

MIRPURKHAS SUGAR MILLS LIMITED

(Annual Report 1997)

CONTENTS

Board of Directors
Notice of Meeting
Directors' Report
Graphs of Progress
Ratio Analysis on Accounts
Auditors' Report
Balance Sheet
Profit & Loss Account
Cash Flow Statement
Notes to the Accounts
Pattern of Shareholding

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
MR. BEHRAM HASSAN (I.C.P.)
MR. TARIQ FARUQUE

AUDITORS HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
KARACHI.

REGISTERED OFFICE MODERN MOTORS HOUSE
BEAUMONT ROAD

KARACHI.

FACTORY

JAMRAO DIST. MIRPURKHAS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of this Company will be held on Thursday, March 26, 1998 at 5.00 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, 1997 with the Auditors' Report thereon.
2. To declare final dividend @ Rs. 1.50 per share (15%) as recommended by the Directors.
3. To appoint Auditors for the ensuing year and to fix their remuneration.

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 Thursday, March 19 to Thursday, March 26, 1998, inclusive and no transfers will be registered during that time. The shares received in order upto the closing office hours on Wednesday March 18, 1998 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, 1997

Dear Shareholders,

The Directors have pleasure in presenting to you 33rd Annual Report together with the audited accounts for the

year ended September 30, 1997.

PRODUCTION

The mill commenced crushing on 08.11.1996 and closed on 02.04.1997 after operating 146 days against 150 days in 1995-96. 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 30-09-97	Year ended 30-09-96
Sugarcane Crushed:		
Metric Tonnes	351,685.84	347,697.93
Maunds	9,422,437	9,315,592
Sucrose percentage	10.43	9.88
Sugar production (M.T.)	36,739.50	34,367.05
Molasses production (M.T.)	18,110	18,400
Average crushing per day (M.T.)	2,408.80	2,333.54

For the year under review the Government increased minimum support price of sugarcane from Rs. 21.75 per 40 Kgs to Rs. 24.50 per 40 Kgs. As reported at the last Annual General Meeting sugarcane was in short supply. Two new sugar mills also started in our vicinity. The growers resorted to slow down in harvesting, demanding extra payment coupled with increase in crushing capacities. Most of the sugar mills in the province succumbed to the growers pressure and increased cane prices upto Rs. 63/- per 40 Kgs ex-mill. We did not try to match these prices but still were forced to pay a higher price in line with the adjoining mills.

A new factor in the high cost of production was the imposition of sales tax on baggages used in-house by mills for their power and steam requirements. The mills have gone into appeal. Fortunately, higher sucrose recovery at 10.43% resulted in improved production.

OPERATING RESULTS

The year under review has registered sugar sales of Rs. 684.351 million as compared to Rs. 567.166 million for the previous year. The cost of sales is Rs. 634.374 million leaving a gross profit of Rs. 49.823 million i.e. 7.28% of net sales versus 17.15% last year. During the year the company imported sugar for trading from which your company earned a profit of Rs.3.342 million, resulting in a total gross profit for the year of Rs. 53.166 million. After deduction of operating and other expenses totalling Rs. 48.053 million and adding other income of Rs. 16.390 million, the net profit before tax comes to Rs. 21.504 million for the year, which comes to 3.14% of net sales.

FINANCIAL RESULTS

After provision for taxation at Rs. 4.085 million your company has earned a net profit after tax for the year of Rs, 17.419 million i.e. 2.55% of net sales. The earning per share comes to Rs. 2.73 (1995/96 - Rs. 5.86). The total contribution to Government on account of excise duty and income tax comes to Rs. 81.238 million (11.87% of gross sales) versus Rs. 101.75 million for 1995/96.

Your directors propose to appropriate the profit as follows:

- Net Profit for the year	Rs. 17418761
- Add :Unappropriated profit brought forward	Rs. 85498

Rs. 17504259
=====

Appropriation:

Dividend	9,583,200
Transfer to General Reserve	7,900,000
Balance Carried Forward	21,059

PROSPECTS FOR 1997-98

The current crushing season commenced on 06.11.1997 and as of 25th February 1998, we have crushed 350,343.985 tonnes of sugarcane producing 34,490 tonnes of sugar at 10.04% recovery. The sugarcane price has again been raised substantially by Government from Rs.24.50 to Rs.36.00 per 40 Kgs and quality premium from 0.27 paisa to 0.32 paisa for each 0.1% of sucrose recovery over bench mark of 8.7%. The quantum of sugarcane to be crushed during the current crushing season is estimated to be higher by 50,000 tonnes than last year's as the higher cane price has encouraged growers to grow more cane.

PROSPECTS FOR 1998-99

For the last three years sugarcane crop was under heavy pressure. The increasing prices of sugarcane has encouraged growers to cultivate more cane and it is expected that sugarcane crop during season 1998-99 will again be higher. As spring plantation will end by close of March, 1998, exact percentage of higher cultivation will be established later.

AUDITORS

The Auditors of the Company, Messrs Hyder Bhimji & Co., retire and being eligible offer themselves for re-appointment

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, 1997**

PROFITABILITY:	1997	1996
Gross Profit (percentage)	728	1,715
Operating Profit (percentage)	3.45	12.08
Profit Before Tax (percentage)	3.14	11.82
Net Profit After Tax (percentage)	2.55	6.60
Growth in Net Profit After Tax (percentage)	(53.47)	47.38
Net Profit to Share Holders Equity (Average after tax) (percentage)	8.96	19.67
Earning Per Share (Before Tax)	3.36	10.49
Earning Per Share (After Tax)	2.73	5.86
Net Profit to total Assets (Average after tax) (percentage)	4.65	10.26
(Decrease)/Increase in Sales (Gross percentage)	20.66	(5.02)
(Decrease)/Increase in Sales (Net percentage)	20.67	(5.01)
Materials Percent of Net Sales	66.09	45.60
Labour Percent of Net Sales	7.62	8.73
Other Cost of Sales Expenses Percent of Net Sales	19.01	28.50
Raw & Packing Material as Percent of Cost of Sales	71.28	55.05
Administrative Expenses Percent of Cost of Sales	3.95	4.73
Selling Expenses Percent of Net Sales	0.36	0.33
income Tax Percent of Net Sales	0.60	521
Financial Expenses Percent of Net Sales	2.45	1.21
Other charges Percent of Net Sales	0.25	0.90

SHORT TERM SOLVENCY RATIO:

Working Capital Ratio	1:1.04	1.14:1
Acid Test Ratio	0.17:1	0.60:1
Working Capital Turn Over (Net Sales) times	158.37	15.15

OVERALL VALUATION AND ASSESSMENT:

Number of Time Interest Earned	2.28	10.70
Return on Capital Employed before tax (Average in percentage)	8.15	2,630
P.E. Ratio (Before tax)	4.76	1.72
Book Value per share	31.01	29.79
Debt Ratio	0.46:1	0.49:1

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of MIRPURKHAS SUGAR MILS LIMITED, as at 30th September, 1997 and the related Profit & Loss Account and Statement of Changes in Financial Position (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 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; except for the changes as stated in note No. 2.4 to the accounts with which we do not concur.

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 (Cash Flow Statement) 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, 1997 and of the Profit and the changes in financial position (Cash Flow) 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.

BALANCE SHEET AS AT SEPTEMBER 30, 1997

	Note	1997 Rupees	1996 Rupees
SHARE CAPITAL AND RESERVES			
Share Capital:			
Authorized	3.1	150,000,000	150,000,000
		=====	=====
issued. Subscribed & Paid-up	3.2	63,888,000	63,888,000
		-----	-----
Revenue Reserves	4	134,250,305	126,350,305
Unappropriated Profit		21,059	85,498
		-----	-----
		134,271,364	126,435,803
		-----	-----
		198,159,364	190,323,803
REDEEMABLE CAPITAL	5	1,336,418	2,025,324
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	6	2,849,312	5,010,245
DEFERRED TAXATION	7	24,230,000	25,880,000
CURRENT LIABILITIES			
Current portion of redeemable capital		-----	-----
		688,907	634,540
Current portion of liabilities			

against Assets Subject to finance lease		2,997,699	3,007,480
Shod Term Running Finance utilized under mark-up arrangements	8	6,481,510	-
Creditors, Accrued and Other Liabilities	9	122,960,365	109,658,238
Provision for Taxation		1,857,699	25,036,739
Proposed Dividend		9,583,200	15,972,000
		-----	-----
		144,569,380	154,308,997
CONTINGENCIES AND COMMITMENTS	10	-	-
		-----	-----
		371,144,474	377,548,369
		=====	=====

AT SEPTEMBER 30, 1997

	Note	1997 Rupees	1996 Rupees
FIXED ASSETS			
Operating Assets	11	182,204,456	74,418,566
Capital Work-in-Progress	12	34,922,551	11,065,065
		-----	-----
		217,127,007	185,483,631
LONG TERM INVESTMENTS	13	14,625,000	14,025,000
LONG TERM LOANS AND ADVANCES	14	849,814	558,976
LONG TERM DEPOSITS	15	4,234,814	4,863,454
		-----	-----
CURRENT ASSETS			
Stores and Spares	16	44,220,756	46,661,457
Stock-in-Trade	17	4,476,960	3,534,003
Trade Debts	18	36,486,790	
Loans and Advances	19	10,010,941	16,015,066
Deposits, Prepayments and Other Receivables	20	18,341,219	17,566,218

Short Term Investment	21	10,500,000	80,500,000
Cash and Bank Balances	22	10,271,173	8,340,564
		-----	-----
		134,307,839	172,617,308
		-----	-----
		371,144,474	377,548,369
		=====	=====

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

**PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED SEPTEMBER 30, 1997**

	Note	1997 Rupees	1996 Rupees
Sales	23	684,197,500	566,987,335
Cost of Goods Sold	24	634,374,198	469,725.78
		-----	-----
Gross Profit		49,823,302	97,261,558
Trading Profit	25	3,342,791	-
		-----	-----
		53,166,093	97,261,558
		-----	-----
Administrative Expenses	26	27,061,558	268,638,611
Selling & Distribution Expenses	27	2,493,398	1,892,317
		-----	-----
		29,554,956	28,756,178
		-----	-----
Operating Profit		23,611,137	68,505,380
Other Income	28	16,390,465	10,562,163
		-----	-----
		40,001,602	79,067,543
		-----	-----
Other Charges	30	1,679,023	5,143,984
		-----	-----

		18,498,070	12,051,859
		-----	-----
Profit before taxation		21,503,532	67,015,684
Provision for taxation	31	4,084,771	29,578,658
		-----	-----
Profit after taxation		17,418,761	37,437,026
Unappropriated Profit brought forward		85,498	620,472
		-----	-----
Profit available for appropriation		17,504,259	38,057,498
		-----	-----
Appropriations:			
Transfer to General Reserve		17,900,000	22,000,000
Proposed Dividend		9,583,200	15,972,000
		-----	-----
		17,483,200	37,972.00
		-----	-----
Unappropriated Profit carried forward		21,059	85,498
		=====	=====

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

	1997	1996
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after taxation	17,418,761	37,437,026
Adjustments	-----	-----
Depreciation	11,246,471	19,702,618
Financial charges	16,819,047	6,977,875
(Profit)/Loss on sale of fixed assets	39,587	(215,639)
Sales 'Tax on baggage	2,694,570	-
Provision for taxation	4,084,771	29,578,658
	-----	-----
	34,884,446	55,973,512
	-----	-----
	52,303,207	93,410,538

(Increase)/decrease in operating assets	-----	-----
Stores & Spares	2,440,701	460,385
Stock-in-Trade	(942,957)	54,905,795
Trade Debts	(36,486,790)	1,165,847
Loans and Advances	6,004,125	6,575,678
Deposits, prepayments and other Receivables	(775,001)	5,637,873
Short term investment	70,000,000	(70,000,000)
	-----	-----
	40,240,078	(12,530,168)
	-----	-----
	92,543,285	80,880,370
Increase/(decrease) in Current liabilities	-----	-----
Short term finance	6,481,510	(925,391)
Creditors, accrued and other liabilities	8,040,467 I	(3,098,567)
Taxes paid	(28,913,811)	(11,235,454)
Financial charges	(14,251,957)	(6,719,048)
	-----	-----
	(28,643,791)	(21,978,460)
	-----	-----
	63,899,494	58,901,910
Net Cash from operating activities	-----	-----
Cash flow from investment activities	(44,866,471)	(28,674.441)
Capital expenditure	1,937,038	747,140
Sale proceed of fixed assets	(600,000)	-
Purchase of investment	(290,838)	(194,852)
	628,640	551,927
	-----	-----
Net cash from investing activities	(43,191,631)	(27,570,226)
Cash flow from financing activities	-----	-----
Redeemable capital	(634540)	(3,394,892)
Liabilities against assets subject to finance Lease	(2,170,714)	(7,275,667)
Payment of dividends	(15,972,000)	(15,972,000)
	-----	-----
Net cash flow from financing activities	(18,777,254)	(26,642,559)
	-----	-----

Net changes in cash flow for the year	1,930,609	4,689,125
Cash and bank at the beginning of year	8,340,564	3,651,439
	-----	-----
Cash and bank at the year end	10,271,173	8,340,664
	=====	=====

**NOTES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997.**

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.

1. 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, except for plant & machinery on which depreciation is charged on the basis of actual operating days. 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 capitalized and assets so replaced, if any, are retired. Profit or loss on disposal, of fixed assets is included in current year's income.

The company has changed its accounting policy regarding charging depreciation on plant & machinery from flat Rate of 10% to actual number of working days. Had the Company not made the changes stated above, the depreciation expense would have been higher by Rs.9,352,591 and the net profit before tax and the unappropriated profit would have been Rs.12,150,940 and Rs.8,151,677.

b) Accounting for Leases:

The Company accounts for assets operated under financial lease by recording the assets and corresponding liability thereagainst. The amount capitalized 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 realizable value.

Sugar in Process:

At average manufacturing cost.

Molasses

At realizable 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.

		1997	1996
		Rupees	Rupees
3. 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	46,188,000	46,188,000
		-----	-----
6,388,800		63,888,000	63,888,000

	=====	=====
4. REVENUE RESERVE		
General Reserves		
- As on 1st October	126,350,305	104,350,305
- Transferred from Profit and Loss Account	7,900,000	22,000,000
	-----	-----
	134,250,305	126,350,305
	=====	=====

5. REDEEMABLE CAPITAL - Secured

Long term finance utilized under Markup arrangements:-

From Investment Corporation of Pakistan	2,025,325	2,659,864
Less: Current portion shown under Current Liabilities	688,907	634,540
	-----	-----
	1,336,418	2,025,324
	=====	=====

Security:

The above finance is secured against mortgage of Company's properties by deposit of Title Deeds, hypothecation of machinery and equipments 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 repurchase the same at Rs.6.544 million.

Repayment:

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

	1997	1996
	Rupees	Rupees
6. LIABILITIES AGAINST ASSETS		
SUBJECT TO FINANCE LEASE		
Locally fabricated Machinery	5,847,011	8,017,725
Less: Current portion shown under		

Current Liabilities	2,997,699	3,007,480
	-----	-----
	2,849,312	5,010,245
	=====	=====

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

Atlas Lease Limited		5,847,011
		=====

b) The above liability represents the total of minimum lease payments discounted at 16.21% & 24% being the rate implicit in the lease.

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

Year ending September 30	RUPEES
1998	3,697,100
1999	2,880,705
2000	143,840

Financial charges allocated to future period	6,721,645
	923,834

	5,797,811
	49,200

	5,847,011
	=====

d) Deposit 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.

		1997 Rupees	1996 Rupees
8. SHORT TERM RUNNING FINANCE UTILISED UNDER MARK-UP ARRANGEMENTS			
From - Commercial Banks (Secured)	(8.1)	200,000	-
- Undisbursed Agricultural Finance (Un-Secured)	(8.2)	6,281,510	-
		-----	-----
		6,481,510	-
		=====	=====

8.1 Security:

The above 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 44 to 54 per thousand rupees per day.

Extent of facility	239 Million	199Million
	=====	=====

8.2 It carries mark-up @ paisa 54 to 60.27

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	4,771,284	5,659,878
Accrued Expenses		
- Associated undertaking	-	689,142
- Others	112,463,764	96,053,145
MarKup accrued on Finance Lease	114,840	188,828
Advance From Customers	375	262,549
Deposits	51,641	47,152

Sales Tax on Baggage		2,694,570	-
Workers Participation Fund	(9.1)	1,155,965	3,604,968
Workers Welfare Fund		420,221	1,478,716
Other liabilities	(9.2)	1,287,705	1,673.86
		-----	-----
		122,960,365	109,658,238
		=====	=====

9.1 WORKERS PROFIT PARTICIPATION FUND

Balance as at 1st Oct.		3,604,968	2,104,342
Add: Interest thereon		339,729	164,402
		-----	-----
		3,944,697	2,268,744
Less: Payment made during the year		(3,944,697)	(2,268,744)
		-----	-----
		-	-
Add: Contribution for the year		1,155,965	3,604,968
		-----	-----
		1,155,965	3,604,968
		=====	=====

1997
Rupees

1996
Rupees

9.2 OTHER LIABILITIES

Suppliers Income Tax		2,430	81,316
Staff Income Tax		1,818	1,938
Unclaimed dividend		1,158,933	1,522,717
Others		124,524	67,889
		-----	-----
		1,287,705	1,673,860
		=====	=====

10. CONTINGENCIES AND COMMITMENTS

a) Contingent Liabilities:

1. Due to retrospective withdrawal! of rebate for the year 1988-89, the Company provided excise duty of Rs. 31.646 million on 14,719 tonnes. As per orders of Honourable Supreme Court,

the matter was referred to the Central Board of Revenue and upon receipt of decision of the Central Board of Revenue, a revision application was filed by the company before, the Secretary, Ministry of Finance (Revenue Division) which has been transferred to the Customs, Central Excise and Sales Tax Appellate Tribunal and is pending for adjudication.

The Company has also filed a suit in the Honourable High Court of Sindh contesting that the bank guarantee issued by the Muslim Commercial Bank Limited in respect of aforesaid matter has become invalid in view of the judgment of the Honourable Supreme Court of Pakistan and sought orders to restrain the Bank from encashing the guarantee till final decision of the revision application is received. The Honourable 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 year. Thus 10,376 tonnes sugar exceeded the previous years 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 Honourable 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 is contingently 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 of appeal aggregating to Rs. 2.28 million. Pending decision of

the appeals provision has been made for Rs. 3.70 million.

The Income Tax assessment of the Company is finalized upto assessment Year 1997-98, and tax has already been accounted for. However an appeal is pending against the orders of the Deputy Commissioner of Income Tax for disallowing certain expenses before the commissioner of Income Tax (appeals). The amount provided for in the accounts in this context is Rs. 7.357 million.

4. 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. The Company has challenged the amendment which is pending for decision before the Secretary to the Ministry of Agriculture, Government of Sindh.

The Company has also filed a writ before the Honourable High Court of Sindh who 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, the Company has made full provision in the accounts of the total impact arising from the above amendment.

5. To the extent of Rs.80.00 million in respect of guarantees given by the Company to the banks against loan given by them to cane growers. (1995-96: Rs 50.00 million)

6. The Federal Government Through SRO. 473 (I)/96 dated June 13, 1996 withdrew Sales Tax exemption on consumption of baggage. The Additional Collector Sales Tax had passed an order against the Company demanding Sales Tax on baggage used as fuel by the Company. Aggrieved by the above order the Company had filed an appeal before the Sales Tax Tribunal against the validity of order of the Additional Collector Sales Tax. However, the possible Sales Tax liability on the baggage used as fuel during the season 1996-97 amounting to Rs. 2,694,570/- has been accounted for. On the representation of Pakistan Sugar Mills Association, the Federal government has again exempted the Sales Tax on in-house use of baggage as fuel vide SRO. No.473(I)/97 dated June 13, 1997.

b Commitments:

1) The rentals under operating lease agreements in respect of vehicles amounted to Rs. 0.250 million payable in the financial year 1998.

2) Letter of Credits amounting to Rs. 37.6 million.

11. OPERATING ASSETS

Particulars	As at 9/30/1996	Addition during the year	COST		As at 9/30/1997	Rate of Depre- ciation
			Transfer	Sales and Adjustments During the year		
-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.		Rs.	Rs.	%
OWN ASSETS						
Land (Free-Hold	421,349	-	-	-	421,349	-
Building on Free Hold Land:						
-Factory	20,262,648	48,710	-	-	20,311,358	10
-Non Factory	17,264,153	-	-	-	17,264,153	10
Plant & Machinery	336,568,873	13,412,389	6,100,000	5,694,429	350,386,833	10
Furniture & fixtures	3,089,614	236,163	-	72,843	3,252,934	10
Computers & Accessories	3,881,743	405,850	-	119,000	4,168,593	25
Office Equipments	1,575,716	147,325	-	-	1,723,041	10
Vehicles	5,311,382	5,629,887	-	171,400	10,769,869	20
Other Assets	6,324,077	144,660	-	9,225	6,459,512	10
Sub-total	394,699,077	20,024,984	6,100,000	6,066,897	414,757,642	
UNDER FINANCE LEASE						
Plant & Machinery	17,144,000	-	(6,100,000)	-	11,044,000	10
Vehicles	-	984,000	-	-	984,000	20
Sub-Total	17,144,000	984,000	(6,100,000)	-	12,028,000	
Total Rupees 1997	411,843,555	21,008,984	-	6,066,897	426,785,642	

Total Rupees 1996	394,011,618	18,753,256	-	921,319	411,843,555
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NOTE:

1. The company has changed the rate of charging depreciation on computer & accessories from 10% to 25%. As a result of this the change for depreciation is higher by Rs. 355,255/-
2. Plant & machinery operated for 146 days during the year and depreciation has been calculated accordingly.
3. Depreciation charge for the year has been allocated as follows:

	1997	1996
1. Manufacturing Expenses	9,586,728	18,360,220
2. Administrative Expenses	1,659,743	1,342,398
Total Rupees	11,246,471	19,702,618

11.1 SALE OF FIXED ASSETS (BY NEGOTIATION)

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Profit/(loss)	Sold to
VEHICLES						
1. Nissan sunny	16,500	8,05	8,448	92,000	83,552	Mrs. Saima Iftikhar 56-L Block -6, P.E.C.H.S Karachi.
2. Suzuki Jeep	113,000	105,235	7,765	30,000	22,235	Mr. Umer s/o Mohammad Katchi Abadi, Mirwah road, Mirpurkhas.
3. Mitsubishi Van	11,900	9,404	2,496	58,100	55,604	Mr. Anwar Ahmed 52-L Block -6, P.E.C.H.S Karachi.
4. Toyota Corolla	30,000	6,000	24,000	480,000	456.00	Insurance claim received from

New Jubilee Insurance Co. Ltd.
 Jubilee Insurance House
 I.I. Chundrigar road. Karachi.

PLANT & MACHINERY

Boilers (2 Nos.)	5,694,429	3,907,457	1,786,972,	1,160,000	(626,972)	Scrapped & sold to M/s Qadbros Engineering (Pvt) Lt Peco Road, Badami Bagh Lahore.
------------------	-----------	-----------	------------	-----------	-----------	--

OFFICE EQUIPMENT

Epson DFX-8000 Printer	119,000	11,900	107,100	75.00	(32,100)	Traded-in a new Epson DFX-8000 Printer.
------------------------	---------	--------	---------	-------	----------	--

OTHER ASSETS

Electric water cooler	9,225	5,042	4,183	945	(3,238)	Mr. Habib Employee C/o. Mirpurkhas Sugar Mills Ltd. Mirpurkhas
-----------------------	-------	-------	-------	-----	---------	---

FURNITURE & FIXTURES

	24,750	8,528	16,222	24,750	8.528	Mr. Aslam (ASCO) Ex-Employee
	48,093	28,654	19,439	16,243	(3196)	Various employees

TOTAL RUPEES 1997

6,066,897	4,090,272	1,976,625	1,937,038	(39,587)
-----------	-----------	-----------	-----------	----------

TOTAL RUPEES 1996

921,319	389,818	531,501	747,140	215,639
---------	---------	---------	---------	---------

1997

Rupees

1996

Rupees

CAPITAL WORK-IN-PROGRESS

Plant & Machinery under Erection

34,922,551

11,065,065

13. LONG TERM INVESTMENTS

Shares of Joint Stock Companies

In Associated undertakings:-

Quoted:

Cherat Cement Company Ltd.

2,425,780 (1996, 2,425,780)

fully paid ordinary shares

of Rs. 10/- each

10,000,000

10,000,000

(Market Value Rs.40,146,659)

(1996: Rs.46,696,265)

Cherat Papersack Limited

180,000 (1996, 150,000)

fully paid ordinary

shares of Rs.10/- each

2,100,000

1,500,000

(Market Value Rs.6,660,000)

(1996: Rs.6,600,000)

Greaves Airconditioners Ltd.

100,000 fully paid ordinary

shares of Rs.10/- each

1,000,000

1,000,000

(Market Value Rs.655,000)

(1996: Rs.1,000,000)

Un-Quoted:

Cherat Electric Limited

150,000 fully paid ordinary

shares of Rs.10/- each

1,000,000

1,500,000

Breakup value per share Rs.12.35

(Name of Chief Executive:

MR. IQBAL FARUQUE)

Others - Quoted:

Latif Jute Mills Limited

2,500 fully paid ordinary

shares of Rs. 10/- each

25,000

25,000

(Market Value Rs.6,000)

(1996: Rs.6,250)

	14,625,000	14,025,000
	=====	=====

	1997	1996
	Rupees	Rupees

14. LONG TERM LOANS AND ADVANCES

Advances - Considered Good: Unsecured
Due from employees other than
Chief Executive, Directors & Executives

1,873,896	2,127,018
------------------	-----------

Recoverable within one year shown
under Current Assets (refer Note 19)

1 024,082	1.568.042
-----	-----

Recoverable within three years

849,814	558,976
=====	=====

15. LONG TERM DEPOSITS

it represents deposits for leases and other security deposits.

16. STORES AND SPARES

Stores
Spares
Loose Tools

28,659,839	28,061,773
15,686,464	18,878,204
474,453	321,480
-----	-----

Provision for obsolescence

44,820,756	47,261,457
(600,000)	(600,000)
-----	-----

44,220,756	46,661,457
=====	=====

17. STOCK-IN-TRADE

Sugar in process
Molasses

4,175,840	3,534.00
301,120	-
-----	-----

4,476,960	3,534,003
=====	=====

18. TRADE DEBTS - Unsecured

Considered Good

36,486,790	-
-----	-----

Considered Doubtful

1,859,570	1,859,570
-----------	-----------

Provision thereagainst		----- (1,859,570)	----- (1,859,570)
		-	-
		----- 36,486,790	----- -
		=====	=====
		1997	1996
		Rupees	Rupees
19. LOANS AND ADVANCES - Unsecured			
Considered Good:			
Against Expenses		33,146	213.23
To Suppliers	(19.1)	-	-
-- Associated Companies		-----	-----
-- Others		7,263,553	5,316,634
		-----	-----
		7,263,553	5,316,634
To employees classified as recoverable within one year:		1,024,082	1,568,042
To Provident Fund Trust		264,205	430,641
Against Letters of Credit		10,484	557,983
Against Salary -			
To Sugar Cane Growers		1,306,829	5,438,364
Others	(19.2)	108,642	2,436,264
		-----	-----
		10,010,941	16,015,066
Considered Doubtful:		-----	-----
Sugar Cane Growers		5,000,000	5,000,000
Provision thereagainst		(5,000,000)	(5,000,000)
		-----	-----
		-	-
		10,010,941	16,015,066

19.1 At the end of any month during the year maximum aggregate amount due from Associated Companies	=====	=====
	559,060	1,518,881

19.2 Others represents amount advanced to transporters on behalf of Cane Growers recoverable from them.

	1997 Rupees	1996 Rupees
20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Deposits	692,354	718,854
Prepayments	1,316,253	1,421,546
Other Receivables	16,332,612	15,425,818
	-----	-----
	18,341,219	17,566,218
	=====	=====
21. SHORT TERM INVESTMENT		
National Defence Saving Certificates (21.1)	10,500,000	10,500,000
Fund Management Scheme	-	70,000,000
	-----	-----
	10,500,000	80,500,000
	=====	=====

21.1 The investments have been made in pursuance of Bank Guarantee issued as stated in note 10 (a) (1).

22. CASH & BANK BALANCES		
Cash-in-hand	24,920	12,391
Balance with Banks: in current Accounts	10,246,253	8,328,173
	-----	-----
	10,271,173	8,340,564
	=====	=====

	1997	1996
	Rupees	Rupees
23. SALES		
Sugar	684,351,300	567,166,073
Less: Brokerage & Commission	153,800	178,738
	-----	-----
	684,197,500	566,987,335
	=====	=====
24. COST OF GOODS SOLD		
Sugar Cane crushed (including procurement & development expenses)	445,184,722	252,696,277
Stores and Spares consumed	31,176,000	26,299,217
Salaries, Wages & Other Benefits	52,110,566	49,496,130
Water, Fuel and Power	28,508,218	17,935,901
Insurance	1,251,693	1,437,333
Repair and Maintenance	4,697,806	5,138,442
Vehicle Expenses	1,770,290	1,340,279
Octroi Charges	1,048,924	752,627
Depreciation	9,586,728	18,360,220
	-----	-----
	575,334,947	373,456,426
	-----	-----
Sugar-in-process - Opening	3,534,003	3,242,681
- Closing	(4,175,840)	(3,534,003)
	-----	-----
	(641,837)	(291,322)
	-----	-----
	574,693,110	373,165,104
	-----	-----
Less: Sale of Molasses	17,170,742	30,807,249
Stock Adjustment	301,120	-
	-----	-----
	17,471,862	30,807,249
	-----	-----
Cost of Goods Manufactured	557,221,248	342,357,855
Add: Excise Duty	77,152,950	72,170,805

	-----	-----
	634,374,198	414,528,660
	-----	-----
Finished Goods - Opening	-	55,197,117
- Closing	-	
	-----	-----
	-	55,197,117
	-----	-----
	634,374,198	469,725,777
	=====	=====
25. TRADING PROFIT		
Sales	74,099,101	-
Less:- Purchases	70,756,310	-
	-----	-----
Trading profit	3,342,791	-
	=====	=====

	1997	1996
	Rupees	Rupees
26. ADMINISTRATIVE EXPENSES		
Salaries, Allowances and Other Benefits	8,576,676	8,319,969
Directors' Fee	4,000	7,000
Rent, Rates and Taxes	1,880,726	1,345.39
Postage, Telegrams and Telephones	2,057,754	1,481,706
Conveyance and Travelling	2,424,735	2,527.588
Printing and Stationery	1,023,607	1,471,900
Entertainment	901,246	479,273
Vehicle Expenses	781,202	504,172
Insurance	1,185,319	758,142
Repair and Maintenance	757,087	909,725
Subscription	312,131	317,241
Legal & Professional Charges	370,717	552,637
Charity & Donation (26.1)	238,450	457,300
General Expenses	527,772	538,692
Electricity and Water	684,614	474,388
Vehicle Lease Rental	3,675,779	5,376,339
Depreciation	1,659,743	1,342.40

-----	-----
27,061,558	26,863,861
=====	=====

26.1 Charity and Donation

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

27. SELLING & DISTRIBUTION EXPENSES

Sugar Handling Expenses	474,380	436,617
Freight and Forwarding Expenses	2,019,018	1,455,700
	-----	-----
	2,493,398	1,892,317
	=====	=====

28. OTHER INCOME

Profit on disposal of Fixed Assets	-	215,639
Dividend Income from Associated Companies:		
Cherat Cement Co. Limited	7,277,340	-
Cherat Papersack Limited	1,620,000	1,050,000
Cherat Electric Limited	300,000	-
Miscellaneous Receipts	946,506	710,948
Profit on Short Term Investment	6,246,619	8,585,576
	-----	-----
	16,390,465	10,562,163
	=====	=====

1997
Rupees

1996
Rupees

29. FINANCIAL CHARGES

Markup on Redeemable Capital	183,497	276,249
Markup on Short Term Running Finance	9,050,963	559,371
Markup on Bank Guarantee provided to Collector of Customs in respect of Excise duty	3,934,768	3,366,419

	Rs .	Rs .	Rs .	Rs .	Rs .	Rs .	Rs .	Rs .
Fees	-	4,000	-	4,000	-	7,000	-	-
Managerial								
Remuneration & Bonus	1,331,748	1,331,748	3,739,498	6,402,994	875,000	875,000	3,536,002	
Housing Allowance	270,000	270,000	824,138	1,364,138	243,000	243,000	675,717	
Utilities	126,392	125,543	266,715	518,650	104,379	66,630	230,550	
Leave fare Assistance	217,985	168,644	-	386,629	195,300	174,020	-	
Retirement benefits	68,752	68,752	211,432	348,936	45,000	45,000	189,861	
Other (Reimbursement								
of expenses	62,798	53,665	14,725	131,188	54,865	45,730	12,897	
Total Rupees	2,077,675	2,022,352	5,056,508	9,156,535	1,517,544	1,456,380	4,645,027	
No. of persons								
(other than for fees)	1	1	13	15	1	1	13	

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.

	1997 Rupees	1996 Rupees
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33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The following are details of transactions with Associated Undertakings:

Services rendered by Associated Undertakings:	321,660	26,711
	=====	=====
Goods Purchased	358,029	685,893
	=====	=====

Dividend Received	9,197,340	1,050,000
	=====	=====

34. CAPACITY AND PRODUCTION

Installed Capacity				Actual Production		
Year	Tonnes	Days	Average/Per Day Tonnes	Tonnes	Days	Average/Per Day Tonnes
1996	23.17	160	144.79	34,367.05	150	229.11
1997	23,167	160	144.79	36,739.50	146	252.00
-----	-----	-----	-----	-----	-----	-----

35. 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 30-09-1997

No. of Shareholders	Shareholding	Total Shares held
975	From 1	22,582
480	From 101	124,421
150	From 501	104,010
283	From 1001	637,906
43	From 5001	303,138
10	From 10001	115,869
6	From 15001	104 915
2	From 20001	40 763
1	From 60001	64 042
1	From 95001	100 000
1	From 145001	146 236
1	From 150001	151 646
1	From 160001	163 798

1	From	175001	180000	176 797
1	From	580001	585000	584 125
1	From	775001	780000	779 559
1	From	1300001	1305000	1,302,522
1	From	1465001	1470000	1,466,471
-----				-----
		1,959		6,388,800
=====				=====

-----	-----	-----	-----	-----
Categories of Shareholders	Number	Shares held	Percentage	
-----	-----	-----	-----	-----
Individuals	1925	1,334,373	20.89	
Investment Companies ICP & NIT	2	2,783,506	43.57	
Insurance Companies	6	387,207	6.06	
Joint Stock Companies	8	766,559	12.00	
Financial Institutions	8	809,111	12.66	
Modaraba Companies	1	10,000	0.16	
Others (to be specified)	-	-	-	
National Development Finance Corporation	1	102,500	1.60	
Official Liquidators BCCI (Overseas) Ltd., Grand Cayman	1	6,842	0.1 !	
Tehrik-e-Jadid	1	176,797	2.76	
Waqf-e-Jadid	1	2,883	0.05	
Saya Foundation	1	508	0.01	
Fikree Development Corporation	1	719	0.01	
Mohammed Amin Waqf Estate	1	5,846	0.09	
Kandawala Trust	1	1,736	0.03	
Abandoned Properties Organisation	1	213	0.00	
	-----	-----	-----	
	1959	6,388,800	100.00	
	=====	=====	=====	