Al-Noor Sugar Mills Limited
Annual Report 2000

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ISMAIL H. ZAKARIA	Chairman & Managing Director
MR. SULEMAN AYOOB	Resident Director
MR. YUSUF AYOOB	
MR. A. AZIZ AYOOB	Marketing Director
MR. ABDUL KARIM LODHI	(NIT Nominee)
MR. TARIQ KIRMANI	(NIT Nominee)
MR. ZIA. I. ZAKARIA	
MR. SALIM AYOOB	
MR. ZOHAIR ZAKARIA	
MR. SAIFULLAH KHAN	(PICIC Nominee)
MR. RANA AHMED KHAN	(ICP Nominee)

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

AUDITORS
DAUDALLY LALANI & COMPANY
Chartered Accountants

LEGAL ADVISOR
ABDUL SATTAR PINGAR

REGISTERED OFFICE

96-A SINDHI MUSLIM SOCIETY,
KARACHI-74400

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

NOTICE OF MEETING

Notice is hereby given that the 31st Annual General Meeting of AL-NOOR SUGAR MILLS LIMITED will be held at the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Friday, March 30, 2001 at 10:00 A.M. to transact the following business:

1. To read and confirm the Minutes of the 30th Annual General Meeting of the Company held on March 30, 2000.

2. To read and consider the Accounts for the year ended September 30, 2000 and reports of Directors and Auditors thereon.

3. To approve payment of cash dividend @ 10% i.e. Re. 1/- per ordinary share of Rs. 10/= each for the year ended September 30, 2000 as recommended by the Board of Directors of the Company.

4. To appoint Auditors and to fix their remuneration.

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

The Share Transfer Book of the Company will remain closed from March 21,2001 to March 31, 2001 (both days inclusive)

Karachi: March 01, 2001

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

2. CDC Account Holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:
i) In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his Original National Identity Card (NIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing Proxies:
i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.

iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original NIC or original passport at the time of the meeting.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

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

DIRECTORS' REPORT

To:
The Shareholders:
We submit before you the 31st Annual Report together with Audited Accounts for the year ended 30th September, 2000. Your Company, A1-Hamdo-lillah, has earned a net profit of Rs.19.818 million. After adjusting last year's un-appropriated profit of Rs.0.618 million, a sum of Rs.20.436 million is available for appropriation which we propose to appropriate as follow:

01. Profit available for appropriation
02. Proposed cash dividend @ 10%
03. Un-appropriated profit carried over to Balance Sheet

Your Company proposed to pay cash dividend @ 10% to the shareholders of the Company. After tax earning, per share of the Company is Rs. 1.07.

SUGAR MILL:
During the year under report, your Mill started crushing on 26th October, 1999 and crushed 728,987 Metric Tons (1999:803,632 Metric Tons) of sugarcane. Sugar produced was 59,175 Metric Tons (1999: 60,435 Metric Tons) with an average recovery of 8.13% (1999: 7.52%).

Molasses produced was 36,074 Metric Tons (1999:45,485 Metric Tons).

Sugarcane crushing was 10% less as compared to last year. However, the recovery improved 0.61% as compared to last year.

MEDIUM DENSITY FIBRE (MDF) BOARD PLANT:

During the year, 16,120 Metric Tons of Lasani Wood (1999:16,291 Metric Tons) in various thicknesses was produced. The production almost maintained last year's level but still short of 27% capacity utilization. Representations were made to concerned Government agencies regarding the appropriate duty structure since imports at dumping rates are constantly pushing down sales. Necessary steps we hope are being taken soon, Insha Allah, by the Government to ensure full capacity utilization and sales.

TFC ISSUE:

Your Balance Sheet meets the Prudential Regulations requirements except current ratio for which, TFC to the extent of Rs.200 million with Green Shoe option of Rs.50 million were issued to the general public in October 2000. A1-Hamdo-lillah, the TFCs were over-subscribed. Total subscription to the extent of Rs.203.66 million were subscribed which your Management retained in full. With this issue of TFC, Al-Hamdo-lillah, now current ratio also meet the Prudential Regulations requirement. PACRA conducted the Rating of the TFC and allocated BBB+.

LABOUR MANAGEMENT RELATIONS:

We are happy to report that labour management relations were good during the year under report. Your Directors appreciate the spirit of co-operation shown by the workers and hope it will continue.

STAFF:

Your Directors also placed on record the deep appreciation and hard work and devotion to duties shown by the officers and staff of the Company.

AUDITORS:

M/s. Daudally Lalani and Company, Auditors of the Company, retired and offered their services for the ensuing year.

FUTURE OUTLOOK:

For the year 2000-2001, Government has not changed the sugarcane support price. However, Government has allowed import of refined as well as raw sugar. Your Mill has imported raw sugar. Current sugarcane crop is short and has badly been effected due to water shortage in the area where your Mill is located. Recovery has also considerably gone down.

The current crushing season started on 1st November, 2000 and crushing up to 27th February, 2001 was 538,194 Metric Tons of sugarcane. The average recovery is 7.48%. The sugar produced up to 27th February, 2001 was 38,973 Metric Tons from sugarcane and 14,259 Metric Tons from raw sugar. The production of Lasani Wood up to 27th February, 2001 was 7,065 Metric Tons. Your Management has decided for a BMR program of Lasani Wood to produce value-added products and to utilize the capacity which is available and lying idle. It is expected that with this BMR program, Insha Allah, capacity utilization as well as profitability will improve in the years to come.

FOR AND ON BEHALF OF THE BOARD OF DIR

(ISMAIL H. ZAKARIA)

Karachi: March 1, 2001. MANAGING DIRECTOR

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of AI-Noor Sugar Mills Limited as at September 30, 2000 and the related

Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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 except for the changes, as explained fully at note 1.5(a) and 1.7 to the financial statements, with which we concur;

(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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and 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, 2000 and of the profit, its cash flows and changes in equity 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.

Chartered Accountants

Karachi: March 1, 2001.

BALANCE SHEET AS AT 30TH SEPTEMBER, 2000

Note

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 profit	
REDEEMABLE CAPITAL	3
OBLIGATIONS UNDER FINANCE LEASE	4
DEFERRED LIABILITIES	5
CURRENT LIABILITIES AND PROVISIONS	
Short term running finance and borrowings	6
Current maturity of redeemable capital and finance lease	7
Creditors, accrued and other liabilities	8
Taxation	
Proposed dividend	
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FIXED ASSETS - TANGIBLE	
Operating assets	10
Capital work-in-progress	11
LONG TERM INVESTMENTS	12
LONG TERM LOANS AND ADVANCES	13
LONG TERM DEPOSITS	14
DEFERRED COST	15
CURRENT ASSETS	
Stores and spares	16
Stock-in-trade	17
Trade debts (unsecured and considered good)	
Loans, advances, prepayments and other receivables	18
Bank and cash balances	19

The annexed notes form an integral part of these accounts.

Karachi: March 1, 2001.

ISMAIL H. ZAKARIA
Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2000

	Note
Sales	20
Cost of sales	21
Gross profit	
Administration and selling expenses	22
Operating profit	
Other income	23
Financial charges	
Other charges	25
Profit before taxation	
Taxation	26
Profit after taxation	
Unappropriated profit/(loss) brought forward	
Appropriations:	
Transfer from general reserve	
Proposed cash dividend @ 10% (1999: @ 7.50%)	
Unappropriated profit carried forward	
Earning per share - Basic and diluted	33

The annexed notes form an integral part of these accounts.

ISMAIL H. ZAKARIA
Chief Executive

YUSUF AYOOB
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 2000

CASH FLOW FROM OPERATING ACTIVITIES
Profit before taxation
Adjustment for non cash charges and other items:
Depreciation
Provision for obsolete spare items
Profit on sale of operating assets
Provision for staff gratuity
Other deferred liabilities (excluding interest)
Financial charges

Cash generated before working capital changes
Decrease/(Increase) in current assets
Stores and spares
Stock in-trade
Trade debts
Duty draw back
Loans, advances, prepayments and
other receivables (excluding income tax)

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

Taxes paid
Payment for staff gratuity
Deferred liabilities paid (excise duty and sales tax)
Financial charges paid
Long term loans and advances

Net cash inflow from operating activities

CASH FLOW FROM INVESTING ACTIVITIES
Fixed capital expenditure
Sale proceed of operating assets (net off sales tax)

Net cash outflow from investing activities
CASH FLOW FROM FINANCING ACTIVITIES
Redeemable capital

Obligation under finance lease
Long term deposits
Deferred cost
Repayment of redeemable capital, long
term loans and finance lease
Short term running finance and borrowings
Dividends paid

Net cash outflow from financing activities

Net 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**
Chief Executive	**Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH SEPTEMBER, 2000

Share Capital

General Reserve
Beginning balance
Transfer during the year

Ending balance

Unappropriated profit
Beginning balance
Net profit for the year
Transfer from general reserve
Dividend

Ending balance

Total shareholder's equity
Beginning balance
Increase - net

Ending balance

ISMAIL H. ZAKARIA	**YUSUF AYOOB**

Chief Executive **Director**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2000

LEGAL STATUS AND OPERATIONS

The Company is a public company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984). Its shares are quoted on Karachi and Lahore Stock Exchange in Pakistan and is principally engaged in the production and sale of sugar and medium density fiber board.

Summary of Significant accounting policies:

1.1 Basis for preparation of the accounts

These financial statements have been prepared in compliance with the requirement of International Accounting Standards as adopted by the Institute of Chartered Accountants of Pakistan, which are applicable to the Company.

1.2 Accounting convention:

These accounts have been prepared under the historical cost convention except that certain exchange differences have been included in fixed assets referred to in Note 1.10.

1.3 Employees benefits:

Defined contribution plan:

The Company operates an approved provident fund scheme for all its employees eligible for benefits and contributions thereto are made in accordance with the terms of the scheme.

Defined benefit plan:

Effective October 1, 1990 company had introduced an unfunded gratuity scheme for those permanent employees who have completed qualifying period and are members of the aforesaid provident fund scheme. Provision is made annually based on employee's current basic salary plus cost of living allowance to cover current obligations under the scheme.

Employees accumulating compensated absences:

The expected cost of accumulating compensated absences, if material, is provided as required under International Accounting Standard - 19 (Employee Benefits).

1.4 Taxation:

Provision for current taxation for the year is based on taxable income at the current rate of taxation after taking into account tax credits available, if any, or based on 0.5% of total turnover from all sources whichever is higher.

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

1.5 Fixed assets:

(a) OWNED

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work in progress are stated at cost. Cost in relation to certain fixed assets including capital work in progress signifies historical cost and exchange differences referred to in Note 1.10.

Till year ended September 30, 1999, depreciation was charged to income at normal tax rates based on diminishing balance method. However, effective from current year, depreciation is charged to income based on diminishing balance method at the rates mentioned at note 10 of these accounts reflecting pattern of consumption of economic benefits. For sugar unit plant and machinery, depreciation is charged on the basis of actual operating days of factory. Full year's/season's depreciation is charged on all assets in the year of acquisition. No depreciation is charged on assets in the year of disposal.

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

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

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

The financial charge is calculated at the interest/mark up rate implicit in the lease and is charged 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, the assets are depreciated over shorter of the lease term or its useful life.

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

1.7 Long term investments:
The company's investments in associated undertaking are stated at cost. The provision is made there against for permanent diminution, if any, in the value of investment. Till September 30, 1999 dividends were recorded on its receipt, however, effective from current year dividends are recognized when rights are established to receive dividend.

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

1.9 Stock-in-trade:
Raw material, work in process and finished goods are valued at lower of average cost and net realizable value. By- products are valued at net realizable value. Stock of fertilizer is valued at lower of cost and net realizable value. Cost is determined on the basis of invoice value and other charges paid thereon.

Cost in respect of manufactured goods signifies prime cost and appropriate portion of the manufacturing overheads.

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

1.11 Deferred Cost:
These are to be written off equally during the tenure of term finance certificates.

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

2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL
3,617,635 Ordinary shares of Rs.10.00 each fully paid up in cash.

814,637 Ordinary shares o1' 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)

	I ***PICIC***	***II*** ***SAUDI PAK***
Balance	3,749	17,864
Less:		
Current maturity shown under current liabilities Note No. 7	2,999	17,864

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	750	--		
	==========	==========		===
Purpose	***LMM***	***LCF***	***LCF***	
Sanctioned/Sale price/ Disbursed Amount (Rs. in Million)	23.993	45.000		
Purchase price (Rs. in Million)	38.195	60.188		
Maximum prompt payment rebate (Rs. in Million)	6.366	--		
Effective rate of mark-up (per annum)	8% (ceiling rate)	18.00% (ceiling rate)		
Remaining number of instalments	5	4		
Mode of payment	***Equal Quarterly***	***Equal Quarterly***	***Equal Quarterly***	
Date of payment of last instalment	01.10.2001	15.09.2001		1

SECURITIES:

PICIC (LMM)	Legal mortgage on the company's present and future immovable properties and a first charge by way of hypothecation in respect of present and future machinery and first floating charge on all other assets. Pending the completion, execution and registration of the mortgage deed as aforestated, the company has created in favour of PICIC a first pari passu charge by way of equitable mortgage on the company's immovable properties, both present and future.
SAUDI PAK I	The facility is secured against bank guarantee issued by Habib Bank Ltd to the extent of Rs.49.388 million valid upto 16th September, 2001. The bank guarantee is secured against first pari passu charge on the fixed assets of the company with senior creditors.
SAUDI PAK II	First pari passu charge by way of equitable mortgage on the company's fixed assets.
OIBPL	Hypothecation of Stock of Sugar.

OTHER PARTICULARS:

SAUDI PAK	Liquidated damages are applicable @ 67 paisas and @ 71 paisas per day per thousand of the amount defaulted respectively.

OIBPL-TF	Liquidated damages are applicable @ 22% of the amount defaulted.

Abbreviation denotes:

PICIC	Pakistan Industrial Credit & Investment Corporation.
SAUDI PAK	Saudi Pak Industrial and Agricultural Investment (Pvt) Ltd.
TF	Term Finance.
LCF	Local Currency Finance.
OIBPL	Orix Investment Bank Pakistan Ltd.

4. OBLIGATIONS UNDER FINANCE LEASE

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

	NDLC	*FUDLM*	*SPLCL*	
Year to Sept. 30, 2000	--	--		
Year to Sept. 30, 2001	11,126	12,276		
Year to Sept. 30, 2002	9,061	10,448		
Year to Sept. 30, 2003	--	--		
Year to Sept. 30, 2004	--	--		
	-----------	-----------		
	20,187	22,724		
Less: Financial charges allocated to future period	3,162	3,824		
	-----------	-----------		
	17,025	18,900		
Less: Current maturity:- Shown under current liabilities (Note 7)	8,637	9,312		
	-----------	-----------		
	8,388	9,588		
	==========	==========		===
(ii) Purpose	LMM	LMM & 1M		& V
(iii) Terms and conditions of lease facilities.				
1) Number of leases availed	2	2		
2) Annual financing rate (monthly/quarterly/ half yearly compounding basis) used as	20.97%	21.00%		

discounting factor ranging between	& 24.22%	& 21.25%	
3) Remaining No. of instalments ranging between	7 & 21	6 & 7	
4) Instalments intervals ranging between	Monthly & Quarterly	Quarterly	Half yearly
5) Lease rental payable in each instalment except last one ranging between rupees	30,000 to 1,974,146	208,570 & 2,860,545	
Last instalment ranging between rupees	398,553 & 4,474,146	341,820 & 4,176,334	
6) Fine payable per month on over due rentals if any.	2%	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
SPLCL	Saudi Pak Leasing Company Limited
OLPL	Orix Leasing Pakistan Limited
DLCL	Dawood Leasing Corporation Limited
FGM	First Grindlays Modaraba
LMM	Locally manufactured machinery
IM	Imported machinery

	Note
5. DEFERRED LIABILITIES:	
Deferred taxation	5.1
Excise duty including interest thereon	9.4
Cane development cess and surcharge	5.2
Provision for staff gratuity	
Sales Tax	9.7

5.1 Deferred taxation.

Net liability for deferred taxation arising due to all major temporary differences (credits and debits) computed under the balance sheet liability method is estimated at Rs. 54.339 million (1999: Rs. 50.850 million) of which Rs. 3.489 million is in respect of current year. The deferred tax liability to the extent of Rs. 6.997 million has not been provided as it is unlikely to crystallize within foreseeable future. Moreover, applicability of revised International Accounting Standard - 12 (Income Taxes) requiring full provision, has been deferred by the Institute of Chartered Accountants of Pakistan till accounting years commencing on and after January 1, 2002.

5.2 Cane development cess and surcharge.
The surcharge on cess levied through Finance (amendment) Act, 1991, at the rate of 15 paisas per 40 kilograms of cane crushed is to be shared equally by the mill and growers. The levy has been challenged in the Court of law. However, the liability has fully been provided for to the extent of 50% of company's share. Since the matter is pending in the Court, therefore, management feels that the matter is not likely to be finalized within one year.

	Note
6. SHORT TERM RUNNING FINANCE AND BORROWINGS:	
Secured:	
Commercial Banks	6.1
Other financial institutions	6.2
Unsecured:	
Due to directors and associated company	6.3

6.1 Running finance facilities available are upto Rs. 370.00 million (1999: Rs. 355.00 million). Markup applicable is ranging between Re. 0.4383 to Re. 0.54 per thousand per diem.

6.2 The sanctioned amount against various financial arrangements aggregated Rs. 217 million (1999: Rs. 75 million). The effective rates of profit/mark-up, per thousand per diem, are ranging between Re. 0.4932 to Re. 0.60 (1999: Re. 0.5479 to Re.0.6027). The seven (1999: four) settlement/repayment dates are falling between November 5, 2000 to October 31, 2001 (1999: October 5, 1999 to September 7, 2000).

6.3 Interest @ 15%and @ 20% per annum is payable on amount due to directors and associated company respectively on daily product basis.

Securities: (Note 6.1 & 6.2)
Hypothecation on stock of sugar, board and raw material, stores & spares, receivables, other current assets and second charge on fixed assets.

7. CURRENT MATURITY	
Redeemable capital	3
Finance lease	4

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	
Accrued expenses	
Payable to financial Institution	
Mark up/Interest accrued on secured loan	
Redeemable capital	
Financial charges on leased assets	
Short term finance	
Export refinance	
Custom duty	9.5
Sales Tax	
Other government levies	
Worker's profit participation fund	8.1
Due to associated undertakings (unsecured and interest free)	
Deposits and retentions	
Brokerage and commission on sugar	
Unclaimed dividends	
Due to provident fund	
Apprenticeship money	8.2
Others	

8.1 WORKER'S PROFIT PARTICIPATION FUND

Balance October 1,	
Less:	
Paid to trustees	
Left out amount deposited with government .treasury	
Add:	
Provision for the current year	
Interest due on fund utilized in the company's business shown under financial charges	24

(a) The amount utilized by the company during the year was Rs. 1.944 million (1999:Rs. 0.148 million).

8.2 The apprenticeship money has been deposited in a separate bank account (Note - 19) as required by section 227 of the Companies Ordinance, 1984.

9. CONTINGENCIES AND COMMITMENTS

9.1 The Company's commitments on September 30, 2000 are as follows:

Capital expenditure
Letter of credits

9.2 The Company has issued continuing guarantee to bank aggregating Rs. 82.50 million (1999: Rs. 70 million) in consideration of the banks making loans to cane growers for the purchase of seeds and fertilizers.

9.3 The guarantee amounting to Rs. 19.045 million was issued to Collector, Central Excise and Land Customs, Hyderabad in respect of payment of 50% central excise duty against clearance of sugar stocks of 17,799.50 metric tons. The issue is related to denial of excise duty exemption by declaring full crushing season at minimum of 180 days vide notification of December 23, 1992. The Company has disputed against the denial of exemption and has filed a constitutional petition before the Honourable High Court of Sindh. However, the excise duty liability has been fully provided for including compounding interest @ 14% per annum thereon. The guarantees have been encashed by the Collector, Central Excise and Land Customs, Hyderabad for the full principle amount of Rs. 19.045 million (Rs. 11.045 million in the current year and Rs. 8 million in the previous year).

9.4 The Company had applied to the Government of Pakistan for declaring Medium Density Fibre Board Industry as "Key Industry" under SRO 458(1)/88 dated June 26, 1988 as the project is using 100% local raw material. Pending the declaration as Key Industry, the Central Board of Revenue has allowed the Company to get the consignments of plant and machinery cleared against bank guarantees. The Collector of Customs has presented Bank guarantees for encashment and the company accordingly filed a writ in the High Court of Sindh there against. The High Court in its order has allowed the Collector of Customs to get the bank guarantees encashed with the conditions that in case bank guarantees are encashed and the decision goes in favour of the Company. The amount of bank guarantees encashed will be refunded alongwith 14% markup. Total amount of duties involved is Rs. 8.893 million which had been fully provided for in the accounts in the relevant prior year, out of which Rs. 8.694 million has been paid upto September 30, 1999.

9.5 The Company had obtained the banking facility of Rs. 25 million from Mehran Bank Limited in March, 1992 which was subsequently parked by Mehran Bank from National Investment Trust against their bank guarantee. The facility was repaid by the Company to Mehran Bank Limited and the charge created there against in favour of Mehran Bank Limited was satisfied immediately on repayment. In December, 1996 National Investment Trust wrote a letter to the Company that parking facility of Rs. 25 million is still outstanding in their books. The liability has been denied by the Company since it has already repaid the above amount to Mehran Bank Limited. The Company has filed a suit in the High Court of Sindh against National Investment Trust and Mehran Bank Limited (now merged with National Bank of Pakistan). The matter has been settled out of court and National Bank of Pakistan and National Investment Trust has finally adjusted their book accordingly, and the matter now therefore stand resolved.

9.6 A demand of Rs. 6.216 million in respect of sales tax on in house use of baggasse as fuel was raised by the Collectorate of Sales Tax, Hyderabad. The Company has disputed the liability and has filed an appeal before the Sales Tax Appellate Tribunal, Karachi, the outcome of which is pending. However, to avail a relief from further levy of additional tax and penalties, as facilitated through SRO 1349(1)/99 dated 17th December, 1999, the company has paid total tax due of Rs. 11.795 million, including an additional tax of Rs. 4.413 million which has been shown as advances at note 18 of these accounts.

9.7 The Company has filed petition before Honorable High Court of Sindh challenging the levy of further tax against taxable supplies made to persons other than registered person under section 3(1A) of the Sales Tax Act, 1990. However, the entire liability till September 30, 2000 against such further tax has been paid by the company including additional tax and penalties.

10. OPERATING ASSETS - TANGIBLE

		Cost	
PARTICULARS	***Cost at 1.10.1999***	***Addition/ (Sales)/ Transfer****	***Cost at 30.9.2000***
OWNED:			
Freehold land	3,786	--	
Factory building:			
on free hold land	22,334	19	
Non factory building:			
on free hold land	41,958	6,950	
on leasehold land	9,675	--	
Plant and machinery	937,466	42,368 (20,000) *	
Furniture, fixture and fitting	10,045	239	
Office equipment	21,787	905	
Vehicles	14,077	1,037 (1,343)	
	-----------	-----------	
	1,061,128	51,518 (1,343) (20,000) *	
	-----------	-----------	
LEASED:			
Plant and machinery	105,666	77,881 20,000 *	
Vehicles	5,707	--	
	-----------	-----------	
	111,373	77,881 20,000 *	
	-----------	-----------	
2000 RUPEES	1,172,501	129,399 (1,343)	

	==========	==========	===
1999 RUPEES	955,447	217,817	
		(763)	
	==========	==========	===

10.1 The depreciation has been allocated as follows:

	SUGAR	***BOARD***	***TOTAL***
Manufacturing	22,510	12,563	
Administration and Selling	5,393	1,699	
	-----------	-----------	
	27,903	14,262	
	==========	==========	===

10.2 Depreciation on Sugar plant and machinery has been charged on actual crushing days i.e. 132 days (1999:148 days).

10.3 Depreciation on MDFB plant and machinery has been charged on the basis of 300 days (1999:300 days).

10.4 In view of change in accounting policy, as explained at note 1.5 (a) of these accounts, the depreciation rate on office equipment has been revised upward from 10% per annum to 33% per annum prospectively. Had the revision not been made, the profit for the year would had been higher by Rs. 2.262 million.

10.5 Total additions in owned and leased assets include transfer from capital work in progress aggregating Rs. 106.474 million.

Note

11. CAPITAL WORK-IN-PROGRESS
SUGAR UNIT:
Plant and Machinery
Advance for capital expenditure

BOARD UNIT:
Plant and Machinery
Building
Advance for capital expenditure

12. LONG TERM INVESTMENTS
In associated company:
3,299,784 (1999:3,299,784) ordinary shares of Rs. 10.00
each of Shahmurad Sugar Mills Limited-listed company
Equity held 15.625% (1999:15.625%)
Market value Rs. 28.543 million (1999: Rs. 58.571 million)

500,000 (1999: 500,000) ordinary shares of Rs. 10.00 each of A1-Noor Modaraba Management (Pvt) Limited Equity held 14.285% (1999:14.285%) Break-up value Rs.l.15 (1999:Re.0.65) per share (Chief Executive: Mr. S.M. Aminullah)	12.10

12.1 Considering the projected future profitability of Al-Noor Modaraba Management (Pvt) Limited, management feels that the diminution in the value of investment is temporary in nature and the provision for permanent diminution as required by the company's accounting policy is therefore not necessary.

13. LONG TERM LOANS AND ADVANCES
(Considered good)

Due from executives	
Less: Receivable within one year	18
Due from other employees	
Less: Receivable within one year	18
Outstanding for period exceeding three years	
Others	

Loans to executives are generally granted for purchase of house, car and for domestic needs and are repayable over a period of 10 years. All the loans are granted to the employees of the company in accordance with the terms of employment.
The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.814 million (1999:Rs. 0.378 million).

14. LONG TERM DEPOSITS
Deposits
Leasing companies
Others

15. DEFERRED COST
Advisory, placement fee and commission

Rating fee
Listing fee
Other charges

This represent expenses incurred in relation to the future issue of term finance certificates.

16. STORES AND SPARES

Stores
Spares
Stores and spares in transit

Less: Provision for obsolete spare items

17. STOCK IN TRADE

Work-in-process

Sugar

Finished goods

Sugar
MDF Sheets
Imported sugar
Fertilizer
Molasses

18. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Loan (considered good)

Due from - Executives	13
- Other employees	13

Advances (considered good)

Employees	
Financial institutions	
For purchase and services	
Growers	
Sales tax on bagasse	9.6
Others	

Short term prepayments

Other Receivables

Associated undertakings	18.1
Guarantee margin	
Transportation contractors	
Refundable Income Tax	
Financial institutions	
Letter of credit margin	
Asstt: Collector Central Excise and Land Custom	
Sales tax refundable	
Others	

18.1 The amount receivable on account of rent receivable and insurance claims amounting to Rs. 2.288 million (1999:Rs. 0.575 million).

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 2.513 million (1999:Rs. 1.282 million).

19. BANK AND CASH BALANCES

With banks:

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

Cash in hand

20.OPERATING RESULTS

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

	Note		**SUGAR**
		2000	***1999***
			(Rupees in thousand)
Sales			
Local		1,219,958	
Export		--	
Duty draw back		--	

		1,219,958	
Returns		--	

		1,219,958	
Sales tax		154,595	
Brokerage and commission		613	
Trade discount		--	

		155,208	

Net Sales	20	1,064,750	
Cost of goods sold	21	896,346	

Gross profit		168,404	
Administration and selling expenses	22	60,107	

Operating profit		108,297	
		==========	===

20.1 Inter-segment pricing

Transfers between business segments are recorded at fair value.

20.2 Segment assets	935,298
20.3 Segment liabilities	63,696
20.4 Non-cash items (excluding depreciation)	9,682
20.5 Capital expenditure	14,261

	Note	**SUGAR**	
		2000	***1999***
		(Rupees in thousand)	
21.COST OF GOODS SOLD			
Opening stock of finished goods		90,921	
COST OF MANUFACTURE			
Opening stock of work in process		794	
Raw material consumed		701,055	
Salaries, wages & benefits 21.1		70,901	
Stores and spares consumed		37,799	
Packing materials		9,387	
Fuel and oil		11,052	
Power and water		6,695	
Repairs and maintenance		10,662	
Insurance		4,044	
Other manufacturing expenses		8,127	
Cane development cess			

and surcharge		5,923
Education cess		41
Depreciation		22,510

		888,990
Less:		
Closing stock of:		
Work in process		2,242
		886,748
Molasses sale		18,916
Electricity charged to MDFB		14,553
Bagasse sale	21.2	1,068
Sander dust sale		--
Other		--
		34,537

		852,211
Excise duty		--

Cost of manufacture		852,211

		943,132
Less:		
Closing stock of finished goods		46,786

		896,346
		==========

===

21.1 Includes Rs. 1.504 (1999: Rs. 1.440) million in respect of contribution towards staff provident fund and Rs. 3.105 (1999: Rs. 1.45 million in respect of provision for staff gratuity.

21.2 This excludes sales tax on bagasse aggregating Rs. 0.171 million.

	Note	**SUGAR**	
		2000	***1999***
		(Rupees in thousand)	
22. ADMINISTRATION AND SELLING EXPENSES			
Salaries, wages & benefits	22.10	17,886	
Staff welfare		6,984	
Rent, rates and taxes		1,457	
Electricity and gas charges		1,397	
Repairs and maintenance		2,664	
Chief Executive & Director's remuneration & perquisite	31	2,418	
Legal and professional		929	

Vehicle running	4,403	
Insurance	925	
Communication	2,638	
Sales Promotion & Advertisement	121	
Export sale expenses	--	
Despatch and stacking	1,534	
Entertainment expenses	804	
Printing and stationary	734	
Fees and subscription	571	
Depreciation	5,393	
Provision for obsolete spare items	5,000	
Others	4,249	

	60,107	
	==========	===

22.1 Includes Rs. 0.791 (1999: Rs. 0.914) million in respect of contribution towards staff provident fund and Rs. 1.310 (1999: Rs. 0.83 million in respect of provision for staff gratuity.

	Note
23. OTHER INCOME	
Profit on trading of fertilizer	23.1
Profit on trading of imported sugar	23.2
Insurance claim	
Dividend Income	
Sale of scrap	23.3
Profit on disposal of fixed assets-net	29
Rent	
Excise duty	9.3

23.1 Profit on trading of fertilizer

Sales
Less: Cost of goods sold
Opening stock
Purchases
Closing stock

23.2 Profit on trading of imported sugar

Sales
Less: Sales tax

Less: Cost of goods sold

Purchases
Closing stock

23.3 This excludes sales tax on scrap aggregating Rs. 0.334 (1999: Rs. 0.114) million.

24. FINANCIAL CHARGES

Mark up on:
Redeemable capital:
Short term running finance

Interest on:

Long term loans	
Excise duty	9.4
Workers' profit participation fund	8.1

Finance charges on leased assets
Front end and project examination fee
Bank guarantee and commission
Bank charges
Others

Less: Interest/profit earned on:

Staff members' loans
Commercial bank deposits

25. OTHER CHARGES

Sales tax penalties	
Workers' profit participation fund	
Charity and donation	25.1
Auditors' remuneration	27
Director's meeting fee	

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

26. TAXATION

Turnover Tax - current

Presumptive tax

Tax withheld in respect of import of fertilizer
Tax withheld in respect of import of sugar

Deferred Taxation
Current
Prior

Provision for current taxation is not required due to availability carry forward tax depreciation losses.

27. AUDITORS' REMUNERATION

Audit fee
Statutory
Certification and special audit
Provident fund
Out of pocket expenses

28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases:
Services

Sales:
Services

Insurance claims

29. PROFIT ON DISPOSAL OF OPERATING ASSETS

(Mode of sale by negotiation)

Description	***Original Cost***	***Accumulated Depreciation***	***Written down value***
Motorcycle Honda CD 70 Registration No. KCK-8171	47	34	
Motorcycle Honda CD 70 Registration No. KCK-8172	47	34	
Motorcycle Honda CD 70 Registration No. KCK-8175	47	34	
Motorcycle Honda CD 70 Registration No. KCK-9321	46	34	
Motorcycle Honda CD 70 Regis{ration No. KCV-744	49	33	
Motorcycle Honda CD 70 Registration No. KAA-8355	10	10	
Suzuki Khyber Registration No.W-3745	254	188	
Toyota Corolla Registration No.E-5421	235	85	
Suzuki Khyber Registration No.W-3746	136	132	
Suzuki Khyber Registration No.U-4476	254	188	

Suzuki Pickup Registration No. CK-3454	218	182
	-----------	-----------
	1,343	954
	==========	==========

===

30. CAPACITY AND PRODUCTION IN METRIC TONS

		CAPACITY	*DAYS*	*PRODUCTION*
SUGAR UNIT	2000	23,167	160	
	1999	23,167	160	
BOARD UNIT	2000	22,500	300	
	1999	22,500	300	

Reasons for under utilisation of Board Unit capacity:
- Due to dumping of imported medium density fiber board sheets in the market.

31. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION
The aggregate amount charged in the accounts of the year for remuneration including all benefits to Chief Executive, Directors and Executives of the company were as follows:

	Chief Executive		**Directors**
	2000	***1999***	***2000***
Remuneration	600	600	
Provident fund			
Perquisite (including house rent and Bonus)	330	330	
Reimbursable expenses including travelling expenses	167	1,180	
	-----------	-----------	
	1,097	2,110	
	-----------	-----------	
Number of persons	1	1	
	==========	==========	===

i) The Chief Executive, certain Directors and Executives are provided with free use of company's cars.
ii) Meeting fee paid to 6 Directors was Rs. 4,500 (1999:7 Directors Rs. 6,500)
iii) Reimbursable expenses paid to non-salaried directors amounting to Rs. 0.726 million (1999:Rs 1.016 million) has not been taken in aforestated schedule.

32. NUMBER OF EMPLOYEES
Total average number of employees (including permanent, seasonal and temporary) for the year are 1031 (1999: 1057).

33. EARNING PER SHARE - BASIC AND DILUTED

Profit after taxation (rupees in thousand)
Weighted average number of shares
Earning per share (rupees)

34. FINANCIAL INSTRUMENTS

Interest rate risk

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of September 30, 2000 are as follows:

		(Rupees in thousand)	
		Non-Interest Bearing	
	Total		***Less than one year***
FINANCIAL ASSETS			
Long term investments	26,631		
Long term loans and advances	171		
Long term deposit	2,557		
Trade debts	11,844		
Loans, advances and receivables	80,784		
Bank and cash balance	60,774		

2000-Rupees	182,761		
	==========		===
1999-Rupees	157,939		
	==========		===
FINANCIAL LIABILITIES			
Redeemable Capital	64,257		
Obligation under finance lease	120,456		
Short term running finance and borrowing	417,456		
Creditors accrued and other liabilities	119,985		
Taxation	--		

2000-Rupees	722,154		
	==========		===
1999-Rupees	781,797		
	==========		===

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

Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted.

Fair Value of financial instruments

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

35. GENERAL

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

ISMAIL H. ZAKARIA
Chief Executive

YUSUF AYOOB
Director

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30TH SEPTEMBER, 2000

NOS OF SHAREHOLDERS		HOLDINGS	
322	FROM	1	TO
440	FROM	101	TO
108	FROM	501	TO
239	FROM	1001	TO
93	FROM	5001	TO
2	FROM	10001	TO
6	FROM	15001	TO
4	FROM	20001	TO
1	FROM	25001	TO
1	FROM	45001	TO
1	FROM	50001	TO
2	FROM	60001	TO
2	FROM	80001	TO
1	FROM	90001	TO
1	FROM	95001	TO
2	FROM	105001	TO
1	FROM	115001	TO
1	FROM	140001	TO
2	FROM	150001	TO
3	FROM	165001	TO
2	FROM	170001	TO
2	FROM	175001	TO
2	FROM	185001	TO
2	FROM	210001	TO
1	FROM	240001	TO
1	FROM	245001	TO
3	FROM	250001	TO
1	FROM	260001	TO
1	FROM	265001	TO
1	FROM	275001	TO
1	FROM	290001	TO
1	FROM	295001	TO
2	FROM	320001	TO
2	FROM	335001	TO
1	FROM	375001	TO
1	FROM	385001	TO
2	FROM	395001	TO
1	FROM	415001	TO
1	FROM	425001	TO
1	FROM	510001	TO

1	FROM	640001	TO	
1	FROM	680001	TO	
1	FROM	700001	TO	
1	FROM	4660001	TO	
-----------	-----------	-----------		-----------
1265				
==========	====================		==========	===

CATEGORIES OF SHAREHOLDING AS ON 30-09-2000

CATEGORIES OF SHAREHOLDERS	***NUMBER***	***SHARES HELD***
INDIVIDUALS	1242	1
JOINT STOCK COMPANIES	9	
INSURANCE COMPANIES	4	
FINANCIAL INSTITUTIONS	7	
MODARABA COMPANIES	1	
OTHERS	2	

TOTAL	1265	1
	==========	===