

AL-NOOR SUGAR MILLS LTD.

28th Annual Report and Accounts 1996-97

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BOARD OF DIRECTORS

MR. ELLIAS H. ZAKARIA	Chairman
MR. ISMAIL H. ZAKARIA	Managing Director
MR. SULEMAN AYOOB	Resident Director
MR. YUSUF AYOOB	
MR. A. AZIZ AYOOB	Marketing Director
MR. A. WAHAB JAFFAR	
MR. NOOR MOHAMMAD ELLIAS	
MR. ZIA. I. ZAKARIA	
MR. SALIM AYOOB	
MR. S. QAMAR ALI ZAIDI	(N.I.T. Nominee)
MR. SAIFULLAH KHAN	(PICIC Nominee)

COMPANY SECRETARY

MR. M. YAKOOB ADMANEY
FCIS, FCMA.

AUDITORS

DAUDALLY LALANI & COMPANY
Chartered Accountants

LEGAL ADVISOR

MOHAMMAD JAMEEL CHOUDRY
Bar at Law

REGISTERED OFFICE

96-A SINDHI MUSLIM SOCIETY,
KARACHI-74400

FACTORY

SHAHPUR JAHANIA, P.O. NOOR JAHANIA,
TALUKA MORO, DISTT. NAWABSHAH.

NOTICE OF MEETING

Notice is hereby given that the 28th Annual General Meeting of AL-NOOR SUGAR MILLS LIMITED held at the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Friday, 29 May 1998 at 11.30 a.m. to transact the following business:

1. To read and confirm the Minutes of the 27th Annual General Meeting of the Company held on 31, 1997.
2. To read and consider the Accounts for the year ended September 30, 1997 and reports of the Auditors thereon.
3. To appoint Auditors and to fix their remunerations.
4. To transact any other business with permission of the chair.

The Share Transfer Book of the Company will remain closed from May 22, 1998 to May 29, 1998 (both days inclusive).

NOTE:

1. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Shareholders are requested to inform the Company of any change in their address immediately.

DIRECTORS' REPORT

To:

The shareholders,

We take pleasure in submitting before you the 28th Annual Report together with the Audited Accounts for the year ended September 30, 1997. Your Company incurred a loss of Rs.1.837 million. After adjustment of the year's unappropriated profit of Rs.6.915 million, a sum of Rs.5.114 million is available for carry over.

SUGAR MILL:

Your factory started crushing on November 11, 1996 and crushed 557,699 metric tons (1996:5 tons) of sugarcane. Sugar produced was 47,355 metric tons (1996:43,080 metric tons) with a recovery of 8.5% (1996: 8.5%). Molasses produced was 26,696 metric tons (1996:23,826 metri

Due to shortage of sugarcane, price shot upto a level which was completely uneconomical. T overhead, management had no option except to buy sugarcane at whatever price it was availa during the year, Government allowed import of sugar from India and other countries which r located in Sindh province were badly effected and your Mill was forced to hold sugar stock were exhausted which resulted that a very handsome quantity of sugar valuing Rs.232 millio godowns of the mill on September 30, 1997.

As informed to the members that Government has increased the minimum support price of suga Rs.21.75 to Rs.24.50 per 40 kg and quality premium @ paisa 27 for every 0.1% excess recove above 8.7% was retained.

During the year matter relating to excise duty benefit remained unresolved and the matter the concerned authority. It is hoped that concerned department will look into the issue an industry by resolving this outstanding issue.

The new boiler installed was running at low pressure instead of high pressure and is still performance. Your management has taken the corrective measures and performance is improvin expecting that in the season 1998-99, Insha Allah, it will give 100% performance. The teet new tandem are still not resolved during the year and machinery could not be put into full second tandem was tested at full capacity at the tail-end and the result seems to be satis

MEDIUM DENSITY FIBRE BOARD (MDFB) PLANT:

During the year, 12,638 metric tons of Lasani Wood (1996:13,174 metric tons) in various th produced. The product is well known in the market. The local market has been developed to but unfortunately during the year, handsome quantity of MDF Board has been dumped in Pakis from countries of Far East which resulted that we were forced to compete with them at very matter has been referred by us to the concerned authorities.

We are pleased to inform our members that Wood Chipper installed in the factory during the production. Wood prices are high due to freight charges from upcountry farms, and your Mil of developing local farms close to the Mills so that cost of raw material can be reduced.

LABOUR MANAGEMENT RELATIONS:

We are happy to report that labour management relations has improved considerably during t report. Your directors appreciate the spirit of cooperation shown by the workers and hope

STAFF:

Your directors also place on record deep appreciation of hard work, loyalty and devotion to officers and staff of the Company.

AUDITORS:

M/s. Daudally Lalani and Company, Chartered Accountants, Auditors of the Company, retire a services for ensuing year.

FUTURE OUTLOOK:

For the year 1997-98, Government has fixed the sugarcane support price of Rs.36/= per 40 k premium has also been raised from paisa 27 to paisa 32 for every 0.1% over and above 8.7% recovery. With this increase in the rate of sugarcane and quality premium, sugar mill has benefits which have been achieved through better efficiency and efforts through modernization which has not been considered while calculating the benefits of recovery achieved. With the sugarcane, cost of production has gone up tremendously. However, your management is trying cost of production with purchase of fresh and better recovery sugarcane and through better utilization.

The current crushing season started on November 22, 1997 and season ended on April 14, 1998 metric tons of sugar with an average recovery of 8.35%.

The production of Lasani Wood during the year has also been effected due to the availability sheets in the local market at a very low price from Far East countries which has forced you its production due to piling up stocks. Efforts are in hand and representation has been made agencies.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of AI-Noor Sugar Mills Limited as at September 30, 1997 Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof and we state that we have obtained all the information and explanations which to the best of our knowledge were necessary for the purposes of our audit and after due verification thereof, we report

(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 prepared 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

(iii) the business conducted, investments made and the expenditure incurred during the year 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 and Profit and Loss Account and the Cash Flow Statement, together with the notes forming part of the financial statements, give a true and fair view of the state of the Company's affairs as at September 30, 1997 and of the loss for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980

Karachi: April 27, 1998

DAUDALLY LALANI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30TH SEPTEMBER, 1997

	Note	(Rupee)
SHARE CAPITAL AND RESERVES		
Authorised Capital 20,000,000 ordinary shares of Rs. 10.00 each		
Issued, subscribed and paid-up capital	2	
Reserves:	3	
General reserve		
Reserve for issue of bonus shares		
Unappropriated profit		
REDEEMABLE CAPITAL	4	
LONG TERM LOANS	5	
OBLIGATIONS UNDER FINANCE LEASE	6	
DEFERRED LIABILITIES	7	
CURRENT LIABILITIES AND PROVISIONS		
Short term running finance and borrowings	8	
Current maturity of redeemable capital, long term loans and finance lease	9	

Creditors accrued and other liabilities	10
Taxation	

CONTINGENCIES AND COMMITMENTS	11
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The annexed notes form an integral part of these accounts.

	Note	(Rupee
FIXED ASSETS		
Operating assets	12	
Capital work-in-progress	13	
LONG TERM INVESTMENT	14	
LONG TERM LOANS AND ADVANCES	15	
LONG TERM DEPOSITS	16	
CURRENT ASSETS		
Stores and spares	17	
Stock-in-trade	18	
Trade debts	19	
Loans, advances, prepayments and other receivables	20	
Bank and cash balances	21	

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

	Note	(Rupee
Sales	22	
Cost of sales	23	
Gross profit		

Administration and selling expenses	24
Operating profit	
Other income	25
Financial charges	26
Other charges	27
(Loss)/profit before taxation	
Taxation	28
(Loss)/profit after taxation	
Unappropriated profit brought forward	
Profit available for appropriation	
Appropriations	
Reserve for issue of Bonus Shares	
Unappropriated profit carried forward	

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1997**

(Rupee

CASH FLOW FROM OPERATING ACTIVITIES

Cash (used in)/generated from operations	34
Taxes paid	
Payment for staff retirement benefits	
Financial charges paid	
Long term loans and advances	
Long term deposits	

Net cash inflow/(outflow) from operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure
Sale proceeds of operating assets

Net cash outflow from investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Redeemable capital
Obligation under finance lease
Repayment of redeemable capital, long
term loans and finance lease
Dividend paid

Net cash outflow from financing activities

Net decrease in cash and cash equivalents
Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

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**NOTES TO THE ACCOUNTS FOR THE YEAR
ENDED SEPTEMBER 30, 1997**

LEGAL STATUS AND OPERATIONS

The Company is a public company incorporated in Pakistan under the Companies Act, 1913 (no Ordinance, 1984). Its shares are quoted on Karachi and Lahore Stock Exchange in Pakistan and engaged in the production and sale of sugar and medium density fibre board.

Summary of Significant accounting policies:

1.1 Accounting convention:

These-accounts have been prepared under the historical cost convention except that certain differences have been included in fixed assets referred to in Note 1.8.

1.2 Taxation:

Provision for current taxation for the year is based on taxable income at the current rate taking into account tax credits available, if any.

The company accounts for deferred taxation on all material timing differences using the liability method. However, deferred tax to certain extent is not provided if it can be established with reasonable certainty that it will not be payable.

that these timing differences will not reverse in the foreseeable future.

1.3 Fixed assets:

(a) OWN

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work in progress are stated at cost. Cost in relation to certain fixed assets including capital work in progress signifies historical cost and exchange differences referred to in Note 1.8.

Depreciation is charged to income at normal tax rates on the written down value of the assets affected on account of exchange differences referred to in Note 1.8. Full year's depreciation is charged on all assets in the year of acquisition, except for sugar unit plant and machinery. Depreciation is charged on the basis of actual operating days of factory. 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 capitalized and the assets so replaced, if any, are retired.

Gain and loss on disposal of assets are taken to profit and loss account.

(b) LEASED

Assets held under finance leases are included in operating assets at present value of minimum lease payments.

The financial charge is calculated at the interest/mark up rate implicit in the lease and is taken to profit and loss account.

Depreciation is charged at the same rates as company owned assets. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, assets are depreciated over shorter of the lease term or its useful life.

1.4 Capitalization of borrowing costs:

Borrowing costs on assets which call for substantial period of time to get them ready for use are taken to fixed capital expenditure.

1.5 Long term investments:

The company's investments in associated undertakings are stated at cost. The provision is made for permanent diminution, if any, in the value of investment. Dividends received are reflected in the company's profit and loss account.

1.6 Stores, spares and fertilizer:

Stores, spares and fertilizer are valued at cost, using FIFO cost flow method. Items in transit are valued at cost comprising invoice value and other charges paid thereon.

1.7 Stock-in-trade:

Raw material, work in process and finished goods are valued at lower of average cost and net realizable value.

value. By- products are valued at net realisable value.

Cost signifies prime cost and appropriate portion of the manufacturing overheads.

1.8 Foreign currencies:

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange ruling at the balance sheet date. Exchange differences in respect of foreign currency loan acquisition of fixed assets are incorporated in the cost of relevant assets. All other exchange differences are taken to income currently.

1.9 Staff retirement benefits:

The Company operates a provident fund scheme for all its employees eligible for benefits thereunder. Contributions thereto are made in accordance with the terms of the scheme.

Effective October 1, 1990 company had introduced an unfunded gratuity scheme for those permanent employees who have completed qualifying period and are members of the aforesaid provident fund scheme.

1.10 Revenue recognition:

Sales are recorded on despatch of goods to customer.

(Rupees)

2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

3,617,635 Ordinary shares of Rs.10.00 each fully paid up in cash.

814,637 Ordinary shares of Rs. 10.00 each fully paid up issued to P.I.C.I.C in terms of loan agreement.

40,000 Ordinary shares of Rs. 10.00 each fully paid up issued to I.C.P in terms of debenture trust deed.

20,000 Ordinary shares of Rs. 10.00 each fully paid up issued to State Life Insurance Corporation of Pakistan in terms of debenture trust deed.

10,000 Ordinary shares of Rs. 10.00 each fully paid up issued to N.I.T in terms of debenture trust deed.

14,067,980 Ordinary shares of Rs. 10.00 each

fully paid up issued as bonus shares.

3. RESERVE

General Reserve

4. REDEEMABLE CAPITAL

(NON PARTICIPATORY-SECURED)

(Rupees in thousand)

	PICIC	SCB	SCB
	(Long term running finance utilized under mark-up arrangement)		
Balance	12,747	37,500	28,000
Less:			
Current maturity shown under current liabilities			
Note No. 9	2,999	12,500	14,000
	-----	-----	-----
	9,748	25,000	14,000
	=====	=====	=====
Purpose	LMM	TL	TF
Sanctioned/Sale price/ Disbursed Amount (Rs. in Million)	23.993	50.000	70.000
Purchase price (Rs. in Million)	38.195	72.687	101.76
Maximum prompt payment rebate (Rs. in Million)	6.366	-	-
Effective rate of mark-up (per annum)	8%	16.50%	16.50%

	(Minimum)	(Minimum)	(Minimum)
Number of installments	32	8	10
Installments payable/ TFC's redeemable	Quarterly	Half-yearly	Half-yearly
Date of payment of 1st installment	01.01.94	09.01.97	27.03.95
Date of payment of last installment	01.10.2001	09.07.2000	27.09.99

SECURITIES:

PICIC (LMM)

Legal mortgage on the company's present and future immovable property by way of hypothecation in respect of present and future machinery on all other assets. Pending the completion, execution and registration as aforesaid, the company has created in favour of PICIC a first charge of equitable mortgage on the company's immovable properties, both present and future.

SCB (TL)

- Second hypothecation charge over the company's fixed assets.
- **Pledged of Shahmurad sugar mills limited shares.**

SCB (TF)

Equitable mortgage on the company's fixed assets. The charge ranks pari passu with other mortgages and charges already created in favour of other creditors.

NIT-TFC's

Registered Trust Deed creating first charge on company's undertaking and immovable properties both present and future. The charge ranks pari passu with other mortgages and charges already created in favour of other creditors.

OTHER PARTICULARS:

NIT- TFC's

In the event of TFC's not being redeemed on due date, the Company shall pay the following additional amount of such TFC's;

- @ 1% per month of TFC's not being redeemed as contribution to special fund maintained by NIT.

- These TFC's are transferable.

SCB-TL

Liquidated damages are applicable @ 20% of the amount defaulted.

SCB -TF's

Term finance is extended to the company under the State Bank of Pakistan Investment Scheme.

Abbreviation denotes:

PICIC	Pakistan Industrial Credit & Investment Corporation.
SCB	Standard Chartered Bank
NIT	National Investment Trust
TFC's	Term Finance Certificates
IM	Imported machinery
LMM	Locally manufactured machinery
TF	Term Finance
TL	Term loan

5. LONG TERM LOANS:

(Rupees in thousand)

	HBL	PICIC	1997
Balance	8,379	21,236	29,615
Less:			
Current maturity shown under current liabilities			
Note 9	5,586	13,674	19,260
	2,793	7,562	10,355
Purpose	IM	IM	
Sanctioned amount (In million)	US\$ 3.239	US\$ 4.399	
Amount disbursed (In million)	US\$ 3.239	US\$ 4.399	
Rate of interest	14%	14%	
Number of installments	20	18	
Installment payable	Half-yearly	Half-yearly	
Payment currency .	Pak rupees	Pak rupees	
Date of payment of 1st	15.07.89	01.07.90	
Date of payment of last	15.01.99	01.01.99	

SECURITIES:

HBL (FCY-IM)

This syndicated finance is secured by way of equitable mortgage, floating charge and hypothecation of all present and future assets of the Company. These charges rank pari passu with PICIC and other creditors.

PICIC (FCY-IM)

The above finance will be secured by way of legal mortgage on the present and future immovable properties and a first charge by way of

hypothecation in respect of present and future machinery and first charge on all other assets. Pending the completion, execution and of the mortgage deed as aforesaid, the company has created in favour of PICIC a first pari passu charge by way of an equitable mortgage on Company's immovable properties, both present and future.

Abbreviation denotes:

IM : Imported Machinery
HBL : Habib Bank Limited
PICIC : Pakistan Industrial Credit & Investment Corporation
FCY : Foreign Currency

6. OBLIGATIONS UNDER FINANCE LEASE

(i) The amount of future payments and the period in which they will become due are:

	NDLC	FUDLM	ALL
Year to Sept. 30, 1997	-	-	-
Year to Sept. 30, 1998	15,947	834	3,776
Year to Sept. 30, 1999	30,305	834	3,203
Year to Sept. 30, 2000	-	834	-
Year to Sept. 30, 2001	-	834	-
Year to Sept. 30, 2002	-	551	-
Year to Sept. 30, 2003	-	-	-
	-----	-----	-----
	46,252	3,887	6,979
Less:			
Financial charges allocated to future period	9,425	1,374	1,062
	-----	-----	-----
	36,827	2,513	5,917
Less:			
Current maturity:-			
Shown under current liabilities (Note 9)	9,857	356	2,912
	26,970	2,157	3,005

(ii) Purpose LMM LMM LMM

(iii) Terms and conditions of lease facilities.

1) Number of leases availed	2	1	1
2) Annual financing rate (monthly/quarterly/ half yearly compounding basis) used as discounting factor ranging between	20.01% to 20.65%	21.25%	20.50%
3) No. of installments ranging between	16 & 20	20	20
4) Installments intervals ranging between	Quarterly	Quarterly	Quarterly
5) Lease rental payable in each installment except last one ranging between rupees	405,955 & 3,435,000	208,570	944,100
Last installment ranging between rupees	989,040 & 23,435,000	341,820	2,259,100
6) Fine payable per month on over due rentals if any.	2%	3%	3%
iv) Other P at the end of lease period.			

Abbreviations denote:

NDLC	:	National Development Leasing Corporation Limited
FUDLM	:	First UDL Modaraba
ALL	:	Atlas Lease Limited
SPLCL	:	Saudi Pak Leasing Company Limited
PILCL	:	Pakistan Industrial Leasing Corporation Limited
OLPL	:	Orix Leasing Pakistan Limited
FGM	:	First Grindlays Modaraba
FBL	:	Faysal Bank Limited
GLCL	:	Gandhara Leasing Company Limited
LMM	:	Locally manufactured machinery
IM	:	Imported machinery

7. DEFERRED LIABILITIES:

(Rupee

Deferred Taxation	7.1
Excise duty including interest thereon	11.3 & 11.4
Cane development cess and surcharge	7.2
Provision for gratuity	

7.1 Deferred taxation.

Deferred taxation arising due to timing differences computed under the liability method is million (1996: Rs. 82.294 million). During the year, deferred tax liability amounting to R been reversed as the management feels that the liability will not crystallize in the forse of the amount provided amounting to Rs. 37.342, in view of the future expected capital exp

7.2 Surcharge on cess.

The surcharge on cess levied through Finance (amendment) Act, 1991, at the rate of 15 pais of cane crushed is to be shared equally by the mill and growers. The levy has been challen law. However, the liability has fully been provided for to the extent of 50% of company's is pending in the Court, therefore, management feels that the matter is not likely to be f

8. SHORT TERM RUNNING FINANCE AND BORROWINGS:

	1997
	(Rupees in thousand)
Secured:	
National Development Finance Corporation	27,148
Standard Chartered Leasing Corporation	-
Mashreq Bank	49,956
Security Investment Bank Limited	15,000
Investment Capital and Securities	20,000
Orix Investment Bank Limited	20,000
Asian Leasing Corporation Limited	7,000
Bankers' Equity Limited	50,000
	8.1 261,349

	450,453
	=====

	NDFC	MB
Purpose	STF	CF
Sanctioned/Sales/ Murabaha price (Rupees in million)	80.00	50.00
Purchase/Murabaha/ Markup price	96.50	52.63

(Rupees in million)

Effective rate	0.55	0.5479
(per thousand per diem)		
	20-06-98	03-10-97
		Bank
Sugar Stock		Guarantee/ Sugar Stock

8.1 Running finance available to the company from commercial banks amounting to Rs. 319.0 Rs.412.50 million), out of which Rs. 57.651 million (1996: Rs. 332.984 million) remain unutilized till the end date. Facilities are secured against hypothecation of stock of sugar, board, receivables and raw material ranking pari passu and carry a mark up ranging between Re. 0.4660 to Re. 0.5479 thousand per diem.

(Rupees)

9. CURRENT MATURITY

Redeemable capital	4
Long term loans	5
Finance lease	6

(Rupees)

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	
Accrued expenses	
Payable to financial institution	
Mark up/Interest accrued on secured loan	
Short term finance	
Long Term Loan	
Redeemable Capital:	
Long term running finance (under mark-up arrangement)	
Term finance certificates	
Excise duty on financing facilities availed	
Financial charges on leased assets	
Excise duty	
Custom duty	11.5
Sales Tax	

Worker's profit participation fund	10.1
Associated undertakings	
Deposits and retentions	
Brokerage and commission On sugar	
Unclaimed dividends	
Provident fund	
Apprenticeship money	10.2
Others	

10.1 WORKER'S PROFIT PARTICIPATION FUND

Balance October 1,

Less:

Paid to trustees

Add:

Provision for the current year

Interest due on fund utilized in the
company's business shown
under financial charges Note 26

(a) The amount utilized by the company during the year was Rs.1.204 million (1996:Rs. 1.20

10.2 The apprenticeship money has been deposited in a separate bank account (Note - 21) as
section 227 of the Companies Ordinance, 1984.

11. CONTINGENCIES AND COMMITMENTS

11.1 The Company's commitments on September 30, 1997 for capital expenditure amounted to R
(1996 Rs. 2.052 million).

11.2 The Company has issued continuing guarantee to bank aggregating Rs. 90 million (1996:
consideration of the banks making loans to cane growers for the purchase of seeds and fert

11.3 The Company is continentally liable to a sum aggregating Rs. 19.462 million against c
to bank for issue of guarantees on behalf of the Company in favour of Collector, Central E
Customs, Hyderabad. The guarantee has been issued in respect of payment of 100% central ex

against clearance of sugar stocks of 9,052 metric tons due to retrospective withdrawal of Company has disputed and has filed a writ in the High Court of Sindh. The High Court of Sindh in its decision against the Company during the year 1990-91. The Company had obtained stay order from Supreme Court of Pakistan against the aforesaid decision of High Court of Sindh and for above guarantee. However, the excise duty liability has been fully provided for plus interest thereon upto September 30, 1991.

During the year 1991-92 the Supreme Court in its common judgement upheld the Company's appeal. However, the Court remanded the case to the Central Board of Revenue, Islamabad for enquiry into quantum of excess production upto the date when rebate withdrawal was notified i.e. June 30, 1991 whether the appellant had passed on additional excise duty on this production to purchaser or not. The Court further held that if result of the latter aspect of this enquiry goes in favour of appellant on excess production will not be leviable.

The Member (Central Excise) Central Board of Revenue decided in the affirmative, hence the Company became liable for payment of Central Excise Duty. However the Company took the matter to Government of Pakistan Ministry of Finance Revenue Division Central Board of Revenue Islamabad against the finding of the Member (Central Excise) Central Board of Revenue, where the matter is still pending for hearing. However, acceding to the request of collector Central Excise and Land Revenue Hyderabad and in the light of the collective decision of the sugar mills association Sindh the Company voluntarily deposited a sum of Rs. 6.20 million out of the total amount involved. The matter is still pending for hearing before appellate Tribunal.

11.4 The Company is contingently liable to a sum aggregating Rs. 19.045 million against Central Board of Revenue to bank for issue of guarantees on behalf of the Company in favour of Collector, Central Excise and Land Revenue Hyderabad. The guarantee has been issued in respect of payment of 50% central excise duty on clearance of sugar stocks of 17,799.50 metric tons due to denial of excise duty exemption to the Company, by declaring full crushing season at minimum of 180 days vide notification of December 1987 which the Company has disputed and has filed a constitutional petition before the Honourable High Court of Sindh. However, the excise duty liability has been fully provided for including interest thereon.

11.5 The Company had applied to the Government of Pakistan for declaring Medium Density Fibre Industry as "Key Industry" under SRO 458(1)/88 dated June 26, 1988 as the project is using imported material. Pending the declaration as Key Industry, the Central Board of Revenue has allowed the Company to get the consignments of plant and machinery cleared against bank guarantees. The Collector has presented Bank guarantees for encashment and the company accordingly filed a writ in the High Court of Sindh there against. The High Court in its order has allowed the Collector of Customs to encash bank guarantees with the conditions that in case bank guarantees are encashed and the matter goes in favour of the Company, amount of bank guarantees encashed will be refunded alongwith 14% margin. Total amount of duties involved is Rs. 8.893 million which has been fully provided for in the relevant prior year, out of which Rs. 8.694 million has been paid upto September 30, 1991.

11.6 Based on Supreme Court judgement, export tax (Rawangi Mahsool) on sugar exported out of Pakistan is not payable and accordingly a suit has been filed in the High Court of Sindh. The High Court in its interim decision has ordered to deposit the amount of export tax on sugar exported out of Pakistan.

province in the Court and accordingly a sum of Rs. 1.057 million relating to the period up to 1995 has been deposited and has been charged to the profit and loss account.

11.7 The Company had obtained the banking facility of Rs. 25 million from Mehran Bank Limited which was subsequently parked by Mehran Bank from National Investment Trust against their guarantee. The facility was repaid by the Company to Mehran Bank Limited and the charge created against in favour of Mehran Bank Limited was satisfied immediately on repayment. In December 1995 National Investment Trust wrote a letter to the Company that parking facility of Rs. 25 million was outstanding in their books. The liability has been denied by the Company. As the Company had repaid the above amount to Mehran Bank Limited. The Company has filed a suit in the High Court against National Investment Trust and Mehran Bank Limited (now merged with National Bank of Pakistan) which is pending.

Since the Company has already repaid the entire liability, as such, management has been advised that the liability will accrue to the Company.

12. OPERATING ASSETS

The following is a statement of the operating assets;

(Rupees)

PARTICULARS	Cost at 01-10-96	Addition/ (Sales)/ Transfer*
OWN:		
Freehold land	3,285	501
Factory building:		
on free hold land	22,334	-
Non factory building:		
on free hold land	39,835	1,462
on leasehold land	9,675	9,675
Plant and machinery	692,595	11,440
		47,320 *
Furniture, fixture and fitting	8,798	630
Office equipment	17,517	1,445
Vehicles	8,857	595
		1,536 *
		(646)
	-----	-----
	802,896	16,073
		(646)
		48,856 *
	-----	-----
LEASED:		

Plant and machinery	112,967	90 (47,320) *
Vehicles	9,162	(1,536) *
	-----	-----
		90 (48,856) *
	-----	-----
1997 RUPEES	925,025	16,163 (646)
	=====	=====
1996 RUPEES	912,256	14,045 (1,276)
	=====	=====

SUGAR

BOARD

MANUFACTURING	12,267	14,849
ESTABLISHMENT	4,190	760
	-----	-----
	16,457	15,609
	=====	=====

i) Depreciation on Sugar plant and machinery has been charged on actual working days i.e. 131 days (1996:143 days).

i) Depreciation on MDFB plant and machinery has been charged on the basis of 300 days (1996:300 days).

(Rupee

13. CAPITAL WORK-IN-PROGRESS

SUGAR UNIT:

Plant and Machinery
 Building
 Advances for capital expenditure

M.D.F.B. UNIT:

Plant and Machinery
 Building
 Advances for capital expenditure

14. LONG TERM INVESTMENT

In associated company:

3,299,784 (1996:2,999,804) ordinary shares of Rs. 10.00 each of Shammurad Sugar Mills Limited-listed company
Equity held 15,625% (1996:15.625%)
Market value Rs. 44.217 million (1996: Rs. 50.997 million)

500,000 (1996: 500,000) ordinary shares of Rs. 10.00 each of Al-Noor Modaraba Management (Pvt) Limited
Equity held 22.22% (1996:22.22%)
Break-up value nil per share (1996:Rs.5.50)

15. LONG TERM LOANS AND ADVANCES

(Considered good)

Due from executives

Less: Receivable within one year Note 20

Due from other employees

Less: Receivable within one year Note 20

Outstanding for period exceeding three years

Others

Loans to executives have been granted for purchase of house, car and for domestic needs and of 10 years. All the loans are granted to the employees of the company in accordance with The maximum aggregate amount due from executives at the end of any month during the year w (1996:Rs. 0.607 million).

(Rupee

16. LONG TERM DEPOSITS

Deposits

Leasing companies

Others

17. STORES AND SPARES

Stores

Spares

Stores and spares in transit

18. STOCK IN TRADE

Work-in-process

Sugar

Finished goods

Sugar

Molasses

MDF Sheets

19. TRADE DEBTS

Trade debts are unsecured and considered good

(Rupee

20. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Loan (considered good)

Due from - Executives Note 15

- Other employees Note 15

Advances (considered good)

Employees

Financial institutions
For purchase and services
Growers

Others

Short term prepayments
Other Receivables
Associated undertakings Note 20.1
Guarantee margin
Financial institutions
Turn over tax u/s 80 (D)
Withholding tax u/s 50
Others

20.1 The amount receivable on account of supplies of store items, rent and insurance claim to Rs. 1.373 million (1996:Rs. 1.525 million).

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 1.921 million (1996:Rs. 3.853 million).

21. BANK AND CASH BALANCES

With banks:
In cash deposits
In PLS account (Apprenticeship)
In current accounts

Cash in hand

22. OPERATING RESULTS

Figures of sales, cost of goods sold, gross profit, administration and selling expenses and business segments are as follows:

SUGAR

1997

1996

		(Rupees in thousand)		(Rupees in thousand)
Sales				
Local			693,313	675,739
Export			-	-
			-----	-----
			693,313	675,739
Returns			-	-
			-----	-----
			693,313	675,739
Sales tax			-	-
Brokerage and commission			174	108
			-----	-----
			174	108
			-----	-----
Net Sales	22		693,139	675,631
Cost of goods sold	23		561,565	530,774
			-----	-----
Gross profit			131,574	144,857
Administration and selling expenses	24		53,011	54,506
			-----	-----
Operating profit			78,563	90,351
			=====	=====

22.1 Inter-segment pricing

Transfers between business segments are recorded at realisable value plus applicable procedure.

	SUGAR		
		1997	1996
22.2 Segment assets employed (%)		67%	68%
		=====	=====

	SUGAR		
		1997	1996
		(Rupees in thousand)	(Rupees in thousand)

23. COST OF GOODS SOLD

Opening stock of finished goods	10,356	29,514
COST OF MANUFACTURE		

Opening stock of work in process	1,130	818
Raw material consumed	550,436	287,293
Stores and spares consumed	40,527	42,849
Fuel and oil	24,554	29,479
Power and water	7,895	6,186
Salaries, wages and benefits	60,241	58,927
Repairs and maintenance	4,433	9,617
Insurance	4,212	3,784
Other manufacturing expenses	6,155	6,516
Cane development cess and surcharge	4,531	10,457
Education cess	68	68
Depreciation	12,267	13,867
	-----	-----
	716,449	469,861
Less:		
Closing stock of:		
Work in process	2,312	1,130
	-----	-----
	714,137	468,731
	-----	-----
Molasses sale	24,336	35,346
Electricity charged to MDFB	4,601	3,506
Bagasse sale/transfer	839	8,731
Sander dust sale	-	-
Other	-	-
	-----	-----
	29,776	47,583
	-----	-----
	684,361	421,148
Excise duty	99,446	90,468
	-----	-----
Cost of manufacture	783,807	511,616
	-----	-----
	794,163	541,130
Less:		
Closing stock of finished goods	232,598	10,356
	-----	-----
	561,565	530,774
	=====	=====

SUGAR

1997

(Rupees in thousand)

1996

(Rupees in thousand)

**24. ADMINISTRATION AND
SELLING EXPENSES**

Salaries, wages and benefits	18,258	17,875
Staff welfare	6,100	5,228
Rent, rates and taxes	803	1,031
Electricity and gas charges	358	660
Repairs and maintenance	4,137	4,368
Chief Executive and Director's , remuneration and perquisite 33	2,418	3,795
Legal and professional	552	605
Vehicle running	4,345	4,391
Insurance	927	857
Communication	2,556	1,979
Advertisement	160	175
Despatch and stacking	1,122	1,012
Entertainment expenses	580	550
Printing and stationary	795	945
Fees and subscription	594	468
Depreciation	4,190	4,539
Others	5,116	6,028
	-----	-----
	53,011	54,506
	=====	=====

(Rupee

25. OTHER INCOME

Commission on fertilizer and pesticides		
Freight		25.1
Rent		
Profit on disposal of fixed assets		31
Exchange gain on export of sheets		
Sale of scrap		25.2

25.1 This represents excess freight on sale of MDFB products recovered from customers over

25.2 This excludes sales tax on scrap aggregating Rs. 0.161 million.

(Rupee

26. FINANCIAL CHARGES

Mark up on:
Redeemable capital:
Long term running finance under
mark-up arrangements
Term finance certificates-paid
-payable

Short term running finance

Interest on:

Long term loans--
Excise duty
Workers' profit participation fund - note 10.1

Finance charges on leased assets
Excise duty on financing facilities availed
Front end fee
Bank guarantee and commission
Bank charges
Others

Less: Interest/profit earned on:

Staff members' loans
Commercial bank deposits

27. OTHER CHARGES

Auditors' remuneration - note 29
Director's meeting fee
Workers' profit participation fund- note 10.1
Charity and donation

CHARITY AND DONATION

None of the directors or their spouses had interest in any of the donees.

28. TAXATION

(Rupee

Turnover Tax - note 28.1

Current

Prior

Current Taxation

Prior

Deferred Taxation - note 7.1

Prior

Tax on bonus issue

28.1 Based on the Supreme Court decision, the Company has fully provided the tax on turnover of 100 million in respect of prior years.

(Rupee

29. AUDITORS' REMUNERATION

Audit fee

Statutory

Provident fund

Out of pocket expenses

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases:

Materials

Services

Sales:

Materials
Services

Other claims

**31. PROFIT ON DISPOSAL OF OPERATING ASSETS
(Mode of sale by negotiation)**

Description	Original Cost	Accumulated Depreciation
Motorcycle Honda CD 70 Registration No.KAK-9468		41 20
Daihatsu Charade Registration No.G-5379		127 113
Bicycles		5 4
Suzuki Khyber Registration No. U-0983		195 131
Toyota Hilux Pickup Registration No.CB-1259		278
	----- 646	----- 488
	=====	=====

32. CAPACITY AND PRODUCTION IN METRIC TONS

	Capacity	Days	Production
1997	23,167		160 47,355
SUGAR UNIT			
1996	23,167		160 43,080
1997	22,500		300 12,638
BOARD UNIT			

1996 22,500 300 13,174

Reasons for under utilisation of Board Unit capacity:

- Due to dumping of imported Mdfb Sheets in the market at very low rate.

33. CHIEF EXECUTIVE, DIRECTORS, AND EXECUTIVES REMUNERATION

The aggregate amount charged in the accounts of the year for remuneration including all be Directors and Executives of the company were as follows:

	Chief Executive 1997	1996	Directors 1997
Remuneration	600		540 960
Provident fund			
Perquisite (including house rent and Bonus)	330		959 528
Reimbursable expenses including travelling expenses	60		715 228
	----- 990		----- 2,214 1,716
Number of persons	1		1 2
	=====		=====

- i) The Chief Executive, certain Directors and Executives are provided with free use of com
- ii) Meeting fee paid to 4 Directors was Rs: 3,500 (1996:7 Directors Rs. 8,500)
- iii) Reimbursable expenses paid to non-salaried director amounting to Rs. 1.091 million (1996:Rs 1.036 million) has not been taken in aforesaid schedule.

34. CASH GENERATED FROM OPERATIONS

(Rupee

(Loss)/profit before taxation
 Adjustment for non cash charges and other items:
 Depreciation
 Profit on sale of operating assets
 Provision for staff retirement benefits
 Other deferred liabilities (excluding interest)
 Financial charges
 Working capital changes - note 34.1

34.1 Working capital changes

Decrease/(Increase) in current assets
 Stores and spares
 Stock-in-trade
 Trade debts
 Loans, advances, prepayments and
 other receivables (excluding income tax)

Increase/(decrease) in current liabilities
 Creditors accrued and other liabilities
 (excluding financial charges & unclaimed dividend)

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet

Cash and bank balances

Short-term running finance utilised under
 mark up arrangements

36. GENERAL

Previous year's figures have been rearranged, wherever necessary, for the purpose of comparison

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30TH SEPTEMBER, 1997

NOS OF SHAREHOLDERS		HOLDINGS	
277	FROM	1	TO 100
437	FROM	101	TO 500
109	FROM	501	TO 1000
243	FROM	1001	TO 5000
90	FROM	5001	TO 10000
1	FROM	10001	TO 15000
7	FROM	15001	TO 20000
4	FROM	20001	TO 25000
1	FROM	25001	TO 30000
1	FROM	40001	TO 45000
1	FROM	45001	TO 50000
1	FROM	50001	TO 55000

1	FROM	60001	TO	65000
1	FROM	75001	TO	80000
2	FROM	80001	TO	85000
2	FROM	90001	TO	95000
1	FROM	95001	TO	100000
2	FROM	105001	TO	110000
1	FROM	115001	TO	120000
2	FROM	150001	TO	155000
3	FROM	165001	TO	170000
2	FROM	170001	TO	175000
1	FROM	175001	TO	180000
2	FROM	185001	TO	190000
2	FROM	210001	TO	215000
1	FROM	240001	TO	245000
1	FROM	245001	TO	250000
3	FROM	250001	TO	255000
1	FROM	260001	TO	265000
1	FROM	265001	TO	270000
1	FROM	275001	TO	280000
2	FROM	320001	TO	325000
2	FROM	335001	TO	340000
1	FROM	375001	TO	380000
1	FROM	385001	TO	390000
1	FROM	390001	TO	395000
1	FROM	400001	TO	405000
1	FROM	415001	TO	420000
1	FROM	425001	TO	430000
1	FROM	510001	TO	515000
1	FROM	680001	TO	685000
1	FROM	700001	TO	705000
1	FROM	725001	TO	730000
1	FROM	915001	TO	920000
1	FROM	4435001	TO	4440000

1218
=====

=====

CATEGORIES OF SHAREHOLDERS

NUMBER

SHARE HELD

1. INDIVIDUALS	1200	11,471,480
2. JOINT STOCK COMPANIES	6	388,375
3. INVESTMENT COMPANIES	1	94,707
4. INSURANCE COMPANIES	4	702,526
5. FINANCIAL INSTITUTIONS	5	5,778,618
6. MODARABA COMPANIES	1	110,000
7. OTHERS	1	24,546

TOTAL

-----	-----
1218	18,570,252
=====	=====