29,263,201
	=====	=====

### 14. TRADE DEBTORS

Unsecured	2,857,368	2,300,991
Provision for doubtful recoveries	(2,300,991)	(1,048,749)
	-----	-----
Considered good	556,377	1,252,242
	=====	=====

### 15. LOANS, ADVANCES AND PREPAYMENTS

Due from employees	2,133,379	1,648,573
Advance to growers	33,249,295	28,568,125
Advances		
Transport contractors	1,984,157	1,990,260
Suppliers	2,142,584	1,119,795
Expenses	2,531,357	2,130,670
Advance tax	2,796,235	6,201,938
Prepayments	103,174	--
	-----	-----
	44,940,181	41,659,361
provision for doubtful recoveries	(32,124,399)	(31,962,227)
	-----	-----
	12,815,782	9,697,134
	=====	=====

### 16. CASH AND BANK BALANCES

Cash in hand	33,377	46,679
Cash with banks / financial institutions		



Current accounts	4,856,171	643,353
PLS accounts	13,913	15,024
	-----	-----
	4,903,461	705,056
	=====	=====

#### 17. SALES

Sugar	641,844,842	356,599,610
Molasses	15,395,652	6,472,111
	-----	-----
	657,240,494	363,071,721
Sales tax	(71,451,472)	(54,194,307)
	-----	-----
	585,789,022	308,877,414
	=====	=====

#### 18. COST OF GOODS SOLD

Sugar cane (including procurement, recovery premium and development charges)	433,568,926	260,484,271
Road cess	1,732,931	1,391,722
Salaries, wages and benefits (18.1)	33,857,876	30,287,569
Stores and spares	14,649,171	17,678,661
Packing material consumed	5,004,797	3,636,446
Insurance	1,658,475	1,608,087
Fuel and power	6,773,192	8,934,032
Telephone and postage	577,164	437,882
Vehicles running	1,117,021	1,059,954
Repairs and maintenance	131,662	197,593
Depreciation	28,326,386	31,561,749
Other overheads	4,478,342	3,133,588
	-----	-----
	531,875,943	360,411,554
	=====	=====

18.1 Salaries, wages and benefits includes Rs. 777,270/- (2000 - Rs. 677,363/-) in respect of staff retirement benefits.

#### 19. ADMINISTRATION EXPENSES

Director s remuneration	1,327,000	1,020,250
Receiver remuneration	--	300,000

Salaries and benefits (19.1)	4,085,036	4,393,856
Rent, rates and taxes	75,899	78,899
Repairs and maintenance	998,498	710,047
Vehicles running	1,209,272	873,260
Printing and stationery	246,439	393,624
Telephone and postage	1,303,767	1,302,821
Utilities	1,402,150	925,050
Fees and subscription	380,618	310,455
Insurance	823,732	508,520
Travelling and conveyance	231,334	286,481
Legal and professional	945,500	1,490,535
Audit fee	115,000	100,000
Consultancy charges	585,000	203,500
Advertisement	50,872	101,202
Charities and donation	--	25,015
Depreciation	2,910,348	2,592,983
Others	309,091	488,681
	-----	-----
	16,999,556	16,105,180
	=====	=====

19.1 Salaries and benefits includes Rs. 131,399/- (2000 - Rs. 114,556/-) in respect of staff retirement benefits.

## 20. SELLING EXPENSES

Loading and stacking	477,927	472,813
Brokerage and commission	145,000	--
	-----	-----
	622,927	472,813
	=====	=====

## 21. FINANCIAL CHARGES

Markup on short term borrowings	4,965,446	10,842,598
Markup on provident fund balance	2,144,921	--
Bank charges, guarantee commission, etc.	497,370	346,288
	-----	-----
	7,607,737	11,188,886
	=====	=====

## 22. OTHER ALLOCATION AND CHARGES

Mark up on redeemable capital (22.1)	29,801,986	35,865,786
(Reversal of provision)/provision against doubtful recoveries	1,414,414	(4,986,000)
Less: Reversal of excess provision of markup	(3,470,101)	--
	-----	-----
	27,746,299	30,879,786
	=====	=====

22.1 In view of loss for the year, profit on the amount of PTCs has not been provided as there is no condition of such provision in the PTCs agreement dated October 09, 1984. PTC holders will be entitled to share profit when company earns the same.

### 23. OTHER INCOME

Scrap sales	82,347	660,994
Profit on disposal of operating assets	55,150	--
	-----	-----
	137,497	660,994
	=====	=====

### 24. DEFERRED TAXATION

In view of the operating losses and available assessed tax loss, no provision for deferred tax liability is required.

### 25. PLANT CAPACITY AND PRODUCTION

	2001		2000	
	<i>Metric tons</i>	<i>Days</i>	<i>Metric tons</i>	<i>Days</i>
Capacity	42,600	160	42,600	160
Actual production	27,490	137	20,890	120
Reasons for shortfall:				
Production restricted to the availability of sugar cane.				
Working capital shortage				

### 26. PAYMENT TO DIRECTORS AND EXECUTIVES

	Chief Executive			Directors	Executives	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Remuneration	900,000	675,000	423,000	317,250	3,357,132	3,238,212

Meeting fee	--	--	4,000	28,000	--	--
	-----	-----	-----	-----	-----	-----
	900,000	675,000	427,000	345,250	3,357,132	3,238,212
	=====	=====	=====	=====	=====	=====
Number of persons						
Remuneration	1	1	2	2	9	10
Meeting fee	--	--	4	6	--	--

26.1 The chief executive and directors are entitled to free use of Company maintained car. Chief executive is also provided telephone and utility facilities. The monetary value of these facilities are Rs. 180,000/- (2000 - Rs. 229,224/-).

## 27. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company which is based on :-

		<i>2001</i>	<i>2000</i>
Loss after taxation	Rs	(2,769,564)	(108,903,683)
Weighted average number of Ordinary shares		10,850,000	10,850,000
Earnings per share	Rs.	(0.26)	(10.04)

## 28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company applies credit limits to its customers and does not have significant exposure to any individual customer.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk.

### Fair values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

## 29. NUMBER OF EMPLOYEES

The number of employees as at September 30, 2001 were 571 (2000 - 587).

### **30. FIGURES**

Corresponding figures have been rearranged wherever necessary for the purpose of comparison.  
Have been rounded off nearest to Rupee.

**CHIEF  
EXECUTIVE**

**DIRECTOR**