Al-Noor Sugar Mills Limited
Annual Report 1998

CONTENTS

COMPANY INFORMATIONS

BOARD OF DIRECTORS

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

COMPANY SECRETARY
MR. M. YAKOOB ADMANEY
FCIS, FCMA.

AUDITORS
DAUDALLY LALANI & COMPANY
Chartered Accountants

LEGAL ADVISOR
MOHAMMAD JAMEEL CHOUDRY
Bar at Law

REGISTERED OFFICE
96-A SINDHI MUSLIM SOCIETY,

KARACHI-74400

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

STATEMENT UNDER SECTION 160 OF THE
COMPANIES ORDINANCE, 1984 RELATING TO DIRECTORS' REMUNERATION

This statement set out material facts concerning the approval of remuneration of Directors
at the meeting.

Shareholders approval will be sought for the payment of remuneration and provision of cert
the Managing Director, Resident Director and Marketing Director as approved by the Board i
held on 13th February, 1999. For this purpose, it is proposed to move the following resolu

Resolved that the Company hereby approve and authorize payment as remuneration to the Work
as follow:

CHIEF EXECUTIVE:

a) Monthly Salary - Rs. 50,000/= with an increment not exceeding 20% per annum.
b) All fringe benefits and perquisites as are allowed to senior executives of the Company.
c) Travelling for self and family after every two years for recreation.

RESIDENT DIRECTOR AND MARKETING DIRECTOR:

a) Monthly Salary - Rs. 40,000/= each with an increment not exceeding 20% per annum.
b) All fringe benefits and perquisites as are allowed to senior executives of the Company.
c) Travelling for self and family after every two years for recreation.

(M. YAKOO

Karachi: February 13, 1999 COMPANY

NOTICE OF MEETING

Notice is hereby given that the 29th Annual General Meeting of AL-NOOR SUGAR MILLS LIMITED
the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Wednesday,
12.00 noon to transact the following business:

1. To read and confirm the Minutes of the 28th Annual General Meeting of the Company held
1998.

2. To read and consider the Accounts for the year ended September 30, 1998 and reports of
Auditors thereon.

3. To appoint Auditors and to fix their remuneration.

4. To elect directors of the Company under section 178 of the Companies Ordinance, 1984. T
directors fixed by the Board is 10. The retiring directors are Mr. Ellias H. Zakaria, Mr.
Yusuf Ayoob, Mr. Suleman Ayoob, Mr. A. Aziz Ayoob, Mr. A. Wahab Jaffar, Mr. Noor Mohammed
Mr. Zia I. Zakaria, Mr. Salim Ayoob and Mr. S. Qamar Ali Zaidi.

5. To consider and approve the remuneration of Chief Executive and Working Directors of th
period of three years.

6. To transact any other business with permission of the chair.

The Shares Transfer Book of the Company will remain closed from March 15, 1999 to March 31
days inclusive).

By Order o

Karachi: February 13, 1999

(M. YAKOO
COMPANY

NOTE:

1. A member of the Company entitled to attend and vote may appoint any member as his/her p
and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

2. Nomination for election for the office of directors should be received at the Registere
Company not less than 14 days before the Annual General Meeting.

3. Shareholders are requested to inform the Company of any change in their address immedia

4. A statement under section 160 of the Companies Ordinance, 1984 pertaining to Directors'
Remuneration is attached.

DIRECTORS' REPORT

To:

The Shareholders,

We submit before you the 29th Annual Report together with the Audited Accounts for the yea
1998. Your Company incurred a loss of Rs.16.055 million. After adjusting last year's unapp
Rs.5.115 million, a loss of Rs. 10.940 million is carried over to the Balance Sheet.

SUGAR MILL:

Your factory started crushing on November 22, 1997 and crushed 763,190 metric tons (1997: sugarcane. The sugar produced was 63,820 metric tons (1997:47,335 metric tons) with an ave (1997: 8.50%). Molasses produced was 42,361 metric tons (1997:26,696 metric tons). During increased the support price of sugarcane from Rs.24.50 to Rs.36/= per 40 kg. Quality premi paisa 27 to paisa 32 for 0.1% recovery over and above the 8.7% recovery benchmark set by t increase in support price, therefore raised the cost of production tremendously. The surpl country and the late announcement by the Government allowing the export of sugar, resulted financial costs. Both the factors mentioned above effected the profitability of the Compan Company incurred a loss.

During the year, your Company exported 29,012 metric tons of sugar and earned US$ 8,236,60 Exchange for the country.

During the year, the matter relating to excise duty benefit corresponding to year 1988-89 Honorable Sindh High Court and the verdict has been given in the favour of your Company. A Company has moved an application for the release of the Bank Guarantee from Collector Cent Custom Hyderabad.

During the year, the new boiler purchased from Ittefaq Foundries (Pvt) Limited has still n and was running at low pressure instead of high pressure. This reduced efficiency thereby management has taken great measures to improve and streamline the boiler and machinery, th during the season 1998-99.

MEDIUM DENSITY FIBRE BOARD (MDFB) PLANT:

During the year, 14,608 metric tons of Lasani Wood (1997:12,638 metric tons) in various th The Company, after hard work and dedication had developed a large local market. Unfortunat such as Malaysia and Indonesia, due to their currency devaluation dumped large quantities market. This adversely effected sales. However, the management has taken aggressive measur imported MDF. We are pleased to inform you that Lasani Wood made through new processes has favourable results. Your management feels, the steps taken to increase quality, improved p aggressive marketing will allow Lasani Wood to regain and increase its share in the local

ELECTION OF DIRECTORS:

As the term of existing directors expires, election of directors for fresh term of three y General Meeting under section 178(1) of the Companies Ordinance, 1984. The number of elect the Board of Directors is 10. The retiring directors are Mr. Ellias H. Zakaria, Mr. Ismail Mr. Suleman Ayoob, Mr. A. Aziz Ayoob, Mr. A. Wahab Jaffer, Mr. Noor Mohammed Ellias, Mr. Z Salim Ayoob and Mr. S. Qamar Ali Zaidi. Mr. Saifullah Khan, PICIC nominee appointed under Companies Ordinance, 1984 being a loanee director need not to be retired.

COMPUTER & Y2K:

The management has taken necessary corrective actions for the computer problem for the Y2K the end of 1999, majority of the computers will be replaced with new versions. This involv million.

LABOUR MANAGEMENT RELATIONS:
We are happy to report that labour management relations has improved considerably during t
Your directors appreciate the spirit of cooperation shown by the workers and hope it will

STAFF:
Your directors also place on record the deep appreciation of hard work, loyalty and devoti
officers and staff of the Company.

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

FUTURE OUTLOOK:
For the year 1998-99, the Government has not changed the sugarcane support price. The curr
started on November 13, 1998 and crushing upto February 12, 1999 was to the extent of 532,
sugarcane with an average recover of 7.59%. The sugar produced upto February 12, 1999 was
metric tons.

The new tandem has shown satisfactory results during the current season. We are expecting
crushing will be done during the season as compared to last season.

Due to climatic conditions, the recovery of sugarcane has decreased throughout Pakistan. A
therefore decreased as well in comparison to the previous year.

The management has introduced a new variety of sugarcane with a higher sucrose content and
seeds for distribution amongst the growers. It is expected that with this scheme, Insha Al
sugarcane will take the place of weak varieties grown in the vicinity of your mill and giv

The production of Lasani Wood started late due to high level of inventory because of exces
dumping of MDFB in the country. The production upto February 12, 1999 of Lasani Wood was t
metric tons. All out efforts are being made to achieve higher levels of capacity utilizati
concerned agencies has been made by the Company not to allow dumping of MDF by Far Eastern
Pakistan.

FOR AND ON BEHALF OF

Karachi: February 13, 1999

(ISMAIL H
MANAGING

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Al-Noor Sugar Mills Limited as at September 3
Profit and Loss Account and Cash Flow Statement, together with the n6tes forming part ther
and we state that we have obtained all the information and explanations which to the best
were necessary for the purposes of our audit and, after due verification thereof, we repor

(a) in our opinion, proper books of account have been kept by the Company as required by t
Ordinance, 1984.

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have bee
conformity with the Companies Ordinance, 1984 and are in agreement with the books of accou
are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's busines

(iii) the business conducted, investments made and the expenditure incurred during the yea
accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations gi
Profit and Loss Account and the Cash Flow Statement, together with the notes forming part
information required by the Companies Ordinance, 1984 in the manner so required and respec
and fair view of the state of the Company's affairs as at September 30, 1998 and of the lo
for the year then ended; and

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

DAUDALLY I

Karachi: February 13, 1999. Chartered

BALANCE SHEET AS AT 30TH SEPTEMBER, 1998

	Note	1
		(Ru
SHARE CAPITAL AND RESERVES		
Authorised Capital		
20,000,000 ordinary shares of Rs. 10.00 each		
Issued, subscribed and paid-up capital	2	
Reserves:		
General reserve		
Unappropriated (loss)/profit		

REDEEMABLE CAPITAL	3
LONG TERM LOANS	4
OBLIGATIONS UNDER FINANCE LEASE	5
DEFERRED LIABILITIES	6
CURRENT LIABILITIES AND PROVISIONS	
Short term running finance and borrowings	7
Current maturity of redeemable capital, long term loans and finance lease	8
Creditors accrued and other liabilities	9
Taxation	
CONTINGENCIES AND COMMITMENTS	10

	Note	**1**
		(Ru
FIXED ASSETS		
Operating assets	11	
Capital work-in-progress	12	
LONG TERM INVESTMENT	13	
LONG TERM LOANS AND ADVANCES	14	
LONG TERM DEPOSITS	15	
CURRENT ASSETS		
Stores and spares	16	
Stock-in-trade	17	
Trade debts	18	
Loans, advances, prepayments and other receivables	19	
Duty draw back receivables		
Bank and cash balances	20	

The annexed notes form an integral part of these accounts.

ISMAIL H. ZAKARIA
Chief Executive

YUSUF AYOOB
Director

SULEMA
Dir

Karachi: February 13, 1999.

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

	Note	1 (Ru
Sales	21	
Cost of sales	22	
Gross profit		
Administration and selling expenses	23	
Operating profit		
Other income	24	
Financial charges	25	
Other charges	26	
Loss before taxation		
Taxation	27	
Loss after taxation		
Unappropriated profit brought forward		
Unappropriated (loss)/profit carried forward		

The annexed notes form an integral part of these accounts.

ISMAIL H. ZAKARIA **YUSUF AYOOB** **SULEMA**

Chief Executive Director Dir

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

1
(Ru

CASH FLOW FROM OPERATING ACTIVITIES

Cash (used in)/generated from operations	33	
Taxes paid		
Payment for staff retirement benefits		
Financial charges paid		
Long term loans and advances		
Long term deposits		
Net cash outflow from operating activities		

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure		
Sale proceeds of operating assets		
Net cash outflow from investing activities		

CASH FLOW FROM FINANCING ACTIVITIES

Redeemable capital		
Obligation under finance lease		
Repayment of redeemable capital, long term loans and finance lease		
Short term running finance and borrowings		
Dividend		
Net cash inflow from financing activities		
Net (decrease)/increase in cash and cash equivalents		
Cash and bank balance at the beginning of the year		
Cash and bank balance at the end of the year		

ISMAIL H. ZAKARIA **YUSUF AYOOB** **SULEMA**
Chief Executive Director Dir

NOTES TO THE ACCOUNTS FOR THE YEAR

ENDED SEPTEMBER 30, 1998

LEGAL STATUS AND OPERATIONS

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

Summary of Significant accounting policies:

1.1 Accounting convention:

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

1.2 Taxation:

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

The company accounts for deferred taxation on all material timing differences using the li However, deferred tax to certain extent is not provided if it can be established with reas that these timing differences will not reverse in the foreseeable future.

1.3 Fixed assets:

(a) OWN

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

Depreciation is charged to income at normal tax rates on the written down value of the ass affected on account of exchange differences referred to in Note 1.8. Full year's depreciat charged on all assets in the year of acquisition, except for sugar unit plant and machiner depreciation is charged on the basis of actual operating days of factory. No depreciation on assets in the year of disposal.

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

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

(b) LEASED

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

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

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

1.4 Capitalisation of borrowing costs:
Borrowing costs on assets which call for substantial period of time to get ready for their taken to fixed capital expenditure.

1.5 Long term investments:
The company's investments in associated undertaking are stated at cost. The provision is m for permanent diminution, if any, in the value of investment. Dividends received are refle company's profit and loss account.

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

1.7 Stock-in-trade:
Raw material, work in process and finished goods are valued at lower of average cost and n value. By- products are valued at net realisable value.

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

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

1.9 Staff retirement benefits:
The Company operates a provident fund scheme for all its employees eligible for benefits a thereto are made in accordance with the terms of the scheme.

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

1.10 Revenue recognition:
Sales are recorded on despatch of goods to customer.

1
(Ru

2. ISSUED, SUBSCRIBED. AND PAID UP CAPITAL
3,617,635Ordinary shares of Rs. 10.00

each fully paid up in cash.

814,637	Ordinary shares of Rs. 10.00 each fully paid up issued to P.I.C.I.C in terms of loan agreement.
40,000	Ordinary shares of Rs. 10.00 each fully paid up issued to I.C.P in terms of debenture trust deed.
20,000	Ordinary shares of Rs. 10.00 each fully paid up issued to State Life Insurance Corporation of Pakistan in terms of debenture trust deed.
10,000	Ordinary shares of Rs. 10.00 each fully paid up issued to N.I.T in terms of debenture trust deed.
14,067,980	Ordinary shares of Rs. 10.00 each fully paid up issued as bonus shares.

3. REDEEMABLE CAPITAL
(NON PARTICIPATORY-SECURED)

	PICIC	**SCB**	**SCB**
	(Long term running finance utilized Under mark-up arrangement		
Balance	9,747	25,000	14,000
Less: Current maturity shown under current liabilities Note No. 8	2,999	12,500	14,000
	6,748	12,500	-
Purpose	LMM	TL	TF
Sanctioned/Sale price/ Disbursed Amount (Rs. in Million)	23.993	50.000	70.000

Purchase price (Rs. in Million)	38.195	72.687	101.762	
Maximum prompt payment rebate (Rs. in Million)	6.366	-	-	
Effective rate of mark-up (per annum)	8%	16.50% (Minimum)	16.50% (Minimum)	
Number of installments	32	8	10	
Installments payable	Quarterly	Half-yearly	Half-yearly	Quar
Date of payment of 1st installment	01.01.1994	09.01.1997	27.03.1995	
Date of payment of last installment	01.10.2001	09.07.2000	27.09.1999	

SECURITIES:

PICIC (LMM)	Legal mortgage on the company's present and future immovable by way of hypothecation in respect of present and future mach on all other assets. Pending the completion, execution and re as aforestated, the company has created in favour of PICIC a of equitable mortgage on the company's immovable properties,
SCB (TL)	- Second hypothecation charge over the company's fixed assets - Pledged of Shahmurad sugar mills limited shares.
SCB (TF)	Equitable mortgage on the company's fixed assets. The charge mortgage and charge already created in favour of other credit
SAUDI PAK I	First pari passu charge by way of equitable mortgage on the c
SAUDI PAK II	The facility is secured against bank guarantee issued by Habi Rs. 49.388 million valid upto 16th September, 2001. The bank first pari passu charge on the fixed assets of the company wi

OTHER PARTICULARS:

SCB-TL	Liquidated damages are applicable @ 20% of the amount default

SCB -TF's	Term finance is extended to the company under the State Bank Investment Scheme.
SAUDI PAK	Liquidated damages are applicable @ 71 paisas and @ 67 paisas the amount defaulted respectively.

Abbreviation denotes:

PICIC	Pakistan Industrial Credit & Investment Corporation.
SCB	Standard Chartered Bank
SAUDI PAK	Saudi Pak Industrial and Agricultural Investment (Pvt) Ltd
TF	Term Finance
TL	Term loan
LCF	Local Currency Finance

4. LONG TERM LOANS:

	HBL	**PI**
Balance	2,793	
Less:		
Current maturity shown under current liabilities Note 8	2,793	
	-	
Purpose	IM	
Sanctioned amount (In million)	US$ 3.239	US$
Amount disbursed (In million)	US$ 3.239	US$
Rate of interest	14%	1
Number of installments	20	
Installment payable	Half-yearly	Half-
Payment currency	Pak rupees	Pak
Date of payment of 1st installment	15.07.1989	01.0
Date of payment of last installment	15.01.1999	01.0

SECURITIES:

HBL (FCY-IM)	This syndicated finance is secured by way of equitable mortga floating charge and hypothecation of all present and future a the Company. These charges rank pari passu with PICIC and oth

PICIC (FCY-IM) The above finance will be secured by way of legal mortgage on present and future immovable properties and a first charge by hypothecation in respect of present and future machinery and charge on all other assets. Pending the completion, execution of the mortgage deed as aforestated, the company has created PICIC a first pari passu charge by way of an equitable mortga Company's immovable properties, both present and future.

Abbreviation denotes:

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

5. OBLIGATIONS UNDER FINANCE LEASE

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

	NDLC	FUDLM	ALL	SI
Year to Sept. 30, 1998	-	-	-	
Year to Sept. 30, 1999	10,305	834	3,203	
Year to Sept. 30, 2000	7,898	834	-	
Year to Sept. 30, 2001	7,898	834	-	
Year to Sept. 30, 2002	10,398	551	-	
Year to Sept. 30, 2003	-	-	-	
	36,499	3,053	3,203	
Less: Financial charges allocated to future period	9,529	896	198	
	26,970	2,157	3,005	
Less: Current maturity:- Shown under current liabilities (Note 8)	6,970	438	3,005	
	20,000	1,719	-	

(ii) Purpose	LMM	LMM	LMM	LMM & VH
(iii) Terms and conditions of lease facilities.				
1) Number of leases availed	2	1	1	
2) Annual financing rate (monthly/quarterly/ half yearly compounding basis) used as discounting factor ranging between	20.01%	21.25%	20.50%	19 22
3) No. of installments ranging between	12 & 16	20	20	
4) Installments intervals ranging between	Quarterly	Quarterly	Quarterly	
5) Lease rental payable in each installment except last one ranging between rupees	1,952,000 & 3,435,000	208,570	944,100	96 2,72
Last installment ranging between rupees	3,435,000 & 4,474,500	341,820	2,259,100	127 4,33
6) Fine payable per month on over due rentals if any.	2%	3%	3%	

iv) Other Particulars: The company enjoys purchase option at the end of lease period.

Abbreviations denote:

NDLC	:	National Development Leasing Corporation Limited
FUDLM	:	First UDL Modaraba
ALL	:	Atlas Lease Limited
SPLCL	:	Saudi Pak Leasing Company Limited
PILCL	:	Pakistan Industrial Leasing Corporation Limited
OLPL	:	Orix Leasing Pakistan Limited

FGM	:	First Grindlays Modaraba
LMM	:	Locally manufactured machinery
IM	:	Imported machinery

6. DEFERRED LIABILITIES:

1
(Ru

Deferred Taxation	6.1	
Excise duty including interest thereon	10.3 & 10.4	
Cane development cess and surcharge	6.2	
Provision for gratuity		

6.1 Deferred taxation

Deferred taxation arising due to timing differences computed under the liability method is million (1997: Rs.70.657 million) of which debit Rs. 0.885 millions is in respect of the c Rs. 11.638 million). The deferred tax liability to the extent of Rs. 32.431 million (1997: not been provided as it is unlikely to crystallize within foreseeable future.

6.2 Surcharge on cess.

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

7. SHORT TERM RUNNING FINANCE AND BORROWINGS:

1
(Ru

Secured:

Commercial Banks	7.1	
National Development Finance Corporation		
First Grindlays Modaraba		
Al-Baraka Investment Bank Ltd		
I.B.L Modaraba		
Investment Capital and Securities		
Orix Investment Bank Limited		
B.F Modaraba		
Asian Leasing Corporation Limited		
Bankers' Equity Limited		
Mashreq Bank		
Security Investment Bank Limited		

Export refinance under SBP refinance facility	7.2	
Unsecured:		
Due to directors and associated companies	7.3	

Purpose	**NDFC STF**	**FGM STF**	**ABIB Murabaha**	**I Mush**
Sanctioned/Sales/ Murabaha price (Rupees in million)	80.00	40.00	35.00	
Purchase/Murabaha Markup price (Rupees in million)	105.40	50.00	46.70	
Effective rate (Rupee per '000 per diem)	0.60	0.5548	0.5479	
Repayment date	18.06.1999	17.03.1999	31.05.1999	

7.1 Facilities available is upto Rs. 299.00 million (1997: Rs. 319.00 million). Markup app
Re. 0.459 to Re. 0.54 per thousand per diem.

7.2 The facility caries interest @ 8% per annum.

7.3 Interest @ 20% per annum is payable on amount due.

Securities:
Hypothecation of stock of sugar, board, receivables stores, spares. raw materials, current
charge on fixed assets.

		1 (Ru
8. CURRENT MATURITY		
Redeemable capital	3	
Long term loans	4	
Finance lease	5	

	1 (Ru
9. CREDITORS, ACCRUED AND OTHER LIABILITIES	
Creditors	
Accrued expenses	

Payable to financial institution	
Mark up/Interest accrued on secured loan	
Short term finance	
Long Term Loan	
Redeemable Capital:	
Long term running finance	
(under mark-up arrangement)	
Term finance certificates	
Export refinance	
Financial charges on leased assets	

Excise duty	
Custom duty	10.5
Sales Tax	
Worker's profit participation fund	9.1
Associated undertakings	
Deposits and retentions	
Advance against sales	
Brokerage and commission on sugar	
Unclaimed dividends	
Provident fund	
Apprenticeship money	9.2
Others	

9.1 WORKER'S PROFIT PARTICIPATION FUND

Balance October 1,

Less:

Paid to trustees

Add:

Interest due on fund utilized in the
company's business shown
under financial charges Note 25

(a) The amount utilized by the company during the year was Rs. 0.125 million (1997:Rs. 1.2

9.2 The apprenticeship money has been deposited in a separate bank account (Note - 20) as of the Companies Ordinance, 1984.

10. CONTINGENCIES AND COMMITMENTS

10.1 The Company's commitments on September 30, 1998 for capital expenditure amounted to R
11.250 million).

10.2 The Company has issued continuing guarantee to bank aggregating Rs. 30 million (1997:
consideration of the banks making loans to cane growers for the purchase of seeds and fert

10.3 The issue in respect of payment of 100% central excise duty aggregating Rs. 19.462 mi
stocks of 9,052 Metric tons due to retrospective withdrawal of rebate has finally been dis
of Sindh in favour of the company. Prior to this the Collector, Central Excise and Land Cu
encashed the bank guarantee given in this respect. The disputed liability was fully provid
accounts alongwith interest @ 14% per annum thereon upto September 30, 1991. The company h
an application for release of bank guarantee from Collector, Central Excise and Land Custo

10.4 The Company is contingently liable to a sum aggregating Rs. 19.045 million against co
for issue of guarantees on behalf of the Company in favour of Collector, Central Excise an
The guarantee has been issued in respect of payment of 50% central excise duty against cle
17,799.50 metric tons due to denial of excise duty exemption available to the Company, by
season at minimum of 180 days vide notification of December 23, 1992, which the Company ha
a constitutional petition before the Honourable High Court of Sindh. However, the excise d
provided for including compounding interest @ 14% per annum thereon.

10.5 The Company had applied to the Government of Pakistan for declaring Medium Density Fi
Industry" under SRO 458(1)/88 dated June 26, 1988 as the project is using 100% local raw m
declaration as Key Industry, the Central Board of Revenue has allowed the Company to get t
and machinery cleared against bank guarantees. The Collector of Customs has presented Bank
encashment and the company accordingly filed a writ in the High Court of Sindh there again
order has allowed the Collector of Customs to get the bank guarantees encashed with the co
guarantees are encashed and the decision goes in favour of the Company, amount of bank gua
refunded alongwith 14% markup. Total amount of duties involved is Rs. 8.893 million which
provided for in the accounts in the relevant prior year, out of which Rs. 8.694 million ha
30, 1998.

10.6 The Company had obtained the banking facility of Rs. 25 million from Mehran Bank Limi
was subsequently parked by Mehran Bank from National Investment Trust against their bank g
was repaid by the Company to Mehran Bank Limited and the charge created there against in f
Limited was satisfied immediately on repayment. In December, 1996 National Investment Trus
Company that parking facility of Rs. 25 million is still outstanding in their books. The l
Company since it has already repaid the above amount to Mehran Bank Limited. The Company h
High Court of Sindh against National Investment Trust and Mehran Bank Limited (now merged
Pakistan) which is pending.

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

10.7 A demand of Rs. 6.216 million in respect of sales tax on in house use of baggasse as of Sales Tax, Hyderabad. The Company has disputed the liability and has filed an appeal be Appellate Tribunal, Karachi, the outcome of which is pending. The liability has not been p these accounts. However, to avail a relief from levy of additional tax, as provided throug June, 1998, the company has approached Collector of Sales Tax, on the direction of CBR, to sales tax in 24 (twenty-four) equal monthly installments which was duly allowed by the Col 30th September, 1998 a sum of Rs. 1.036 million has been paid under this arrangement.

11. OPERATING ASSETS

The following is a statement of the operating assets;

		Cost		
	Cost at 01-10-97	**Addition/ (Sales)/ Transfer***	**Cost 30-9-98**	**Accu Depre 01-**
OWN:				
Freehold land	3,786	-	3,786	
Factory building:				
on free hold land	22,334	-	22,334	
Non factory building:				
on free hold land	41,297	-	41,297	
on leasehold land	9,675	-	9,675	
Plant and machinery	751,355	8,877	785,124	
		24,892*		
Furniture, fixture and fitting	9,428	358	9,786	
Office equipment	18,962	1,235	20,197	
Vehicles	10,342	361	12,843	
		(776)		
		2,916*		
	----------	----------	----------	
	867,179	10,831	905,042	
		(776)		
		27,808*		
LEASED:				
Plant and machinery	65,737	3,350	44,195	
		(24,892)*		
Vehicles	7,626	1,500	6,210	
		(2,916)*		
	----------	----------	----------	
	73,363	4,850	50,405	
		(27,808)*		

1998 RUPEES	940,542	15,681 (776)	955,447
1997 RUPEES	925,025	16,163 (646)	940,542

	SUGAR	BOARD	TO
MANUFACTURING	12,953	14,624	
ESTABLISHMENT	4,001	808	
	16,954	15,432	

i) Depreciation on Sugar plant and machinery has been charged on actual working days i.e. 144 days (1997:131 days).

i) Depreciation on MDFB plant and machinery has been charged on the basis of 300 days (1997:300 days).

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(Ru

12. CAPITAL WORK-IN-PROGRESS

SUGAR UNIT:

Plant and Machinery
Building
Advances for capital expenditure

M.D.F.B. UNIT:

Plant and Machinery

13. LONG TERM INVESTMENT

In associated company:

3,299,784 (1997: 3,299,784) ordinary shares of Rs. 10.00
each of Shahmurad Sugar Mills Limited-listed company
Equity held 15.625% (1997: 15.625 %)
Market value Rs. 58.571 million (1997: Rs. 44.217 million)

500,000 (1997: 500,000) ordinary shares of Rs. 10.00 each
of A1-Noor Modaraba Management (Pvt) Limited
Equity held 14.285% (1997: 22.22%)
Break-up value Re.0.98 per share (1997: nil)

14. LONG TERM LOANS AND ADVANCES
(Considered good)
Due from executives
Less: Receivable within one year Note 19

Due from other employees
Less: Receivable within one year Note 19

Outstanding for period exceeding three years
Others

Loans to executives have been granted for purchase of house, car and for domestic needs an
of 10 years. All the loans are granted to the employees of the company in accordance with
The maximum aggregate amount due from executives at the end of any month during the year w
(1997: Rs. 0.293 million).

1
(Ru

15. LONG TERM DEPOSITS
Deposits
Leasing companies
Others

16. STORES AND SPARES
Stores

Spares
Stores and spares in transit

17. STOCK IN TRADE
Work-in-process
Sugar

Finished goods

Sugar
Molasses
MDF Sheets

18. TRADE DEBTS
Export
Local (unsecured and considered good)

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(Ru

19. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Loan (considered good)
Due from - Executives Note 14
- Other employees Note 14

Advances (considered good)
Employees
Financial institutions
For purchase and services
Growers
Others

Short term prepayments

Other Receivables

Associated undertakings Note 19.1
Guarantee margin
Financial institutions
Advance income tax
Others

19.1 The amount receivable on account of supplies of store items, rent and insurance claim
to Rs. 1.324 million (1997: Rs. 1.373 million).

The maximum aggregate amount due from associated undertakings at the end of any month duri
the year was Rs. 2.178 million (1997: Rs. 1.921 million).

20. BANK AND CASH BALANCES

With banks:

In call deposits
In PLS account (Apprenticeship)
In current accounts

Cash in hand

21. OPERATING RESULTS

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

	SUGAR		
	1998	**1997**	**1**
	(Rupees in thousand)		**(Ru**
Sales			
Local	637,889	693,313	
Export	400,645	-	
Duty draw back	96,054	-	
	----------	----------	

		1,134,588	693,313
Returns		-	-
		----------	----------
		1,134,588	693,313
Sales tax		24,284	-
Brokerage and commission		184	174
		----------	----------
		24,468	174
		----------	----------
Net Sales	21	1,110,120	693,139
Cost of goods sold	22	941,851	561,565
		----------	----------
Gross profit		168,269	131,574
Administration and selling expenses	23	94,213	53,011
		----------	----------
Operating profit		74,056	78,563
		===========	===========

21.1 Inter-segment pricing

Transfers between business segments are recorded at realisable value plus applicable proce

	SUGAR		
	1998	1997	1
21.2 Segment assets employed (%)	66%	67%	
	===========	===========	

	SUGAR		
	1998	1997	1
	(Rupees in thousand)		(Ru

22. COST OF GOODS SOLD

Opening stock of finished goods	232,598	10,356
COST OF MANUFACTURE		
Opening stock of work in process	2,312	1,130
Raw material consumed	705,250	550,436
Stores and spares consumed	45,627	40,527
Fuel and oil	13,534	24,554
Power and water	7,713	7,895
Salaries, wages and benefits	73,730	60,241
Repairs and maintenance	6,808	4,433

Insurance		4,325	4,212
Other manufacturing expenses		6,539	6,155
Cane development cess and surcharge		6,201	4,531
Education cess		92	68
Depreciation		12,953	12,267
		885,084	716,449
Less:			
Closing stock of:			
Work in process		828	2,312
		884,256	714,137
Molasses sale		29,845	24,336
Electricity charged to MDFB		7,254	4,601
Bagasse sale/transfer	22.1	786	839
Sander dust sale		-	-
Other		-	-
		37,885	29,776
		846,371	684,361
Excise duty		25,687	99,446
Cost of manufacture		872,058	783,807
		1,104,656	794,163
Less:			
Closing stock of finished goods		162,805	232,598
		941,851	561,565

22.1 This excludes sales tax on baggasse aggregating Rs. 0.112 million.

	SUGAR		
	1998	**1997**	**1**
	(Rupees in thousand)		**(Ru**

23. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages and benefits	20,878	18,258
Staff welfare	4,920	6,100
Rent, rates and taxes	1,065	803
Electricity and gas charges	428	358
Repairs and maintenance	3,044	4,137
Chief Executive and Director's remuneration and perquisite 33	2,418	2,418
Legal and professional	653	552
Vehicle running	4,225	4,345
Insurance	958	927
Communication	2,253	2,556
Advertisement	92	160
Sugar export expenses	39,788	-
Despatch and stacking	1,599	1,122
Entertainment expenses	720	580
Printing and stationary	835	795
Fees and subscription	547	594
Depreciation	4,001	4,190
Others	5,789	5,116
	94,213	53,011

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(Ru

24. OTHER INCOME

Dividend income	
Freight	
Insurance claim	
Rent	
Profit on disposal of fixed assets	30
Sale of scrap	24.1

24.1 This excludes sales tax on scrap aggregating Rs. 0.696 million.

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(Ru

25. FINANCIAL CHARGES

Mark up on:
Redeemable capital:
Long term running finance under
mark-up arrangements

Term finance certificates-paid
-payable

Short term running finance

Interest on:
Long term loans
Excise duty - note 10.4
Workers' profit participation fund - note 9.1

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

Less: Interest/profit earned on:
Staff members' loans
Commercial bank deposits

26. OTHER CHARGES
Auditors' remuneration - note 28
Director's meeting fee
Charity and donation

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

27. TAXATION

(Ru

Turnover Tax

Current

Prior

Deferred Taxation - note 6.1

Current

Prior

28. AUDITORS' REMUNERATION

Audit fee

Statutory

Provident fund

Out of pocket expenses

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases:

Materials

Services

Sales:

Materials

Services

Other claims

30. PROFIT ON DISPOSAL OF OPERATING ASSETS

(Mode of sale by negotiation)

Description	Original Cost	Accumulated Depreciation	Wri down
Motorcycle Honda CD 70			
Registration No. KCX-9406	35	23	

Motorcycle Honda CG 125 Registration No. LQE-5918	33	26
Registration No. G-5382	133	122
Suzuki Khyber Registration No. AAJ-185	383	138
Motorcycle Honda CD-70 Registration No. KCK-9320	46	27
Motorcycle Honda CD-70 Registration No. KCK-8174	46	27
Motorcycle Honda CD-70 Registration No. KCV-750	49	24
Motorcycle Honda CD-70 Registration No. KCK-3655	51	18
	776	405

31. CAPACITY AND PRODUCTION IN METRIC TONS

	Capacity	**Days**	**Production**	**D**
1998	23,167	160	63,820	
SUGAR UNIT				
1997	23,167	160	47,355	
1998	22,500	300	14,608	
BOARD UNIT				
1997	22,500	300	13,174	

Reasons for under utilisation of Board Unit capacity:

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

32. CHIEF EXECUTIVE, DIRECTORS, AND EXECUTIVES REMUNERATION

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

	Chief Executive		
	1998	**1997**	**1**
Remuneration	600	600	
Provident fund	-	-	
Perquisite (including house rent and Bonus)	330	330	
Reimbursable expenses including travelling expenses	27	60	
	957	990	
Number of persons	1	1	

i) The Chief Executive, certain Directors and Executives are provided with free use of com
ii) Meeting fee paid to 5 Directors was Rs. 4,500 (1997: 4 Directors Rs. 3,500)
iii) Reimbursable expenses paid to non-salaried director amounting to Rs. 0.812 million (1997: Rs 1.091 million) has not been taken in aforestated schedule.

33. CASH GENERATED FROM OPERATIONS

	1
	(Ru
Loss before taxation	
Adjustment for non cash charges and other items:	
Depreciation	
Profit on sale of operating assets	
Provision for staff retirement benefits	
Other deferred liabilities (excluding interest)	
Financial charges	
Working capital changes - note 33.1	

33.1 Working capital changes

Decrease/(Increase) in current assets

Stores and spares

Stock-in-trade
Trade debts
Duty draw back receivable
Loans, advances, prepayments and
other receivables (excluding income tax)

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

34. GENERAL

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

ISMAIL H. ZAKARIA	**YUSUF AYOOB**	**SULEMA**
Chief Executive	Director	Dir

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30TH SEPTEMBER, 1998

NOS OF SHAREHOLDERS		**HOLDINGS**			
307	FROM	1	TO	100	SH
431	FROM	101	TO	500	SH
110	FROM	501	TO	1000	SH
244	FROM	1001	TO	5000	SH
90	FROM	5001	TO	10000	SH
1	FROM	10001	TO	15000	SH
7	FROM	15001	TO	20000	SH
4	FROM	20001	TO	25000	SH
1	FROM	25001	TO	30000	SH
1	FROM	40001	TO	45000	SH
1	FROM	45001	TO	50000	SH
1	FROM	50001	TO	55000	SH
1	FROM	60001	TO	65000	SH
1	FROM	75001	TO	80000	SH
2	FROM	80001	TO	85000	SH
2	FROM	90001	TO	95000	SH
1	FROM	95001	TO	100000	SH
2	FROM	105001	TO	110000	SH
1	FROM	115001	TO	120000	SH
2	FROM	150001	TO	155000	SH

3	FROM	165001	TO	170000	SH
2	FROM	170001	TO	175000	SH
1	FROM	175001	TO	180000	SH
2	FROM	185001	TO	190000	SH
2	FROM	210001	TO	215000	SH
1	FROM	240001	TO	245000	SH
1	FROM	245001	TO	250000	SH
3	FROM	250001	TO	255000	SH
1	FROM	260001	TO	265000	SH
1	FROM	265001	TO	270000	SH
1	FROM	275001	TO	280000	SH
2	FROM	320001	TO	325000	SH
2	FROM	335001	TO	340000	SH
1	FROM	375001	TO	380000	SH
1	FROM	385001	TO	390000	SH
1	FROM	390001	TO	395000	SH
1	FROM	395001	TO	400000	SH
1	FROM	415001	TO	420000	SH
1	FROM	425001	TO	430000	SH
1	FROM	510001	TO	515000	SH
1	FROM	680001	TO	685000	SH
1	FROM	700001	TO	705000	SH
1	FROM	725001	TO	730000	SH
1	FROM	915001	TO	920000	SH
1	FROM	4440001	TO	4445000	SH

1244					
==========					

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	PERC
1. INDIVIDUALS	1226	11,471,535	
2. JOINT STOCK COMPANIES	6	388,320	
3. INVESTMENT COMPANIES	1	94,707	
4. INSURANCE COMPANIES	4	702,526	
5. FINANCIAL INSTITUTIONS	5	5,778,618	
6. MODARABA COMPANIES	1	110,000	
7. OTHERS	1	24,546	
	----------	----------	
TOTAL	1244	18,570,252	
	==========	==========	