

Mirza Sugar Mills Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS:

DR. MRS. FEHMIDA MIRZA -- Chairperson & Chief Executive
MIR GHULAMULLAH TALPUR
MR. ARSHAD ABID ABBASI
MS. FAREHA ABID KAZI
MIR FURQAN ALI TALPUR
MIRZA SAULAT RAZA
MR. GUL NAWAZ (NIT)

SECRETARY:

MR. ALI BHAI MORKAS

AUDITORS:

M/S. RAHIM IQBAL RAFIQ & CO.
(CHARTERED ACCOUNTANTS)

M/S. RAHMAN SARFARAZ & CO.
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY:

HABIB BANK LIMITED
MUSLIM COMMERCIAL BANK LTD.
ALLIED BANK OF PAKISTAN LIMITED

NATIONAL BANK OF PAKISTAN
GULF COMMERCIAL BANK LTD.

LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

REGISTERED OFFICE:

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

MILLS:

DEH CHHARO, TAPPO LOWARI SHARIFF
DISTRICT BADIN
SINDH

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 9th & 10th Annual General Meetings of the Company, will be held on Tuesday, March 28th, 2000, at 12.00 noon at Raffia Choudri Memorial Centre, Ground Floor, Sidco Avenue Centre, 264 R.A. Lines, Karachi to transact the following business:

1. To confirm the minutes of the 8th Annual General Meeting of the company held on March 28, 1998, and Extra-ordinary General Meeting of the Company held on December 18, 1999.
2. To receive, consider and adopt the Annual Audited Accounts alongwith the Directors' and Auditors' Reports of the Company for the year ended September 30, 1998 & September 30, 1999.
3. To appoint Auditors of the Company for the year ending September 30, 2000 and fix their remuneration. The retiring joint auditors M/s. Rahim Iqbal Rafiq & Co. and Rahman Sarfaraz & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. Any other business with the permission of the Chair.

By Order of the Board,

Karachi: March 06, 2000

Company Secretary

NOTES

1. The shares transfer book of the Company will remain closed and no transfer of shares will be accepted for registration from March 19, 2000 to March 28, 2000 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meetings is entitled to appoint a proxy to attend and vote on his behalf.
3. Form of Proxies in order to be valid, must be received at the Registered office of the Company 48 hours before the Scheduled time of Meeting. A proxy must be a member of the Company.
4. Shareholders are requested to notify any change in address immediately.

DIRECTORS' REPORT

We congratulate the shareholders that the management of the company has been entrusted with them by the Order of the Supreme Court of Pakistan and on behalf of the Directors, it is my pleasure to welcome you to the 9th Annual General Meeting of the Company. It is my privileged honor to present you the financial and operating results along with the audited accounts for the year ended September 30, 1998.

APPOINTMENT OF RECEIVER

During the year the bank accounts of the Company were made inoperative and the assets of the Company were frozen by the Order of the Honourable Lahore High Court (Ehtesab Bench) on April 28, 1998.

An appeal was made against this order in which affects of this order on the shareholders and the cane growers of the area were submitted to the court, as a result the Receiver was appointed vide order dated 21.7.1998. The order said, "Receiver is directed to take over the management and control of the Mills. All financial responsibilities shall be incurred and discharged under his signatures. He will also be responsible for operating all accounts, dealing with all departments and persons till further orders."

Mr. Aftab Ahmed, Senior Vice President of NDFC, took charge of the Mills as Receiver on August 21, 1998.

PERFORMANCE REVIEW

Operating results of your company are as under:-

	<i>1997-98</i>	<i>1996-97</i>
Season started	07-11-79	10.11.96
Season Closed	10-04-98	8.04.97
Days worked	155	150

Sugar Cane Crushing	(Tons)	414,156	295,388
	(Mounds)	11,096,152	7,914,085
Sugar Recovery	(%)	10.90	10.853
Sugar Production	(Tons)	37,225	32,077
Molasses Recovery	(%)	4.86	5.033
Molasses Production	(Tons)	20,080	14,872

The crushing season 1997-98 did not remain free from uncertain conditions and unforeseen rattling problems of last year. Situation aggravated further due to devaluation, escalation and imprudent adhoc sugar policy of Federal Government and unethical and economically ill advised provincial levies. Cane support price alone was enhanced from Rs. 24.50 in 1996-97 to Rs. 36.00 per 40Kg (a percentage-wise increase of 46.94%) and increase in the rate of Quality Premium was also not in line or balance with the average mill gate sale price of sugar obtained to compensate the farmer for excess sugar produced over and above the bench mark of sugar recovery (8.7%) Installed crushing capacity of each mill in Sindh Zone remained under-utilized because of ill advised and unplanned increase in crushing capacity both horizontally and vertically. Besides the total cost of sugar production, the total quantity of sugar in the country has now become important to study by the policy makers. Sugar production target for domestic consumption has been achieved. The surplus sugar production will ruin the total economics of Sugar Industry both for producers and processors. Requirement of sugar quantity in international market and the vagaries of the international market visa vis the price of sugar internationally obtainable as against our own cost of sugar has to be studied, lowered and controlled to be competitive also in price, without which over production of sugar would be suicidal.

Actual sugar cane crushed during the year in Sindh Zone was higher by 3.54 million tons (34.30%) due to increase in cultivated area under sugar cane from 247,988 to 261,586 hectares. Crushing average per mill during the year works out to 513,086 tons. Effective total installed crushing capacity of the sugar mills in Sindh Zone is around 21.91 million tons against which only 13.85 million tons of cane being available was crushed. This factor alone reduced the capacity utilization in Sindh to 63.23%. Sugar Mills were under pressure of competition to secure the required sugar cane. This compelled the Mills to accept and to pay more even for banned varieties of Sugar Cane.

In spite of the trubulent and untold difficulties, your company because of full cooperation of sincere and dedicated working staff and above all with the Blessings and Guidance of ALLAH the Merciful and Beneficent, made good progress. Reasons for comparatively less profit are obvious as mentioned above which is mainly due to higher cost and less sugar price, based on the principle of Demand and Supply. The uncertain condition which prevailed after the Mill was sealed is also one of the major factor as the growers were not so much enthusiastic/reluctant in supply of sugar cane. A substantial amount of Rs. 46,700,595/- was as such provided as Provision for Doubtful Debts, which further aggravated the loss.

FINANCIAL RESULTS

	<i>1997-98</i>	<i>1996-97</i>
Loss for the year	(59,687,803)	(60,251,617)
Taxation	--	(2,956,887)
	(59,687,803)	(63,208,504)
Provision for doubtful debts	(46,700,595)	(36,927,866)
	-----	-----
Accumulated Loss brought forward	(106,388,398)	(100,136,370)
	(120,532,062)	(20,395,692)
	-----	-----
Accumulated loss carried forward	(226,920,460)	(120,532,062)
	=====	=====

SEASON 1998-99

The season was operated by the Receiver. We are conducting the Annual General Meeting (AGM) of the financial year ended September 30, 1999 also in the current AGM, as such a detailed review is available in the Directors Report for the year ended September 30, 1999, which is being circulated simultaneously, with accounts.

AUDIT REPORT

The auditors have qualified Auditors' Report to the Members, we have taken cognizance of their apprehensions and are trying to address the points raised by them in the best interest of the company, parawise assertion to their qualifications are as follows:-

- a) Company is passing through a very difficult period, however, all efforts humanly possible are being invested to make the entity into a viable economic unit. In the subsequent period ended September 30, 1999, the company has salvaged its image to some extent, and efforts to further augment its financial health are under way;
- b) Negotiations with PICIC have been completed subsequently, the subject mark-up of Rs. 31.38 million, has been frozen by PICIC for the time being. It would however be revived if we default in the rescheduled loan payments. Letter of confirmation from PICIC is still awaited, however subsequently a down payment of Rs. 20 million has been made by your company;
- c) The requirement of Section 245 of the Companies Ordinance, 1984 regarding Half Yearly Accounts, could not be fulfilled by the Directors as the Company was under the Receivers;
- d) Out of the stock of Rs. 46.065 million, stocks amounting to Rs. 14.750 million, has been lifted

subsequently, further stock would be lifted on availability of transport;

e) Provision for doubtful advances have not been provided, since efforts for recovery have been intensified, and growers have shown willingness to supply sugar cane.

AUDITORS

M/s. Rahman Sarfaraz and Company and M/s. Rahim Iqbal Rafiq and Company, joint auditors of the Company, retire and offer their services for the ensuing year.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on September 30, 1998 is annexed.

EMPLOYEES, SHAREHOLDERS, BANKERS & DFIs

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

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

On behalf of the Board

DR. (MRS.) FEHMIDA MIRZA
Chairperson & Chief Executive

Karachi: January 26, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MIRZA SUGAR MILLS LIMITED as at September 30, 1998 and the related profit and 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) The requirement of Section 245 of the Companies Ordinance, 1984 relating to half yearly accounts remained uncomplied for the reasons stated in note 1.2.

(b) The net loss for the year ended September 30, 1998 amounting to Rs. 106.388 million and

accumulated losses to date of Rs. 226.920 million has resulted in a net capital deficiency of Rs. 85.920 million. Current liabilities exceed current assets by Rs. 431.892 million. The accounts have been prepared on going concern basis which in view of continued losses and liquidity constraints would be dependent upon the company's ability to obtain further finances. In the absence of such finances, the basis would be invalid. Hence adjustments would be required to arrive at the net realisable value of these assets and liabilities. We have been unable to satisfy ourselves that further finance will be forthcoming and, accordingly, we are unable to form an opinion as to the validity of the going concern basis.

(c) Provision for Mark-up amounting to Rs. 31.380 million on PICIC loan, has not been made in these financial statements. Had the provision been made, the loss for the year would have increased by this amount.

(d) Included in the stock of finished goods and molasses is an amount of Rs. 46.065 million relating to stock of molasses stated to be lying at Pangrio Sugar Mills Limited which remain physically unverified.

(e) Provision against doubtful advances of Rs. 13.807 million (refer note 16) has not been made in these financial statements. Had the provision been made the loss for the year would have increased by this amount.

(f) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(g) 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 the 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, investment made and the expenditure incurred during the year were in accordance with the objects of the company:

Except as stated in para (a) to (e) to the extent to which these may affect the result of the company in our opinion and to the best of our information and according to the explanation given to us, the balance sheet and profit and loss account and 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 September 30, 1998 and of the loss and the changes in financial position for the year then ended, and.

(i) In our opinion, "No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980".

RAHIM IQBAL RAFIQ & COMPANY
Chartered Accountants.

RAHMAN SARFARAZ & COMPANY
Chartered Accountants.

Karachi:

Dated: January 26, 2000

**PATTERN OF SHARE HOLDINGS
AS AT 30TH SEPTEMBER 1998**

<i>No. of Share Holders</i>	<i>Share Holding from</i>	<i>To</i>	<i>Total Shares Held</i>	<i>Percentage</i>
73	1	100	7,300	0.05
1673	101	500	842,800	5.98
33	501	1000	32,900	0.23
37	1001	5000	137,500	0.98
26	5001	10000	213,000	1.51
4	10001	15000	54,100	0.38
29	15001	20000	574,000	4.07
7	20001	25000	175,000	1.24
1	25001	30000	30,000	0.21
1	30001	35000	35,000	0.25
2	25001	40000	78,200	0.55
14	48001	50000	700,000	4.96
5	55001	60000	300,000	2.13
3	65001	70000	210,000	1.49
2	75001	80000	160,000	1.13
18	95001	100000	1,796,100	12.74
2	135001	140000	275,600	1.95
4	145001	150000	600,000	4.26

2	195001	200000	400,000	2.84
1	230001	235000	233,500	1.66
2	245001	250000	500,000	3.55
1	260001	265000	262,090	1.86
4	375001	380000	1,520,000	10.78
1	495001	500000	499,220	3.54
1	700001	705000	705,000	5.00
2	745001	750000	1,497,630	10.62
1	995001	1000000	1,000,000	7.09
1	1260001	1265000	1,261,060	8.94
-----			-----	-----
1950			14,100,000	100.00
=====			=====	=====

**Categories of
Share Holders**

	<i>No. of Share Holders</i>	<i>Total Shares Held</i>	<i>Percentage</i>
Individual	1,938	8,203,590	58.18
Investment Companies	3	1,498,020	10.62
Insurance Companies	3	350,000	2.48
Joint Stock Companies	1	233,500	1.66
Financial Institutions	5	3,814,890	27.06
	-----	-----	-----
	1,950	14,100,000	100.00
	=====	=====	=====

BALANCE SHEET AS AT SEPTEMBER 30, 1998

	<i>Note</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>
SHARE CAPITAL			
Authorised Capital 15,000,000 ordinary shares of Rs. 10/= each		150,000,000	150,000,000
		=====	=====
Issued, subscribed and paid up			

14,100,000 Ordinary Shares of Rs. 10/- each fully paid in cash		141,000,000	141,000,000
Accumulated loss		(226,920,460)	(120,532,062)
		-----	-----
LONG TERM LOANS	3	(85,920,460)	(20,467,938)
LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE	4	183,107,554	244,423,541
		--	83,178
CURRENT LIABILITIES			
Short term borrowings	5	183,802,608	193,791,706
Current portion / overdue of long term liabilities	6	180,052,439	138,418,319
Creditors, accrued and other liabilities	7	211,724,409	127,501,865
Taxation		5,959,381	5,959,381
		-----	-----
CONTINGENCIES AND COMMITMENTS	8	581,538,837	465,671,271
		--	--
		-----	-----
		678,725,931	730,645,928
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	9	524,160,305	551,046,781
Capital work-in-progress	10	1,982,487	351,822
		-----	-----
		526,142,792	551,398,603
LONG TERM LOANS	11	149,886	313,065
LONG TERM DEPOSITS AND DEFERRED COST	12	2,786,988	4,011,964
CURRENT ASSETS			
Stores and spares	13	23,196,516	24,943,316
Stock in trade	14	63,039,124	62,663,286
Trade Debtors-unsecured (considered good)	15	22,040,359	50,106,979
Loans and advances	16	35,728,889	33,202,588
Prepayments and other receivables	17	1,921,818	1,755,693

Cash and bank balances	18	3,719,559	2,250,434
		-----	-----
		149,646,265	174,922,296
		-----	-----
		678,725,931	730,645,928
		=====	=====

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

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

	<i>Note</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>
Sales	19	703,543,189	591,377,490
Cost of goods sold	20	(653,543,528)	(544,279,782)
		-----	-----
Gross profit		49,999,661	47,097,708
Operating expenses			
Administration & general	21	21,915,227	23,317,393
Selling & distribution	22	800,190	1,061,507
		-----	-----
		(22,715,417)	(24,378,900)
		-----	-----
Operating profit		27,284,244	22,718,808
Other Charges			
Financial charges	23	86,972,047	83,311,958
Other income	24	--	(341,533)
Provision for doubtful advances		--	36,927,866
Provision for doubtful debts		46,700,595	--
		-----	-----
		(133,672,642)	(119,898,291)
		-----	-----
Loss before taxation		(106,388,398)	(97,179,483)

Provision for Taxation - minimum tax	--	(2,956,887)
Loss after taxation	(106,388,398)	(100,136,370)
Accumulated Loss brought forward	(120,532,062)	(20,395,692)
Accumulated Loss carried forward	(226,920,460)	(120,532,062)

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<i>1998</i> <i>Rupees</i>	<i>1997</i> <i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(106,388,398)	(97,179,483)
Adjustments for:		
Depreciation	27,802,599	28,958,564
Financial charges	86,972,047	83,311,958
Profit on sale of assets	--	(323,683)
Amortization of deferred cost	1,172,601	1,399,401
Amortization of slow moving stores items	2,041,918	2,041,918
Provision for doubtful debts	46,700,595	36,927,866
	-----	-----
Operating profit before working capital changes	164,689,760	152,316,024
	-----	-----
Changes in working capital	58,301,362	55,136,541
(Increase)/Decrease in current Assets		
Stores and spares	(295,118)	8,915,645

Stock in trade	(375,838)	(4,311,357)
Trade debtors	(18,633,975)	12,563,074
Loans and advances	(2,524,925)	29,707,857
Prepayments and other receivables	(166,125)	(203,515)
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	35,400,348	23,088,026
	-----	-----
	13,404,366	69,759,730
	-----	-----
Cash generated from operations	71,705,728	124,896,271
Taxes paid	(1,375)	--
Financial charges paid	(38,149,831)	(42,691,185)
	-----	-----
Net cash used in operating activities	33,554,522	82,205,086
	=====	=====
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,546,788)	(3,038,076)
Proceeds from disposal of fixed assets	--	800,065
Long term deposits and deferred cost	52,375	(532,150)
Long term loans	163,179	(65,483)
	-----	-----
	(2,331,234)	(2,704,678)
	=====	=====
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans obtained	24,990,033	59,337,973
Repayment of long term loans	(44,476,668)	(112,245,151)
Repayment of lease liability	(278,410)	(585,699)
Increase/(decrease) in short term borrowings		
	(9,989,098)	(34,210,354)
	-----	-----
	(29,754,143)	(87,703,231)
	-----	-----
(Decrease)/Increase in cash	1,469,145	(8,202,823)
Cash and bank balance at the beginning of the year	2,250,434	10,453,257

Cash and bank balance at end of
the year

-----	-----
3,719,579	2,250,434
=====	=====

Chief Executive

Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1998

1. STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan as a Public Limited Company as at January 16, 1990 and is quoted on Karachi and Lahore Stock Exchanges. The principal business of the company is manufacturing and sale of white sugar. The project is located at Deh Chharo, Tappo Lowari Sharif District Badin.

1.2 During the year, the High Court of Lahore passed an order u/s. 6 of Civil Procedure Court dated April 27, 1998 in the matter of the company and then further orders dated May 22, 1998 and July 21, 1998 appointing a Receiver with the directions to "take over the management and control of the Mills. All financial responsibilities shall be incurred and discharged under his signature. He would also be responsible for operating all accounts, dealing with all the departments and private persons till further orders." The Receiver took charge of the management on August 21, 1998 and continued till December 31, 1999.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the 'historical cost convention' basis.

2.2 Employees Retirement Benefits

The company operates a Contributory Provident Fund scheme for all its employees eligible to the scheme. The scheme has been approved under the Income Tax Ordinance, 1979.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at the current tax rate, after considering admissible tax credits, or minimum tax at 0.5 percent of turnover, whichever

is higher.

Deferred

The company accounts for deferred taxation arising on major timing differences using liability method. However deferred tax is not provided on these differences if the same are not likely to materialise in the foreseeable future.

2.4 Operating Fixed Assets

These are stated at cost less accumulated depreciation except free hold land which is stated at cost. Depreciation is charged to income using the reducing balance method at the rates specified in fixed assets note whereby the cost of an asset is written off over its estimated useful life.

Full year's depreciation is charged on all assets, including additions during the year, except for plant and machinery and factory building on which depreciation is charged on the basis of actual operating days. No depreciation is charged on assets in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

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

2.5 Capital Work-in-Progress

All expenditures connected with specific assets, incurred during the project implementation period are carried under this head. These are transferred to specific assets and when assets become operative.

2.6 Accounting for Leases

Finance

The Company accounts for the assets acquired under finance lease by recording the asset and related liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates specified in the related note to write off the asset over its estimated useful life in view of the certainty of ownership of the assets at the end of lease period.

Operating

Lease rentals for assets acquired under operating lease agreements are charged to profit and loss account.

2.7 Deferred Cost

These are written off over a maximum period of five years from the following year after commencement of commercial production.

2.8 Inventories

The basis of valuation has been specified against each

Stores and Spares

In hand -At moving average cost
In transit - Cost incurred upto the balance sheet date.

Stock-in-Trade

Sugar in process and finished sugar:
These are valued at lower of average manufacturing cost and net realisable value.

2.9 Trade Debts

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

2.10 Foreign Currency Conversion

Assets & liabilities in foreign currencies are converted into Pak rupee at the rate of exchange prevailing on the balance sheet date. Exchange differences in respect of foreign currency loan obtained for acquisition of fixed assets are incorporated in the cost of relevant assets. Other exchange differences, if any, are included in current income.

2.11 Revenue Recognition

Sales are recorded on despatch of goods.

3. LONG TERM LOANS

<i>PARTICULARS</i>	<i>SECURED</i>							
	<i>Locally Manufactured Machinery</i>		<i>ICP-TFC</i>	<i>General Term Finance</i>		<i>DEMAND FINANCE</i>		
	<i>PICIC</i>	<i>ICP</i>		<i>H.B.L.</i>	<i>M.C.B. I</i>	<i>M.C.B. II</i>	<i>ABL</i>	
<i>RUPEES</i>								
Opening balance	196,095,000	14,175,595	--	3,502,538	11,666,666	29,166,667	35,000	

Obtained during the year	--	--	7,087,800	--	--	--	
	196,095,000	14,175,595	7,087,800	3,502,538	11,666,666	29,166,667	35,000,000
Repaid during the year	--	(7,087,800)	--	(1,961,283)	--	--	
	196,095,000	7,087,795	7,087,800	1,541,255	11,666,666	29,166,667	35,000,000
Current portion shown under current liabilities							
- Current maturity	32,682,500	--	--	--	--	5,833,335	10,000,000
-Overdue installments	57,194,375	--	--	1,541,255	11,666,666	23,333,332	20,000,000
	(89,876,875)	--	--	(1,541,255)	(11,666,666)	(29,166,667)	(30,000,000)
	106,218,125	7,087,795	7,087,800	--	--	--	5,000,000

Significant Terms and Repayment

Foreign Currency	--	--	--	--	--	--	--
Installment Payment Rest	Quarterly	Quarterly	Quarterly	Semi Annually	Semi Annually	Semi Annually	Semi Annually
No. of Installments	25	6	8	8	6	6	8
Rupees (in million)	8.17	1.18	0.836	1.17	5.83	5.83	5.00
Date of First Installment	01-01-97	31-03-2000	30-06-2000	31-12-94	01-01-95	31-12-96	30-06-96
Rate of Interest/Mark-up per annum/per Rupees one thousand per day	6%	8%	16%	48 paisa per rupees thousand per day	52 paisa per rupees thousand per day	51 paisa per rupees thousand per day	20%
Prompt Payment Rebate Rupees (in million)	51.19	--	--	--	--	--	--
Sub Note Number	3.1	3.2	3.2	3.3	3.4	3.4	3.5

SECURITY

3.1 Pakistan Industrial Credit and Investment Corporation

The loans are secured by:

i) First charge by way of an equitable mortgage of all its immovable properties, hypothecation of all its plant/machinery and a floating charge on all other assets.

ii) A demand promissory note for the purchase price.

3.2 Investment Corporation of Pakistan

The loans are secured by:

i) First Charge by way of mortgage/hypothecation of all movable and immovable properties of the Company ranking pari-passu with the charge created in favour of other loans.

ii) Floating charge on all other assets and properties of the Company ranking pari-passu with the charge created in favour of other loans.

iii) A demand promissory note for the purchase price.

iv) Personal guarantees of directors.

3.3 Habib Bank Limited

The loans are secured by:

i) Legal/equitable mortgage on assets of the company ranking pari-passu with the charge created in favour of other loans.

ii) Personal guarantees of directors.

iii) Deposit of sponsors' shares to the extent of Rs. 22 million.

3.4 Muslim Commercial Bank Limited

The loans are secured by:

i) Charge on the present and future fixed and current assets of the company ranking

pari-passu with the charge created in favour of other loans.

ii) Personal guarantees of the directors.

3.5 Allied Bank of Pakistan Limited

The loans are secured by:

First charge by way of mortgage / hypothecation of property and assets of the company ranking pari-passu with the charge created in favour of other loans.

3.6 Suppliers Credit

The repayment of principal plus interest is guaranteed by Habib Bank Limited against deferred letter of credit issued in favour of suppliers of machinery and also against bills of exchange drawn on and accepted by the company.

The bank guarantee is secured by;

i) Mortgage/charge on immovable and movable properties of the company ranking pari-passu with other loans and book debts of the company.

ii) Floating charge on the property of the company including stock in trade.

iii) Deposit of title deeds.

The exchange rate for repayment has been booked at 1 J.Yen = Re.0.197638 by the State Bank of Pakistan for re-payment of loan.

4. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

	<i>1998</i>	<i>1997</i>
	<i>Rupees</i>	<i>Rupees</i>
Opening Balance	554,034	1,139,733
Installments paid during the year	(278,410)	(585,699)
	-----	-----
Installment Due Within Next Year Shown Under Current Liabilities	275,624	554,034
Current Maturity	83,178	470,856
Over due	192,446	--
	-----	-----

(275,624)	(470,856)
-----	-----
--	83,178
=====	=====

The future minimum lease payment to which the Company is committed as at September 30, 1998 are as follows:

Year ended September 30,

1999

Financial Charges allocated to
future period

86,000
(2,822)

83,178
=====

The lease rentals are payable in 48 monthly installments of Rs. 145,000 (1st to 12th), Rs. 85,000 (13th to 24th), Rs. 65,000 (25th to 36th) and Rs. 43,000 (37th to 48th).

The security deposit paid against lease agreement is adjustable at the end of the lease term and has been included in the corresponding year in which they will fall due for adjustment.

Taxes, repairs and insurance costs are to be borne by the lessee the purchase option is available to the company on payment of residual value alongwith the last installment.

5. SHORT TERM BORROWINGS

		<i>1998</i>	<i>1997</i>
		<i>Rupees</i>	<i>Rupees</i>
-- SECURED			
Agricultural Finance	(5.1)	65,000,000	65,000,000
Running Finance	(5.2)	118,802,608	68,690,343
Export Refinance		--	60,101,363
		-----	-----
		183,802,608	193,791,706
		=====	=====

5.1 Agricultural finances

a) Habib Bank Limited (HBL)

- Facility

Rs. 50.00 Million

- Rate of Mark-up

60 paisa per rupees one thousand per day.

- Security The finance is secured by way of charge on fixed assets of the company ranking pari passu with other creditors and personal guarantee of directors.

b) Agricultural Development Bank of Pakistan (ADBP)

- Facility Rs. 20.00 Million
- Rate of Mark-up 15% per annum.
- Security The finance is secured by guarantee of the mill and hypothecation of sugar cane crop of growers.

* The ADBP has informed the Legal Advisor of the Company that they are under arrangement of filing a suit against the company for recovery of their outstanding dues amounting to Rs. 15.00 million.

5.2 Running finance

a) Prudential Commercial Bank Limited

- Facility Rs. 10.00 Million
- Rate of Mark-up 63 paisas per rupees one thousand per day.
- Security The finance is secured by hypothecation of stocks of sugar & molasses and personal guarantee of directors.

b) Habib Bank Limited

This represents transfer of Rs. 60.00 million from export refinance facility. The details are as under

- Facility Rs. 100.00 Million
- Rate of Mark-up 60 paisa per rupees one thousand per day.
- Security The finance is secured by hypothecation of stocks of molasses and collateral secured by way of charge on the fixed assets of the company ranking pari passu with other

c) Habib Bank Limited (GTF - II)

The company is negotiating with bank for GTF loan of Rs. 32 million. To the date of the balance sheet the bank has disbursed Rs. 31.00 million. The terms and conditions of the finance are yet to be finalized.

d) Habib Bank Limited (GTF- III)

This loan was created by Habib Bank Limited on account of payment of installment under guarantee provided against supplier's credit. The terms and conditions of the

limit are yet to be finalised.

	<i>1998</i>	<i>1997</i>
	<i>Rupees</i>	<i>Rupees</i>
6. CURRENT PORTION/OVERDUE OF LONG TERM LIABILITIES		
Long term loans		
- Current Maturity	66,041,187	76,572,144
- Overdue Installments	113,735,628	61,375,319
	-----	-----
	179,776,815	137,947,463
Liability against asset subject to finance lease		
- Current Maturity	83,178	470,856
- Overdue Installments	192,446	--
	-----	-----
	275,624	470,856
	-----	-----
	180,052,439	138,418,319
	=====	=====
7. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors		
For sugar cane	55,875,211	17,584,130
For stores and spares	12,854,775	11,789,413
	-----	-----
	68,729,986	29,373,543
Accrued liabilities		
Accrued expenses	6,604,008	6,149,443
Interest/markup/exchange risk fee on loans/finances	112,823,270	64,150,280
Road cess	3,368,189	989,966
	-----	-----
	122,795,467	71,289,689
Other liabilities		
Advances from customers	9,421,182	14,486,373
Employees Provident Fund	3,853,477	2,253,037
Central Excise duty on sugar	4,509,441	1,279,280
With holding Income tax	149,012	119,078

Due to Directors	950,669	--
Others	1,315,175	8,700,865
	-----	-----
	20,198,956	26,838,633
	-----	-----
	211,724,409	127,501,865
	=====	=====

8. CONTINGENCIES AND COMMITMENTS

Contingencies

(a) No provision has been made in these accounts of excise duty on long term loans and short term finances amounting approximately to Rs. 6.60 Million. The company filed a writ petition with the High Court of Sindh challenging the levy and expect a favourable decision.

(b) The company is contingently liable to a sum aggregating to Rs. 38.512 million (1997 Rs. 59.845 million) against guarantee given by Habib Bank Limited on behalf of the company in favour of Nisho Iwai Corporation and State Bank of Pakistan. The guarantee has been issued in respect of exchange risk fee against booked exchange rate and for payment of supplier's credit.

(c) The Collector of Customs, Central Excise and Sales Tax passed an order for sales tax on baggase. However, the company has filed an appeal before the tribunal which is still pending.

Commitment

Commitments under operating lease agreement for motor vehicles & equipment as at the balance sheet date are as follows:

Year ending September 30,

1999	555,676
	=====

9. OPERATING FIXED ASSETS

COST

DEPRECIATION

<i>PARTICULARS</i>	<i>As at October 1, 1997</i>	<i>Additions/ (Deletions)</i>	<i>As at September 30, 1998</i>	<i>RATE %</i>	<i>As at October 11, 1997</i>	<i>For the year</i>	<i>As at September 30, 1998</i>
OWNED:							
Land free hold	8,612,324	--	8,612,324	--	--	--	--
Factory Building							
-on free hold land	83,004,063	--	83,004,063	10	24,168,019	5,883,604	30,051,623
Non-Factory Building	8,164,784	--	8,164,784	10	2,242,493	592,229	2,834,722
Plant and Machinery	554,224,610	715,679	554,940,289	10	83,924,477	20,002,041	103,926,518
Office equipment	881,196	80,825	962,021	10	283,999	67,802	351,801
Furniture & Fixtures	2,773,472	34,334	2,807,806	10	969,508	183,830	1,153,338
Tools and Tackles	907,314	85,285	992,599	33	580,212	136,088	716,300
Tents and Tarpaulins	443,844	--	443,844	33	326,459	38,737	365,196
Arms & Ammunition	107,000	--	107,000	10	28,997	7,800	36,797
Vehicles	5,125,393	--	5,125,393	20	2,311,455	562,788	2,874,243
UNDER LEASE							
Vehicles	3,200,000	--	3,200,000	20	1,561,600	327,680	1,889,320
	=====	=====	=====		=====	=====	=====
Rupees-1998	66,744,400	916,123	668,360,123		116,397,219	27,802,599	144,199,818
	=====	=====	=====		=====	=====	=====
		2,686,254			87,675,648	28,958,564	116,397,812
Rupees - 1997	665,471,121	(713,375)	667,444,000			(236,993)	
	=====	=====	=====		=====	=====	=====

*1998
Rupees*

*1997
Rupees*

9.1 Depreciation for the year has been allocated as under:

Cost of goods sold	26,021,733	27,329,376
Administration & general expenses	1,780,866	1,629,188
	-----	-----
	27,802,599	28,958,564
	=====	=====

10. CAPITAL WORK-IN-PROGRESS

Civil works	1,982,487	351,822
	=====	=====
11. LONG TERM LOANS - SECURED		
Vehicle loans to employees (11.1)	274,255	445,281
Current portion shown under current assets	(124,369)	(132,216)
	-----	-----
	149,886	313,065
	=====	=====
<p>11.1 These are interest free loans to employees other than directors and executives of the company secured against lien on their provident fund balances and are recoverable within three years from the date of disbursement.</p>		
	<i>1998</i>	<i>1997</i>
	<i>Rupees</i>	<i>Rupees</i>
12. LONG TERM DEPOSITS AND DEFERRED COST		
Long term deposits		
-- Security deposit	1,614,385	1,666,760
Deferred cost		
-- Preliminary expenses	256,229	256,229
-- Share floatation	5,606,778	5,606,778
	-----	-----
	5,863,007	5,863,007
Amortization		
-- Opening balance	3,517,803	2,118,402
-- For the year	1,172,601	1,399,401
	-----	-----
	(4,690,404)	(3,517,803)
	-----	-----
	2,786,988	4,011,964
	=====	=====
13. STORES AND SPARES		
Stores		
-- In hand - normal	6,861,174	4,615,089

-- In hand - slow moving	20,419,178	20,419,178
-- Amortized to date	(4,083,836)	(2,041,918)
	-----	-----
	16,335,342	18,377,260
Spares	--	1,950,967
	-----	-----
	23,196,516	24,943,316
	=====	=====

14. STOCK IN TRADE

Sugar in process	1,053,297	191,557
Finished goods and molasses (14.1)	61,985,827	62,471,729
	-----	-----
	63,039,124	62,663,286
	=====	=====

14.1 It includes the stock of molasses amounting Rs. 46.065 million lying at Pangrio Sugar Mills Ltd. since 1996

	<i>1998</i>	<i>1997</i>
	<i>Rupees</i>	<i>Rupees</i>
15. TRADE DEBTS		
Considered good	22,040,359	50,106,979
	-----	-----
Considered doubtful	46,700,595	--
Provision for doubtful debts	(46,700,595)	--
	-----	-----
	22,040,359	50,106,979
	=====	=====

16. LOANS AND ADVANCES

Considered good		
Loans		
Current portion of long term vehicle loan	124,369	132,216
To staff	1,511,034	640,729
	-----	-----
	1,635,403	772,945
	=====	=====
Advances		

- to suppliers	2,972,630	1,458,065
- to contractors	2,713,289	3,063,265
- for expenses	741,289	1,067,906
- to growers	13,072,189	11,488,530
- Income Tax	787,144	785,769
	-----	-----
	20,286,544	17,863,535
	-----	-----
	21,921,947	18,636,480

Considered doubtful Advances

- to suppliers	13,317,181	13,317,181
- to contractors	36,927,866	36,927,866
- for expenses	489,761	1,248,927
	-----	-----
	50,734,808	51,493,974
Provision for doubtful advances	(36,927,866)	(36,927,866)
	-----	-----
	13,806,942	14,566,108
	-----	-----
	35,728,889	33,202,588
	=====	=====

17. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	392,677	783,697
Other receivables	1,529,141	971,996
	-----	-----
	1,921,818	1,755,693
	=====	=====

1998
Rupees

1997
Rupees

18. CASH AND BANK BALANCES

In hand	62,325	148,401
With banks in current accounts	3,657,234	2,102,033
	-----	-----
	3,719,559	2,250,434

		=====	=====
19. SALES			
Sugar - Local		698,069,765	573,881,965
Molasses - Local		13,600,000	17,495,525
		-----	-----
Sales tax		711,669,765	591,377,490
		(8,126,576)	--
		-----	-----
		703,543,189	591,377,490
		=====	=====
20. COST OF GOODS SOLD			
Raw material consumed (including procurement and development expenses)		490,135,942	410,026,047
Manufacturing expenses	(20.1)	166,887,541	145,970,467
		-----	-----
		657,023,483	555,996,514
Opening stock			
Sugar in process		191,557	245,897
Finished stock		13,301,812	1,530,740
		-----	-----
		13,493,369	1,776,637
		-----	-----
		670,516,852	557,773,151
Closing stock			
Sugar in process		1,053,297	191,557
Finished stock		15,920,027	13,301,812
		-----	-----
		(16,973,324)	(13,493,369)
		-----	-----
		653,543,528	544,279,782
		=====	=====
20.1 Manufacturing Expenses			
Stores & Spares Consumed		8,170,027	5,952,307
Packing Material Consumed		9,020,693	6,878,498
Salaries & Allowances		19,453,942	18,064,908
Repairs & Maintenance		9,515,561	8,415,635

Fuel & Power		5,088,716	6,221,769
Insurance		581,344	1,713,080
Freight and Handling		1,277,690	544,731
Excise Duty		84,413,985	67,360,650
Depreciation	9.1	26,021,733	27,329,376
Amortization of Slow Moving Stock	13	2,041,918	2,041,918
Others		1,301,932	1,447,595
		-----	-----
		166,887,541	145,970,467
		=====	=====

21. ADMINISTRATION AND GENERAL EXPENSES

Salaries and Allowances		9,792,862	10,447,241
Directors' Remuneration		1,010,215	1,089,000
Travelling and Conveyance		821,919	922,376
Printing and Stationery		404,018	549,571
Legal and Professional		1,787,504	1,045,761
Auditors' Remuneration	21.1	100,000	100,000
Telephone & Postage		767,894	820,453
Electricity, Water and Gas		179,135	514,636
Vehicle Maintenance		1,467,859	1,487,827
Repairs and Maintenance		288,624	235,940
Rent, Rates and Taxes		112,550	92,300
Insurance		12,952	108,006
Operating-Lease Rentals		537,980	1,067,400
Charity and Donation	21.2	33,200	40,320
Fees and Subscription		411,111	174,555
Depreciation	9.1	1,780,866	1,629,188
Amortization of Deferred Cost		1,172,601	1,399,401
Miscellaneous		629,244	1,593,418
Entertainment		455,413	--
Sanitation Charges		149,280	--
		-----	-----
		21,915,227	23,317,393
		=====	=====

21.1 Auditors' Remuneration

Rahim Iqbal Rafiq & Company		50,000	50,000
Rahman Sarfaraz & Company		50,000	50,000
		-----	-----

100,000	100,000
=====	=====

21.2 Charity and Donation

None of the directors or their spouse had any interest in the donees' fund.

22. SELLING AND DISTRIBUTION

Advertisement	1,000	48,906
Loading & Stacking	799,190	494,637
Export Expenses	--	517,964
	-----	-----
	800,190	1,061,507
	=====	=====

23. FINANCIAL CHARGES

Interest on long term loans	45,118,158	35,185,732
Mark-up on short term finances	35,877,202	38,871,761
Mark-up on finance lease	89,144	234,301
Interest on bank guarantees	875,432	1,291,085
Interest on provident fund	910,996	--
CED, Bank Charges, and other charges - net	1,181,891	3,586,675
Exchange difference	2,919,224	4,142,404
	-----	-----
	86,972,047	83,311,958
	=====	=====

24. OTHER INCOME

Gain on sale of fixed assets	--	323,683
Miscellaneous	--	17,850
	-----	-----
	--	341,533
	=====	=====

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

<i>PARTICULARS</i>	<i>1998</i>			<i>1997</i>		
	<i>CHIEF EXECUTIVE</i>	<i>DIRECTORS</i>	<i>EXECUTIVES</i>	<i>CHIEF EXECUTIVE</i>	<i>DIRECTORS</i>	<i>EXECUTIVES</i>
			<i>TOTAL</i>			

Remuneration	675,000	310,000	3,994,609	4,979,609	675,000	414,000	3,361
Company's contribution to provident fund	37,488	--	164,760	202,248	37,488	--	132
Perquisites, Benefits and Utilities	128,760	95,400	302,250	526,410	128,760	120,600	353
	-----	-----	-----	-----	-----	-----	-----
Rupees	841,248	405,400	4,461,619	5,708,267	841,248	534,600	3,848
	-----	-----	-----	-----	-----	-----	-----
No. of persons	1	2	9	--	1	2	
	=====	=====	=====	=====	=====	=====	=====

The Chief Executive, directors and executives have been provided with the company's maintained cars and telephone at residence.

26. TAXATION

Current

The Company enjoys tax exemption for a period of five years upto September 30, 1998 by virtue of Clause 118-D of Part-I of Second Schedule to the Income Tax Ordinance, 1979, as such no provision for tax liability u/s 80 - D of Income Tax Ordinance, 1979 is made. The income tax assessments of the company have been completed upto accounting year ended on September 30, 1994 (assessment year 1995-96).

The company has filed a fresh appeal before Income Tax Appellate Authorities against the order passed by Commissioner of Income Tax for recovery of dues u/s. 52 of the Income Tax Ordinance, 1979 relating to the assessment years 1992 - 93 to 1996 - 97 amounting to Rs. 13,452,213/-.

Deferred

As the Company enjoys tax exemption under clause 118-D, no accelerated tax depreciation has been claimed and no other material timing differences have arisen.

1998
Rupees

1997
Rupees

27. EARNING PER SHARE - BASIC

Net Loss after tax	(106,388,398)	(100,136,376)
Weighted average number of ordinary shares	14,100,000	14,100,000
Earning per share	(7.55)	(7.10)

28. CAPACITY AND PRODUCTION

Years	<i>Capacity</i>		<i>Production</i>		<i>% of Capacity Attained</i>
	<i>Metric Tons</i>	<i>Days</i>	<i>Metric Tons</i>	<i>Days</i>	
1998	62,640	180	37,225	155	59.43%
1997	62,640	180	32,077	150	51.21%

The main reason for under utilization of production capacity is the less availability of sugarcane.

29. INTEREST RATE RISK EXPOSURE

	<i>Interest Bearing</i>		<i>Non-Interest bearing</i>	<i>Total</i>
	<i>One month to one year</i>	<i>One year and onward</i>		
Financial Assets				
Long Term Loan			149,886	149,886
Long Term Deposit			1,614,385	1,614,385
Trade Debtors			68,740,954	68,740,954
Loans and Advances			72,656,755	72,656,755
Other Receivables			1,529,141	1,529,141
Cash and Bank			3,719,559	3,719,559
			-----	-----
			148,410,680	148,410,680
			=====	=====
Financial Liabilities				
Long Term Loans	179,776,815	183,107,554	--	362,884,369
Lease Finance	275,624	--	--	275,624
Short Term Borrowings	183,802,608	--	--	183,802,608
Creditors Accrued & Other Liabili	--	--	211,724,409	211,724,409
	-----	-----	-----	-----
	363,855,047	183,107,554	211,724,409	758,687,010
	=====	=====	=====	=====
On Balance Sheet Gap (a)	(363,855,047)	(183,107,554)	(63,313,729)	(610,276,330)

(Figures in Rupees)

Cumulative interest sensitivity ga	(363,855,047)	(546,962,601)	(610,276,330)	--
------------------------------------	---------------	---------------	---------------	----

(a) The on Balance Sheet Gap represents the net amounts of on balance sheet items.

(b) Effective rates of markup for financial assets and liabilities are as follows:

	<i>Rate of Interest</i>
Long Term Loans	Refer Note # 3
Lease Finance	Refer Note # 4
Short Term Finance	Refer Note # 5

30. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Accumulated Profit/(loss)</i>	<i>Total</i>
Balance as at September 30, 1996	141,000,000	(20,395,692)	120,604,308
Loss for the year	--	(100,136,370)	(100,136,370)
Balance as at September 30, 1997	141,000,000	(120,532,062)	20,467,938
Loss for the year	--	(106,388,398)	(106,388,398)
Balance as at September 30, 1998	141,000,000	(226,920,460)	(85,920,460)

31. CREDIT RISK

The following financial assets of the company are exposed to credit risk:

	<i>1998</i>	<i>1997</i>
Long term deposits	1,614,385	1,666,760
Trade Debtors	68,740,954	50,106,979
Loans and advances	72,656,755	70,130,454
Other receivables	1,529,141	971,996

32. FIGURES

32.1 Figures have been rounded off to the nearest Rupee.

32.2 Previous year's Figures have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

Chief Executive

Director