

MIRPURKHAS SUGAR MILLS LIMITED

34TH ANNUAL REPORT 1998

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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
MR. BEHRAM HASAN (I.C.P.)
MR. WUSOOQ KHALEELI (NIT)
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 34th Annual General Meeting of this Company will be held on Saturday, March 27, 1999 at 6.00 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 audited accounts of the company for the year ended on September 30, 1998 with the Directors' and the Auditors' Reports thereon.
2. To elect nine Directors as fixed by the Board in accordance with Section 178 (1) of the Companies Ordinance 1984. The following are the retiring Directors, and are eligible to be re-elected at the ensuing general meeting:-

(1) Mr. MOHAMMED FARUQUE	(6) Mr. BEHRAM HASSAN (ICP NOMINEE)
(2) Mr. MAHMOOD FARUQUE	(7) Mr. ASLAM FARUQUE
(3) Mr. IQBAL FARUQUE	(8) Mr. TARIQ FARUQUE
(4) Mr. ZAHID FARUQUE	(9) Mr. WUSOOQ KHALEELI (NIT NOMINEE)
(5) Mr. AKBARALI PESNANI	
3. To appoint Auditors for the ensuing year and to fix their remuneration.

By Order of the Board

R. JAFRANI

Company Secretary

Karachi, February 26, 1999.

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 Friday, March 19 to Saturday, March 27, 1999, inclusive, and no transfers will be registered during that time.
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, 1998

The Directors have pleasure in presenting to you 34th Annual Report together with the audited accounts for the year ended September 30, 1998.

PRODUCTION

The Mill commenced crushing on 08.11.1997 and closed on 28.03.1998 after operating 143 days against 146 days in 1996-97 season. The production data and other salient features for the reporting year as well as the comparative data for the previous year are as follows:

	Year ended 30-09-98	Year ended 30-09-97
Sugarcane Crushed:		
Metric Tonnes	402,273	351,686
Maunds	10,056,832	9,422,437
Sucrose percentage	10.11	10.43
Sugar production (M.T.)	40,533	36,740
Molasses production (M.T.)	19,630	18,110
Average crushing per day (M.T.)	2,183	2,409

For the year under review the Government increased the minimum support price of sugarcane from Rs. 24.50 to Rs. 36.00 per 40 Kg i.e. an increase of 46.94%. Production of the cane crop in Sindh increased, but was not enough to cater for the increased crushing capacity of the mills, which resulted in a price war for cane. The growers again took advantage of the situation and resorted to slow harvesting and demanding extra payment. Most of the sugar mills in the Province succumbed to the situation and increased the cane price. In order to maintain crushing your mills, too, was forced to pay higher price. The sucrose recovery dropped to 10.11% from 10.43% (last season) resulting in higher cost of production. A record all time sugar production in the country coupled with carry over stock and imported sugar created a glut in the local market resulting in suppressed sugar sale price all the year round. Also, with low international prices, permission to export sugar presented no advantage. Your company exported 11,271 MT sugar during the year under report.

Higher cost of production, heavy inventory along with low prices of sugar resulted in a loss to your company in the year 1997-98.

OPERATING RESULTS

The summarized operating results are as follows:

	1997-98 (Rs. 'Million)	1996-97 (Rs. 'Million)
Net Sales	498.14	684.20
Cost of Sales	455.92	634.37
Gross Profit	42.22	53.17
Expenses & Taxes	91.55	52.10
Net (Loss)/Profit before tax	(20.129)	21.50
Net (Loss)/Profit after tax	(34.371)	17.42

Other comparative figures are reflected in the Financial Statements.

The Government reduced the levy of excise duty on sugar by Rs. 1,675/= per metric tonne and imposed sales tax at 12.5% effective 1st July 1998.

FINANCIAL RESULTS

After provision for taxation at Rs. 14.242 million your company has suffered a net loss after tax of Rs. 34.371 million. The total contribution to the Government on account of excise duty, sales tax and income tax was Rs. 64.290 million against Rs. 81.238 million for the year 1996-97.

	Amount (Rs. 'Million)
Loss before Taxation	(20.129)
Provision for Taxation:	
Current year (Min. Tax)	2.508
Prior year	18.724
Deferred	(6.990)

	14.242

Net Loss for the year	(34.371)
Less: Unappropriated profit brought forward	0.021

Net Loss carried forward	(34.350)
	=====

Y2K COMPLIANCE

The computer system of our company is operating satisfactorily both at the Head Office, Karachi and Factory at Mirpurkhas.

Currently we are involved in upgrading our accounting and information system to make it Y2K compliant.

PROSPECTS FOR 1998-99

The current crushing season commenced on 16.11.1 998 and as of 25th February 1999 we crushed 343,191.276 tonnes of sugarcane producing 29510 tonnes of sugar at 8.64% recovery. The quality premium has again been raised by the Government from 32 Paisas to 50 Paisas for each 0.1% of sucrose recovery over bench mark up of 8.70% i.e. an increase of 56.25%. The quantum of sugarcane to be crushed should improve compared to last season. Area under cane cultivation increased, but due to unfavourable climatic conditions, the yield has deteriorated and suffered from pest attack. Sucrose recovery has gone down from 10.11% to 8.64% compared to last year.

Effective January 01, 1999 the sales tax has been increased from 12.5% to 15%.

During the current year sugar production will be higher than the domestic requirement due to which the price of sugar in the local market remains depressed. The Government has allowed 500,000 metric tonnes for export, out of which our quota was 10130 metric tonnes. We have already exported 10,000 metric tonnes as on 25.02.1999. Prices of molasses in the international market have crashed.

PROSPECTS FOR 1999-2000

For the last few years sugarcane crop has been yielding higher returns for growers. The increase in prices has encouraged growers to cultivate more cane. The crop during season 1999-2000 is expected to be higher. As spring plantation will end by March 1999, the percentage of cultivation will become known.

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, executives, supervisors and hard working workers, who continued to put in their best effort for achieving optimum results.

For and on behalf of the Board

MOHAMMED FARUQUE

Chairman

Karachi: the 26th February, 1999

RATIO ANALYSIS ON ACCOUNTS**FOR THE YEAR ENDED SEPTEMBER 30, 1998****PROFITABILITY:**

	1998	1997
Gross Profit (percentage)	8.48	7.28
Operating (Loss)/Profit (percentage)	-0.18	3.45
(Loss)/Profit Before Tax (percentage)	-4.04	3.14
Net (Loss)/Profit After Tax (percentage)	-6.90	2.55
Decline/Growth in Net Profit After Tax (percentage)	-297.32	-53.47
Net (Loss)/Profit to Share Holders Equity (Average after tax)	-18.99	8.96
Earning Per Share (Before Tax)	-3.15	3.36
Earning Per Share (After Tax)	-5.38	2.73
Net (Loss)/Profit to total Assets (Average after tax) (perce	-7.29	4.65
(Decrease)/Increase in Sales (Gross percentage)	-26.87	20.66
(Decrease)/Increase in Sales (Net percentage)	-27.19	20.67
Materials Percent of Net Sales	94.28	66.09
Labour Percent of Net Sales	10.46	7.61
Other Cost of Sales Expenses Percent of Net Sales	12.33	10.38
Raw & Packing Material as Percent of Cost of Sales	80.53	78.59
Administrative Expenses Percent of Net Sales	5.67	3.95
Selling Expenses Percent of Net Sales	2.98	0.36
Income Tax Percent of Net Sales	2.86	0.60
Financial Expenses Percent of Net Sales	6.54	2.45
Other charges Percent of Net Sales	0.33	0.25

SHORT TERM SOLVENCY RATIO:

Working Capital Ratio	1:1.23	1.88:1
Acid Test Ratio	0.37:1	0.35:1
Inventory Turn Over/times	8.41	158.38

OVERALL VALUATION AND ASSESSMENT:

Number of Time Interest Earned	-	2.28
Return on Capital Employed before tax (Average in percentage)	-7.32	8.39
P.E. Ratio (After tax)	-2.70	5.86
Book Value per share	25.64	31.01
Debt Ratio	0.71:1	0.47:1

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of MIRPURKHAS SUGAR MILS LIMITED, as at 30th September, 1998 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;

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, 1998 and of the Loss 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.

HYDER BHIMJI & CO.
Chartered Accountants

Karachi: the 26th February 1999

BALANCE SHEET AS AT SEPTEMBER 30, 1998

	Note	1998 Rupees	1997 Rupees
SHARE CAPITAL AND RESERVES			
Share Capital:			
Authorized		150,000,000	150,000,000
		=====	=====
Issued, Subscribed & Paid-up	3.2	63,888,000	63,888,000
Revenue Reserves	4	134,250,305	134,250,305
		-----	-----
Accumulated (Loss)/Unappropriated Profit		(34,350,009)	21,059
		-----	-----
		99,900,296	134,271,364
		163,788,296	198,159,364
REDEEMABLE CAPITAL	5	593,140	1,336,418
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	6	778,963	2,849,312
DEFERRED LIABILITIES	7	95,297,640	97,250,699
CURRENT LIABILITIES			
Current portion of redeemable capital		743,278	688,907
Current portion of liabilities against Assets Subject to finance lease		2,803,184	2,997,699
Shod Term Running Finance utilized under mark-up arrangements	8	224,380,436	6,481,510
Creditors, Accrued and Other Liabilities	9	77,808,865	49,939,666
Provision for Taxation		4,992,980	1,857,699
Proposed Dividend		-	9,583,200
		-----	-----
		310,728,743	71,548,681
CONTINGENCIES AND COMMITMENTS	10	-	-

-----	-----
571,186,782	371,144,474
=====	=====

Karachi: the 26th February 1999

	Note	1998 Rupees	1997 Rupees
FIXED ASSETS			
Operating Assets	11	180,946,384	182,204,456
Capital Work-in-Progress	12	117,867,715	34,922,551
		-----	-----
		298,814,099	217,127,007
LONG TERM INVESTMENTS	13	14,106,000	14,625,000
LONG TERM LOANS AND ADVANCES	14	734,914	849,814
LONG TERM DEPOSITS	15	3,962,814	4,234,814
CURRENT ASSETS			
Stores and Spares	16	46,867,011	44,220,756
Stock-in-Trade	17	103,970,701	4,476,960
Trade Debts	18	6,412,371	36,486,790
Loans and Advances	19	27,478,374	10,010,941
Deposits, Prepayments and Other Receivables	20	57,059,536	18,341,219
Short Term Investment	21	10,500,000	10,500,000
Cash and Bank Balances	22	1,280,962	10,271,173
		-----	-----
		253,568,955	134,307,839
		-----	-----
		571,186,782	371,144,474
		=====	=====

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

MAHMOOD FARUQUE
Chief Executive

MOHAMMED FARUQUE
Chairman

**PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED SEPTEMBER 30, 1998**

1998	1997
------	------

	Note	Rupees	Rupees
Sales	23	498,141,693	684,197,500
Cost of Goods Sold	24	455,921,878	634,374,198
		-----	-----
Gross Profit		42,219,815	49,823,302
Trading Profit	25	-	3,342,791
		-----	-----
		42,219,815	53,166,093
		-----	-----
Administrative Expenses	26	28,265,416	27,061,558
Selling & Distribution Expenses	27	14,833,226	2,493,398
		-----	-----
		43,098,642	29,554,956
		-----	-----
Operating Profit		(878,827)	23,611,137
Other Income	28	14,955,195	16,350,878
		-----	-----
		14,076,368	39,962,015
		-----	-----
Financial Charges		32,585,810	16,819,047
Other Charges	30	1,619,851	1,639,436
		-----	-----
		34,205,661	18,458,483
		-----	-----
(Loss)/Profit before taxation		(20,129,293)	21,503,532
Provision for taxation	31	(14,241,775)	4,084,771
		-----	-----
(Loss)/Profit after taxation		(34,371,068)	17,418,761
Unappropriated Profit brought forward		21,059	85,498
		-----	-----
(Loss)/Profit available for appropriation		(34,350,009)	17,504,259
Appropriations:			
Transfer to General Reserve		-	7,900,000
Proposed Dividend		-	9,583,200
		-----	-----
		-	17,483,200
		-----	-----
Accumulated(Loss)/Unappropriated Profit carried forward		(34,350,009)	21,059
		=====	=====

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

MAHMOOD FARUQUE

MOHAMMED FARUQUE

Chief Executive

Chairman

Karachi: the 26th February 1999

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

	1998	1997
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit after taxation	(34,371,068)	17,418,761
Adjustments		
Depreciation	10,974,418	11,246,471
Financial charges	32,585,810	16,819,047
(Profit)/Loss on sale of fixed assets	(3,679,665)	39,587
Sales Tax on bagasse:	69,669	2,694,570
Provision for Diminution in value of Investments	519,000	-
Provision for taxation	14,241,775	4,084,771
	-----	-----
	54,711,007	34,884,446
	-----	-----
Operating profit before changes	20,339,939	52,303,207
(Increase)/decrease in operating assets		
Stores & Spares	(2,646,255)	2,440,701
Stock-in-Trade	(99,493,741)	(942,957)
Trade Debts	30,074,419	(36,486,790)
Loans and Advances	(17,467,433)	6,004,125
Deposits, prepayments and other Receivables	(38,718,317)	(775,001)
Short term investment	-	70,000,000
	-----	-----
	(128,251,327)	40,240,078
	-----	-----
	(107,911,388)	92,543,285
Increase/(decrease) in Current liabilities		
Short term finance	217,898,926	6,481,510
Creditors, accrued and other liabilities	27,577,104	8,040,467
Taxes paid	(18,166,163)	(28,913,811)
Financial charges paid	(27,214,494)	(14,251,957)
	-----	-----
	200,095,373	(28,643,791)
	-----	-----
Net Cash from operating activities	92,183,985	63,899,494

Cash flow from investment activities		
Capital expenditure	(92,100,712)	(44,866,471)
Sale proceed of fixed assets	3,866,588	1,937,038
Purchase of investment	-	(600,000)
Payment of long term loan and advances	114,900	(290,838)
Payment of long term deposits	272,000	628,640
	-----	-----
Net cash utilitised towards financing activities	(87,847,224)	(43,191,631)
Cash flow from financing activities		
Redeemable capital	(688,907)	(634,540)
Liabilities against assets subject to finance lease	(3,054,865)	(2,170,714)
Payment of dividends	(9,583,200)	(15,972,000)
	-----	-----
Net cash utilized towards financing activities	(13,326,972)	(18,777,254)
	-----	-----
Net changes in cash flow for the year	(8,990,211)	1,930,609
Cash and bank at the beginning of year	10,271,173	8,340,564
	-----	-----
Cash and bank at the year end	1,280,962	10,271,173
	=====	=====

MAHMOOD FARUQUE
Chief Executive

MOHAMMED FARUQUE
Chairman

Karachi: the 26th February 1998

**NOTES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998.**

1. STATUS AND NATURE OF THE 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 free hold 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.

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 assets 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. Provision for permanent diminution if any is accounted for in the books.

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.

1998
Rupees

1997
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
=====

1998
Rupees

1997
Rupees

4. REVENUE RESERVE

General Reserves

- As on 1st October	134,250,305	126,350,305
- Transferred from Profit and Loss Account	-	7,900,000
	-----	-----
	134,250,305	134,250,305
	=====	=====

5. REDEEMABLE CAPITAL - Secured

Long term finance utilized under

Markup arrangements:-

From Investment Corporation of Pakistan	1,336,418	2,025,325
Less: Current portion shown under Current Liabilities	743,278	688,907
	-----	-----
	593,140	1,336,418
	=====	=====

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 installments commencing from September 30, 1992.

6. LIABILITIES AGAINST ASSETS**SUBJECT TO FINANCE LEASE**

Locally fabricated Machinery	2,298,217	5,010,245
Vehicles	1,283,930	836,766
	-----	-----
	3,582,147	5,847,011
Less: Current portion shown under	2,803,184	2,997,699
	-----	-----
	778,963	2,849,312
	=====	=====

a) The assets have been leased by the leasing companies under the agreements of finance leases

showing the outstanding liability:-

i) Atlas Bot Lease Company Ltd.	3,031,052
ii) Orix Leasing Pakistan Ltd.	551,095

	3,582,147
	=====

b) The above liabilities represents the total of minimum lease payments discounted at rate ranging from 16.21% to 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
1999	3,135,465
2000	398,600
2001	254,760
2002	127,380

	3,916,205
	(462,258)
Financial charges allocated to future period	-----
	3,453,947
Security Deposit	128,200

	3,582,147
	=====

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.

		1998 Rupees	1997 Rupees
7. DEFERRED LIABILITIES			
Deferred Taxation	(7.1)	17,240,000	24,230,000
Road Cess Payable		22,561,269	17,532,853
Surcharge water supply payable		11,892,842	10,384,317
Mark-up on disputed Central Excise duty		32,636,596	32,636,596
Market Committee Fee		10,966,933	12,466,933

-----	-----
95,297,640	97,250,699
=====	=====

7.1 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 and unabsorbed losses.

**8. SHORT TERM RUNNING FINANCE UTILIZED
UNDER MARK-UP ARRANGEMENTS**

From	- Commercial Banks (Secured)	(8.1)	224,380,436	200,000
	- Undisbursed Agricultural Finance (Un-Secured)		-	6,281,510
			-----	-----
			224,380,436	6,481,510
			=====	=====

1998	1997
Rupees	Rupees

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 finance carries mark-up ranging between paisa 44 to 54 per thousand rupees per day.

Extent of facility	301 Million	239Million
	=====	=====

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		29,900,203	4,771,284
Accrued Expenses			
- Associated undertaking		3,174,766	-
- Others		32,099,006	39,443,065
Markup Accrued on Finance Lease		50,049	114,840
Advance From Customers		7,987,772	375
Deposits		166,181	51,641
Sales Tax on Bagasse		-	2,694,570
Workers Profit Participation Fund	(9.1)	-	1,155,965
Workers Welfare Fund		1,325,871	420,221
Other liabilities	(9.2)	3,105,017	1,287,705
		-----	-----

77,808,865	49,939,666
=====	=====

9.1 WORKERS PROFIT PARTICIPATION FUND

Balance as at 1st Oct.	1,155,965	3,604,968
Add: Interest thereon	70,070	339,729
	-----	-----
	1,226,035	3,944,697
Less: Payment made during the year	(1,226,035)	(3,944,697)
	-----	-----
	-	-
Add: Contribution for the year	-	1,155,965
	-----	-----
	-	1,155,965
	=====	=====

9.2 OTHER LIABILITIES

Suppliers Income Tax	116,232	2,430
Staff Income Tax	25,238	1,818
Unclaimed Dividend	1,645,545	1,158,933
Others	1,318,002	124,524
	-----	-----
	3,105,017	1,287,705
	=====	=====

10. CONTINGENCIES AND COMMITMENTS

a) Contingent Liabilities:

1. The Central Excise & Customs Appellate Tribunal has decided the case of retrospective withdrawal of the excise duty for crushing season 1988-89 in favour of the Company against which the excise department has filed an appeal in the Honourable High court of Sindh which is pending for formal admission. Pending the admission of the appeal, the Company has accounted for excise duty amounting for Rs.31.646 million and markup amounting to Rs.32.637 million totaling Rs.64.283 million.

Upon decision of The Customs Excise & Sales Tax Appellate Tribunal, The Honourable High Court declared the Bank Guarantee issued by the Muslim Commercial Bank Limited in respect of aforesaid matter invalid and ordered the Government to refund/allow adjustment of the amount realized.

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 was

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. 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.

3. The Income Tax assessment of the Company is finalized upto assessment Year 1998-99, 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. 18.724 million.

4. By an amendment in the Sindh Finance Act 1964 the Government of Sindh increased the rate of sugarcane (development) cess from Rs. 0.28 to Rs. 1.00, the Company has challenged the amendment which is pending for decision.

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 (development) 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.30 million in respect of guarantees given by the Company to the banks against loan given by them to cane growers. (1996-97: Rs 80 million)

6. The Federal Government Through SRO. 473 (I)/96 dated June 13, 1996 withdrew exemption of Sales Tax on in house consumption of Bagasse. The Additional Collector Sales Tax had passed an order against the Company demanding Sales Tax on bagasse used as fuel by the Company. The Company aggrieved by the above order has filed an appeal to the Sales Tax Tribunal against the validity of the above order. However the Company has paid Sales Tax liability on the bagasse used as fuel during the season 1996-97 amounting to Rs. 2,764,238/-, to avail immunity against any possible penalties. On the representation of Pakistan Sugar

Mills Association, the Federal government has again exempted the sales Tax on inhouse use of bagasse as fuel vide SRO. No. 473(i)/97 dated June 13, 1997.

7. Sindh Government for season 1998-99 has increased the rate of Quality Premium from Rs.0.32 per40KG to Rs.0.50 per 40KG for each 0.1% of sucrose recovery over benchmark of 8.7%. Aggrieved with the situation the Company has challenged the payment of Quality Premium in the Sindh High Court, which is pending for decision.

b) Commitments:

1) Letter of Credit amounting to Rs. 3.431 million.

11. OPERATING ASSETS

Particulars	COST			As at 30-09-98	Rate of Depreciation	Up to 39-09-1997	For the year
	As at 30-09-1997	Additions during the year	Sales and Adjustments during the year				
OWN ASSETS							
Land (Free-Hold)	421,349	-	-	421,349	-	-	-
Building on Free Hold Land:							
-Factory	20,311,358	143,890	-	20,455,248	10	14,640,603	581,465
-Non Factory	17,264,153	21,248	-	17,285,401	10	12,839,311	444,609
Plant & Machinery	350,386,833	6,475,876	-	356,862,709	10	200,745,371	6,116,378
Furniture & fixtures	3,252,934	30,805	28,449	3,255,290	10	1,693,695	158,044
Computers & Accessories	4,168,593	429,750	-	4,598,343	25	2,304,205	573,535
Office Equipments	1,723,041	49,000	-	1,772,041	10	752,463	101,958
Vehicles	10,769,869	1,758,584	1,120,653	11,407,800	20	4,171,267	1,635,974
Other Assets	6,459,512	204,115	-	6,663,627	10	4,069,665	259,396
Sub-total	414,757,642	9,113,268	1,149,102	422,721,808		241,216,580	9,871,359
UNDER-FINANCE LEASE							
Plant & Machinery	11,044,000	-	-	11,044,000	10	3,167,806	787,619
Vehicles	984,000	790,000	-	1,774,000	20	196,800	315,440
Sub-Total	12,028,000	790,000	-	12,818,000		3,364,606	1,103,059
Total Rupees 1998	426,785,642	9,903,268	1,149,102	435,539,808		244,581,186	10,974,418
Total Rupees 1997	411,843,555	21,008,984	6,066,897	426,785,642		237,424,987	11,246,471

NOTE: 1. Plant & machinery operated for 143 days during the year and depreciation has been calculated accordingly.
2. Depreciation charge for the year has been allocated as follows:

	1998	1997
1. Manufacturing Expenses	9,436,876	9,586,728
2. Administrative Expenses	1,537,542	1,659,743
	-----	-----
Total Rupees	10,974,418	11,246,471
	=====	=====

11.1 SALE OF FIXED ASSETS (BY NEGOTIATION)

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Profit/ (loss)	Sold to
VEHICLES						
1. Daihatsu Jeep	161,500	156,954	4,546	100,500	95,954	Mr. Zulfiqar All Berani Road Tando Adam
2. Suzuki Potchar Jeep	10,950	5,344	5,606	185,000	179,394	Mr. Abdul Aleem Wasan S/o Mir Mohammad Wasan Goth Allah Bachayo Wasan P.O. Khan Taluka Mirpur
3. Suzuki Potchar Jeep	10,950	5,344	5,606	210,000	204,394	Digri Sugar Mills Limited 48-J1, Block 6, PECHS, Karachi.
4. Bedford Bus	429,265	337,350	91,915	434,250	342,335	Mr. Waqar Hussain H.No.R-565 Adam Town North Karachi.
5. Bedford Bus	222,878	219,666	3,212	339,474	336,262	Mr. Waqar Hussain H.No.R-565 Adam Town North Karachi.
6. Bedford Bus	139,860	138,974	886	337,749	336,863	Mr. Waqar Hussain H.No.R-565 Adam Town North Karachi.
7. Hino Bus	35,200	17,178	18,022	941,633	923,611	Mr. Mohammad Qasim Liaqatabad C-1 Area Karachi.
8. Hino Bus	35,200	17,178	18,022	965,000	946,98	Mr. Altaf Hussain Murad Memon Goath

9. Toyota Corolla	31,500	18,598	12,902	193,000	180,098	Umed All Muhalla Karachi. Mohammad Fazal Karim 3-337 Sector L Block Orangi Town Karachi.
10. Suzuki Swift	13,850	4,986	8,864	115,800	106,936	Mohammad Fazal Karim 3-337 Sector L Block Orangi Town Karachi.
11. Honda CD-70 Motorcycle	29,500	21,766	7,734	29,500	21,766	Insurance Claim New Jubilee Insurance C Jubilee House Karachi.
FURNITURE & FIXTURES	2,023	1,209	814	1,700	886	Mr. Atta Mohammad Employee
	14,376	9,592	4,784	9,183	4,399	Mr. Iqbal Sarshar Ex-Employee
	12,050	8,040	4,010	3,799	(211)	Mr. Abdul Jameel Khan Ex-Employee
TOTAL RUPEES 1998	1,149,102	962,179	186,923	3,866,588	3,679,665	
TOTAL RUPEES 1997	6,066,897	4,090,272	1,976,625	1,937,038	(39,587)	

1998
Rupees

1997
Rupees

12. CAPITAL WORK-IN-PROGRESS

Plant & Machinery- under Erection
- Against letter of Credit

67,848,106	34,922,551
50,019,609	-
34,922,551	117,867,715

13. LONG TERM INVESTMENTS

Shares of Joint Stock Companies
In Associated undertakings:-

Quoted:

Cherat Cement Company Ltd.
2,425,780 (1997, 2,425,780)
fully paid ordinary shares
of Rs. 10/- each
(Market Value Rs. 23,044,910)

10,000,000	10,000,000
------------	------------

(1997: Rs.40,146,659).

Cherat Papersack Limited

180,000 (1997, 180,000)

fully paid ordinary

shares of Rs. 10/- each

2,100,000

2,100,000

(Market Value Rs.5,040,000)

(1997: Rs.6,660,000).

Greaves Airconditioners Ltd.

100,000 fully paid ordinary

shares of Rs.10/- each

1,000,000

1,000,000

(Market Value Rs.5,040,000)

(1997: Rs.655,000)

Un-Quoted:

Cherat Electric Limited

1,500,000

1,500,000

165,000 (1997,150,000)

fully paid ordinary

shares of Rs.10/- each

Breakup value per share Rs.12.39

(Name of Chief Executive:

MR. IQBAL FARUQUE)

Others - Quoted:

Latif Jute Mills Limited

25,000

25,000

2,500 fully paid

ordinary shares of Rs.10/- each

(Market Value Rs.6,000)

(1997: Rs.6,000)

14,625,000

14,625,000

Less: Provision for diminution in value of Investments

519,000

-

14,106,000

14,625,000

=====

=====

1998
Rupees

1997
Rupees

14. LONG TERM LOANS AND ADVANCES

Advances - Considered Good: Unsecured

Due from employees other than

Chief Executive, Directors & Executives

1,438,476

1,873,896

Recoverable within one year shown under Current Assets (refer Note 19)	703,562	1,024,082
	-----	-----
Recoverable within three years	734,914	849,814
	=====	=====

15. LONG TERM DEPOSITS

It represents deposits for leases and other security deposits.

16. STORES AND SPARES

Stores	28,889,157	28,659,839
Spares	18,062,245	15,686,464
Loose Tools	515,609	474,453
	-----	-----
	47,467,011	44,820,756
Provision for obsolescence	(600,000)	(600,000)
	-----	-----
	46,867,011	44,220,756
	=====	=====

17. STOCK-IN-TRADE

Sugar	97,180,649	-
Sugar in process	5,955,752	4,175,840
Molasses	834,300	301,120
	-----	-----
	103,970,701	4,476,960
	=====	=====

18. TRADE DEBTS - Unsecured

Considered Good	6,412,371	36,486,790
Considered Doubtful	1,859,570	1,859,570
Provision thereagainst	(1,859,570)	(1,859,570)
	-----	-----
	-	-
	-----	-----
	6,412,371	36,486,790
	=====	=====

1998	1997
Rupees	Rupees

19. LOANS AND ADVANCES - Unsecured

Considered Good:

Against Expenses		208,663	33,146
To Suppliers			
- Associated Companies	(19.1)	1,814,033	-
- Others		13,358,236	7,263,553
		-----	-----
		15,172,269	7,263,553
To employees classified as recoverable within one year:		703,562	1,024,082
To Provident Fund Trust		916,570	264,205
Against Letter of Credit		21,293	10,484
To Sugar Cane Growers		10,259,791	1,306,829
Others	(19.2)	196,226	108,642
		27,478,374	10,010,941
Considered Doubtful:			
Sugar Cane Growers		5,000,000	5,000,000
Provision thereagainst		(5,000,000)	(5,000,000)
		-----	-----
		-	-
		-----	-----
		27,478,374	10,010,941
		=====	=====
19.1 At the end of any month during the year maximum aggregate amount due from Associated Companies		2,099,131	559,060

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

1998	1997
Rupees	Rupees

20. DEPOSITS, PREPAYMENTS AND

OTHER RECEIVABLES

Deposits		-	692,354
Prepayments		875,964	1,316,253
Other Receivables		56,183,572	16,332,612
		-----	-----
		57,059,536	18,341,219

21. SHORT TERM INVESTMENT

National Defence Saving Certificates

=====	=====
10,500,000	10,500,000
=====	=====

22. CASH & BANK BALANCES

Cash-in-hand

26,584	24,920
--------	--------

Balance with Banks:

1,254,378	10,246,253
-----	-----
1,280,962	10,271,173
=====	=====

23. SALES

Sugar

- Local

334,873,737	684,351,300
-------------	-------------

- Export

165,568,910	-
-----	-----
500,442,647	684,351,300

Less: Brokerage & Commission

2,300,954	153,800
-----	-----
498,141,693	684,197,500
=====	=====

1998
Rupees**1997**
Rupees**24. COST OF GOODS SOLD**Sugar Cane crushed (including
procurement & development expenses)

462,643,942	445,184,722
-------------	-------------

Stores and Spares consumed

33,491,581	31,176,000
------------	------------

Salaries, Wages & Other Benefits

52,103,267	52,110,566
------------	------------

Water, Fuel and Power

16,855,545	28,508,218
------------	------------

Insurances

1,242,948	1,251,693
-----------	-----------

Repair and Maintenance

2,751,447	4,697,806
-----------	-----------

Vehicle Expenses

2,658,326	1,770,290
-----------	-----------

Octroi Charges

2,022,063	1,048,924
-----------	-----------

Depreciation

9,436,876	9,586,728
-----	-----
583,205,995	575,334,947

Sugar-in-process-Opening

4,175,840	3,534,003
-----------	-----------

- Closing

(5,955,752)	(4,175,840)
-------------	-------------

	-----	-----
	(1,779,912)	(641,837)
	-----	-----
	581,426,083	574,693,110
	-----	-----
Less: Sale of Molasses	17,038,146	17,170,742
Stock Adjustment	533,180	301,120
Export rebate	41,602,500	-
	-----	-----
	59,173,826	17,471,862
	-----	-----
Cost of Goods Manufactured	522,252,257	557,221,248
Add: Excise Duty	30,850,270	77,152,950
	-----	-----
	553,102,527	634,374,198
	-----	-----
Finished Goods - Opening	-	-
- Closing	(97,180,649)	-
	-----	-----
	(97,180,649)	-
	-----	-----
	455,921,878	634,374,198
	=====	=====
25. TRADING PROFIT		
Sales	-	74,099,101
Less:- Purchases	-	70,756,310
	-----	-----
	-	3,342,791
	=====	=====
	1998	1997
	Rupees	Rupees
26. ADMINISTRATIVE EXPENSES		
Salaries, Allowances and Other Benefits	9,999,467	8,576,676
Directors' Fee	6,500	4,000
Rent, Rates and Taxes	2,022,116	1,880,726
Postage, Telegrams and Telephones	2,325,749	2,057,754
Conveyance and Travelling	3,120,005	2,424,735
Printing and Stationery	1,570,010	1,023,607
Entertainment	1,312,490	901,246
Vehicle Expenses	1,029,758	781,202
Insurance	1,169,217	1,185,319
Repair and Maintenance	815,889	757,087

Subscription		266,562	312,131
Legal & Professional Charges		740,720	370,717
Charity & Donation	(26.1)	331,550	238,450
General Expenses		528,717	527,772
Electricity and Water		1,079,359	684,614
Vehicle Lease Rental		409,765	3,675,779
Depreciation		1,537,542	1,659,743
		-----	-----
		28,265,416	27,061,558
		=====	=====

26.1 Donations include Rs.20,000/- to Ghulam Faruque Wild Life Reserve in which several directors are interested.

27. SELLING & DISTRIBUTION EXPENSES

Sugar Handling Expenses		893,332	474,380
Freight and Forwarding Expenses		13,939,894	2,019,018
		-----	-----
		14,833,226	2,493,398
		=====	=====

28. OTHER INCOME

Profit on disposal of Fixed Assets		3,679,665	(39,587)
Dividend Income from Associated Companies:			
Cherat Cement Co. Limited		3,638,670	7,277,340
Cherat Papersack Limited		1,440,000	1,620,000
Cherat Electric Limited		300,000	300,000
Miscellaneous Receipts		510,031	946,506
Profit on Short Term Investment		5,386,829	6,246,619
		-----	-----
		14,955,195	16,350,878
		=====	=====

1998
Rupees

1997
Rupees

29. FINANCIAL CHARGES

Markup on Redeemable Capital		129,127	183,497
Markup on Shod Term Running Finance		30,247,835	9,050,963
Markup on Bank Guarantee provided to Collector of Customs in respect of Excise duty		-	3,934,768
Charges on Finance Lease		704,825	1,036,358

Interest on Workers Profit Participation Fund	70,070	339,729
Bank Charges, Commission and excise duty on financing	1,433,953	2,273,732
	-----	-----
	32,585,810	16,819,047
	=====	=====

30. OTHER CHARGES

Workers' Profit Participation Fund	-	1,155,965
Workers' Welfare Fund	1,036,251	420,221
Auditors remuneration	(30.1) 64,600	63,250
Provision for diminution in value of Investments	519,000	-
	-----	-----
	1,619,851	1,639,436
	=====	=====

30.1 Auditor's remuneration

Audit Fee	60,000	60,000
Out of Pocket Expenses	4,600	3,250
	-----	-----
	64,600	63,250
	=====	=====

31. PROVISION FOR TAXATION

Current	2,507,930	3,800,000
Prior years	18,723,845	1,934,771
Deferred	(6,990,000)	(1,650,000)
	-----	-----
	14,241,775	4,084,771
	=====	=====

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	1998				1997				
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Fees	-	6,500	-	6,500	-	4,000	-	4,000	
Managerial									
Remuneration & Bonus	1,515,000	1,948,854	3,715,755	7,179,609	1,331,748	1,331,748	3,739,498	6,402,994	
Housing Allowance	270,000	616,521	840,620	1,727,141	270,000	270,000	824,138	1,364,138	
Utilities	163,638	200,869	283,432	647,939	126,392	125,543	266,715	518,650	

Leave fare Assistance	239,154	146,450	109,800	495,404	217,985	168,644	-	386,629
Retirement benefits	75,000	86,493	189,235	350,728	68,752	68,752	211,432	348,936
Other (Reimbursement of expenses)	83,728	161,974	17,212	262,914	62,798	53,665	14,725	131,188
Total Rupees	2,346,520	3,167,661	5,156,054	10,670,235	2,077,675	2,022,352	5,056,508	9,156,535
No. of persons (other than for fees)	1	3	12	16	1	1	13	15

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

	1998 Rupees	1997 Rupees
--	----------------	----------------

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The following are details of transactions with Associated Undertakings:

Services rendered by Associated Undertakings:

	91,269	321,660
--	--------	---------

Goods Purchased

	166,879	358,029
--	---------	---------

Dividend Received

	5,378,670	9,197,340
--	-----------	-----------

34. CAPACITY AND PRODUCTION

Installed Capacity

Actual Production

Year	Installed Capacity			Actual Production		
	M. Tonnes	Days	Average/Per Day M. Tonnes	M. Tonnes	Days	Average/Per Day M. Tonnes
1997	23,167	160	144.79	36,739.50	146	252
1998	23,167	160	144.79	40,532.75	143	283

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.

MAHMOOD FARUQUE
Chief Executive

MOHAMMED FARUQUE
Chairman

Pattern of Shareholdings as at September 30,1998

Number of Shareholders	From	Shareholders To	Shares held	Percentage
977	1	100	22,242	0.3481
492	101	500	127,952	2.0028
148	501	1000	103,230	1.6158
281	1001	5000	630,453	9.8681
46	5001	10000	320,380	5.0147
10	10001	15000	115,869	1.8136
4	15001	20000	73,197	1.1457
3	20001	25000	61,981	0.9702
1	60001	65000	64,042	1.0024
1	145001	150000	146,236	2.2889
1	150001	155000	151,646	2.3736
1	160001	165000	163,798	2.5638
1	175001	180000	176,797	2.7673
1	775001	780000	779,559	12.2020
1	1035001	1040000	1,039,125	16.2648
1	1155001	1160000	1,156,471	18.1016
1	1255001	1256000	1,255,822	19.6566
-----			-----	-----
1,970			6,388,800	100.0000
=====			=====	=====

NOTE: Incremental grouping of 5000 after initial break up upto 65,000 has only been reported for those slabs where there is shareholding

Categories	Shareholders	Shareholding	Percentage
Individuals	1938	1,336,900	20.9257
Investment Companies ICP & NIT	2	2,426,806	37.9853
Insurance Companies	6	387,207	6.0607
Joint Stock Companies	8	1,221,559	19.1203
Financial Institutions	6	808,784	12.6594
Modaraba Companies	1	10,000	0.1565
Private Limited Companies	8	197,331	3.0887
Abandoned Properties Organisation	1	213	0.0033

1970
=====

6,388,800
=====

100.0000
=====