

Sindh Abadgar's Sugar Mills Limited

Annual Report 1999

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BOARD OF DIRECTORS

Mr. Nisar H. Effendi	Chairman/Chief Executive
Mr. Rizwan H. Said	Director
Mr. Iqbal H. Effendi	Director
Mr. Shah Nawaz Shah	Director
Mrs. Marvi Fahadullah Khan	Director
Mr. Omer H. Said	Director
Mr. Zain H. Effendi	Director
Mr. Rao Muhammed Shafat	Director (Nominee of NDFC)

COMPANY SECRETARY

Shahabuddin Lakhani
B. Com. 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 16th 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 Monday 29th May, 2000 at 15.00 hours to transact the following business:

- 1) To read and confirm the Minutes of the Annual General Meeting held on 25th March, 1999.
- 2) To receive and adopt the Audited Accounts for the year ended 30th September, 1999 together with the Directors and Auditors Report thereon.
- 3) To appoint Auditors of the Company for the year 1999-2000 and to fix their remuneration.
- 4) To approve cash dividend @ 7 1/2% i.e. 0.75 paisa per share of Rs. 10/- each for the year ended 30th September, 1999 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, the 24th April 2000

NOTES:

- 1) The Share Transfer Books of the Company will remain closed for ten days and no transfer of shares will be accepted for registration from Saturday, the 20th May, 2000 to Monday, the 29th May, 2000 (both days inclusive). Shares may be lodged for transfer with our Registrar M/s Gangjees Investment & 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) CDC shareholders are requested to bring their original National Identity Card, Account and Participant's ID Numbers for identifications and in case of Proxy, to enclose an attested copy of his/her National Identity Card.
- 4) 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 16th Annual Meeting of the Company and it is with glorification of Allah's Blessings that I present Sixteenth Annual Report for the 1999 Financial Year along with the Financial Statements for the year ended on September 30, 1999.

The Crushing Season 1998-99 did not remain free from uncertain conditions and unforeseen rattling problems. Short-supply of sugarcane with further increase in crushing capacity all around, added more difficulties in

procurement of cane and its price competition. Though minimum support price of cane per 40 KG and the rate of Quality Premium @ 0.50 paisa per every 0.1% increase over benchmark of 8.7% remained the same undisturbed by the Government but the market price found no economical barrier and even ethical norms. It was free for all and the newly born and inducted middlemen were in complete control to crush the rules, laws and the most essential good relationships till recent maintained between the Growers and the Millers. The Sugar Factories Control Act and its purpose such as regular lifting and supply of the cane to the Mills for smooth crushing, the total cost of sugar production, the total quantity of sugar in the country have all now become important subject and factors to study by the policy makers to save the entire sugar industry and total sugar economics from complete collapse.

Actual sugar cane crushed during the year in Sindh Zone was higher by 1.24 million tons (8.97%). Average Operating Efficiency (capacity utilization) in Sindh Zone during the year was 64.14%. However our achieved capacity utilization, only with the Mercy of Allah, was 65.86% i.e. comparatively little higher by 1.72%. Whereas average crushing per day during reporting crushing season works out to be 3,193 tons, which is less as against last year's 3,209 tons average per day and so also the sucrose recovery average 9.6273% against last year's 10.80%. This ofcourse was because of weather conditions, no rains and delayed supply of cane from fields by Cane Growers in expectation of receiving higher price from competing Mills. We, facing all such turmoils, remain Grateful to Allah for His Guidance in our efforts and efficiency which can be judged by comparing the averages attained by industries of Sindh which was 8.96 percent recovery for the year under report.

Because of the reasons stated above, our company has incurred an operational loss of Rs. 18.058 million before other charges and income. However, due to the final decision in our favour, the Collector of Customs was ordered by the Honourable Court to refund the Bank Guarantee and also the amount forcibly taken earlier. As such the reverse entry of the remaining balance of Rs. 38.098 million has been shown as this year's income.

ACCOUNTS FOR 1998-99:

1. Summarised operating financial results for the year under report.
2. Financial analysis and ratio, and
3. Comparative statistics for the last five years.

(I) FINANCIAL RESULTS

	(Rupees in 000')	
	1999	1998
Operational Loss before other charges & income	(18.058)	(2.850)
Add: Other Charges	(1.772)	(1.131)
Less: Other Income	5.667	4.880
	-----	-----
(Loss) / Profit after other charges & income	(14.163)	0.90
Add: Central Excise Duty and Mark-up written back	38.098	10.750
	-----	-----
Net Profit before Taxation	23.935	11.649
Less: Taxation Provision	(8.800)	1.86
	-----	-----
Un-appropriated Profit brought forward	15.14	13.51
	2.32	6.23
	-----	-----
Profit available for appropriation	17.451	19.741
Proposed cash dividend 7 1/2 % (1998 - 10%)	(7.818)	(10.425)
Transfer to General Reserve	(7.000)	(7.000)
	-----	-----
Un-appropriated Profit carried forward	2.633	2.316
	=====	=====

(II) FINANCIAL ANALYSIS AND RATIOS

	1999	1998
Gross profit / sales	11.64%	10.71%
Net profit before taxation	3.99%	1.41%
Net profit after taxation	2.52%	1.64%

Earning per share before taxation	Rs. 2.30	Rs. 1.12
Earning per share after taxation	Rs. 1.45	Rs. 1.29
Break-up value of share	Rs. 14.57	Rs. 13.87
Debt equity ratio	35.84:64.16	48.23:51.77
Current ratio	0.97:1.00	1.21:1.00

(111) COMPARATIVE STATISTICS 1998-99	1997-98	1996-97	1995-96	1994-95	
Season Commenced	14.11.98	07.11.97	04.11.96	16.10.95	09.11.94
Season Closed	25.03.99	15.04.98	09-04-97	04.04.96	17.04.95
Days worked	132	160	157	172	160
Sugarcane crushed	421,487	513,451	472,344	501,523	534,662
Daily average crushing (M.T.)	3,193	3,209	3,009	2,916	3,341
Sugar recovery %	9.63	10.80	10.72	10.45	9.76
Sugar production (M.T.)	40,570	55,450	50,638	52,358	52,196
Molasses production (M.T.)	19,780	24,853	22,426	23,092	24,937

FINANCIAL COMMITMENTS

Our Company, with the Blessings of Allah, has paid off every financial commitments dues in time. Last installment of Rs. 3.9 million against GTF loan has also been paid on December 26, 1999, the due date. All long term loans secured from NDFC for project financing have been totally cleared. By the Grace of ALMIGHTY ALLAH, our company is free from all previously committed liabilities obtained for Project Financing.

EFFICIENCY AND IMPROVEMENT PLAN UNDER BMR

SASM, as recently planned, carried out an Efficiency & Improvement Programme to increase its sugar recovery and its quality by virtue of better cane handling, management, preparation, extraction and thereafter controlling moisture content in its bagasse for better burning.

Under the Programme, our company has incurred an expenditure of Rs. 14.897 million upto 30th September, 1999 against purchase and installation of Heavy Duty Shredder, Turbine 1500 K.W. etc., which MASHAHALLAH was successfully operated during the crushing season year 1999-2000 and has helped to obtain highest (10.08%) recovery of sucrose in Pakistan from the cane crushed during the year.

CENTRAL EXCISE DUTY CLAIMS AND PENDING CASES

Central Excise Duty refund claim cases for the years 1991-92 and 1992-93 are still awaiting for the hearings turn in Courts and Appellate Tribunals respectively. However, case for 1988-89, as reported above, has finally been justly decided in our favour. The Hon. Supreme Court dismissed the Final Review Petition filed by the Collector, Customs & Excise, Hyderabad on 30.12.1999. The Bank Guarantee given by the company has been cancelled by the Bank and the amount of Rs. 13,648,200 deposited by us, has been released. Similarly the balance refund of Rs. 7.8 million after adjustment of current Sales Tax out of the second Bank Guarantee amount of Rs. 10.75 million, which was forcibly encashed by the Collector in June 1996, has also been received and credited in company's account.

EXPORT OF SUGAR

The company, By the Grace of ALLAH, did export 10,518.50 tons of sugar during the year under report. International sugar price fluctuated to as low as US\$ 161.00 per ton F.O.B. The government considering various factors allowed Duty-Draw back of Rs. 4,500 per ton on these exports. This was in addition to the usual exemption in Central Excise Duty and/or Sales Tax. The Sugar Industry thus was partly saved from otherwise disastrous end.

ON-GOING CURRENT SEASON 1999-2000

Since the season 1999-2000 came to an end on 07.03.2000, the crushing information on current season upto April 24, 2000 is reported hereunder:

i. Date of Commencement	·	November 06, 1999
ii. Cane Crushed	·	317,254.260 M.Ton
iii. Sugar bagged	·	31,985.000 M.Ton

iv. Average Recovery to-date	·	10.08 %
v. Sugar sold and delivered (tons)	·	15,821.900 M. Ton(23rd April, 2000)
vi.	Sugar balance in st	16,163.100 (-do-)

The Sales Tax remained at 15% for very few registered buyers and 18% for non-registered sugar buyers w.e.f. December 01,1998. The base sale price for the purpose of recovering sales tax has been increased to Rs. 14,000 from Rs. 13,000 w.e.f. July 01, 1999, which is announced by the Government from month to month. As such the Sales Tax till this month @ 15% and @ 18% works out to be Rs. 2,100/- and Rs. 2,520/- per ton respectively. Central Excise Duty has been fully replaced with Sales Tax w.e.f. 21.06.1999.

AUDITORS

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

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed to this Report.

DIRECTORS

During the reporting year following change took place in the Board of Directors:

Mr. Razi-ur-Rahman Khan, nominee of ICP/NIT, was elected director but had to resign w.e.f. 07.08.1999 due to resigning from his job. Mr. Zain H. Effendi was appointed to fill up the casual vacancy with the concurrence and blessings of ICP/NIT.

WORDS OF THANKS

The Board of Directors wishes to keep on record their sincere thanks to each and every shareholder member for their cooperation and blessings without which the turmoil would have perhaps been difficult to overcome by the management. Please pray for all of us including the workers staff members and our Cane Growers who all with joint dedicated efforts and honest contribution have been able to achieve what has been possible to present.

On behalf of the Board of Directors

NISAR H. EFFENDI

Chairman

Dated: April 24, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of SINDH ABADGAR'S SUGAR MILLS LIMITED as at September 30, 1999 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, 1999 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 24th April, 1999

BALANCE SHEET AS AT 30TH SEPTEMBER, 1999

	Note	1999 Rupees	1998 Rupees
CAPITAL AND RESERVES			
SHARE CAPITAL			
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		45,000,000	38,000,000
Unappropriated profit		2,633,161	2,316,441
Shareholders' Equity		151,883,161	144,566,441
REDEEMABLE CAPITAL (Secured)	4	--	3,671,402
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	4,760,122	8,926,550
DEFERRED TAXATION	6	34,300,000	32,500,000
DEFERRED LIABILITIES	7	43,375,824	76,205,676
CURRENT LIABILITIES			
Current portion of long term Liabilities	8	6,778,084	13,375,069
Short term borrowings - Secured	9	69,501,787	77,845,000
Creditors, accrued and other liabilities	10	94,537,311	54,334,600
Provision for taxation		10,979,817	25,689,644
Proposed dividend		7,818,750	10,425,000
		189,615,749	181,669,313
CONTINGENCIES AND CAPITAL COMMITMENT	11	--	--
		423,934,856	447,539,382
FIXED ASSETS - TANGIBLE			
Operating fixed assets	12	229,722,791	240,686,268
Capital work in progress		14,897,169	--

LONG TERM LOANS AND ADVANCES	13	277,469	268,769
LONG TERM DEPOSITS		1,630,236	1,893,576
CURRENT ASSETS			
Stores and spares	14	44,895,719	45,149,798
Stock in trade	15	82,309,992	82,048,746
Trade debts (Unsecured) considered good		10,433,879	8,002,727
Loans and advances	16	8,735,586	17,555,702
Deposits and prepayments	17	2,082,492	4,403,900
Other receivables	18	9,160,244	20,777,348
Cash and bank balances	19	19,789,279	26,752,548
		-----	-----
		177,407,191	204,690,769
		-----	-----
		423,934,856	447,539,382
		=====	=====

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

NISAR H. EFFENDI
Chief Executive

RIZWAN H. SAID
Director

Karachi: the April 24, 2000

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30TH SEPTEMBER, 1999**

	Note	1999 Rupees	1998 Rupees
SALES	20	599,529,449	823,719,203
COST OF GOODS SOLD	21	(529,732,786)	(735,487,966)
		-----	-----
GROSS PROFIT		69,796,663	88,231,237
OPERATING EXPENSES			
Administrative	22	(43,488,561)	(48,056,637)
Selling and distribution	23	(11,971,088)	(10,234,682)
		-----	-----
		(55,459,649)	(58,291,319)
OPERATING PROFIT		14,337,014	29,939,918
FINANCIAL CHARGES	24	(32,394,924)	(32,789,655)
		-----	-----
		(18,057,910)	(2,849,737)
OTHER CHARGES	25	(1,771,924)	(1,130,767)
		-----	-----
		(19,829,834)	(3,980,504)
OTHER INCOME			
Bank profit & miscellaneous receipts		5,666,859	4,880,008
Central excise duty	26	38,098,445	10,750,000
		-----	-----
		43,765,304	15,630,008
Profit for the year before taxation		23,935,470	11,649,504
Provision for Taxation	27	(8,800,000)	1,860,179
		-----	-----
Profit after taxation		15,135,470	13,509,683
Unappropriated profit brought forward		2,316,441	6,231,758
		-----	-----

Profit available for appropriation	17,451,911	19,741,441
Appropriation		
Proposed cash dividend	(7,818,750)	(10,425,000)
Transfer to general reserve	(7,000,000)	(7,000,000)
	-----	-----
	(14,818,750)	(17,425,000)
	-----	-----
Unappropriated profit carried forward	2,633,161	2,316,441
	=====	=====
Earning per share	Rs. 1.45	Rs. 1.30

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

NISAR H. EFFENDI
Chief Executive

RIZWAN H. SAID
Director

Karachi: the April 24, 2000

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 1999

	Note	1999 Rupees	1998 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	104,450,578	60,406,416
Financial charges paid		(27,986,342)	(46,533,575)
Return on term deposits		1,447,383	1,817,154
Taxes paid		(21,709,826)	(4,668,737)
Dividend paid		(10,425,000)	(15,637,500)
		-----	-----
Net cash inflow from operating activities		45,776,793	(4,616,242)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(33,905,422)	(26,036,998)
Sale proceeds of fixed assets		3,744,500	2,768,000
Increase in long term loans and advances		(64,452)	146,992
Decrease in long term deposits		263,340	209,364
		-----	-----
Net cash outflow from investing activities		(29,962,034)	(22,912,642)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in short term finance		(8,343,213)	43,845,000
Repayment of redeemable capital		(6,591,473)	(5,703,818)
Liabilities against assets subject to finance lease - Net (Repayment)/Proceeds of Directors Loan		(7,843,342)	(3,557,530)
		--	(2,296,542)
		-----	-----
		(22,778,028)	32,287,110
		-----	-----
Net cash increase ! (decrease) in cash and cash equivalents		(6,963,269)	4,758,226
Cash and cash equivalents at the beginning of the year		26,752,548	21,994,322
		-----	-----
Cash and cash equivalents at the end of the year		19,789,279	26,752,548
		=====	=====

The annexed notes form an integral part of these accounts.

NISAR H. EFFENDI
Chief Executive

RIZWAN H. SAID
Director

Karachi: the April 24, 2000

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 1999

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 Staff retirement benefits

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

2.3 Taxation

Current

Provision for current taxation is based on current tax rates after taking into account tax credits and 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.

2.4 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 capitalized.

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

2.5 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.

2.6 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.

2.7 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.

2.8 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 Goods	-- 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.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
3. ISSUED SUBSCRIBED AND PAID UP CAPITAL		
10,425,000 Ordinary shares of Rs. 10/- each	104,250,000	104,250,000
	=====	=====
4. REDEEMABLE CAPITAL - Secured		
NATIONAL DEVELOPMENT FINANCE CORPORATION		
General term finance		
(Utilised under mark-up arrangements)		
Balance as at 1 st October	10,262,875	15,966,693
Paid during the year	(6,591,473)	(5,703,818)
	-----	-----
	3,671,402	10,262,875
Installments due within next year		
shown under current liabilities	(3,671,402)	(6,591,473)
	-----	-----
	--	3,671,402
	=====	=====

The Company entered into an agreement with National Development Finance Corporation to purchased finished goods, raw material and stores & spares with a contract price of Rs. 50 million at 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 made regularly and punctually.

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 mark-up accrued upto December 31, 1992.

Security:

The finance is secured by way of equitable mortgage on the immovable properties and hypothecation of movable properties of the Company including book debts and other receivables and personal guarantees of the Sponsoring Directors.

All of these charges rank pari-passu in all respects with the existing charges created by the Company in favour of other secured 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.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
5. LIABILITIES AGAINST ASSETS		
SUBJECT TO FINANCE LEASE (Secured)		
Balance as at 1st October	15,710,146	19,267,675
Obtained during the year	909,260	8,474,050
	-----	-----
Instalments paid during the year	16,619,406 (8,752,602)	27,741,725 (12,031,579)
	-----	-----
	7,866,804	15,710,146
Instalments due within next year shown under current liabilities	(3,106,682)	(6,783,596)
	-----	-----
	4,760,122	8,926,550
	=====	=====

5.1 The future minimum lease payment to which the company is committed as at September 30, 1999 are as follows:

Year ending September 30,	<i>Rupees</i>
2000	4,601,895
2001	3,228,020
2002	1,767,355
2003	143,325

	9,740,595
Financial charges allocated to future period	(1,873,791)

	7,866,804
	=====

5.2 These assets have been leased by Orix Leasing Pakistan Limited

5.3 The above liabilities represent the present value of minimum lease payments 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 lease assets is to be borne by the Company.

5.5 The payments of lease rentals are secured by way of demand promissory notes and personal guarantees of sponsoring Directors of the Company.

	1999	1998
	Rupees	Rupees
6. DEFERRED TAXATION		
Balance as at 1st October	32,500,000	35,000,000
Transferred during the year	1,800,000	(2,500,000)
	-----	-----
	34,300,000	32,500,000
	=====	=====

7. DEFERRED LIABILITIES

Central Excise Duty		--	13,648,200
Mark-up on Central Excise Duty		--	24,450,245
Road cess	7.1	31,663,051	26,394,458
Surcharge on road cess		11,712,773	11,712,773
		-----	-----
		43,375,824	76,205,676
		=====	=====

7.1 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 paisas to 75 paisas per 40 Kgs. for Mills and from 14 paisas to 25 paisas for the growers. On the appeal of chairman (PSMA) to the Chief Minister, Sindh who refer the matter to the Committee consisting of secretaries of Agriculture, Finance and Industry under the Chairmanship of the Advisor Finance to the Chief Minister of Sindh. This Committee with agreement of the Chief Secretary recommended to reduce the rate of cess from Rs. 1 to 0.50 paisa per 40 Kgs to be shared equally by mill owners & growers. However the company as a matter of prudence has made a provision for the balance cess liability amounting to Rs. 31.633 million (1998: Rs. 26.394 million) upto September 30, 1999.

8. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable capital			
General term finance --NDFC		3,671,402	6,591,473
Liability against assets subject to finance lease		3,106,682	6,783,596
		-----	-----
		6,778,084	13,375,069
		=====	=====

9. SHORT TERM BORROWINGS (Secured)

Under mark up arrangements - secured

National Development Finance Corporation			
Working Capital finance	9.1	15,000,000	43,000,000
Banking Companies			
Cash finance	9.2	40,027,000	34,845,000
Orix Investment Bank			
Term Finance	9.3	14,474,787	--
		-----	-----
		69,501,787	77,845,000
		=====	=====

9.1 The Company has entered into an agreement with National Development Finance Corporation under which NDFC has agreed to buy sugar for an aggregate of Rs. 60 million and at the same time to sell the same to the company at 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 guarantees of all the 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 guarantees of all sponsoring directors of the company.

The mark-up rate ranges between 50 to 55 paisas per Rs. 1,000/~ per day. Sanctioned Limit is Rs. 80 million (1998' Rs. 65.00 million).

9.3 Short Term Finance facility is secured against hypothecation of Plant & Machinery and personal guarantees of sponsoring directors to finance stock of sugar at a purchase price of Rs. 20.00 million and at the same time to sell the same to the company at a Marked up price of Rs. 24.437 million. However a rebate of Rs. 2.532 million shall be allowed to the company on prompt payment.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
10. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors		
For sugarcane	58,803,307	15,699,629
For other suppliers	9,036,408	9,493,448
For services	655,707	556,359
	-----	-----
	68,495,422	25,749,436
Accrued liabilities		
Accrued expenses	3,708,002	6,039,657
Mark-up on redeemable capital	138,049	388,021
Mark-up on loans from Directors	156,271	156,271
Mark-up on short term borrowings	13,373,314	8,960,460
	-----	-----
	17,375,636	15,544,409
Other liabilities		
Advance from customers	--	4,410,900
Workers' profit participation fund (Note 10.1)	1,259,762	613,132
Contractors retention money	348,627	138,131
Central Excise duty and Sales Tax	4,578,077	4,989,354
Security Deposit - Sugar	700,000	--
Dividend payable	1,096,258	2,403,364
Withholding income tax	63,185	206,348
Others	620,344	279,526
	-----	-----
	8,666,253	13,040,755
	-----	-----
	94,537,311	54,334,600
	=====	=====
10.1 Workers' profit participation fund		
Balance as on October 1.	613,132	2,201,512
Interest	87,082	323,532
	-----	-----
	700,214	2,525,044
Paid during the year	700,214	2,525,044
	-----	-----
	--	--
Provision for the year	1,259,762	613,132
	-----	-----
	1,259,762	613,132
	=====	=====

11. CONTINGENCIES AND CAPITAL COMMITMENT

11.1 Contingencies

(a) The Company produced 7,301 M. Tons of excess sugar in the crushing season 1991-92 as compared with the preceding year 1990-91. The excess production was subject to Excise Duty rebate @ Rs. 1,070/- per M. Ton amounting to Rs. 7.812 Million. However the 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 1466.5 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 an Excise Duty rebate @ Rs. 1,070/- per M. Tons which comes to Rs. 1.569 million. However, the rebate has been withheld by the 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 the Central Board of Revenue.

(c) To the extent of Rs. 90 Million (1998: Rs. 80 Million) against guarantees to banks in respect of loans to cane growers by the banks through the company.

11.2 Capital Commitment

Capital Commitment is Rs. 11.409 million.

12. OPERATING FIXED ASSETS

PARTICULARS	<i>Cost at Oct. 1,1998</i>	<i>Additions (Disposals)</i>	<i>* Transfer</i>	<i>Const as on Sept. 30 1999</i>	<i>Accumulated Depreciation as on 30.9.99</i>	<i>Written Down Value as on Sep. 30, 1999</i>	<i>Depreciation for the Year</i>	<i>Depreciation rate %</i>
Owned								
Free hold land	4,031,557	--	--	--	--	--	--	--
Factory building on free hold land	76,314,297	53,989	--	76,368,286	55,028,858	21,339,428	2,371,048	10
Non factory building on free hold land	34,329,378	--	--	34,329,378	24,728,203	9,601,175	1,066,797	10
Plant and machinery	464,223,990	15,449,749	12,670,475	492,344,214	322,015,119	170,329,095	18,925,455	10
Office equipment	13,980,081	2,126,741 (642,680)	1,126,699	16,590,841	7,750,835	8,840,006	982,223	10
Furniture and fixtures	5,236,987	77,426	--	5,314,413	3,213,548	2,100,865	233,429	10
Vehicles	8,045,117	** 774,000 (525,050)	--	8,294,067	4,975,935	3,318,132	*** 909,500	20
Tents and tarpaulins	2,809,717	--	--	2,809,717	2,434,132	375,585	202,238	35
Tools and tackles	3,179,357	303,660	--	3,483,017	3,023,310	459,707	247,535	35
	612,150,481	18,785,565 (1,167,730)	13,797,174	643,565,490	423,169,940	220,395,550	24,938,225	
Leased								
Machinery	15,425,475	--	12,670,475	2,755,000	795,741	1,959,259	217,695	10
Vehicles	15,345,985	845,600 (3,480,000)	--	12,711,585	5,937,884	6,773,701	1,693,425	20
Office equipments	1,825,379	31,500	1,126,699	730,180	135,899	594,281	66,031	10
	32,596,839	877,100 (3,480,000)	13,797,174	16,196,765	6,869,524	9,327,241	1,977,151	

1999 Rupees	644,747,320	19,662,665 -- (4,647,730)	659,762,255	430,039,464	229,722,791	26,915,376
1998 Rupees	623,955,446	54,887,762 (5,245,125)	28,850,763	644,747,320	404,061,052	240,686,268

1999
Rupees

1998
Rupees

12.1 Depreciation has been allocated as under:-

Cost of Sales	21,761,733	22,399,342
Administrative Expenses	5,153,643	6,322,321
	-----	-----
	26,915,376	28,721,663

*Represents transferred from leased assets to owned assets of the expiry of lease terms

** Prior year adjustment.

*** Includes Rs.63,974/- related to prior year

12.2 Disposal of Fixed Assets

The following assets were disposed off during the year'

Particulars	Cost as on Oct, 1, 1998	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Buyers
Vehicles							
Suzuki Jeep	192,000	166,230	25,770	50,000	24,230	By Negotiation	Mr. Abdul Rehman R/o Badin.
Suzuki Jeep	9,050	7,152	1,898	40,000	38,102	By Negotiation	Mr. Hassan Khoso
Suzuki Van	324,000	280,513	43,487	45,000	1,513	By Negotiation	Syed Shah Hussain Shah R/o Sehwan Sharif
Vehicles Under Lease							
Suzuki Khyber	280,000	188,250	91,750	260,000	168,250	By Negotiation	Mr. Ishrat All Khan R/o Karachi.
Toyota Land Cruiser	3,200,000	640,000	2,560,000	3,200,000	640,000	Insurance Claim	Adamjee Insurance Co. Ltd.
Office Equipment							
Gestetner Copier	245,340	66,487	178,853	78,000	(100,853)	By Negotiation	Asiatic System 2nd Floor, Serwer Shaheed Road, Karachi.
Ricoh Copier	100,000	52,170	47,830	40,000	(7,830)	By Negotiation	Asiatic System 2nd Floor, Serwer Shaheed Road, Karachi.
Computer	297,340	190,575	106,765	31,500	(75,265)	By Negotiation	Life Time Computer System B-C-3, 5th Floor, Room # 2, Taj Complex, M.A. Jinnah Road, Karachi.
	-----	-----	-----	-----	-----		
Rupees 1999	4,647,730	1,591,377	3,056,353	3,744,500	688,147		
Rupees 1998	5,245,125	2,781,546	2,463,579	2,768,000	304,421		

1999
Rupees

1998
Rupees

13. LONG TERM LOANS AND ADVANCES

(Considered good --Interest Free)

Cash loans - unsecured

To executives	13.1	371,877	112,504
To other staff		979,979	1,209,643
Vehicle loans -- secured	13.2	437,912	403,169
		-----	-----
		1,789,768	1,725,316
Current portion shown under current assets			
Loans		(1,351,856)	(1,296,619)
Vehicle loans		(160,443)	(159,928)
		-----	-----
		(1,512,299)	(1,456,547)
		-----	-----
These are recoverable within 3 years		277,469	268,769
		=====	=====

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. 371,877/- (1998: Rs.2~0,096).

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.

	1999	1998
	Rupees	Rupees
14. STORE AND SPARES		
Stores	7,065,827	7,270,286
Spares	47,404,684	45,181,771
	-----	-----
	54,470,511	52,452,057
Less: provision for slow moving items	(11,500,000)	(9,000,000)
	-----	-----
	42,970,511	43,452,057
	-----	-----
Loose tools	319,654	239,328
Stores in transit	1,605,554	1,458,413
	-----	-----
	44,895,719	45,149,798
	=====	=====

15. STOCK IN TRADE

Finished Stock - Sugar	79,024,069	79,229,853
- Molasses (By-product)	1,482,920	1,226,541
	-----	-----
	80,506,989	80,456,394
Sugar in Process	1,803,003	1,592,352
	-----	-----
	82,309,992	82,048,746
	=====	=====

16. LOANS AND ADVANCES (unsecured)

Considered good

Loans to growers	3,209,197	9,910,701
Due from employees		
-- Current portion of long term loans	1,512,299	1,456,547
-- Other advances	160,758	164,326
	-----	-----
Advance against supplies/expenses	4,521,881	6,692,677
Less: Provision for doubtful advances	(668,549)	(668,549)
	-----	-----
	3,853,332	6,024,128
	-----	-----

	8,735,586	17,555,702
	=====	=====

17. DEPOSITS AND PREPAYMENTS

Lease deposit	282,000	1,058,534
Guarantee margin deposit	257,569	238,819
Other deposits	223,297	223,297
Short term prepayments	1,319,626	2,883,250
	-----	-----
	2,082,492	4,403,900
	=====	=====

18. OTHER RECEIVABLES

Return on term deposits	352,491	344,055
Rebate	--	9,000,000
Excise duty refundable	7,727,230	10,750,000
Others	1,080,523	683,293
	-----	-----
	9,160,244	20,777,348
	=====	=====

19. CASH AND BANK BALANCES

Cash in hand	140,865	199,501
Balance with banks		
In current accounts	5,818,273	11,507,726
In deposit accounts	13,830,141	15,045,321
	-----	-----
	19,648,414	26,553,047
	-----	-----
	19,789,279	26,752,548
	=====	=====

20. SALES

-- Export	530,148,456	711,892,972
	130,918,803	138,975,087
	-----	-----
	661,067,259	850,868,059
Less: Sales tax	(60,954,776)	(26,286,744)
Brokerage	(583,034)	(862,112)
	-----	-----
	(61,537,810)	(27,148,856)
	-----	-----
	599,529,449	823,719,203
	=====	=====

21. COST OF GOODS SOLD

Sugarcane Consumed		459,462,060	583,024,884
Manufacturing Expenses	21.1	78,399,673	188,133,935
		-----	-----
		537,861,733	771,158,819
Stock-in-Process - Opening		1,592,352	1,812,776
Stock-in-Process - Closing		(1,803,003)	(1,592,352)
		-----	-----
		(210,651)	220,424
		-----	-----
		537,651,082	771,379,243
Less: Sale of by-product	21.2	(8,124,080)	(24,845,247)
		-----	-----
Cost of goods manufactured		529,527,002	746,533,996
Stock of Finished Goods-Opening		79,229,853	68,183,823

Stock of Finished Goods-Closing	(79,024,069)	(79,229,853)
	-----	-----
	205,784	(11,046,030)
	-----	-----
	529,732,786	735,487,966
	=====	=====

1999 **1998**
Rupees **Rupees**

21.1 Manufacturing Expenses

Production stores consumed		17,882,116	22,809,410
Fuel and Power		9,981,869	10,605,530
Salaries, wages including bonus & staff welfare		37,258,389	41,662,065
Repair and maintenance		25,610,247	36,333,321
Vehicle running and maintenance		1,502,558	1,508,098
Insurance		1,892,100	1,836,863
Others		2,279,365	4,777,706
Depreciation	12.1	21,761,733	22,399,342
Central excise duty		5,062,791	58,659,100
Provision for slow moving items - Stores & spares		2,500,000	9,000,000
Rebate on Export		(47,331,495)	(21,457,500)
		-----	-----
		78,399,673	188,133,935
		=====	=====

21.2 Sales of By-Product

Molasses			
Local sales		7,787,891	--
-- Export sales		1,062,300	34,960,813
-- Export expenses		(619,478)	(11,280,992)
		-----	-----
		8,230,713	23,679,821
Deduct			
-- Opening stock		1,226,541	61,115
-- Purchases		363,012	--
		-----	-----
		1,589,553	61,115
-- Closing stock		(1,482,920)	(1,226,541)
		-----	-----
		106,633	(1,165,426)
		-----	-----
		8,124,080	24,845,247
		=====	=====

22. ADMINISTRATIVE EXPENSES

Salaries, wages including bonus and staff welfare		22,858,507	23,848,906
Director's remuneration		--	292,950
Rent, rates and taxes		340,342	468,689
Insurance		312,584	550,802
Water, gas and electricity		1,136,642	1,307,539
Printing and stationery		1,114,632	1,248,167
Postage, telephone, telegrams & telex		2,142,082	2,214,823
Vehicle running and maintenance		3,326,805	2,895,695
Repair and maintenance		1,920,010	2,599,222
Travelling and conveyance		324,111	847,367
Subscription, books and periodicals		702,171	1,254,836
Legal and professional		1,846,735	1,094,477
Entertainment		898,009	846,083
Advertisement		625,331	729,304

Directors fees		3 000	500
Provision for doubtful and advances		--	668,549
Other expenses		783,957	866,407
Depreciation	12.1	5,153,643	6,322,321
		-----	-----
		43,488,561	48,056,637
		=====	=====
		1999	1998
		Rupees	Rupees

23. SELLING AND DISTRIBUTION EXPENSES

Advertisement		218,525	132,150
Loading, stacking and handling		889,490	1,148,786
Export expenses - Sugar		10,374,731	8,519,328
Others		488,342	434,418
		-----	-----
		11,971,088	10,234,682
		=====	=====

24. FINANCIAL CHARGES

Mark-up on lease finance		2,373,233	3,818,219
Mark-up on Redeemable capital		1,053,555	1,975,530
Mark-up on amount due to directors		--	37,219
Mark-up on short term borrowings		27,876,103	25,399,337
Bank charges		646,917	715,624
Excise duty on lease finance		18,344	108,503
Interest on W.P.P.F.		87,082	323,532
Others		339,690	411,691
		-----	-----
		32,394,924	32,789,655
		=====	=====

25. OTHER CHARGES

Workers' profit participation fund		1,259,762	613,132
Workers' welfare fund		246,482	283,683
Auditors' remuneration	25.1	189,180	157,910
Charity and donation	25.2	76,500	70,878
Others		--	5,164
		-----	-----
		1,771,924	1,130,767
		=====	=====

25.1 Auditors' Remuneration

	Hyder Bhimji & Co.		Rehman Sarfaraz & Co.	
	1999 Rupees	1998 Rupees	1998 Rupees	1999 Rupees
Audit fees	70,000	60,000	70,000	60,000
Audit fees - Workers' profit participation fund	25,000	--	--	--
Out of pocket expenses	14,840	17,300	9,340	20,610
	-----	-----	-----	-----
	109,840	77,300	79,340	80,610
	=====	=====	=====	=====

25.2 Donation

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

26. The Honourable Supreme Court of Pakistan has dismissed leave to appeal against the judgment of a learned Division Bench of High Court of Sindh. Subsequently it has also dismissed the review petition filed by the collector of Customs & Central Excise. In view of these dismissal of Appeals the Central Excise duty payable on sugar in excess of the average production of preceding two years for the crushing season 1988-89 and mark-up thereon charged upto financial year ended 30th September 1997 is no longer payable and is therefore transferred to other income.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
27. PROVISION FOR TAXATION		
Current	7,000,000	4,107,000
Prior	--	(3,467,179)
Deferred	1,800,000	(2,500,000)
	-----	-----
	8,800,000	(1,860,179)
	=====	=====

28. CAPACITY AND PRODUCTION

	CAPACITY		PRODUCTION	
	<i>M. Tons</i>	<i>Days</i>	<i>M. Tons</i>	<i>Days</i>
1999	63,840	160	40,570	132
1998	63,840	160	55,450	162

Reason for shortfall:
Shortage of sugarcane

29. DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES REMUNERATION

	1999			1998		
	<i>Chief</i>	<i>Directors</i>	<i>Executives</i>	<i>Chief</i>	<i>Directors</i>	<i>Executives</i>
	<i>Executive</i>			<i>Executive</i>		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Fees - 6 Directors (1998 - 1 Director)	--	3,000	--	--	500	--
Managerial Remuneration	--	--	8,107,862	--	189,000	7,663,141
Other Perquisites and Benefits	--	--	2,700,308	--	103,950	2,587,890
Reimbursable utilities	36,720	243,895	--	47,625	467,903	--
Vehicle expenses	1,500,879	3,324,080	1,270,264	1,439,199	2,541,759	1,392,987
	-----	-----	-----	-----	-----	-----
Total:	1,537,599	3,567,975	12,078,434	1,486,824	3,302,612	11,644,018
	-----	-----	-----	-----	-----	-----
No. of persons	1	2	61	1	2	58
	-----	-----	-----	-----	-----	-----

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.

Vehicle expenses include rental charges Rs.3,563,440/- (;998: Rs.3,084,140/-) against lease of vehicles.

30. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 1999.

	<i>Share</i>	<i>Revenue</i>	<i>Unappropriated</i>	<i>Total</i>
	<i>Capital</i>	<i>Reserve</i>	<i>Profit</i>	<i>Reserve</i>
Balance as at 01 Oct. 1997	104,250,000	31,000,000	31,000,000	141,481,758

Net profit for the year	--	--	13,509,683	13,509,683
Dividend - Cash	--	--	(10,425,000)	(10,425,000)
Transferred from/(to) General Reserve	--	7,000,000	(7,000,000)	--
	--	7,000,000	(3,915,317)	3,084,683
Balance as at 30 Sept. 1998	104,250,000	38,000,000	2,316,441	144,566,441
Net profit for the year	--	--	15,135,470	15,135,470
Dividend - Cash	--	--	(7,818,750)	(7,818,750)
Transferred from/(to) General Reserve	--	7,000,000	(7,000,000)	--
	--	7,000,000	316,720	7,316,720
Balance as at 30 Sept. 1999	104,250,000	45,000,000	2,633,161	151,883,161

31. FINANCIAL ASSETS AND LIABILITIES:

	Interest / Mark up Bearing			Non interest / Mark up Bearing			TOTAL
	Maturity Upto 1 Year	Maturity After 1 Year	Sub Total	Maturity Upto 1 Year	Maturity After 1 Year	Sub Total	
FINANCIAL ASSETS							
Long Term Loans and Advances	3,209,197	--	3,209,197	5,526,389	277,469	5,803,858	9,013,055
Long Term Deposits	--	--	--	539,569	1,630,236	2,169,805	2,169,805
Trade Debtors	--	--	--	10,433,879	--	10,433,879	10,433,879
Other Receivables	449,602	--	449,602	178,348	--	178,348	627,950
Cash and bank balances	13,830,141	--	13,830,141	5,959,138	--	5,959,138	19,789,279
	17,488,940	--	17,488,940	22,637,323	1,907,705	24,545,028	42,033,968
1998 - Rupees	11,402,033	--	11,402,033	30,335,417	15,812,345	46,147,762	57,549,795
FINANCIAL LIABILITIES							
Redeemable Capital	3,671,402	--	3,671,402	--	--	--	3,671,402
Liabilities against assets subject to Finance Lease	3,106,682	4,760,122	7,866,804	--	--	--	7,866,804
Short Term Borrowings	69,501,787	--	69,501,787	--	--	--	69,501,787
Creditors, Accrued & Other Liabilities	--	--	--	89,896,049	--	89,896,049	89,896,049
Proposed Dividend	--	--	--	7,818,750	--	7,818,750	7,818,750
	76,279,871	4,760,122	81,039,993	97,714,799	--	97,714,799	178,754,792
1998 - Rupees	21,159,569	8,926,550	30,086,119	59,563,898	--	59,563,898	89,650,017

INTEREST RATE DISCLOSURE

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to 'the accounts.

FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Company issues financial instruments mainly to finance its operations. In addition to the financial instruments, trade debts and trade creditors arise directly from the company's operations.

The company finances its operations by mixture of issued share capital, long & short term

finances and loans, while it borrows funds usually at fixed rates of interest/mark-up.

a. Interest risk management

Since the company borrows funds usually at fixed interest/mark-up rates thus the risk arising is minimal.

b. Foreign exchange risk management

Foreign Currency risk arises where financial instruments contains receivable & payables in foreign currency Liabilities in foreign currency, it any are covered through forward foreign exchange cover.

c. Concentration of credit risk

The Company considers that it is not exposed to major concentration of credit risk. The Company. However, is exposed to credit related losses in the event of non-performance by counter parties to financial instruments but does not expect any counter parties fail to meet the obligation.

d. Fair value of financial Instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
The transactions with Associated Undertakings are as under:		
Orient Industrial (Pvt) Limited		
Purchases & services	2,151,424	4,121,025
	=====	=====
33. EARNING PER SHARE		
Net profit / (Loss) for the year	15,135,470	13,509,683
	=====	=====
No. of Ordinary shares	10,425,000	10,425,000
	=====	=====
Earning per share	1.45	1.30
	=====	=====

33.1 There was no subscription rights outstanding and therefore, there are no dilutive potential shares.

34. CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	23,935,470	11,649,504
Add/(less) adjustment for non cash charges and other items		
Depreciation	26,915,376	28,721,663
(Profit)/Loss on disposal of fixed assets	(688,147)	(304,421)
Financial charges	32,394,924	32,789,655
Return on term deposits	(1,447,383)	(1,817,154)
Provision for doubtful advances	--	668,549
Provision for slow moving items	2,500,000	9,000,000
Road cess	5,268,593	6,418,141
Excise duty and markup thereon written back	(38,098,445)	--
Surcharge on road cess	--	1,925,486
	-----	-----
	26,844,918	77,401,919
	-----	-----
Operating profit before working capital charges	50,780,388	89,051,423

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

(Increase)/decrease in current assets		
Stores and spares	(2,245,921)	(764,002)
Stock in trade	(26,1246)	(11,991,032)
Trade debts	(2,431,152)	(2,096,749)
Loans and advances	8,875,868	18,987,922
Deposits and prepayments	2,321,408	(1,337,420)
Other receivables	11,617,104	(19,243,267)
	-----	-----
	17,876,061	(16,444,548)
Increase/(decrease) in current liabilities		
Creditors and accrued liabilities	35,794,129	(12,200,459)
	-----	-----
	53,670,190	(28,645,007)
	-----	-----
Cash generated from operation	104,450,578	60,406,416
	=====	=====

35. GENERAL

(i) At the year end there were 482 (1998: 543) employees including Chief Executive, Directors and other executives.

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

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

NISAR H. EFFENDI
Chief Executive

RIZWAN H. SAID
Director

Karachi: the April 24, 2000

PATTERN OF SHARE HOLDING HELD BY SHARE HOLDERS AS AT SEPTEMBER 30, 1999

<i>NO. OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>	
1,182	1	100	118,068
647	101	500	214,267
220	501	1000	195,820
391	1001	5000	1,196,650
190	5001	10000	1,413,950
33	10001	15000	418,845
29	15001	20000	561,000
6	20001	25000	140,500
7	25001	30000	195,300
2	30001	35000	67,800
4	35001	40000	153,300
2	40001	45000	81,900
5	45001	50000	242,600
2	50001	55000	103,500
1	55001	60000	57,000
2	60001	65000	120,900
2	65001	70000	136,400

1	70001	75000	74,900
2	75001	80000	153,500
2	80001	85000	167,000
10	95001	100000	998,500
1	115001	120000	120,000
1	160001	165000	164,000
1	180001	185000	184,600
1	240001	245000	240,500
1	365001	370000	367,500
1	655001	660000	659,500
1	905001	910000	906,200
1	970001	975000	971,000

2,748			10,425,000
=====			

CATEGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 1999

Categories of Shareholder	Number	Shares Held	Percentage
1. Joint stock companies	14	1,295,800	12.44
2. Financial Institutions	3	911,400	8.75
3. Modaraba Companies	2	50,800	0.48
4. Insurance Companies	4	291,500	2.79
5. Investment Companies	5	1,135,700	10.89
6. Individuals	2718	6,731,800	64.58
7. Others	2	8,000	0.07

	2748	10,425,000	100.00
=====			