

Mehran Sugar Mills Limited

Annual Report 2000

CORPORATE MISSION

PREAMBLE

LE

We the management of Enterprise, 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 Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar, food products, sugar by products and other products wherein management or sponsors have expertise. In addition we 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 and sugar by products. We recognise the value of technological improvement kept 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 Mehran depends on integrity of each one of its employees. We consider our farmers who are our raw material suppliers as the most important part of our business.

We believe in diversification through new manufacturing facilities and through equity participation.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Mohammed Kasim Hasham	Chairman
Mr. Mohammed Ebrahim Hasham	Chief Executive Officer
Mr. Muhammed Hussain Hasham	Director
Mr. Khurram Kasim	Director
Mr. Ahmed Ebrahim	Director
Mr. S. Qamar All Zaidi	Director
Mr. Abdul Karim Lodhi (NIT)	Director
Mr. Gul Nawaz (NIT)	Director
Mr. Ghulam Yasin (ICP)	Director

COMPANY SECRETARY

Mr. Q.A. Wadud, Chartered Secretary

AUDITORS

Messrs Gangat & Company
Chartered Accountants
Karachi

LEGAL ADVISER

Aman Law Associates
Advocates & Corporate Consultants
Karachi

REGISTERED OFFICE

Adamjee House, 8th Floor

I.I. Chundrigar Road

Karachi

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MILLS

Tando Allahyar, Distt. Hyderabad,

Sindh

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e-mail: msmta@yahoo.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General Meeting of the Company will be held at its Registered Office, Adamjee House, 8th Floor, I.I. Chundrigar Road, Karachi on Wednesday 28th March 2001 at 10:00 a.m. to transact the following business:-

1. To confirm the minutes of the last Annual General Meeting held on March 29, 2000.
2. To receive and adopt the Audited Accounts for the year ended 30th September 2000 and the Directors' and Auditors' report thereon.
3. To approve and declare the dividend of Rs. 1.00 per ordinary shares of Rs. 10.00 as recommended by the Directors.
4. To appoint Auditors' for the year ending at the conclusion of the 36th Annual General Meeting and fix their remuneration. The retiring Auditors, Messrs Gangat & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.
5. To transact any other business, which may be dealt in such meeting, with the permission of the Chairman.

By order of the Board of
Directors

Q.A. Wadud
Company Secretary

Karachi, February 22, 2001

Note:

(1) A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote on his/her behalf. A proxy must be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for holding the Annual General Meeting.

(2) The Share Transfer Books shall remain closed from 22nd March 2001 to 28th March 2001 (both days inclusive) for determining the entitlement of dividends.

(3) Members are requested to intimate any change in their addresses immediately.

OPERATION AT A GLANCE-KEY INDICATORS (2000-1996)

PERIOD ENDING SEPTEMBER 30TH

Particulars	2000	1999	1998	1997	1996
Equity (Rs. in million)					
Paid-up Capital	98.438	98.438	98.438	98.438	98.438
Capital & General Reserves	149.849	144.206	117.113	117.113	107.781
Production (M. Tons):					
Sugarcane Crushed	437,622	699,994	568,225	275,292	243,283
Sugar Produced	40,765	63,590	57,117	29,100	34,284
Average Sucrose Recovery	9.30%	9.08%	10.06%	10.57%	9.90%
Crushing Days	109	142	137	111	144
Earnings (Rs. in million):					
Sales	663.110	1014.993	852.092	555.799	511.956
Gross Profit/(Loss)	74.560	135.684	78.653	89.370	88.767
Pre-Tax Profit/(Loss)	16.820	51.856	1.791	21.411	10.697
After Tax Profit/(Loss)	15.486	46.781	(0.831)	24.851	7.937
Return on Equity	1.57	4.75	-0.08	2.22	0.81

Payout (Rs. in million):					
Cash Dividend	9.844	19.688		12.305	9.844
Bonus					
Shares	0	0	0	0	0
Rate of Return	10%	20%	0	12.50%	10%

DIRECTORS' REPORT TO THE SHAREHOLDERS

The members of the Board of Director take pleasure in presenting the Thirty-fifth Annual Report, alongwith the audited accounts of the Company for the year ended September 30, 2000.

The year under review was a difficult year for the Sugar Industry as a whole. Installed crushing capacity of almost every mill in Sindh remained under utilized due to less availability of sugarcane. The mill had to be closed earlier after working for only 109 days as compared to 142 days in the last year. The average recovery of sucrose however improved to 9.30% as compared to last year's 9.08%.

A brief summary of the operational results is as follows:

	<i>September, 2000</i>	<i>September, 1999</i>
Season commenced	<i>November, 07</i>	<i>November, 12</i>
Season closed	<i>February, 23</i>	<i>April, 02</i>
Duration of season	<i>109 Days</i>	<i>142 Days</i>
Cane crushed - Metric tons	437,622	701,628
Cane crushed - Maunds	11,724,900	18,798,216
Average crushing per day - M/ton	4,015	4,162
Average Sucrose recovery	9.30%	9.08%
Sugar Production - M/Ton	40,765	63,589
Molasses Production - M/Ton	22,140	35,291

Due to short supply of cane your mill could produce only 40,765 metric tons of sugar which is 35.89 percent lower as compared to last years 63,590 metric tons. However, the policy of prompt payment and further improving relations with growers remained the top priority of the management.

The financial results for the year under review are as under:

	1999-2000	1998-1999
Profit before Taxation	17,572,554	51,855,692
Profit (Loss) after Taxation	15,278,571	46,780,875
Profit (Loss) available for appropriation	16,703,444	46,112,373

Earning per ordinary shares of Rs.10/= each for the year under review is Rs.1.57 as compared to Rs.4.75 in the previous year.

The following negative factors affected the profitability of the Company:

- Higher cane price due to unhealthy competition amongst the mills.
- Active role of the middleman, which further aggravated the cane supply position.
- Increased rates of POL products.
- Overall increase in cost of production due to lower utilization of crushing capacity.

Performance of the on-going season

The crushing season started on November 2, 2000. Due to lower carry over stocks of sugar, the sugar prices increased to an unprecedented level just before the start of the season which prompted the growers to demand extremely high price for the sugarcane. Mills started paying higher price for sugar cane looking only at the short term scenario. However, the sugar prices began to decline as the availability of sugar improved due to full swing crushing and liberal imports of sugar. The escalating prices of cane and declining trend of the sugar market made it uneconomical for the mills to continue crushing. This led to the closure of all the sugar mills of Sindh for about a fortnight. The Government of Sind intervened and the mills restarted after an agreement was reached between the growers and Mills that the cane will be supplied by the growers at the rate of Rs.50.00 per 40 Kgs.

Till todate, your mill has crushed 493,619 metric tons of sugarcane and produced 44,014 metric tons of sugar at an average recovery of 9.15%. In addition to this, 9,576 metric tons of sugar has been refined / manufactured from imported Raw Sugar for the first time at a recovery of 92.65%. Thus total sugar produced so far comes to 53,590 metric tons.

The reasons for lower sugarcane crop are as follows:

- 15% to 20% fall in yield per acre.
- Approximately 05 to 10% fall in acreage.
- Draught like situation in some of the cane growing areas.
- Overall inadequate supply of irrigation water in the traditional zone of our mill.
- Excessive lifting of the sugarcane from the natural zone of our mill by other sugar mills.

Appointment of Auditors

Messers Gangat & Company, Chartered Accountants, Karachi, the retiring Auditors of the Company being eligible, offer themselves for re-appointment, for the year 2000-2001

Acknowledgement

The Directors place on record their appreciation for the devoted services and hard work of the officers, staff and workers of the Company in achieving best possible results.

The Directors also appreciate the continued cooperation and support of the shareholders, sugar-cane farmers of the area, the customers, creditors and the provincial and federal governments.

**For and on behalf of the Board
of Directors,**

**Mohammed Kasim
Hasham**

Chairman

**Mohammed Ebrahim
Hasham**

**Chief Executive
Officer**

Karachi, February 22, 2001

PATTERN OF SHAREHOLDINGS

as at September 30, 2000

*Number
of
Sharehold
ers*

Shareholding

*Total
shares held*

783	From	1	to	100	20,096
150	From	101	to	500	39,782
41	From	501	to	1000	29,198
63	From	1001	to	5000	177,435
14	From	5001	to	10000	90,862
5	From	10001	to	15000	64,377
5	From	15001	to	20000	77,365
4	From	20001	to	25000	82,386
5	From	25001	to	30000	25,463

1	From	30001	to	35000	30,072
1	From	35001	to	40000	38,683
2	From	40001	to	45000	86,830
3	From	45001	to	50000	139,353
1	From	50001	to	55000	52,672
1	From	55001	to	60000	58,905
1	From	65001	to	70000	65,829
2	From	70001	to	75000	148,204
1	From	75001	to	80000	79,642
1	From	85001	to	90000	85,549
2	From	95001	to	100000	199,253
1	From	130001	to	135000	131,706
1	From	160001	to	165000	162,339
1	From	165001	to	170000	166,272
1	From	185001	to	190000	187,500
1	From	200001	to	205000	201,298
1	From	330001	to	335000	332,510
1	From	420001	to	425000	420,778
1	From	575001	to	580000	577,386
1	From	1155001	to	1160000	1,157,092
1	From	1185001	to	1190000	1,189,558
1	From	1190001	to	1195000	1,190,758
1	From	2530001	to	2535000	2,534,597
-----					-----
1098					9,843,750
=====					=====
===					=====

(The slabs, having no holding, have been omitted)

Categories of Shareholders

	<i>Number</i>	<i>Share held</i>	<i>Percentage</i>
Individuals	1,082	6,484,358	65.87
Investment Companies	1	2,534,597	25.75
Insurance Companies	3	173,094	1.76
Joint Stock Companies	4	188,045	1.91
Financial Institutions	3	455,851	4.63
Modaraba Companies	--	--	--
Other (See below)	5	7,805	0.08
	-----	-----	-----
	1,098	9,843,750	100.00

The Okhai Memon Youth Services	=====	=====	=====
		5,235	0.05
The Hussain Ebrahim Foundation		437	--
The Administrator, Abandoned Properties, Government of Pakistan		132	--
The Corporate Law Authority		1	--
The United Executor & Trustees Company Ltd		2,000	0.02
		-----	-----
		7,805	0.07
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MEHRAN SUGAR MILLS LIMITED as at September 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity 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, and 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) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion 3/4

(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, cash flow statement and statement of changes in equity 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 respectively give a true and fair view of the state of the company's affairs as at September 30, 2000 and of the profit/loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi, March 4, 2000

**GANGAT &
COMPANY**
Chartered Accountant

BALANCE SHEET as at September 30, 2000

	<i>NOTE</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital Authorise d			
50,000,000 (1999: 50,000,000) ordinary shares of Rs.10/- each		500,000,000	500,000,000

Issued Subscribed & Paid up	3	98,437,500	98,437,500
RESERVE AND SURPLUS			
Capital reserve	4	63,281,250	63,281,250
Revenue reserve - General	5	85,000,000	79,500,000
Unappropriated profit		1,567,592	1,424,873
		-----	-----
		149,848,842	144,206,123
		-----	-----
		248,286,342	242,643,623
REDEEMABLE CAPITAL	6	21,120,540	28,160,719
LONG TERM LOANS	7	26,392,550	15,760,446
DEFERRED LIABILITIES	8	111,308,307	111,646,544
CURRENT LIABILITIES			
Current maturity of redeemable capital and long term loans	9	22,149,985	19,238,757
Short term borrowings	10	45,946,864	25,700,878
Creditors, accrued and other liabilities	11	71,471,681	88,595,339
Dividends	12	15,195,324	15,511,686
		-----	-----
		154,763,854	149,046,660
CONTINGENCIES & COMMITMENTS	13		
		-----	-----
		561,871,593	547,257,992
		=====	=====
PROPERTY AND ASSETS			
FIXED ASSETS			
Operating assets	14	401,571,176	397,043,852
Capital work-in-progress		3,021,496	4,294,481
LONG TERM INVESTMENTS	15	42,511,096	42,511,096
CURRENT ASSETS:			
Stores and spares	16	38,946,615	33,135,830
Stock-in-trade	17	3,359,905	2,333,540
Trade	18	9,434,835	9,828,185

debts			
Loans, advances, prepayments and receivables	19	62,612,875	41,863,981
Cash and bank balances	20	413,595	16,247,027
		-----	-----
		114,767,825	103,408,563
		-----	-----
		561,871,593	547,257,992
		=====	=====

The annexed notes form an integral part of these accounts.

**Mohammed Kasim
Hasham**

Chairman

**Mohammed Ebrahim
Hasham**
**Chief Executive
Officer**

**PROFIT AND LOSS ACCOUNT
for the year ended September 30, 2000**

	<i>NOTE</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Sales	21	663,110,442	1,014,993,415
Cost of goods sold	22	588,550,419	879,128,996
		-----	-----
Gross Profit		74,560,023	135,864,419
Administrative expenses	23	38,441,731	42,226,214
Selling expenses	24	2,491,522	22,027,373
Financial expenses	25	19,906,194	19,072,615
		-----	-----
		60,839,447	83,326,202
		-----	-----
Operating profit		13,720,576	52,538,217
Other income	26	4,960,763	3,723,668
Donations	27	(314,465)	(945,015)
Zakat		(300,000)	(16,000)
Workers' profit participation fund	28	(903,339)	(2,765,044)

Workers' welfare fund		(343,269)	(680,134)
		-----	-----
		3,099,690	(682,525)
		-----	-----
Profit before taxation		16,820,266	51,855,692
Taxation	29	1,333,797	5,074,817
		-----	-----
Profit after taxation		15,486,469	46,780,875
Unappropriated profit brought forward		1,424,873	(668,502)
		-----	-----
Profit available for appropriation		16,911,342	46,112,373
Appropriations:			
Interim dividend Nil (1999:10%)		--	(9,843,750)
Proposed dividend 10% (1999:10%)		(9,843,750)	(9,843,750)
Transfer to revenue reserved		(5,500,000)	(25,000,000)
		-----	-----
Unappropriated profit carried forward		1,567,592	1,424,873
		=====	=====
Earnings per share	31	1.57	4.75
		=====	=====

The annexed notes form an integral part of this profit and loss account.

**Mohammed Kasim
Hasham**

Chairman

**Mohammed Ebrahim
Hasham**

**Chief Executive
Officer**

CASH FLOW STATEMENT for the year ended September 30, 2000

	<i>NOTE</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Cash flow from Operating activities:			
Cash generated from operation	A	12,324,426	167,263,601
Financial charges paid		(19,906,194)	(24,570,002)
Taxes paid		(4,302,065)	(5,457,735)
		-----	-----
Net cash (outflow) / inflow from operating activities		(11,883,833)	137,235,864

Cash flow from Investing Activities:		
Fixed capital expenditure	(21,811,611)	(17,063,733)
Capital work-in-progress	1,272,985	(1,923,596)
Sales proceeds of fixed assets	--	4,512,850
	-----	-----
Net cash (outflow) from investing activities	(20,538,626)	(14,474,479)
Cash flow from Financing Activities:		
Long term loans raised	10,632,104	3,500,000
Repayment of long term loans	2,911,228	(20,419,810)
Repayment of redeemable capital	(7,040,179)	(7,040,179)
Dividend paid	(10,160,112)	(8,659,148)
	-----	-----
Net cash (outflow) from financing activities	(3,656,959)	(32,619,137)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	(36,079,418)	90,142,248
Cash and cash equivalent at the beginning of the year	(9,453,851)	(99,596,099)
	-----	-----
Cash and cash equivalent at the end of the year B	(45,533,269)	(9,453,851)
	=====	=====

**Mohammed Kasim
Hasham
Chairman**

**Mohammed Ebrahim
Hasham
Chief Executive
Officer**

**NOTES TO THE CASH FLOW STATEMENT
for the year ended September 30, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
A. Cash Generated from Operation		
Profit before taxation	16,820,266	51,855,692
Adjustments for non-cash charges and other items:		
Depreciation	17,284,287	20,213,483
Gratuity	(338,237)	1,852,264
Profit on sale of fixed assets	--	(672,294)

Financial charges	19,906,194	19,072,615
	-----	-----
	36,852,244	40,466,068
	-----	-----
Profit before working capital changes	53,672,510	92,321,760
Effect on cash flow due to working capital changes		
(Increase)/Decrease in current assets:		
Stores and spares	(5,810,785)	2,119,910
Stock-in-trade	(1,026,365)	31,153,376
Trade debts	393,350	7,025,006
Loans, advances and short term prepayments	(18,130,424)	(4,369,594)
	-----	-----
	(24,574,224)	35,928,698
Increase / (Decrease) in current liabilities:		
Creditors, accrued and other liabilities	(16,773,860)	39,013,143
	-----	-----
	(41,348,084)	74,941,841
	-----	-----
	12,324,426	167,263,601
	=====	=====
B. Cash and Cash Equivalent		
Bank and cash balances	413,595	16,247,027
Short term borrowings	(45,946,864)	(25,700,878)
	-----	-----
	(45,533,269)	(9,453,851)
	=====	=====

Mohammed Kasim
Hasham

Chairman

Mohammed Ebrahim
Hasham
Chief Executive
Officer

STATEMENT OF CHANGES IN EQUITY
for the year ended September 30, 2000

Share

Capital

Revenue

Unappropriated

	<i>Capital Rupees</i>	<i>Reserve Rupees</i>	<i>Reserve Rupees</i>	<i>Profit/(Loss) Rupees</i>	<i>Total Rupees</i>
Balance as at September 30, 1998	98,437,500	63,281,250	54,500,000	(668,502)	215,550,248
Profit for the year ended September 30, 1999				46,780,875	46,780,875
Appropriation:					
Interim dividend	--	--	--	(9,843,750)	(9,843,750)
Proposed dividend	--	--	--	(9,843,750)	(9,843,750)
Transfer to Revenue reserve	--	--	25,000,000	(25,000,000)	--
	-----	-----	-----	-----	-----
Balance as at September 30, 1999	98,437,500	63,281,250	79,500,000	1,424,873	242,643,623
Profit for the year ended Sept. 30, 2000				15,486,469	15,486,469
Transfer to Revenue Reserves			55,000,000	(5,500,000)	--
Proposed dividend			--	(9,843,750)	(9,843,750)
	-----	-----	-----	-----	-----
Balance as at September 30, 2000	98,437,500	63,281,250	85,000,000	1,567,592	248,286,342
	=====	=====	=====	=====	=====

NOTES TO THE ACCOUNTS for the year ended September 30, 2000

1. STATUS AND NATURE OF BUSINESS

Mehran Sugar Mills Limited is a Public Limited Company incorporated in Pakistan and is quoted on Karachi Stock Exchange. The Company is engaged in the manufacture and sale of sugar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared on the historical cost convention without any adjustment for the effect of inflation or current values.

2.2 Staff Retirement Benefits

The total cost of the Company's contribution to provident fund for the year has been charged against revenue and the payments made to the trust fund established by the Company for these purposes.

Liability on account of gratuity payable to employees has been fully provided for in the accounts.

2.3

Taxation

Current

Provision for current taxation is based on taxable income on after taking into account tax rebates and tax credits available or based on 0.5% of turnover, whichever is higher.

Deffered

The company accounts for deferred tax in respect of timing differences arising from depreciation allowances on fixed assets using the liability method. It, however does not account for deferred tax in respect of other timing difference arising from sundry provisions.

2.4 Fixed Assets

These are stated at cost less accumulated depreciation except land and capital work-in progress which are stated at cost.

Depreciation is charged to income applying the reducing balance method for the full year, at rates shown in note 14 except for plant and machinery of the sugar unit on which depreciation is charged for the actual number of working days.

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

Maintenance and normal repairs are charged to income as and when incurred.

Major renewals and improvements are capitalised. Gain or loss, if any, on disposal of assets is included in income currently.

2.5 Investments

Investments are stated at cost less provision made for diminution in its value.

2.6 Stores, Spares and Stock of Fertilizers

These are valued at cost using the first in, first out method.

2.7 Stock-in-trade

It is valued at lower cost and net realisable value. Cost is determined on an average basis including an appropriated proportion of factory overhead expenses.

2.8 Revenue Recognition

2.8.1 Sales of goods are recognised on delivery of goods. Income from Term Deposits is accounted for on receipt basis.

2.8.2 Mark up on advances to growers are accounted for as and when received.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

5,968,750 Ordinary Shares of Rs.10/- each
fully paid in cash

<i>2000</i>	<i>1999</i>
<i>RUPEES</i>	<i>RUPEES</i>

59,687,500	59,687,500
------------	------------

350,000 Ordinary Shares of Rs. 10/- each
fully paid up issued to PICIC

3,500,000	3,500,000
-----------	-----------

3,525,000 Ordinary Shares of Rs.10/- each
fully paid up issued as bonus shares

35,250,000	35,250,000
------------	------------

----- 98,437,500	----- 98,437,500
=====	=====

4. CAPITAL RESERVE

Premium on issue of right shares

63,281,250	63,281,250
=====	=====

5. REVENUE RESERVE - GENERAL

Balance as per last balance sheet	79,500,000	54,500,000
Transferred from profit and loss appropriation account	5,500,000	25,000,000
	-----	-----
	85,000,000	79,500,000
	=====	=====

6. REDEEMABLE CAPITAL

PICIC LMM Finance (6.1)	28,160,719	35,200,898
Less: Installments payable within one year grouped under current liabilities	(7,040,179)	(7,040,179)
	-----	-----
	21,120,540	28,160,719
	=====	=====

6.1 The company has entered into purchase and sale agreement on mark-up basis with Pakistan Industrial Credit & Investment Corporation Limited in respect of locally manufactured machinery for balancing, modernisation, replacement and expansion. The total purchase price is Rs.127,257,420 (net of prompt payment rebate of Rs.25,451,484) with a corresponding sale price of Rs.90,114,295 which has been fully disbursed. The payment of the purchase price is to be made in forty one quarterly installments. The mark-up rate is 8 percent per annum.

The above arrangement is secured by way of equitable mortgage by deposit of title deeds of all immovable properties of the company which shall rank pari passu with the mortgage, if any, already subsisting in favour of existing creditors/TFCs holders. In addition, the Company has also executed and registered an irrevocable power of attorney in favour of PICIC with powers, inter alia, to execute and register a legal mortgage if and when required by PICIC.

7. LONG TERM LOANS-UNSECURED

From Directors	9,768,226	6,268,226
Received during the year	6,522,597	3,500,000
	-----	-----
	16,290,823	9,768,226
Less: Installments payable within one year grouped under current liabilities	(4,617,780)	(4,617,780)
	-----	-----
	11,673,043	5,150,446

	=====	=====
	2000	1999
	RUPEES	RUPEES
From Associated undertaking	15,915,000	--
Received during the year	4,109,507	15,915,000
	-----	-----
	20,024,507	15,915,000
Less: Installments payable within one year grouped under current liabilities	(5,305,000)	(5,305,000)
	-----	-----
	26,392,550	15,760,446
	=====	=====

7.1 Mark-up is payable at the rate of 38 paise per thousand per day. Loan is repayable in six half yearly installments.

8. DEFERRED LIABILITIES

Taxation {note 8.1}	17,400,000	17,400,000
Staff gratuity	10,981,195	11,319,432
Road Cess (note 8.2)	42,835,360	42,835,360
Market Committee Fee (note 8.2/	40,091,752	40,091,752
	-----	-----
	111,308,307	111,646,544
	=====	=====

8.1 Deferred taxation arising due to timing difference computed under the tax liability method at 30% estimated to Rs.51.679 million (1999:Rs.49.064 million). The deferred tax liability to the extent of Rs.34.279 million has not been provided as it is unlikely to crystallize within foreseeable future.

8.2 Road Cess and Market Committee Fee liabilities have been transferred from current liabilities to deferred liabilities as these items are disputed and not yet been settled.

9. CURRENT MATURITY OF REDEEMABLE CAPITAL AND LONG TERM LOANS

Redeemable capital	7,040,179	7,040,179
Less: Advance payment made during the year	(1,760,046)	(1,760,046)

	-----	-----
	5,280,133	5,280,133
Current maturity of long term loans	9,922,780	9,922,780
Overdue portion of long term loans	6,947,072	4,035,844
	-----	-----
	22,149,985	19,238,757
	=====	=====

10. SHORT TERM BORROWINGS

10.1 Secured from Banks	45,946,864	25,700,878
-------------------------	------------	------------

Against pledge of sugar stock and hypothecation of stores and spares. Hypothecation of stocks of sugarcane crop of growers, guarantee of the company and second charge on the fixed assets. The rates of mark-up range 43 to 51 paisas per thousand per day.

10.2 The total credit facilities available to the Company amounted to Rs.225 million (1999:Rs.200 million).

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	14,088,870	12,306,398
Interest/Mark-up accrued and outstanding on unsecured advances	9,444,685	10,877,993
Mark-up on bank guarantee	6,192,329	6,192,329
Mark-up on secured borrowings	5,616,165	5,616,165
Workers' profit participation fund (note 11.1)	903,339	2,777,263
Workers' welfare fund	1,023,403	680,134
Taxation	--	349,798
Advance from customer	--	2,014,180
Accrued liabilities	12,460,878	15,142,000
Others	21,742,012	32,639,079
	-----	-----
	71,471,681	88,595,339
	=====	=====

11.1 Workers' profit participation fund		
Balance as per last balance sheet	2,777,263	97,752
Add: Provided during the year	903,339	2,765,044
Interest credited	--	12,219
	-----	-----

	3,680,602	2,875,015
Less: Paid during the year	2,777,263	97,752
	-----	-----
	903,339	2,777,263
	=====	=====

12. DIVIDENDS

Unclaimed	5,351,574	5,667,936
Proposed dividend	9,843,750	9,843,750
	-----	-----
	15,195,324	15,511,686
	=====	=====

2000
RUPEES

1999
RUPEES

13. CONTINGENCIES AND COMMITMENTS

Contingent liabilities in respect of:

KMC demand for octroi	0.17	0.17
Penalty on non-payment of octroi	1.67	1.67
Short payment of EOBI contribution for the period October 1990 to September 1993, which is disputed by the Company	3.20	3.20
Short payment of SESSI contribution for the period October 1990 to December 1994, which is disputed by the Company	3.28	3.28
Guarantees and counter guarantees	8.81	8.81
Contingent gain/assets in respect of Insurance claim of molasses burnt	2.12	2.12
DGP Army against supply of sugar, cotton seeds, oil cake etc.	9.21	9.21

Commitments
Letter of Credit

70.61 --

14. FIXED ASSETS- OPERATING

PARTICULARS	Cost to	(Deletions)	Cost to	Accumulated	Deprecia-	Accumul	Written	Rate
	September30,		September30,	September	tion charge	ated	down	
	1999	During the	2000	301,999	(deletions)	on	on	
		year			for the year	September	September	
						30, 2000	30, 2000	
Freehold land	180,720	--	180,720	--	--	--	180,720	--
Factory building on freehold land	57,686,650	--	57,686,650	32,278,080	2,540,857	34,818,936	22,867,713	10
Non factory building on freehold land	4,168,720	6,994,547	11,163,267	2,755,380	420,394	3,175,774	7,987,493	5
Plant and machinery	553,269,189	10,669,086	563,938,275	201,401,789	10,826,432	212,228,221	351,710,054	10
Workshop tools and other equipments	4,145,009	--	4,145,009	2,025,585	211,942	2,237,527	1,907,482	10
Weighbridge and scales	928,624	--	928,624	619,582	30,904	650,486	278,138	10
Electric installation	6,282,982	2,926,252	9,209,234	2,676,355	653,288	3,329,643	5,879,591	10
Airconditioners & refrigerators	3,678,821	395,350	4,074,171	2,315,276	175,890	2,491,166	1,583,005	10
Furniture and fixture	1,963,946	209,438	2,173,384	1,562,815	61,057	1,623,872	549,512	10
Office equipments	5,696,004	516,938	6,212,042	2,906,446	826,624	3,733,070	2,479,872	10
Vehicles	14,761,272	100,000	14,861,272	7,176,777	1,536,899	8,713,676	6,147,596	20
	-----	-----	-----	-----	-----	-----	-----	
Total Rupees 2000	652,761,937	21,811,611	674,573,548	255,718,085	17,284,267	273,002,372	401,571,176	
	=====	=====	=====	=====	=====	=====	=====	
Total Rupees 1999	641,122,391	17,063,733	652,761,937	237,088,233	20,213,483	255,718,085	397,043,852	

17. STOCK-IN-TRADE

Sugar	--	60,500
Molasses	704,445	--
Sugar-in-process	2,655,460	2,273,040
	-----	-----
	3,359,905	2,333,540
	=====	=====

18. TRADE DEBTS- UNSECURED

Considered good	9,434,835	9,828,185
Considered doubtful	2,241,225	2,241,225
	-----	-----
	11,676,060	12,069,410
Less: Provision for doubtful debts	2,241,225	2,241,225
	-----	-----
	9,434,835	9,828,185
	=====	=====

2000
RUPEES

1999
RUPEES

19. LOANS, ADVANCES, PREPAYMENTS AND RECEIVABLES

Loans and advances, considered good:		
Due from employees	4,900,157	2,145,072
Cane growers	19,263,990	6,634,253
Provision for doubtful advances	(1,927,582)	(1,927,582)
	-----	-----
	17,336,408	4,706,671
Advance income tax	3,696,689	1,078,219
Advance to suppliers, considered good	13,802,870	18,086,540
Sundry deposits and prepayments	13,887,684	10,331,983
L/C Margin deposit	7,531,238	
Other receivables	1,457,829	5,515,496
	-----	-----
	6276127875	41,863,981
	=====	=====

19.1 A provision of Rs.1,927,582 has been made in these accounts against doubtful advances to cane growers. The directors are of the opinion that the amount of the provision is sufficient to cover any future non-recovery of advances.

20. CASH AND BANK BALANCES

At bank		
on:		
Current accounts	401,006	2,712,698
Term deposit account	--	13,500,000
Cash in hand	12,589	34,329
	-----	-----
	413,595	16,247,027
	=====	=====

21.		
SALES		
Local	761,104,658	937,837,010
Brokerage and commission	(146,880)	(633,775)
Sales tax	(97,847,336)	(110,776,434)
	-----	-----
Export	663,110,442	826,426,801
	--	188,566,614
	-----	-----
	663,110,442	1,014,993,415
	=====	=====

22. COST OF GOODS SOLD

Sugarcane		
(including procurement and development)	477,772,796	682,706,575
Road cess on sugarcane	8,205,424	14,604,115
Market committee fee	2,188,106	3,508,138
Excise duty	--	11,579,017
Salaries, wages and bonuses	45,862,066	57,519,696
Stores and spares consumed	42,226,694	53,996,484
Repairs and maintenance	5,595,687	10,280,056
Fuel, electricity and water charges	14,342,540	13,184,795
Insurance	952,832	872,983
Depreciation	14,683,817	17,811,333

Cost of goods manufactured	611,829,962	866,063,192
Sale of molasses	(22,253,178)	(18,087,572)
	-----	-----
	589,576,784	847,975,620
Opening stocks		
Sugar in process	2,273,040	870,060
Sugar	60,500	32,613,664
Molasses	--	3,192
	-----	-----
	2,333,540	33,486,916
Closing stocks		
Sugar in process	(2,655,460)	(2,273,040)
Sugar	--	(60,500)
Molasses	(704,445)	--
	-----	-----
	(3,359,905)	(2,333,540)
	-----	-----
	588,550,419	879,128,996
	=====	=====

22.1 The Company purchased from and sold to the associated undertakings goods and materials in the aggregate sum of Rs. Nil (1999:Rs. Nil) and Rs. 14,517,415 (1999:Rs. 18,087,572) respectively.

	<i>2000</i>	<i>1999</i>
	<i>RUPEES</i>	<i>RUPEES</i>
23. ADMINISTRATIVE EXPENSES		
Salaries, bonus and other benefits (including directors' emoluments)	22,007,966	19,426,398
Rent, rates and electricity	1,103,114	667,732
Postage, telegram and telephone	2,277,452	3,123,669
Printing and stationery	1,085,915	1,409,412
Travelling and conveyance	2,158,444	3,422,573
Vehicle expenses	3,192,086	5,577,185
Legal and professional charges (note 23.1)	1,913,100	3,607,597
Fees and subscription	450,853	317,465
Insurance	105,870	96,998

Repairs and maintenance	943,511	1,709,316
General expenses	602,950	465,719
Depreciation	2,600,470	2,402,150
	-----	-----
	38,441,731	42,226,214
	=====	=====

23.1 Legal and professional charges include, inter alia, the following in respect of auditors' services for:

Statutory audit	95,000	95,000
	=====	=====

24. SELLING EXPENSES

Freight and loading	2,245,730	4,963,495
Export expenses	--	16,360,743
Advertising	245,792	703,135
	-----	-----
	2,491,522	22,027,373
	=====	=====

25. FINANCIAL EXPENSES

Mark-up on long term redeemable capital	2,465,905	3,027,084
Mark-up on long/short term borrowings:		
Associated undertaking and directors	5,618,283	7,051,566
Bank borrowings	11,584,949	7,828,750
On bank guarantee	180,675	400,000
Workers' profit participation fund	--	12,219
	-----	-----
	17,383,907	15,292,535

Bank charges	56,382	752,996
	-----	-----
	19,906,194	19,072,615
	=====	=====

26. OTHER INCOME

Profit/Mark-up earned on deposits and advances	1,931,389	1,357,867
Profit on disposal of fixed assets	--	672,294
Scrap sale	1,101,686	1,514,765
Sundry receipts	613,888	178,742
Income on fertilizers	1,313,800	--
	-----	-----
	4,960,763	3,723,668
	=====	=====

27. DONATIONS

Usman Memorial Hospital

Federal "B" Area

Karachi.

(Late Haji Hasham Haji Ahmed, Haji Dawood Haji Ahmed

Mr. Muhammad Kasim, Mr. Muhammad Ebrahim and

Mr. Muhammad Hussain, directors of the company are

members of the Foundations' Board of Governors)

-- 50,000

Hashim Institute of Technology

Tando Allahyar Distt. Hyderabad Sindh.

(All the directors except nominee

directors are interested)

25,000 50,000

25,000 100,000

=====

28. WORKERS' PROFIT PARTICIPATION FUND

The company has fully allocated 5 percent of net

profit before tax for workers' profit participation

fund. Interest is paid at the rate of 2.5 percent

above the bank rate or 75 of the rate at which

dividends is cleared, whichever is higher.

903,339 2,765,044

=====

29. TAXATION

Current

3,315,552 5,074,817

Prior years

(1,981,755) --

1,333,797 5,074,817

=====

Effective interest rate for the monetary financial assets and liabilities are mentioned in the respective note to the accounts.

30.1 Financial Instrument and Risk Management

The Company issues financial instruments to finance its operation in addition to the financial instruments, trade debts and trade creditors arise directly from the company's operation.

The Company finances its operation primarily by a mixture of issued share capital, long term and short term loans. The Company borrows funds usually at fixed rates of interest / markup.

a) Interest rate risk management

Since the company borrows funds usually at fixed interest / markup rates, the risk arising is minimal.

b) Foreign exchange risk management

Foreign exchange risk arises where financial instruments contains receivables and payable in foreign currency. All these transaction are covered through forward foreign exchange cover.

c) Concentration of credit risk

The Company considers that it is not exposed to major concentration of credit risk. The company, however, is exposed to credit related losses in the event of non-performance by counter parties to financial instruments but does not expect any counter parties to fail to meet the obligation.

d) Fair value of financial management

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value

31. NUMBER OF EMPLOYEES

As on 30 September including seasonal workers

<i>2000</i>	<i>1999</i>
506	514

32. DIRECTORS' AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the company were as follows:

2000

1999

	<i>Chief</i>				<i>Chief</i>			
	<i>Executive</i>	<i>Directors</i>	<i>Executives</i>	<i>Total</i>	<i>Executive</i>	<i>Directors</i>	<i>s</i>	<i>Total</i>
		*				*		
Fees	1,500		7,000--		7,500	1,000	7,500	-- 8,500
Emoluments	1,200,000		255,000	4,431,000	5,886,000	658,064	-- 4,252,000	4,910,064
Company's contribution to provident fund	--		--	214,550	214,550	--	-- 201,020	201,020
Other benefits	472,350		26,952	--	499,302	565,761	-- 776,730	1,342,491
	-----		-----	-----	-----	-----	-----	-----
	1,673,850		288,952	4,645,550	6,608,352	1,224,825	7,500 5,229,750	6,462,075
	=====		=====	=====	=====	=====	=====	=====
Number of person	1		8	20	29	1	8 19	28
	=====		=====	=====	=====	=====	=====	=====

* for 8 (1999: 8) directors

32.1 Nine executives (1999: nine executives) are also provided with free furnished accommodation at the mills premises.

33. EARNING PER SHARE

Net profit for the year

2000
RUPEES

1999
RUPEES

15,486,469

46,780,875

Average Ordinary Share in issue during

September 30, 2000 Rs. 9,843,750 (1999: Rs.9,843,750)

Earning per share

1.57

4.75

34. CAPACITY AND PRODUCTION

	<i>Quantity</i>	<i>Days</i>	<i>Quantity</i>	<i>Days</i>
	<i>M. tons</i>		<i>M. tons</i>	
Capacity	23,167	160	23,167	160
Production	40,765	109	63,590	142

35. GENERAL

35.1 Previous year's figures have been recasted and rearranged to conform to be revised presentation of the accounts.

35.2 Figures have been rounded off to the nearest rupee.