

## Sindh Abadgar's Sugar Mills Limited

### Annual Report 1998

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#### BOARD OF DIRECTORS

Mr. Nisar H. Effendi	Chairman
Mr. Zulfiqar H. Effendi	Chief Executive
Mr. Rizwan H. Said	Director
Mr. Razi-ur-Rehman Khan	Director (Nominee of NIT/ICP)
Mr. Iqbal H. Effendi	Director
Mr. Shah Nawaz Shah	Director
Mr. Omer H. Said	Director
Mr. Rao Muhammed Shafat	Director (Nominee of NDFC)

#### COMPANY SECRETARY

Shahabuddin Lakhani  
B. Corn. FCA, FCMA (UK), FCIS (UK)  
FITM, FCIS, FICM

#### BANKERS

1. Allied Bank of Pakistan Ltd.
2. Habib Bank Limited
3. Muslim Commercial Bank Ltd.
4. National Development Finance Corporation
5. United Bank Ltd.

#### AUDITORS

Hyder Bhimji & Co.  
Chartered Accountants

Rahman, Sarfaraz & Co.  
Chartered Accountants

#### REGISTERED OFFICE

164-L, Block-III,  
P.E.C.H. Society,  
Karachi-75400.

#### MILLS

Deh Deenpur  
Taluka: Tando Mohd. Khan

District: Hyderabad  
SINDH

**REGISTRAR**

Gangjees Investment & Finance Consultants,  
513, Clifton Centre,  
Khayaban-e-Roomi,  
Kehkashan, Block-5, Clifton,  
Karachi-75600

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of the Company will be held at the Registered Office 164-L, Block-3, P.E.C.H.S., Karachi-75400 on Thursday 25th March, 1999 at 1600 hours to transact the following business:

1. To read and confirm the Minutes of the Extra-ordinary General Meeting held on 6th February, 1999.
2. To receive and adopt the Audited Accounts for the year ended 30th September, 1998 together with the Directors and Auditors Report thereon.
3. To appoint Auditors of the Company for the year 1998-99 and to fix their remuneration.
4. To approve cash dividend @ 10% i.e. Rs.1.00 per share of Rs.10/- each for the year ended 30th September, 1998 as recommended by the Directors.
5. To transact any other business which may legally be transacted at an Annual General Meeting with the permission of the Chair.

By Order of the Board

(S. LAKHANI)  
Company Secretary

Karachi, dated: 17th February, 1999

**NOTE:**

- 1) The Share Transfer Books of the Company will remain close for ten days and no transfer of shares will be accepted for registration from Tuesday, 16th March, 1999 to Thursday, 25th March, 1999 (both days inclusive). Shares may be lodged for transfer with our Registrar M/s. Gangjees Investment and Finance Consultants, 513, Clifton Centre, Kehkashan, Block-5, Clifton, Karachi-75600.
- 2) A Member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Proxies in order to be valid must be received at the Registered Office of the Company 48 hours before the time of the Meeting. A proxy must be a member of the Company.
- 3) The shareholders are requested to communicate the change in their mailing address, if any,

immediately to our Registrar.

## DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Directors and myself it is my privileged honour to welcome you to the 15th Annual General Meeting of the Company and it is with glorification of Allah's Blessings that I present Fifteenth Annual Report for the 1998 Financial Year along with the Financial Statements for the year ended on September 30, 1998.

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 the 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 40 KG (a percentage-wise increase of 46.94%) and increase in the rate of Quality Premium was also not in line or balanced 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 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 mills 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%. Whereas the capacity utilization achieved by our Mills SASM, MASHAH-ALLAH was 80.23% for the year. 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 turbulent and untold difficulties, our company because of full cooperation of sincere dedicated working staff and above all with Blessing and Guidance of ALLAH the Merciful and Beneficent, made after tax profit of Rs. 13,509,683. Reasons for comparative less profit are obvious and mentioned above which is mainly higher cost and less sugar price, due to no other reason but the principle of Demand and Supply.

Hereunder, we place the accounts for 1997-98 for your perusal:

- (i) Summarized operating financial results for the year under report;
- (ii) Financial analysis and ratio; and
- (iii) Comparative Statistics for the last five years.

### (I) FINANCIAL RESULTS

(Rupees in million)

	1998	1997
Profit before taxation and after prior period items	11.650	41.829
Provision for taxation	1.860	(13.000)
	-----	-----
Profit after taxation	13.510	28.829

Unappropriated profit brought forward	6.231	5.040
	-----	-----
Profit available for appropriation	19.741	33.869
Appropriation:		
Proposed cash dividend	(10.425)	(15.638)
Transfer to general reserve	(7.000)	(12.000)
	-----	-----
Unappropriated profit carried forward	2.316	6.231
	=====	=====

1998 1997

**(II) FINANCIAL ANALYSIS AND RATIOS**

Gross profit / sales	10.71%	12.70%
Net profit to sales before taxation	0.11%	4.65%
Net profit to sales after taxation	1.64%	3.21%
Earning per share before taxation	Rs. 1.18	Rs. 4.01
Earning per share after taxation	Rs. 1.30	Rs. 2.77
Break-up value of share	Rs. 13.87	Rs. 13.57
Debt equity ratio	48.23: 51.77	49.81: 50.19
Current ratio	1.14: 1.00	1.12:1.00

1997-98 1996-97 1995-96 1994-95 1993-94

**(III) COMPARATIVE STATISTICS**

Season Commenced	07.11.1997	04.11.96	16.10.95	09.11.94	02.10.93
Season Closed	15.04.1998	09.04.97	04.04.96	17.04.95	10.04.94
Days worked	160	157	172	160	191
Sugarcane crushed (M.T.)	513,451	472,344	501,523	534,662	545,478
Daily average crushing (M.T.)	3,209	3,009	2,916	3,341	2,856
Sugar recovery %	10.8000	10.7200	10.451	9.7555	9.6091
Sugar production (M.T.)	55,450	50,638	52,358	52,196	52,362
Molasses production (M.T.)	24,853	22,426	23,092	24,937	26,291

**PERFORMANCE**

During the reporting crushing season 1997-98, cane crushed was 513,451 metric tons which is higher by 41,107 metric tons (8.70%) when compared with last year's crushing of 472,344 metric tons. This increase is due to improvement in cane production supply as discussed in the preceding paras. The comparative figure with averages of Sindh Zone are given as under:

Particulars	Sindh Zone (Average)	SASM	Increase
Crushing tons	513,086	513,451	+ 365
Sucrose Recovery %	9.92%	10.80%	+ 0.88%

Sugar Production tons	50,907	55,450	+ 4,543
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It is pleasing to note that in all the three averages of Sindh, our Company has achieved better results. Average crushing shows slight increase by 365 tons but the production of sugar record increase by 4,543 tons (8.92%) due to the better extraction of sucrose recovery derived by the mills during the year.

As for our average crushing per day during this crushing season works out to 3,209 tons as against last year's 3,009 tons per day. Sucrose recovery extracted also increase by 0.08% over the last year (1997 10.72% and 1998 10.80%). Overall operational performance is, MASHAH-ALLAH better when compared with the general average and when compared with company's performance last year.

#### **FINANCIAL COMMITMENTS**

Our Company MASHAH-ALLAH has paid off every due financial commitments in time. Current maturity of Rs. 6.591 million of GTF loan will INSHAH-ALLAH be paid in time. All the long term loans have been cleared except NDFC GTF loan with an outstanding amount of Rs. 10.26 million which includes current maturity of Rs. 6.591. Thereafter the last installment is due on December 31, 1999 and INSHAH-ALLAH on repayment of that, our company by the Grace of ALLAH will be free from every long term liabilities secured for Project Financing.

#### **CENTRAL EXCISE DUTY CLAIMS**

##### **AND PENDING CASES**

Central Excise Duty cases for 1988-89, 1991-92 and 1992-93 filed by the company, almost remain pending in Courts. Case for 1988-89, though decided in our favour by the Supreme Court but referred back to the CBR and then appeal before the Tribunal, as previously reported. Appeal before Tribunal of two members, (one judicial and other technical member) was heard and the judgement given was a split decision. Technical member against us and judicial member in our favour. Thereupon case was referred to the Chairman Tribunal, who after hearing, decided in our favour. Thus two decisions were in our favour and one against. The Collector. Customs (CBR) has now preferred an appeal before the High Court of Sindh and the matter therefore again remains pending. It is important to understand that bank guarantees of some Sugar Mills who did not obtain Stay Order from Tribunal were cashed by the Collector of Customs. On representation, the High Court then decided that the CBR should return/refund the money within 15 days of the Tribunal's final order. The Collector, Customs accordingly advised the Sugar Mills to accept adjustment of the forcibly recovered amount in their future Central Excise Duty payments for the year 1998-99 onwards.

In our case, out of two bank guarantees, one amounting to Rs. 10.75 million was encashed forcibly. Second bank guarantee for Rs. 13.648 million still remains because the Collector of Customs has neither encashed nor returned. The encashed amount of Rs. 10.75 (M) will be adjusted and therefore shown as Receivable in the Financial Statements.

The cases of 1991-92 and 1992-93 remain pending.

#### **SALES AND SALES TAX**

The Government has levied the sales tax @ 12.50% w.e.f. April 1, 1998, for sales to the registered buyers and 13.50% for unregistered buyers. Prior to this date, only Central Excise Duty was levied at Rs. 2,150/- per ton. But after the levy of Sales Tax at 13.50%, the Sales Tax Rs. 1,755/- plus Excise Duty Rs. 400/- per ton increased the total to Rs.2,155/- till November 30, 1998.

#### **EXPORT OF SUGAR**

The company, By the Grace of ALLAH, did export 10,305 tons of sugar during the year. International sugar price fluctuated from a high US\$ 320 to US\$ 245 per ton F.O.B. The government therefore allowed Duty-Draw back of Rs. 1,500 per ton upto May, 1998, and then due to price fluctuation and on P.S.M.A. request, it was raised to Rs. 4,500 per ton w.e.f. June 01, 1998.

**DIVIDEND 1997**

The SASM Board of Directors declared cash dividend @ 15% for the year September 30, 1997. Dividend Warrants for the resident shareholders were despatched on May 12, 1998, and for non-resident shareholders an application was made to the State Bank of Pakistan in April, 1998, with a request for approval of the remittance. We have since been vehemently following the Bank in writing as well as personal visits for the approval. We have also written a letter to the Governor State Bank of Pakistan on October 08, 1998, but approval is still awaited. The dividend amount was deposited with Muslim Commercial Bank Limited for the total payment of dividend for 1997 on May 12, 1998. Separate Dividend Account for non-resident shareholders is also with the Bank. To find workable solution for the non-resident shareholders, we offered them option to accept payment in Pak Currency vide our letter dated March 04, 1998. Non-resident shareholders who opted for the payment of the dividend in Pak Currency were paid immediately. Those who have not accepted the option the payment has not yet been made and the matter is pending with the State Bank of Pakistan.

**CENTRAL DEPOSITORY SYSTEM**

Pakistan Central Depository System has been introduced vide Central Depositories Act, 1997. It is mainly to avoid compulsory physical transfer of shares for securing other advantages by the shareholders. Ordinary shares of our company have been declared eligible securities under the Act w.e.f. November 18, 1998. All the formalities have been completed in time and complied with as per requirement of the Central Depository Company of Pakistan Limited.

**COMPLIANCE FOR THE YEAR 2000**

All over Computer Hardware, Software and Operating System have been updated and MASHAH-ALLAH are capable of handling "dates" after December 31, 1999.

**ON GOING CURRENT SEASON 1998-99**

Information on current season upto February 16, 1999 is as under:

(i) Date of commencement	November 14, 1998
(ii) Cane crushed (M.Tons)	342,440.481
(iii) Sugar bagged (M.Tons)	31,696.000
(iv) Average recovery todate	9.4931%
(v) Sugar sold and delivered (M.Tons):	19,742.150
(vi) Sugar balance in stock (M.Tons)	11,953.850
(vii) Cane procurement support price	Same at Rs.36.00 as it was last year.
(viii) Quality Premium	Increased to .50 paisa from .32 paisa per unit with bench mark of 8.7% remains the same.

The Government has increased the Sales Tax to 15% from 12.50% for registered buyers and 16% for non-registered buyers w.e.f. December 01, 1998. As such the total amount for Excise Duty and Sales Tax increased to Rs. 2,350 at 15% and in majority cases to Rs. 2,480 @ 16%. Further the base sale price for computing the Sales Tax has been retained at Rs. 13,000 per ton upto end March 1999 as per the Government Notification. The C.E.D. in addition to Sales Tax, remains the same.

The local sale price of sugar instead of increasing in proportion to the increase in total cost has further decreased because of over production than the consumption. SASM has MASHAH-ALLAH exported 10,268.50 tons of sugar upto February 16, 1999. The Government has made it obligatory to export 25% of the total production of the year for each mill. We, INSHAH-ALLAH, will be exporting more sugar accordingly. Duty draw back to encourage export and to compensate for low international prices of sugar has been allowed to remain the same at Rs. 4,500/- per exported ton alongwith exemption allowed in sales tax and excise duty.

**MOLASSES:**

The International price and over production has created a big financial crises because there is no disposal of Molasses at present.

**AUDITORS:**

M/s. Hyder Bhimji & Company and Rahman, Sarfaraz & Company, the Auditors of the company retired and have offered their services for the ensuing year.

**PATTERN OF SHAREHOLDING:**

The pattern of shareholding is annexed to this Report.

**WORDS OF THANKS**

The Board of Directors wishes to keep on record their sincere thanks to each and every shareholder member, who very kindly have reassured us of their faith and confidence by re-electing us on the Board. All elected directors wish to convey their thanks and reassure the shareholders of their dedicated and hard work to achieve, INSHAH-ALLAH, better and much better results. Please pray for all of us including the staff members and our Cane Growers who all join in to contribute for achieving exemplary results, Aameen.

On behalf of the Board of Directors

**NISAR H. EFFENDI**

Chairman

Dated: February 18th, 1999.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of SINDH ABADGAR'S SUGAR MILLS LIMITED as at September 30, 1998 and the related Profit & Loss Account for the year then ended and the 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 purpose 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 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 September 30, 1998 and of the Profit and the Changes in Financial Position (Cash Flows) 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.

**RAHMAN SARFARAZ & CO.**  
Chartered Accountants

**HYDER BHIMJI AND CO.**  
Chartered Accountants

**Karachi; the 18th February, 1999**

**BALANCE SHEET AS AT 30TH SEPTEMBER, 1998**

	Note	1998 Rupees	1997 Rupees
<b>CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorised			
12,500,000 Ordinary shares of Rs.10 each		125,000,000	125,000,000
		=====	=====
Issued, subscribed and paid-up	3	104,250,000	104,250,000
General reserve - Revenue		38,000,000	31,000,000
Unappropriated profit		2,316,441	6,231,758
		-----	-----
Shareholders' equity		144,566,441	141,481,758
<b>REDEEMABLE CAPITAL (Secured)</b>	4	3,671,402	10,262,875
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	5	8,926,550	9,368,407
<b>LOAN FROM DIRECTORS</b>	6	-	2,296,542
<b>DEFERRED LIABILITIES</b>	7	108,705,676	102,862,049
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	8	13,375,069	15,603,086
Short term running finance	9	77,845,000	34,000,000
Creditors, accrued and other liabilities	10	54,334,600	80,278,980
Provision for taxation		25,689,644	29,718,560
Proposed dividend		10,425,000	15,637,500
		-----	-----

		181,669,313	175,238,126
<b>CONTINGENCIES AND CAPITAL COMMITMENT</b>	11	-----	-----
		447,539,382	441,509,757
		=====	=====
<b>FIXED ASSETS - TANGIBLE</b>			
Operating fixed assets	12	240,686,268	245,834,512
<b>LONG TERM LOANS AND ADVANCES</b>	13	268,769	415,761
<b>LONG TERM DEPOSITS</b>	14	15,543,576	15,752,940
<b>CURRENT ASSETS</b>			
Stores and spares	15	45,149,798	53,385,796
Stock in trade	16	82,048,746	70,057,714
Trade debts (Unsecured) considered good		8,002,727	5,905,978
Loans and advances	17	17,555,702	37,212,173
Deposits and prepayments	18	4,403,900	3,066,480
Other receivables	19	20,777,348	1,534,081
Cash and bank balances	20	13,102,548	8,344,322
		-----	-----
		191,040,769	179,506,544
		-----	-----
		447,539,382	441,509,757
		=====	=====

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

**ZULFIQAR H. EFFENDI**  
Chief Executive

**RIZWAN H. SAID**  
Director

Karachi: the February 18, 1999

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

	Note	1998 Rupees	1997 Rupees
<b>SALES</b>	21	823,719,203	898,633,021
<b>COST OF GOODS SOLD</b>	22	(735,487,966)	(784,544,659)
		-----	-----
<b>GROSS PROFIT</b>		88,231,237	114,088,362
<b>OPERATING EXPENSES</b>			
Administrative	23	(48,056,637)	(41,864,275)
Selling and distribution	24	(10,234,682)	(1,347,645)
		-----	-----
		(58,291,319)	(43,211,920)

<b>OPERATING PROFIT</b>		29,939,918	70,876,442
<b>FINANCIAL CHARGES</b>	25	(32,789,655)	(28,748,159)
		-----	-----
		(2,849,737)	42,128,283
<b>OTHER (CHARGES)/INCOME</b>			
Other charges	26	(1,130,767)	(2,727,366)
Other income	27	4,880,008	2,427,807
		-----	-----
		3,749,241	(299,559)
		-----	-----
Profit for the year before taxation		899,504	41,828,724
Prior period item	28	10,750,000	-
		-----	-----
		11,649,504	41,828,724
Provision for taxation	29	1,860,179	(13,000,000)
		-----	-----
Profit after taxation		13,509,683	28,828,724
Unappropriated profit brought forward		6,231,758	5,040,534
		-----	-----
Profit available for appropriation		19,741,441	33,869,258
Appropriation			
Proposed cash dividend @ 10% (1997 - 15%)		(10,425,000)	(15,637,500)
Transfer to general reserve		(7,000,000)	(12,000,000)
		-----	-----
		(17,425,000)	(27,637,500)
		-----	-----
Unappropriated profit carried forward		2,316,441	6,231,758
		=====	=====

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

**ZULFIQAR H. EFFENDI**  
Chief Executive

**RIZWAN H. SAID**  
Director

Karachi: the February 18, 1999

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH SEPTEMBER, 1998**

	Note	1998 Rupees	1997 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	49,656,416	80,754,618
Financial charges paid		(46,533,575)	(15,561,564)

Return on term deposits	1,817,154	1,819,876
Taxes paid	(4,668,737)	(21,989,827)
Dividend paid	(15,637,500)	(13,031,250)
	-----	-----
Cash flow before prior period item	(15,366,242)	31,991,853
Excise duty refundable	10,750,000	-
	-----	-----
Net cash inflow from operating activities	(4,616,242)	31,991,853
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(26,036,998)	(8,748,564)
Sale proceeds of fixed assets	2,768,000	375,000
Decrease in long term loans and advances	146,992	247,687
Decrease in long term deposits	209,364	937,308
	-----	-----
Net cash outflow from investing activities	(22,912,642)	(7,188,569)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(decrease) in short term finance	43,845,000	(9,425,242)
Repayment of redeemable capital	(5,703,818)	(4,935,701)
Repayment of long term loans	-	(5,865,190)
(Repayment)/proceeds of liabilities against assets subject to finance lease	(3,557,530)	(3,916,555)
Repayment/proceeds of Directors' loan	(2,296,542)	1,961,542
	-----	-----
	32,287,110	(22,181,146)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	4,758,226	2,622,138
Cash and cash equivalents in the beginning	8,344,322	5,722,184
	-----	-----
Cash and cash equivalents at the end	13,102,548	8,344,322
	=====	=====

The annexed notes form an integral part of these accounts.

**ZULFIQAR H. EFFENDI**  
Chief Executive

**RIZWAN H. SAID**  
Director

Karachi: the February 18, 1999

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

**1. STATUS AND PRINCIPAL ACTIVITIES**

The Company was incorporated in Pakistan on January 28, 1984 as a Public Limited Company and its shares are quoted on Stock Exchanges in Karachi, Lahore and Islamabad. The Company is principally engaged in the manufacture and sale of Sugar.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention**

These Accounts have been prepared under the historical cost convention.

### **2.2 Taxation**

#### **Current**

Provision for current taxation is based on current tax rates after taking into account tax credits and rebates available, if any.

#### **Deferred**

The company accounts for deferred taxation on all material timing differences using liability method. However, deferred tax is not provided if it is determined with reasonable probability that these timing differences will not reverse in the foreseeable future.

### **2.3 Staff retirement benefits**

The Company operates a contributory Provident Fund Scheme for all its employees eligible to the benefits.

### **2.4 Foreign currency transaction**

Liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the Balance Sheet date. Exchange difference in respect of foreign currency loan obtained for acquisition of Fixed assets are incorporated in the cost of relevant assets. All other exchange differences are included in income currently.

### **2.5 Operating fixed assets**

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost.

Depreciation is charged on reducing balance method at the rates specified in fixed assets note. Depreciation on addition during the year is charged on the basis of whole year while no depreciation is charged on disposal during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of assets are included in current income.

### **2.6 Capital work-in-progress**

All cost/expenditure connected with specific assets are carried under this head. These are transferred to specific assets as and when assets are available for use.

### **2.7 Accounting for lease**

#### **(a) Finance lease**

The Company accounts for assets acquired under finance lease by recording the assets

and related liability at the fair value of the leased assets or if lower at present value of the minimum lease payment. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

**(b) Operating lease**

The Company charges the appropriate amount of rentals on operating lease to profit and loss account.

**2.8 Investment**

Investment in shares is recorded at cost and no adjustment for the effect of market/breakup value is made in these accounts.

**2.9 Stores, spares and stock in trade**

These are valued as follows:

Stores, spares and loose tools	- In Stock - At cost on moving average basis.
	- In Transit - At actual cost.
Work-in-process	- At average raw material cost.
Finished stock	- At lower of average cost and net realisable value.
By-products	- At net realisable value.

**2.10 Trade debts**

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

**2.11 Revenue recognition**

Sales are recorded on despatch of goods to customers.

	1998 Rupees	1997 Rupees
<b>3. ISSUED SUBSCRIBED AND PAID UP CAPITAL</b>		
10,425,000 Ordinary shares of Rs.10/- each fully paid in cash	104,250,000	104,250,000
	=====	=====

**4. REDEEMABLE CAPITAL (Secured)**

**NATIONAL DEVELOPMENT FINANCE CORPORATION**

Long term running finance utilised under mark-up arrangement

	1998 Rupees	1997 Rupees
Opening balance	15,966,693	20,902,394
Paid during the year	(5,703,818)	(4,935,701)
	-----	-----
	10,262,875	15,966,693

Installments due within

next year shown under		
current liabilities	(6,591,473)	(5,703,818)
	-----	-----
	3,671,402	10,262,875
	=====	=====

The Company entered into an agreement with National Development Finance Corporation to purchase Finished goods, raw material and stores & spares with a contract price of Rs.50 million and a marked-up price of Rs.70.912 million. Marked-up price is subject to a maximum rebate of Rs.6.368 million if the payments are regularly and punctually made.

The company paid three out of six installments of the loan by 20th March, 1991. The balance amount of Rs.33.521 million had been rescheduled and converted into a new loan of Rs.68.331 million on mark-up basis. The amount is subject to a rebate of Rs.13.066 million on timely payment of the installments. The amount includes Rs.5.393 million markup accrued upto December 31, 1992.

**Security:**

The finance is secured by creating mortgage on the immovable properties, pledge and hypothecation of movable properties of the Company including book debts and other receivables and personal guarantee of 'Sponsoring Directors.

The mortgage, pledge and hypothecation shall rank pari-passu in all respect with the existing mortgage charges created by the Company in favour of senior creditors.

**Repayment:**

The Marked-up price is repayable in 14 half-yearly installments payable on 1st July and 1st January each year commenced from 1st July, 1993.

	1998 Rupees	1997 Rupees
<b>5. LIABILITIES AGAINST ASSETS</b>		
<b>SUBJECT TO FINANCE LEASE (Secured)</b>		
Opening balance	19,267,675	23,184,230
Obtained during the year	8,474,050	4,893,574
	-----	-----
	27,741,725	28,077,804
Installments paid during the year	(12,031,579)	(8,810,129)
	-----	-----
	15,710,146	19,267,675
Installments due within next year shown under current liabilities	(6,783,596)	(9,899,268)
	-----	-----
	8,926,550	9,368,407
	=====	=====

5.1 The future minimum lease payments to which the company is committed as at September 30, 1998 are as follows:

Year ending	Rupees
September 30,	
1999	10,272,804
2000	5,088,075
2001	2,957,900
2002	1,456,176
	-----
	19,774,955
Financial charges allocated to future period	(4,064,809)
	-----
	15,710,146
	=====

5.2 The assets have been leased by the following Companies:

ORIX Leasing Pakistan Limited	13,441,341
Atlas Lease Company Limited	501,316
Ghandhara Leasing Co. Limited	829,640
Modaraba AI-Mali	937,849
	-----
	15,710,146
	=====

5.3 The above liabilities represent the present value of minimum lease payment discounted at the rate implicit in each agreement ranging from 20% to 24% p.a. and are payable in equal monthly/quarterly installments including financial charges under 3 to 5 years financial arrangement.

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

5.5 The payment of lease rentals are secured by way of demand promissory note and personal guarantee of sponsoring Directors of the Company.

	1998 Rupees	1997 Rupees
<b>6. LOAN FROM DIRECTORS - (Unsecured)</b>		
Carries Mark up @ 55 paisa per Rs.1,000/- per day.	-	2,296,542
	=====	=====
<b>7. DEFERRED LIABILITIES</b>		
Deferred taxation		
Balance as on October 1,	35,000,000	35,500,000
Transferred during the year	(2,500,000)	(500,000)

		-----	-----
		32,500,000	35,000,000
Other			
Central Excise Duty	7.1	13,648,200	13,648,200
Mark-up on Central Excise Duty		24,450,245	24,450,245
Road cess		26,394,458	19,976,317
Surcharge on road cess		11,712,773	9,787,287
		-----	-----
		108,705,676	102,862,049
		=====	=====

7.1 The Central Excise and Custom Appellate Tribunal has decided the case of retrospective withdrawal of the excise duty in respect of crushing season for 1988-89 in favour of the company against which the Excise Department has filed an appeal in the High Court of Sindh which is pending for formal admission. The Customs and Central Excise Circle, Hyderabad has presently allowed the adjustment of Rs. 10.75 million for central excise duty vide letter No. IV-E/8(2)CE/96/45 dated: 12/01/1 999 against the bank guarantee encashed by them.

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>

**8. CURRENT PORTION OF LONG TERM LIABILITIES**

Redeemable capital			
General term finance - NDFC		6,591,473	5,703,818
Liability against assets subject to finance lease		6,783,596	9,899,268
		-----	-----
		13,375,069	15,603,086
		=====	=====

**9. SHORT TERM RUNNING FINANCE**

Under mark up arrangements - (secured)

National Development Finance Corporation			
Working capital finance	9.1	43,000,000	26,000,000
Banking Companies			
Cash finance	9.2	34,845,000	8,000,000
		-----	-----
		77,845,000	34,000,000
		=====	=====

9.1 The Company has entered into an agreement with National Development Finance Corporation under which NDFC has agreed to buy the sugar for an aggregate of Rs.60 Million and at the same time to sell the same to the company at a marked up price of Rs.79.050 million.

The arrangement is secured by hypothecation of stores, spares and loose tools, pledge of refined sugar stock and personal guarantee of all sponsoring directors of the company.

9.2 Cash finance is secured against pledge of sugar, floating charge on current assets of the company and personal guarantee of all sponsoring directors of the company.

The mark-up rates ranges between 55 to 57 paisa per Rs.1,000/- per day. Sanctioned Limit is Rs.65 Million.

	1998	1997
	Rupees	Rupees

#### 10. CREDITORS, ACCRUED AND OTHER LIABILITIES

##### Creditors

For sugar cane	15,699,629	17,236,533
For other supplies	9,493,448	10,473,161
For services	556,359	335,328
	-----	-----
	25,749,436	28,045,022

##### Accrued liabilities

Accrued expenses	6,039,657	5,323,797
Mark-up on redeemable capital	388,021	603,673
Mark-up on loan from directors	156,271	447,852
Mark-up on short term running finance	8,960,460	22,381,398
	-----	-----
	15,544,409	28,756,720

##### Other Liabilities

Advance from customers	4,410,900	9,576,865
Workers' profit participation fund (Note 10.1)	613,132	2,201,512
Contractors retention money	138,131	212,257
Central excise duty and sales tax	4,989,354	7,743,750
Sales tax on bagasse	-	2,393,033
Unclaimed dividend	2,403,364	690,955
Withholding income tax	206,348	125,484
Others	279,526	533,382
	-----	-----
	13,040,755	23,477,238
	-----	-----
	54,334,600	80,278,980
	=====	=====

##### 10.1 Workers' profit participation fund

Balance as on October 1,	2,201,512	3,425,874
Interest	323,532	356,666
	-----	-----

	2,525,044	3,782,540
Paid during the year	2,525,044	3,782,540
	-----	-----
	-	-
Provision for the year	613,132	2,201,512
	-----	-----
	613,132	2,201,512
	=====	=====

#### 11. CONTINGENCIES AND CAPITAL COMMITMENT

(a) The Company produced 7,301 M.Tons of excess sugar in the crushing season 1991-92 as compared to preceding year 1990-91. This excess production was subject to rebate @ Rs.1,070/- per M.Ton amounting to Rs.7.812 Million. However, this concession was withdrawn with retrospective effect by issuance of SRO dated December 23, 1991. The Company has filed a petition in Honourable High Court of Sindh.

(b) During the season 1992-93 the Company produced 1,466.5 M.Tons of sugar in excess over the production of 1991-92. In term of SRO No.505(I)/90 read with SRO No.823(I)/91, this excess production was entitled to Excise Rebate @ Rs.1,070/- per M. Ton which comes to Rs.1.569 Million. However, this Rebate has also been withheld by Collector of Customs and Central Excise on the ground that the Mills did not operate for clear 180 days exclusive of normal stoppages. The Company cleared the stock on payment of full duty under protest and has filed an appeal which is awaiting decision from Central Board of Revenue.

(c) Through the Sindh Finance (Amendment) Act, 1995 the Provincial Government had made an amendment in Sindh Finance Act, 1964 enhancing the rate of Sugarcane development cess from 14 paisa to 75 paisa per 40 Kgs. for Mills and from 14 paisa, to 25 paisa for growers. The Company has filed an Appeal to the Sindh Government against the above unreasonable 257% increase in the rate of cess. The Company is paying cess @ 50 paisa per 40 Kgs. including 25 paisa recovered from growers. However the company as a matter of prudence has made a provision for the balance cess liability amounting to Rs. 26.394 Million up to September 30, 1998.

(d) There is a contingent liability in respect of an amount of Rs.218,819/= claimed by Employees Old Age Benefit Institution in respect of Contractors Labour which has been contested by the Company and an appeal has been filed which awaits hearing.

(e) To the extent of Rs. 80 Million (1997: Rs. 70 Million) against guarantees to banks in respect of loans to Cane Growers by the banks through the Company.

(f) Letters of credit amounting to Rs.0.795 Million.

(g) Capital commitment - Nil

#### 12. OPERATING FIXED ASSETS

PARTICULARS	Cost as on Oct. 1, 1997	Additions (Disposals) *Transfer	Cost as on Sept. 30, 1998	Accumulated Depreciation as on 30.9.98	Written Down Value as on Sep. 30, 1998	Depreciation for the Year	Depreciation rate %
Owned by the Company							
Free hold land	4,031,557	-	4,031,557	-	4,031,557	-	-
Factory building on free hold land	75,699,979	614,318	76,314,297	52,657,810	23,656,487	2,628,499	10
Non factory building on free hold land '	34,329,378	-	34,329,378	23,661,406	10,667,972	1,185,330	10
Plant and machinery	430,733,021	35,568,744 (2,077,775)	464,223,990	298,907,248	165,316,742	18,368,527	10
Office equipment	11,581,798	2,411,783 (13,500)	13,980,081	6,863,771	7,116,310	790,701	10
Furniture and fixtures	4,894,852	342,135	5,236,987	2,980,119	2,256,868	250,763	10
Vehicles	3,967,183	4,447,184 (369,250)	8,045,117	4,054,167	3,990,950	997,738	20
Tents and tarpaulins	2,500,117	309,600	2,809,717	2,231,894	577,823	311,136	35
Tools and tackles	3,005,589	173,768	3,179,357	2,775,775	403,582	217,314	35
	570,743,474	43,867,532 (2,460,525)	612,150,481	394,132,190	218,018,291	24,750,008	
Under finance lease							
Machinery	36,896,547	2,755,000 *(24,226,072)	15,425,475	4,760,462	10,665,013	1,185,002	10
Vehicles	13,858,326	7,566,550 (2,784,600) *(3,294,291)	15,345,985	4,884,459	10,461,526	2,615,382	20
Office Equipment	2,457,099	698,680 *(1,330,400)	1,825,379	283,941	1,541,438	171,271	10
	53,211,972	11,020,230 (2,784,600) (28,850,763)	32,596,839	9,928,862	22,667,977	3,971,655	
1998 Rupees	623,955,446	54,887,762 (5,245,125) (28,850,763)	644,747,320	404,061,052	240,686,268	28,721,663	



(Considered good - Interest Free)

Cash loans - unsecured

Executives	13.1	112,504	56,250
Other staff		1,209,643	1,507,232
Vehicle loans - secured	13.2	403,169	658,334
		-----	-----
		1,725,316	2,221,816
Current portion shown under current assets			
Loans		(1,296,619)	(1,565,485)
Vehicle loans		(159,928)	(240,570)
		-----	-----
		(1,456,547)	(1,806,055)
		-----	-----
These are recoverable within 3 years		268,769	415,761
		=====	=====

13.1 Loans to executives have been granted for purchase of capital goods. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 260,096 (1997: Rs. 275,030).

13.2 Vehicle loans are secured by registration of vehicles in the name of the Company.

The above Loans and Advances have been given to employees other than directors and chief executive of the company.

#### 14. LONG TERM DEPOSITS

It includes Rs.13.650 million which represents 100% margin deposited with the bank in consideration of guarantee issued in favour of the Collector Central Excise, Hyderabad being the amount of Excise Duty on 6,349 M.Tons sugar.

	1998	1997
	Rupees	Rupees
<b>15. STORE AND SPARES</b>		
Stores	7,270,286	8,512,719
Spares	45,181,771	43,131,618
	-----	-----
	52,452,057	51,644,337
Less: provision for slow moving items	(9,000,000)	-
	-----	-----
	43,452,057	51,644,337
Loose tools	239,328	267,360
Stores in transit	1,458,413	1,474,099
	-----	-----
	45,149,798	53,385,796
	=====	=====

#### 16. STOCK IN TRADE

Finished stock - Sugar	79,229,853	68,183,823
- Molasses (By-product)	1,226,541	61,115
	-----	-----
	80,456,394	68,244,938
Sugar in Process	1,592,352	1,812,776
	-----	-----
	82,048,746	70,057,714
	=====	=====

**17. LOANS AND ADVANCES (unsecured)**

Considered good

Loans to Growers	9,910,701	29,518,252
Due from employees		
Current portion of long term loans	1,456,547	1,806,055
Other advances	164,326	367,063
Advance against Supplies/Expenses	6,692,677	5,519,803
Less: Provision for doubtful advances	(668,549)	-
	-----	-----
	6,024,128	5,519,803
Sales tax	-	1,000
	-----	-----
	17,555,702	37,212,173
	=====	=====

**18. DEPOSITS AND PREPAYMENTS**

Lease deposit	1,058,534	1,379,183
Guarantee margin deposit	238,819	10,000
Other deposits	223,297	223,297
Short term prepayments	2,883,250	1,454,000
	-----	-----
	4,403,900	3,066,480
	=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**19. OTHER RECEIVABLES**

Return on term deposits	344,055	340,614
Rebate	9,000,000	-
Excise duty refundable	10,750,000	-
Others	683,293	1,193,467
	-----	-----
	20,777,348	1,534,081
	=====	=====

**20. CASH AND BANK BALANCES**

Cash in hand	199,501	126,291
--------------	---------	---------

Balance with banks		
In current accounts	11,507,726	8,213,950
In deposit accounts	1,395,321	4,081
	-----	-----
	12,903,047	8,218,031
	-----	-----
	13,102,548	8,344,322
	=====	=====

**21. SALES**

Sugar - Local	711,892,972	899,592,631
- Export	138,975,087	-
	-----	-----
	850,868,059	899,592,631
	-----	-----
Less: Sales Tax	(26,286,744)	-
Brokerage	(862,112)	(959,610)
	-----	-----
	(27,148,856)	(959,610)
	-----	-----
	823,719,203	898,633,021
	=====	=====

**22. COST OF GOODS SOLD**

Sugarcane consumed	583,024,884	617,801,869
Manufacturing expenses	22.1 188,133,935	237,406,032
	-----	-----
	771,158,819	855,207,901
	-----	-----
Stock-in-process - Opening	1,812,776	1,299,861
Stock-in-process - Closing	(1,592,352)	(1,812,776)
	-----	-----
	220,424	(512,915)
	-----	-----
	771,379,243	854,694,986
Less: Sale of by-product	22.2 (24,845,247)	(30,583,011)
	-----	-----
Cost of goods manufactured	746,533,996	824,111,975
	-----	-----
Stock of Finished goods-Opening	68,183,823	28,616,507
Stock of Finished goods-Closing	(79,229,853)	(68,183,823)
	-----	-----
	(11,046,030)	(39,567,316)
	-----	-----
	735,487,966	784,544,659
	=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**22.1 MANUFACTURING EXPENSES**

Production stores consumed	22,809,410	21,397,982
Fuel and Power	10,605,530	11,187,622
Salaries, wages including bonus & staff welfare expenses	41,662,065	35,979,635
Repair and maintenance	36,333,321	33,860,167
Vehicle running and maintenance	1,508,098	1,364,923
Insurance	1,836,863	1,882,592
Others	4,777,706	2,076,366
Depreciation	22,399,342	23,317,995
Central excise duty	58,659,100	106,338,750
Provision for slow moving items - Stores & spares	9,000,000	-
Rebate on Export	(21,457,500)	-
	-----	-----
	188,133,935	237,406,032
	=====	=====

**22.2 SALES OF BY-PRODUCT**

Molasses		
- Export sales	34,960,813	56,253,476
- Export expenses	(11,280,992)	(13,407,322)
	23,679,821	42,846,154
	-----	-----
Stock adjustment		
- Closing stock	1,226,541	61,115
- Opening stock	(61,115)	(12,324,258)
	-----	-----
	24,845,247	30,583,011
	=====	=====

**23. ADMINISTRATIVE EXPENSES**

Salaries, wages including bonus and staff welfare expenses	23,848,906	21,083,699
Director's remuneration	292,950	394,200
Rent, rates and taxes	468,689	376,302
Insurance	550,802	590,460
Water, gas and electricity	1,307,539	883,172
Printing and stationery	1,248,167	1,233,564
Postage, telephone, telegrams & telex	2,214,823	2,046,374
Vehicle running and maintenance	2,895,695	3,385,514
Repair and maintenance	2,599,222	1,993,569
Travelling and conveyance	847,367	476,263
Subscription, books and periodicals	1,254,836	786,294
Legal and professional charges	1,094,477	865,756
Entertainment	846,083	858,808
Advertisement	729,304	558,128
Directors fees	500	2,000
Provision for doubtful advances	668,549	-
Other expenses	866,407	784,418
Depreciation	6,322,321	5,545,754
	-----	-----

48,056,637 41,864,275  
 =====

**24. SELLING AND DISTRIBUTION EXPENSES**

Advertisement expenses	132,150	128,947
Loading, stacking and handling expenses	1,148,786	1,013,853
Export expenses - Sugar	8,519,328	-
Others	434,418	204,845
	-----	-----
	10,234,682	1,347,645
	=====	=====

**1998**                      **1997**  
**Rupees**                      **Rupees**

**25. FINANCIAL CHARGES**

Financial charges on assets obtained under finance lease	3,818,219	4,461,380
Mark-up on redeemable capital	1,975,530	2,778,548
Interest on long term loan	-	345,183
Mark-up on amount due to directors	37,219	223,522
Mark-up on short term running finance	25,399,337	16,402,392
Mark-up on excise duty payable	-	1,910,748
Bank charges and commission	715,624	573,402
Excise duty on loans/finances	108,503	653,054
Interest on W.P.P.F.	323,532	356,666
Other charges	411,691	1,045,264
	-----	-----
	32,789,655	28,748,159
	=====	=====

**26. OTHER CHARGES**

Workers' profit participation fund	613,132	2,201,512
Workers' welfare fund	283,683	372,700
Auditors' remuneration	26.1 157,910	133,244
Charity and donation	26.2 70,878	15,510
Others	5,164	4,400
	-----	-----
	1,130,767	2,727,366
	=====	=====

**26.1 Auditors' Remuneration**

	Hyder Bhimji & Co.		Rahman Sarfaraz & Co.	
	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees
Audit fees	60,000	50,000	60,000	50,000
Out of Pocket Expenses	17,300	13,070	20,610	20,174

77,300	63,070	80,610	70,174
=====	=====	=====	=====

**26.2 Donation**

None of the directors or their spouses had any interest in the Donee(s).

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>27. OTHER INCOME</b>		
Return on term deposits	1,817,154	1,819,876
Profit on sale of fixed assets	304,421	160,830
Miscellaneous receipts	365,401	447,101
Sales tax on bagasse written back	2,393,032	-
	-----	-----
	4,880,008	2,427,807
	=====	=====

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>28. PRIOR PERIOD ITEM</b>		
Excise duty refundable	10,750,000	-
	=====	=====

Excise duty refund receivable from the Customs & Central Excise Department for the crushing season 1988-89.

<b>29. PROVISION FOR TAXATION</b>		
Current	4,107,000	17,000,000
Prior	(3,467,179)	(3,500,000)
Deferred	(2,500,000)	(500,000)
	-----	-----
	(1,860,179)	13,000,000
	=====	=====

**30. CAPACITY AND PRODUCTION**

	<b>CAPACITY</b>		<b>PRODUCTION</b>	
	<b>M. Tons</b>	<b>Days</b>	<b>M. Tons</b>	<b>Days</b>
1998	63,840	160	55,450	160
1997	63,840	160	50,638	157

**Reason for shortfall:**

Shortage of cane

**31. DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES REMUNERATION**

	1998			1997		
	Chief Executive Rupees	Directors Rupees	Executives Rupees	Chief Executive Rupees	Directors Rupees	Executives Rupees
Fees- 1 Director (1997 - 2 Directors)	-	500	-	-	2,000	-
Managerial Remuneration	-	189,000	5,555,583	-	252,000	5,058,572
Other Perquisites and Benefits	-	103,950	2,339,164	-	142,200	1,945,099
Reimbursable utilities	47,625	467,903	-	130,510	234,078	-
Vehicle expenses	1,439,199	2,541,759	1,392,987	325,360	415,813	631,820
<b>Total:</b>	<b>1,486,824</b>	<b>3,302,612</b>	<b>9,287,734</b>	<b>455,870</b>	<b>1,044,091</b>	<b>7,635,491</b>
No. of persons	1	3	33	1	3	33

The Chief Executive, Directors and Other executives are provided with free use of Company's car and telephone at residence for Company's business and for personal use.

\* includes rental charges against lease of vehicles.

### 32. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The transactions with Associated Undertaking are as under:

	1998 Rupees	1997 Rupees
Purchases	4,121,025	3,921,761

	1998 Rupees	1997 Rupees
<b>33. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation & prior period item	899,504	41,828,724
Add/(less) adjustments for non cash charges and other items		
Depreciation	28,721,663	28,863,749
(Profit)/loss on disposal of fixed assets	(304,421)	(160,830)
Financial charges	32,789,655	28,748,159
Return of term deposits	(1,817,154)	(1,819,876)
Provision for doubtful advances	668,549	-
Provision for slow moving items - Stores & spares	9,000,000	-
Road Cess	6,418,141	5,904,397
Surcharge on road cess	1,925,486	1,771,347
	77,401,919	63,306,946

Operating profit before working capital changes	78,301,423	105,135,670
<b>EFFECTS ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>		
(Increase)/decrease in current assets		
Stores and spares	(764,002)	(1,349,377)
Stock in trade	(11,991,032)	(27,817,088)
Trade debts	(2,096,749)	(5,798,159)
Loans and advances	18,987,922	(14,846,732)
Deposits and prepayments	(1,337,420)	(2,213,183)
Other receivables	(19,243,267)	(473,045)
	-----	-----
	(16,444,548)	(52,497,584)
Increase/(decrease) in current liabilities		
Creditors and accrued liabilities	(12,200,459)	28,116,532
	-----	-----
	(28,645,007)	(24,381,052)
	-----	-----
Cash generated from operation	49,656,416	80,754,618
	=====	=====

**34. GENERAL**

(i) Previous year's figures have been re-arranged and re-grouped wherever necessary to facilitate comparison.

(ii) Figures have been rounded off to nearest rupee.

**ZULFIQAR H. EFFENDI**  
Chief Executive

**RIZWAN H. SAID**  
Director

Karachi: the February 18, 1999

**PATTERN OF SHARE HOLDING HELD BY SHARE HOLDERS  
AS AT SEPTEMBER 30, 1998**

NO. OF SHARE HOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
1,490	1	100	148,868
661	101	500	219,767
216	501	1000	191,420
450	1001	5000	1,366,750
75	5001	10000	596,105
15	10001	15000	201,390

31	15001	20000	601,300
6	20001	25000	143,500
7	25001	30000	195,500
2	30001	35000	67,800
2	35001	40000	79,800
1	40001	45000	41,300
4	45001	50000	193,200
3	50001	55000	155,900
1	55001	60000	57,000
2	60001	65000	120,500
2	65001	70000	136,400
2	70001	75000	147,900
2	75001	80000	153,500
1	80001	85000	83,500
1	95001	100000	98,500
1	115001	120000	120,000
1	160001	165000	164,000
1	180001	185000	184,600
1	240001	245000	240,500
1	365001	370000	368,200
1	665001	670000	665,100
1	905001	910000	906,200
1	960001	965000	963,900
1	1810001	1815000	1,812,600
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2,983			10,425,000
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#### CATEGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 1998

Categories of Shareholders	Number	Shares Held	Percentage
1. Joint Stock Companies	9	286,900	2.75
2. Financial Institutions	2	2,718,800	26.08
3. Modaraba Companies	1	50,800	0.49
4. Insurance Companies	3	291,100	2.79
5. Investment Companies	6	2,070,300	19.86
6. Individuals	2,961	5,004,100	48.00
7. Others	1	3,000	0.03
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	2,983	10,425,000	100.00
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