

MIRPURKHAS SUGAR MILLS LIMITED

ANNUAL REPORT 1996

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BOARD OF DIRECTORS

CHAIRMAN	MR. MOHAMMED FARUQUE
CHIEF EXECUTIVE/ MANAGING DIRECTOR	MR. MAHMOOD FARUQUE
DIRECTORS	MR. IQBAL FARUQUE MR. ZAHID FARUQUE MR. AKBARALI PESNANI MR. ASLAM FARUQUE SAHIBZADA MIRZA MUBARAK AHMAD MR. BEHRAM HASSAN (I.C.P.) MR. SHAMSHAD AHMAD (N.I.T.)
AUDITORS'	HYDER BHIMJI & CO. CHARTERED ACCOUNTANTS KARACHI.
REGISTERED OFFICE	MODERN MOTORS HOUSE BEAUMONT ROAD KARACHI.
FACTORY	JAMRAO, DIST. MIRPURKHAS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting of this Company will be held on Wednesday,

March 20, 1997 at 4.00 p.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

1. To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet for the year ended September 30, 1996 with the Auditors' Report thereon.
2. To declare final dividend @ Rs. 2.50 per share as recommended by the Directors.
3. To appoint Auditors for the ensuing year and to fix their remuneration.

By Order of the Board

NOTE:

1. A member eligible to attend and vote at the AGM is entitled to appoint another member as his proxy to attend and vote in his stead. Proxies to be effective must be in writing in the usual form and must be received by the Company 48 hours before the Meeting.
2. The registers of members will be closed from Wednesday, March 13, to Wednesday, March 20, 1997, inclusive and no transfers will be registered during that time. The shares received in order upto the closing office hours of March 12, 1997, shall qualify to the above dividend.
3. The shareholders are requested to notify the Company if there is any change in their address.

DIRECTORS' REPORT TO THE MEMBERS

FOR THE YEAR ENDED SEPTEMBER 30, 1996.

The Directors have pleasure in presenting to you 32nd Annual Report together with the audited accounts for the year ended September 30, 1996.

By the Grace of Allah, financial results for the year under review improved over the last year.

Production

The mill commenced crushing on 16.10.1995 and closed on 13.03.1996 after operating 149 days against 157 days in 1994-95. The production data and other salient features for the reporting year as well as the comparative statement for the last year are as follows:

	Year ended 30-09-96	Year ended 30-09-95
Sugarcane Crushed:		
Tonnes	347,697.93	522,237.17
Maunds	9,315,592	13,991,882
Sucrose percentage	9.88	9.11
Sugar production (Tonnes)	34,367.05	47,465

Molasses production (Tonnes)	18,400	28,846
Average crushing per day (Tonnes)	2,333.54	3,326.35

The production of sugar was lower primarily because of less availability of sugarcane to your mills. However, higher sucrose recovery helped to produce 34,367.05 tonnes of sugar during the year under review.

The company showed an improvement in profitability over last year due to operating efficiencies and continued efforts of the management to control costs. For 1995-96 season, the Government increased minimum support price of sugarcane from Rs. 20.75 per 40 Kgs to Rs. 21.75 per 40 Kgs. As reported at the last Annual General Meeting the sugarcane was in short supply. The growers slowed down harvesting with the intention to pressurize mills for higher price and transport subsidies. We had no alternative but to agree to their demand.

As in the previous years, your Company provided loans and advances for fertilizers to cane growers with the object of ensuring availability of improved quality of sugarcane with higher yields.

Operating Results:

The sales revenue for the year after deducting brokerage amounted to Rs. 566.987 million inclusive of excise duty amounting to Rs. 72.171 million compared to Rs. 596.949 million for the last year. The cost of sales comes to Rs. 469.726 million which leaves us a gross profit of Rs. 97.262 million i.e. 17.15% of net sales compared to 15.17% last year. Deduction are made from the gross profit on account of administration expenses Rs. 26.864 million, selling and distribution expenses Rs. 1.892 million, financial charges Rs. 6.908 million, other charges Rs. 5.144 which includes WPPF Rs. 3.605 million, WWF Rs. 1.479 million. After adding other income amounting to Rs. 10.562 million net profit before tax comes to Rs. 67.016 million (11.82% of net sales) for the year. Provision has been made for the taxation at Rs. 29.579 million, thus leaving us a net profit after tax of Rs. 37.437 million (6.60% of net sales) for the year. Earning per share comes to Rs. 5.86 (Rs. 3.90 - 1994-95). The total contribution to the exchequer on account of Excise Duty and income tax comes to Rs. 101.75 million (17.94% of gross sales) compared to Rs. 83.911 million for 1994-95. Other comparative figures are reflected in the Financial Statements.

FINANCIAL RESULTS

Your Directors propose to appropriate the profit as follows:

- Net Profit for the year	37,437,026
-Add: Unappropriated profit brought forward	620,472

	38,057,498
Appropriation:	=====
Proposed Cash Dividend	15,972,000
Transfer to General Reserve	22,000,000
Balance Carried Forward	85,498

PROSPECTS FOR 1996-97:

The current crushing season commenced on 08.11.1996 and as of 19th February, 1997 we have crushed

261,169 tonnes of sugarcane producing 26,355 tonnes of sugar at 10.33% recovery. The sugarcane price has again been raised by the Government from Rs. 21.75 to Rs. 24.50 per 40 Kgs which will increase the cost of production of sugar. The estimated quantum of sugarcane to be crushed during the current crushing season will be more or less the same as last year due to the following reasons:

a) Diversification to cotton cultivation by sugarcane growers due to economic reasons, thus curtailing their area under sugarcane cultivation as compared with the previous season.

b) Higher price of sugarcane on account of the growers having resorted to slowing down the harvesting, demanding extra payments coupled with increase in crushing capacities of some of the sugar mills in the province, without corresponding increase in acreage under sugarcane cultivation, caused reduced availability of sugarcane. Fortunately higher sucrose recovery estimated around 10.30% may result in improved production over the previous year. Some of the mills in our adjoining areas succumbed to the growers demand and raised price. We were left with no alternative but to match with other mills.

c) Reduction in sugarcane supply due to addition of two new sugar mills in Mirpurkhas and one in District Hyderabad.

PROSPECTS FOR 1997-98:

For the last three years sugarcane crop is under heavy pressure due to introduction of high yield cotton varieties fetching prices from Rs. 700 to Rs. 900/40 Kg. Moreover cotton is a short period crop requiring less water, labour and inputs

Low rains of 1996 monsoon season, high temperature, high price, and condition conducive to cotton crop adversely affected sugarcane cultivation in the area. To encourage cane cultivation we have started giving seed on subsidized rates and fertilizer loans to growers.

Three new factories have already come into operation and with Bachani Sugar Mills in Tando Allah Yar expected to commence production in 1997-98, the sugarcane supply will again remain short and thus it may be a difficult year for us.

AUDITORS'

The Auditors' of the Company, Messrs Hyder Bhimji & Co., retire and being eligible offer themselves for reappointment.

GENERAL

Our special thanks are due to our team of dedicated managers and other executives, supervisors and hard working workers, who continue to put in their best efforts for achieving optimum results year after year.

RATIO ANALYSIS ON ACCOUNTS

for the year ended September 30, 1996

PROFITABILITY	1996	1995
Gross Profit (percentage)		
Operating Profit (percentage)	17.15	15.17
Profit Before Tax (percentage)	12.08	8.82
Net Profit After Tax (percentage)	11.81	6.60
Growth in Net Profit After Tax (percentage)	6.60	4.25
Net Profit to Share Holder Equity (Average after tax) (percentage)	47.38	48.87
Earning Per Share (Before Tax)	19.95	15.47
Earning Per Share (After Tax)	10.49	6.16
Net Profit to Total Assets (Average After Tax) (percentage)	5.86	3.98
(Decrease)/Increase in Sales (Gross percentage)	10.25	6.99
(Decrease)/Increase in Sales (Net percentage)	(5.02)	9.73
Materials Percent of Net Sales	(5.01)	972
Labour Percent of Net Sales	45.60	55.15
Other Cost of Sales Expenses Percent of Net Sales	8.73	9.37
Raw & Packing Material as Percent of Cost of Sales	28.50	20.29
Administrative Expenses Percent of Net Sales	55.05	65.02
Selling Expenses Percent of Net Sales	4.73	4.66
Income Tax Percent of Net Sales	0.33	1.68
Financial Expenses Percent of Net Sales	5.21	2.34
Other Charges Percent of Net Sales	1.21	2.58
	0.90	0.45

SHORT TERM SOLVENCY RATIO:

Working Capital Ratio	1.2: 1	1.1: 1
Acid Test Ratio	0.67: 1	0.48: 1
Working Capital Turn Over (Net Sales) times	16.54	27.55
Inventory Turn Over / times	15.15	798

OVERALL VALUATION AND ASSESSMENT:

Number of Time Interest Earned	10.70	3.55
Return on Capital Employed before tax (Average in percentage)	28.66	20.03
P.E. Ratio (Before tax)	1.72	3.78
Book Value per share	29.79	2,643
Debt Ratio	0.45: 1	0.52: 1

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of MIRPURKHAS SUGAR MILS LIMITED, as at 30th September, 1996 and the related Profit & 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 30th September, 1996 and of the Profit and the changes in financial position for the year then ended; and

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

HYDER BHIMJI & CO.

Karachi: the 20th February 1997

Chartered Accountants

BALANCE SHEET AS AT SEPTEMBER 30, 1996

	Note	1996 Rupees	1995 Rupees
SHARE CAPITAL AND RESERVES			
Share capital:			
Authorized	3.10	150,000,000	150,000,000
		=====	=====
Issued, subscribed & paid-up	3.20	63,888,000	63,888,000
		-----	-----
Revenue reserves	4	126,350,305	104,350,305
Unappropriated profit		85,498	620,472
		-----	-----
		126,435,803	104,970,777
		-----	-----
		190,323,803	168,858,777
REDEEMABLE CAPITAL	5	2,025,324	2,659,864

LIABILITIES AGAINST ASSETS

SUBJECT TO FINANCE LEASE	6	5,010,245	8,017,725
DEFERRED TAXATION	7	25,880,000	23,000.00
CURRENT LIABILITIES			
Current portion of redeemable capital		-----	-----
		634,540	3,394,892
Current portion of liabilities against assets subject to finance lease		3,007,480	7,275,667
Short term running finance utilized under mark-up arrangements	8	-	925,391
Creditors, accrued and other liabilities	9	109,658,238	112,567,978
Provision for taxation		25,036,739	9,573,535
Proposed dividend		15,972,000	15,972,000
		-----	-----
		154,308,997	149,709,463
CONTINGENCIES AND COMMITMENTS	10	-	-
		-----	-----
		377,548,369	352,245,829
		=====	=====

	Note	1996 Rupees	1995 Rupees
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FIXED ASSETS

Operating assets	11	174,418,566	175,899,430
Capital work-in-progress	12	11,065,065	1,143,879
		-----	-----
		185,483,631	177,043,309
LONG TERM INVESTMENTS	13	14,025,000	14,025,000
LONG TERM LOANS AND ADVANCES	14	558,976	364,124
LONG TERM DEPOSITS	15	4,863,454	5,415,381
CURRENT ASSETS			
Stores and spares	16	46,661,457	47,121,842
Stock-in-trade	17	3,534,003	58,439,798
Trade debts	18-		1,165,847
Loans and advances	19	16,015,066	22,590,744
Deposits, prepayments and other receivables	20	17,566,218	11,928,345
Short term investment	21	80,500,000	10,500,000
Cash and bank balances	22	8,340,564	3,651,439

-----	-----
172,617,308	155,398,015
-----	-----
377,548,369	352,245,829
=====	=====

NOTE: The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED SEPTEMBER 30, 1996**

	Note	1996 Rupees	1995 Rupees
Sales	23	566,987,335	596,949,110
Cost of goods sold	24	469,725,777	506,368,808
		-----	-----
Gross profit		97,261,558	90,580,302
OPERATING EXPENSES:		-----	-----
Administrative	25	26,863,861	27,854,021
Selling & distribution	26	1,892,317	10,025,942
		-----	-----
		28,756,178	37,879,963
		-----	-----
Operating profit		68,505,380	52,700,339
	27	10,562,163	4,874,055
		-----	-----
		79,067,543	57,574,394
		-----	-----
	28	6,907,875	15,427,546
	29	5,143,894	2,728,690
		-----	-----
		12,051,859	18,156,236
		-----	-----
Profit before taxation		67,015,684	39,418,158
Provision for taxation	30	29,578,658	14,017,310
		-----	-----
Profit after taxation		37,437,026	25,400,848
Unappropriated profit brought forward		620,472	191,624
		-----	-----
Profit available for appropriation		38,057,498	25,592,472
APPROPRIATIONS:		-----	-----
Transfer to general reserve		22,000,000	9,000,000

Proposed dividend	15,972,000	15,972,000
	-----	-----
	37,972,000	24,972,000
	-----	-----
Unappropriated profit carried forward	85,498	620,472
	=====	=====

NOTE: The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)**

	1996	1995
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after taxation	37,437,026	25,400,848
Adjustments	-----	-----
Depreciation	19,702,618	19,632,950
Deferred taxation	2,880,000	1,000,000
Gain on sale of fixed assets	(215,639)	(492,125)
	-----	-----
	22,366,979	20,140,825
	-----	-----
Operating profit before changes	59,804,005	45,541,673
(Increase)/decrease in operating assets	-----	-----
Stores & spares	460,385	5,905,132
Stock-in-trade	54,905,795	10,043,330
Trade debts	1,165,847	11,722,518
Loans and advances	6,575,678	-5,292,750
Deposits prepayments and other receivables	{5,637,873	-2,607,813
Short term investment	-70,000,000	-
	-----	-----
	-12,530,168	19,770,417
	-----	-----
	47,273,837	65,312,090
Increase/(decrease) in Current liabilities	-----	-----
Short term finance	-925,391	-8,383,123
Creditors accrued and other liabilities	(2,909,740)	5,861,065
Provision for taxation	15,463,204	-14,060,270
	-----	-----
	11,628,073	-16,582,328
	-----	-----

Net Cash from operating activities	58,901,910	48,729,762
Cash flow from investment activities	-----	-----
Capital expenditure	-28,674,441	-22,231,196
Sale proceed of fixed assets	747,140	679,190
Purchase of investment	-	2,000,000
Payments of long term loan and advances	(194,852)	434,330
Payment of long term deposits	551,927	1,014,010
	-----	-----
Net cash from investing activities	(27,570,226)	(18,103,666)
Cash flow from financing activities	-----	-----
Redeemable capital	(3394892)	(4,189,202)
Liabilities against assets subject to finance lease	(7,275,667)	(11,107,831)
Payment of dividends	(15,972,000)	(15,972,000)
	-----	-----
Net cash flow from financing activities	(26,642,559)	(31,269,033)
	-----	-----
Net changes in cash flow for the year	4,689,125	(642,937)
Cash and bank at the beginning of year	3,651,439	4,294,376
	-----	-----
Cash and bank at the year end	8,340,564	3,651,439
	=====	=====

**NOTES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 1996**

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on May 27, 1964 as a Public Limited Company and its shares are quoted on Karachi Stock Exchange. Principal activity of the Company is the manufacture and sale of sugar.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention:

These accounts have been prepared under historical cost convention, modifications, if any, are stated.

2.2 Taxation:

The provision for current taxation is based on taxable income at the current rates of taxation after considering admissible tax credits and rebates, if any.

The Company accounts for deferred taxation arising on all material timing differences by using the

liability method.

2.3 Employee's retirement benefits:

The Company operates a provident fund for all its eligible employees in addition to a funded gratuity scheme for all its employees, who are eligible and have completed qualifying period of five years.

Contribution to the provident fund are made monthly to cover obligation whereas provision for gratuity is made annually to cover the liability.

2.4 a) Fixed assets:

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

Depreciation is charged to income applying reducing balance method whereby the cost of an asset is written off over its estimated useful life. Additions to fixed assets are depreciated for a full year irrespective of date of purchase while no depreciation is charged on fixed assets disposed off during the year.

Maintenance and normal repairs are charged to income, when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Profit or loss on disposal of fixed assets is included in current year's income.

b) Accounting for leases:

The Company accounts for assets operated under financial lease by recording the assets and corresponding liability thereagainst. The amount capitalised is determined on the basis of discounted value of total maximum lease payments. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is provided on reducing balance method at the rate specified in Note No. 11 to write off the asset over its estimated useful life because of certainty of the ownership after lease term. In respect of tangible fixed assets held under operating lease, the annual lease rentals are charged to profit and loss account.

2.5 Investments:

Investments in shares are stated at cost. No adjustment for market value is made in the accounts.

2.6 Inventories:

These are valued as follows:

Stores and spares	- in stock	At moving average cost
	- in transit	At actual cost

Stock-in-trade:

Sugar	Lower of average manufacturing cost and net realisable value.
-------	---

Sugar in process: At average manufacturing cost.

Molasses At realisable value

2.7 Trade debts:

Debts considered irrecoverable are written off and provision is made for debts considered doubtful, if any.

2.8 Revenue recognition:

Sales are recorded on despatch of goods to customers. Income/profit on investments/bank deposits, if any, is recorded on accrual basis.

		1996 Rupees	1995 Rupees
SHARE CAPITAL			
3.1 Authorised capital:			
15,000,000 =====	Ordinary shares of Rs. 10/- each	150,000,000 =====	150,000,000 =====
3.2 Issued, subscribed & paid-up capital:			
1,770,000	Ordinary shares of Rs.10/- each fully paid issued for cash	17,700,000	17,700,000
4,618,800	Ordinary shares of Rs.10/-each issued as fully paid bonus shares	48,188,000 -----	46,188,000 -----
6,388,800		63,888,000 =====	63,888,000 =====
		1996 Rupees	1995 Rupees

4. REVENUE RESERVE

General reserves As on 1st October Transferred from profit and	104,350,305	95,350,305
--	-------------	------------

loss account	22,000,000	9,000,000
	-----	-----
	126,350,305	104,350,305
	=====	=====

5. REDEEMABLE CAPITAL - Secured

Long term finance utilized under markup arrangements:-

From Investment Corporation of Pakistan	-----	-----
Finance No. 1	-	2,814,724
Finance No. 2 (5.1)	2,659,864	3,240,032
	-----	-----
	2,659,864	6,054,756
Current portion shown under current liabilities	(634,540)	(3,394,892)
	-----	-----
	2,025,324	2,659,864
	=====	=====

5.1 Security:

The above finance is secured against mortgage of Company's properties by deposit of title deeds, hypothecation of machinery and equipment and floating charge on all other assets.

The Company entered into an agreement according to which the Company agreed to sell locally fabricated machinery costing Rs.4.75 million and re-purchase the same at Rs.6.544 million.

Repayment:

The repurchase price is repayable in 32 equal quarterly instalments commencing from September 30, 1992.

	1996 Rupees	1995 Rupees
6. LIABILITIES AGAINST ASSETS		
SUBJECT TO FINANCE LEASE		
Locally fabricated machinery	8,017,725	11,320,416
Imported machinery	-	3,972,976
	-----	-----
	8,017,725	15,293,392
Less: Current portion shown under current liabilities	3,007,480	7,275,667
	-----	-----
	5,010,245	8,017,725

=====

a) The assets have been leased by the following leasing companies under the agreements of finance leases showing the outstanding liability:-

i) Pakistan Kuwait Investment Company Limited	698.03
ii) Atlas Bot Lease Company Ltd.	7,319,691

	8,017,725
	=====

b) The above liability represents the total of minimum lease payments discounted at rate 16.21% being the rate implicit in the lease.

c) The future minimum lease payment to which the Company is committed as at September 30 are as follows:

Year ending September 30	RUPEES
1997	3,659,180
1998	3,265,580
1999	2,449,185

	9,373,945
Financial charges allocated to future period	(1,356,220)

	8,017,725
	=====

d) Deposits retained by leasing company will be adjusted towards the residual value at the end of lease terms.

e) The cost of operating and maintaining the leased assets is to be borne by the Company.

7. DEFERRED TAXATION

The liability for deferred taxation relates to timing differences arising on account of accelerated tax depreciation allowances, finance lease liability and liabilities written back under Section 25(c) of the Income Tax Ordinance 1979.

1996	1995
Rupees	Rupees

8. SHORT TERM RUNNING FINANCE UTILISED UNDER MARK-UP ARRANGEMENTS - Secured

From - commercial banks	-	925,391
	=====	=====

Security:

The finances are secured against hypothecation of stock of finished goods, stores, book debts, other assets and personal guarantee of the Directors.

Mark-up:

The above finance carries mark-up ranging between paisas 45 to 48 per thousand rupees per day.

Extent of facility	199 Million	89 Million
	=====	=====

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		5,659,878	7,481,477
Accrued expenses			
- Associated undertaking		689,142	194,259
- Others		96,053,145	99,083,044
Markup accrued on finance lease		188,828	325,455
Advance from customers		262,549	905,266
Deposits		47,152	51,000
Workers Participation Fund	(9.1)	3,604,968	2,104,342
Workers Welfare Fund		1,478,716	564,348
Other liabilities	(9.2)	1,673,860	1,858,787
		-----	-----
		109,658,238	112,567,978
		=====	=====

9.1 WORKERS PROFIT PARTICIPATION FUND

Balance as at 1st Oct.		2,104,342	2,369,541
Add: Interest thereon		164,402	176,498
		-----	-----
		2,268,744	2,546,039
Less: Payment made during the year		(2,268,744)	(2,546,039)
		-----	-----
Add: Contribution for the year		-	-
		3,604,968	2,104,342
		-----	-----
		3,604,968	2,104,342
		=====	=====

1996	1995
Rupees	Rupees

9.2 OTHER LIABILITIES

Suppliers income tax		81,316	52,285
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Staff income tax	1,938	19,631
Unclaimed dividend	1,522,717	1,393,831
Others	67,889	393,040
	-----	-----
	1,673,860	1,858,787
	=====	=====

10. CONTINGENCIES AND COMMITMENTS

a) Contingent Liabilities:

1. The revision application filed by the company before The Secretary, Ministry of Finance (Revenue Division) has been transferred to The Customs, Central Excise and Sales Tax Appellate Tribunal and is pending adjudication.

During the year, Company filed a suit in the Hon'ble High Court of Sindh contesting that the bank guarantee issued by the Muslim Commercial Bank Limited has become invalid in view of the judgement dated April 26, 1992 of the Hon'ble Supreme Court of Pakistan and sought orders to restrain the bank from encashing the guarantee till final decision of the revision application. The Hon'ble High Court of Sindh granted stay restraining the bank from encashing the guarantee.

2.i. During the year 1991-92 Company produced 58,956 tonnes sugar in 183 days as against 48,580 tonnes sugar produced in 170 days during the preceding years. Thus 10,376 tonnes sugar exceeded the previous year's production on which Company is entitled to get 50% excise duty rebate amounting to Rs.11,154,200. The Government retrospectively issued notification on 23rd February, 1991 defining the season as of 180 days and denied the Company's claim of excise rebate on the ground that duration of preceding season was less than 180 days. Full provision of excise duty on 58,956 tonnes sugar has been made in the accounts as a matter of abundant precaution. The Company has filed an appeal in the Hon'ble High Court of Sindh against the above definition of season being duration of 180 days.

2.ii. During the year 1992-93 the Company produced 60,029 tonnes of sugar in 193 days as against 58,956 tonnes of sugar produced in 183 days during the preceding year thus 1,073 tonnes sugar exceeded the previous year's production on which the Company is entitled to get 50% excise rebate amounting to Rs.1,148,110. The Government retrospectively issued a notification on 23rd February, 1991 defining the season as of 180 days and denied the company's claim of excise rebate on the ground that duration net of stoppages in the preceding year was less than 180 days. Full provision of excise duty on 60,029 tonnes sugar has however been made in the accounts as a matter of abundant precaution.

3. The Company has provided a sum of Rs.2.26 million being the minimum tax for the year 1990-91 as required under section 80D of the Income Tax Ordinance 1979 despite our writ petition, pending in the Hon'ble High Court of Sindh.

4. The Company is continentally liable to pay income tax amounting to Rs.5.98 million for which the Company has preferred an appeal before the Income Tax Appellate Tribunal. The Income

Tax Department has also filed appeal against the Company for the relief granted at the first level appeal aggregating to Rs.2.28 million. Pending decision of the appeals provision has been made for Rs.3.70 million.

5. By an amendment in the Sindh Finance Act 1964 the Government of Sindh increased the rate of sugarcane cess from Rs.0.28 to Rs.1.00, which we have challenged and is pending.

The Cane Commissioner Sindh kept on issuing notices to the Company for the recovery of difference of sugarcane (development) cess together with the water surcharge thereon and penalty for default. As required we filed an appeal against the order of the said authority before the Secretary Agriculture and Food, Government of Sindh, but the Cane Commissioner kept on pressurising us for payment of his claim. We having been left with no alternative, but to file a suit before the Hon'ble High Court of Sindh which granted us stay against the recovery proceedings.

In the meantime as a result of efforts made by PSMA (Sindh Zone) the authorities have given indications of reduction in the sugarcane cess to Rs.0.50 per 40 kg against Rs.1.00 and withdrawal of the surcharge. The Company as a gesture of goodwill and as agreed with the Government has paid the above cess @ Rs.0.50 per 40 kg. However, we have made provision in the accounts of the total impact arising from the above amendment.

6. To the extent of Rs.50.00 million in respect of guarantee given by the Company to Muslim Commercial Bank Limited against loan given by them to cane growers (1994-95:Rs.75.00 million).

b) Commitments:

The rentals under operating lease agreements in respect of vehicles amounted to Rs.3.927 million payable over the next two years as follows:

Years	Rupees (Million)
1997	3.677
1998	0.250

	3.927
	=====

11. SALE OF FIXED ASSETS (BY NEGOTIATION)

C O S T

Particulars	As at 9/30/1995	Addition during the	Transfer	Sales and Adjustments during	As at 9/30/1996	Rate of Depre-	Upto 9/30/1995
-------------	--------------------	------------------------	----------	---------------------------------	--------------------	-------------------	-------------------

	year			the year			ciation		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Land (Free Hold)	421,349	-	-	-	-	421,349	-	-	
Building on Free Hold Land:									
- Factory	17,875,796	2,386,852	-	-	-	20,262,648	10	13,315,83	
- Non Factory	17,264,153	-	-	-	-	17,264,153	10	11,801,38	
Plant & Machinery	308,997,740	12,357,826	15,213,307	-	-	336,566,873	10	175,518,3	
Furniture & Fixture	2,410,747	743,436	-	64,569	-	3,089,614	10	1,420,32	
Office Equipment	5,167,002	290,457	-	-	-	5,547,459	10	1,922,79	
Vehicles	3,316,722	2,851,410	-	856,750	-	5,311,382	20	2,341,94	
Other Assets	6,200,802	123,275	-	-	-	6,324,077	10	3,529,73	
Plant & Machinery Operated under finance lease	32,357,307	-	(15213307)	-	-	17,144,000	10	8,191,78	
Total Rupees: 1996	394,011,618	18,753,256	-	921,319	-	411,843,555		218,112,18	
Total Rupees: 1995	361,240,942	33,111,491-		340,815		394,011,618		198,632,98	

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

	1996	1995
1. Manufacturing Expenses	18,360,220	18,266,454
	1,342,398	1,366,496
Total Rupees	19,702,618	19,632,950

11.1 SALE OF FIXED ASSETS (BY NEGOTIATION)

Particulars	Cost	Accumulated	Written	Sale	Profit/	Sold to
1. Pajero	20,250	13,625	6,625	95,150	88,525	Mr. Arif Gulzar Khan 1-7/G Market, Block-6 P.E.C.H.S., Karachi
2. Motorcycle	25,800	19,037	6,763	25,800	19,037	New Jubilee Insurance Co. (Insurance claim received)
3. Honda Civic	664,700	239,292	425,408	448,750	23342	Mr. Amir Ghaffar H. No. B-43, Shakeel Corp. Karimabad, Karachi. Sale price includes

Rs. 182,000/- being the insurance claim from Adamjee Insurance Co.

4. Motorcycle	28,000	18,825	9,175	28,000	18,825	Mr. Muzaffar Ahmed
5. Motorcycle	29,500	16,531	12,969	29,500	16,531	Mr. Abdul Rehman Employee
6. Motorcycle	29,500	16,531	12,969	29,500	16,531	Mr. Akbar Ali Employee
7. Motorcycle	29,500	16,531	12,969	29,500	16,531	Mohammad Ali Employee
8. Motorcycle	29,500	16,531	12,969	29,500	16,531	Mr. Malik Sher Employee
Furniture & Fixture	5,925	3,195	2,730	2,784	54	Mr. Liaquat Ali Khan Employee
	15,535	7,148	8,387	7,855 (532)		Mr. Mohammad Alam Ex-Shift Engineer
	13,595	7,978	5,617	5,752	135	Mr. Hafiz M. Zaid Ex. Shift Engineer
	16,892	10,369	6,523	6,652	129	Mr. Mohammad Iqbal Ex-Dy. Cane Manager
	12,622	4,225	8,397	8,397 -		Mr. Khadim Hussain Malik Ex-Cane Manager
TOTAL RUPEES 1996	921,319	389,818	531,501	747,140	215,639	
TOTAL RUPEES 1995	340,815	153,750	187,065	679,190	492,125	

1996
Rupees

1995
Rupees

12. CAPITAL WORK-IN-PROGRESS

Plant & machinery under erection	11,055,065	1,143,879
----------------------------------	------------	-----------

13. LONG TERM INVESTMENTS

Shares of Joint Stock Companies

In associated undertakings:-

Quoted:

Cherat Cement Company Ltd.

2,425,655 (1995: 1,940,524)

fully paid ordinary shares

of Rs. 10/- each

(Market value Rs.46,969,265)

10,000,000 10,000,000

(1995:110,615,568)

Cherat Papersack Limited
150,000 fully paid ordinary
shares of Rs. 10/- each
(Market value Rs.6,600,000)
(1995: Rs.5,025,000)

1,500,000 1,500,000

Greaves Airconditioners Ltd.
100,000 fully paid ordinary
shares of Rs. 10/- each
(Market value Rs. 1,000,000)
(1995: Rs.1,800,000)

1,000,000 1,000,000

Un-Quoted:

Cherat Electric Limited
150,000 fully paid ordinary
shares of Rs.10/- each
Breakup value per share Rs.10/-
(Name of Chief Executive:
MR. IQBAL FARUQUE)

1,500,000 1,500,000

Others - Quoted:

Latif Jute Mills Limited
2,500 fully paid ordinary
shares of Rs.10/- each
(Market value Rs.6,250)
(1995: Rs.9,500)

25,000 25,000

14,025,000 14,025,000
=====

**1996
Rupees**

**1995
Rupees**

14. LONG TERM LOANS AND ADVANCES

Advances - considered good: Unsecured
Due from employees other than
Chief Executive, Directors & Executives

2,127,018 2,216,326

Recoverable within one year shown
under current assets (refer Note 19)

1,568,042 1,852,202

Recoverable within three years

558,976 364,124
=====

15. LONG TERM DEPOSITS

It represents deposits for leases and other security deposits.

16. STORES AND SPARES

Stores	28,061,773	29,071,932
Spares	18,878,204	18,388,697
Loose Tools	321,480	261,213
	-----	-----
	47,261,457	47,721,842
Provision for obsolescence	(600,000)	(600,000)
	-----	-----
	46,661,457	47,121,842
	=====	=====

17. STOCK-IN-TRADE

Sugar	-	55,197,117
Sugar in process	3,534,003	3,242,681
	-----	-----
	3,534,003	58,439,798
	=====	=====

18. TRADE DEBTS - Unsecured

Considered good	-	1,165,847
	-----	-----
Considered doubtful	1,859,570	1,859,570
Provision thereagainst	(1,859,570)	(1,859,570)
	-----	-----
	-	1,165,847
	=====	=====

	1995	1996
	Rupees	Rupees

19. LOANS AND ADVANCES - Unsecured

Considered good:		
Against expenses	213,231	584,734
	-----	-----
To suppliers		
-- Associated companies	(19.1)	1,827,652
-- Others	5,316,634	7,449,630
	-----	-----
	5,316,634	9,277,282
To employees classified as recoverable within one year:	1,568,042	1,852,202

To provident fund trust		430,641	851,310
Against letters of credit		557,983	1,016,851
Against salary		53,907	64,174
To sugar cane growers		5,438,364	6,059,769
Others	(19.2)	2,436,264	2,884,422
		-----	-----
		16,015,066	22,590,744
Considered doubtful:		-----	-----
Sugar cane growers		5,000,000	5,000,000
Provision thereagainst		(5,000,000)	(5,000,000)
		-	-
		-----	-----
		16,015,066	22,590,744
		=====	=====
19.1 At the end of any month during the year maximum aggregate amount due from associated companies		1,518,881	1,827,652

19.2 Others include Rs.2,436,264 (1995 - 2,883,535) being amount advanced to transporters on behalf of cane growers recoverable from them.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits		718,854	1,626,360
Prepayments		1,421,546	1,121,337
Other receivables		15,425,818	9,180,648
		-----	-----
		17,566,218	11,928,345
		=====	=====

SHORT TERM INVESTMENT

National Defence Saving Certificates	(21.1)	10,500,000	10,500,000
Fund Management Scheme		70,000,000	-
		-----	-----
		80,500,000	10,500,000
		=====	=====

21.1 The investments have been made in pursuance of bank guarantee issued as stated in note !0 (a) (1).

	1995	1996
	Rupees	Rupees

22. CASH AND BANK BALANCES

Cash-in-hand		12,391	14,344
Balance with banks:			

--in current accounts	8,328,173	3,637,095
	-----	-----
	8,340,564	3,651,439
	=====	=====

23. SALES

Sugar		
--Local	567,166,073	426,245,143
--Export	-	170,873,564
	-----	-----
	567,166,073	597,118,707
Less: Brokerage & Commission	178,738	169,597
	-----	-----
	566,987,335	596,949,110
	=====	=====

24. COST OF GOODS SOLD

Sugar cane crushed (including procurement & development expenses)	252,696,277	320,834,320
Stores and spares consumed	26,299,217	36,290,682
Salaries, wages & other benefits	49,496,130	55,990,200
Water, fuel and power	17,935,901	10,176,928
Insurance	1,437,333	1,499,858
Repair and maintenance	5,138,442	7,740,184
Vehicle expenses	1,340,279	1,421,452
Octroi charges	752,627	1,187,854
Depreciation	18,360,220	18,266,454
	-----	-----
	373,456,426	453,407,932
	-----	-----
Sugar-in-process - Opening	3,242,681	1,785,505
- Closing	(3,534,003)	(3,242,681)
	-----	-----
	(291,322)	(1,457,176)
	-----	-----
	373,165,104	451,950,756
Less: Sale of molasses	30,807,249	26,976,534
	-----	-----
Cost of goods manufactured	342,357,855	424,974,222
Add: Excise duty	72,170,805	69,894,080
	-----	-----
	414,528,660	494,868,302
	-----	-----
Finished goods - Opening	55,197,117	66,697,623
- Closing	-	(55,197,117)
	-----	-----
	55,197,117	11,500,506

469,725,777 506,368,808

	1996	1995
	Rupees	Rupees
25. ADMINISTRATIVE EXPENSES		
Salaries, allowances and other benefits	8,319,969	6,979,334
Directors' fee	7,000	6,000
Rent, rates and taxes	1,345,391	1,156,489
Postage telegrams and telephones	1,481,706	2,153,365
Conveyance and travelling	2,527,588	2,186,404
Printing and stationery	1,471,900	1,346,602
Entertainment	479,273	413,269
Vehicle expenses	504,172	498,397
Insurance	758,142	627,654
Provision for bad debts	-	1,859,570
Repair and maintenance	909,725	773,055
Subscription	317,241	227,581
Legal & professional charges	552,637	1,108,199
Charity & donation (25.1)	457,300	82,650
General expenses	538,692	340,946
Electricity and water	474,388	805,860
Vehicle lease rental	5,376,339	5,922,150
Depreciation	1,342,398	1,366,496
	-----	-----
	26,863,861	27,854,021
	=====	=====

25.1 Charity and Donation

None of the Directors or their spouses had any interest in the donees/Fund.

26. SELLING & DISTRIBUTION EXPENSES

Sugar handling expenses	436,617	676,110
Freight and forwarding expenses	1,455,700	9,349,832
	-----	-----
	1,892,317	10,025,942
	=====	=====

27. OTHER INCOME

Profit on disposal of fixed assets	215,639	492,125
Dividend income from associated company - Cherat Papersack Limited	1,050,000	300,000
Miscellaneous receipts	710,948	913,043
Profit on shod term investment	8,585,576	3,168,887
	-----	-----
	10,562,163	4,874,055
	=====	=====

	1996 Rupees	1995 Rupees
28. FINANCIAL CHARGES		
Markup on redeemable capital	276,249	432,974
Markup on short term running finance	559,371	6,529,912
Markup on bank guarantee provided to Collector of customs in respect of excise duty	3,366,419	3,366,419
Charges on finance lease interest on Workers Profit Participation Fund	1,574,327	2,881,444
Bank charges, commission and excise duty on financing	164,402	176,498
	967,107	2,040,299
	-----	-----
	6,907,875	15,427,546
	=====	=====
29. OTHER CHARGES		
Workers' Participation Fund	3,604,968	2,104,342
Workers' Welfare Fund	1,478,716	564,348
Auditors' remuneration (29.1)	60,300	60,000
	-----	-----
	5,143,984	2,728,690
	=====	=====
29.1 Auditors' remuneration		
Audit fee	50,000	50,000
Excise duty on audit fee	5,000	5,000
Out of pocket expenses	5,300	5,000
	-----	-----
	60,300	60,000
	=====	=====
30. PROVISION FOR TAXATION		
Current	19,875,000	9,130,321
Prior years	6,823,658	3,886,989
Deferred	2,880,000	1,000,000
	-----	-----
	29,578,658	14,017,310
	=====	=====
31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES		

Particulars	Chief			Total	Chief			Total
	Executive	Directors	Executives		Executive	Directors	Executives	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Fees	--	7,000	--	7,000	--	6,000	--	6,000
Managerial								
Remuneration & Bonus	875,000	875,000	3,536,002	5,286,002	684,000	684,000	3,484,990	4,852,990
Housing Allowance	243,000	243,000	675,717	1,161,717	162,000	162,000	582,142	906,142
Utilities	104,379	66,630	230,550	401,559	88,534	149,490	291,076	529,100
Leave fare assistance	195,300	174,020	--	369,320	139,325	135,333	--	274,658
Retirement benefits	45,000	45,000	189,861	279,861	30,000	30,000	151,726	211,726
Other (Reimbursement of expenses)	54,865	45,730	12,897	113,492	207,868	281,538	11,860	501,266
Total Rupees	1,517,544	1,456,380	4,645,027	7,618,951	1,311,727	1,448,361	4,521,794	7,281,882
No. of persons (other than for fees)	1	1	13	15	1	1	13	15

The Chief Executive, Director and thirteen executives are provided with the use of Company maintained cars. The Chief Executive, Director and five executives are also provided with the residential telephone facility which is reimbursed at actual to the extent of their entitlement

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The following are details of transactions with associated undertakings:

Services rendered by associated undertakings:

Goods purchased

	1996 Rupees	1995 Rupees
Services rendered by associated undertakings	26,711	1,367,494
Goods purchased	685,893	477,900

33. CAPACITY AND PRODUCTION

Year	Installed Capacity			Actual Production		
	Tonnes	Days	Average/Per Day Tonnes	M. Tonnes	Days	Average/Per Day Tonnes
1995	23,167	160	144.79	47,465.00	157	302.32
1996	23,167	160	144.79	34,367.05	150	229.11

34. GENERAL

- i. Previous year's figures have been re-arranged wherever necessary for the purpose of comparison.
 ii. Figures have been rounded off to the nearest rupee.

**PATTERN OF HOLDING OF SHARES HELD BY THE
 SHAREHOLDERS AS AT 30-09-1996**

No. of Shareholders	Shareholding		Total Shares held	
958	From	1	100	22,060
483	From	101	500	125,059
154	From	501	1000	107,145
277	From	1001	5000	624,555
43	From	5001	10000	302,138
11	From	10001	15000	129,269
6	From	15001	20000	104,915
2	From	20001	25000	40,763
1	From	60001	65000	64 042
1	From	95001	100000	100.00
1	From	145001	150000	146.24
1	From	150001	155000	151,646
I	From	160001	165000	163,798
I	From	175001	180000	176,797
1	From	580001	585000	584 025
1	From	775001	780000	779 559
1	From	1295001	1300000	1,299 655
1	From	1465001	1470000	1,467,138
-----			-----	
1,944			6,388,800	
=====			=====	

Categories of Shareholders	Number	Share held	Percentage
Individuals	1910	1,334,973	20.90
Investment Companies ICP & NIT	2	2,781,206	43.53
Insurance Companies	6	387,207	6.06
Joint Stock Companies	8	766,559	12.00
Financial Institutions	8	809,811	12.68
Modaraba Companies	1	10,000	0.16
Others (to be specified)	-	-	-
National Development Finance Corporation	1	103,500	1.62
Official Liquidators BCCI			
(Overseas) Ltd., Grand Cayman	1	6,842	0.11
Tehrik-e-Jadid	1	176,797	2.76

Waqf-e-Jadid	1	2,883	0.05
Saya Foundation	I	508	0.00
Fikree Development Corporation	1	719	0.01
Mohammed Amin Waqf Estate	1	5,846	0.09
Kandawala Trust	I	1,736	0.03
Abandoned Properties Organisations	1	213	0.00
	-----	-----	-----
	1944	6,388,800	100.00
	=====	=====	=====