

Baba Farid Sugar Mills Limited

Annual Report 2001

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COMPANY'S INFORMATION

BOARD OF DIRECTORS CHIEF EXECUTIVE
MR. GHULAM MOHAMMED A. FECTO

DIRECTORS
MR. MUNAWAR ALI FECTO
MR. KAISER MAHMOOD FECTO
MR. YAHYA AHMED BAWANY
MR. MOIN A. HAROON
MR. JAMES R. RICHARDS
MR. FAZLUR REHMAN

AUDITORS M/S. HYDER BHIMJI & CO
(Chartered Accountants)

M/S. A. R. DIWAN & CO.
(Chartered Accountants)

BANKERS MUSLIM COMMERCIAL BANK LTD.
HABIB BANK LTD.

REGISTERED OFFICE 1ST FLOOR, PANORAMA CENTRE,
RAJA GHAZANFAR ALI KHAN ROAD,
KARACHI-75530

ZONAL OFFICE 1ST FLOOR, NAWA-E-WAQT HOUSE,
4-SHAHRAH-E-FATIMA JINNAH
LAHORE.

MILLS OKARA (Distt. OKARA)

NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of the members of the Company will be held on Wednesday the March 27, 2002 at 10:00 a.m. at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Gate # 1, Aiwan-e-Saddar Road, Karachi to transact the following business.

ORDINARY BUSINESS

(1) To receive and adopt the Report of the Directors and the Audited Accounts of the Company together with the Auditors' Report for the Financial Year ended September 30, 2001.

(2) To appoint Auditors for the year 2001-2002 and fix their remuneration.

By order of the Board
(GHULAM MOHAMMED A FECTO)
Chief Executive

Karachi the 16th February, 2002.

NOTES:

- (1) The Share Transfer Books of the Company will remain closed from March 20, 2002 to March 27, 2002 (both days inclusive).
- (2) All the members should bring their original National Identity Cards at the time of the meeting.
- (3) A member entitled to attend and vote at this Meeting, may appoint another member as his/her Proxy to attend, speak and vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
- (4) Shareholders are requested to notify any change in their address immediately.

CDS Account Holder:**A. For Attending the Meeting:**

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 authenticate his/her identity by showing his/her 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 numbers 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/her original NIC or original passport at the time of the meeting.

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

DIRECTORS' REPORT

The Members,
BABA FARID SUGAR MILLS LIMITED
KARACHI.

Gentlemen,
Your Directors present the Twenty Third Annual Report and Audited Accounts for the year ended September 30, 2001. The operational performance for the year under review is as under

	2001	2000
Date of Commencement of Season	November 20, 2000	November 15, 1'999
Date of Cessation (Concluding of Season)	April 06, 2001	March 22, 2000
Crushing Duration	Days 138	128
Cane Crushed	M.Tons 318,081	335,992
Sugar Production	M.Tons 29,750	24,100
Sucrose recovery	% 7.00	7.17

The total sugarcane crop, in the Province of Punjab, was substantially less due to decrease in the area under cultivation and natural factors. The shortage of cane resulted in substantial pilferage from our natural zone and payment to grower prices higher than the support prices fixed by the government. Frequent price raises by growers made the supplies of cane to mills intermittent with forced stoppage of crushing. We, therefore, operated below our capacity.

Moreover, the crop was badly affected by attack of borer which in turn affected the sucrose con-

ment of cane resulting in drop of recovery percentage. Under capacity operations and drop in recovery resulted in decrease in production of refined sugar during the year.

The Government was deeply concerned with the situation of production of refined sugar from sugar cane in the country and therefore to bridge the gap between consumption and production of refined sugar allowed initially an import of 0.5 million tons of raw sugar which was later on increased to 0.6 million tons to meet the demand of the country. We re-melted 8196 metric tons of Raw Sugar and produced 7518 metric tons of refined sugar but as the prices of raw sugar in International markets had also risen, the cost of production thereof was more than selling prices prevailing in the local market.

At the start of the season the prices of sugar in local market had shown rising trend but the decision of the Government to import refined sugar which was unnecessary, pushed the sugar prices downward adding to the woes of Sugar industry, wastage of hard earned foreign exchange, and benefited only a few traders at the cost of the Industry. According to press report published in DAWN on February 14, 2002, the Federal Bureau of Statistics showed that 83,434 tons of sugar worth \$22.68 million were imported during the period July 2001-January 2002.

Your Board regretfully recommends that the Dividend for the year under review be passed over. The Earnings/(loss) per share has increased to Rs. (3.54) from Rs. (0.60)

CURRENT YEAR- PROSPECTS

As anticipated in last year's report, the current sugarcane crop in the province is good to give mills an optimum level of crushing. The recovery to-date is encouraging and hopefully the province will produce a substantial quantity of refined sugar.

We commenced current crushing season on 30th November, 2001 and are encouraged with the results achieved so far, in as much as, on February 15, 2002, we crushed 245,686 metric tones of sugarcane producing 19,228 metric tones of refined sugar @ 7.84% recovery. God willing, we will be able to crush approximately 450,000 metric tons during the current season and also hope to achieve the targeted production.

We have managed to line up adequate finances for smooth operation of the current season.

During the year under review, your Directors, Mr. Said Ahmed and Dr. Abdul Wahid Mohammad expired. The Board wishes to place on record its profound sorrow and its appreciation of their valuable services and guidance for the benefit of the Company. May Allah rest their souls in peace and give forbearance to the bereaved families to bear the loss.

Your Directors place on record their appreciation for the honest and dedicated work of the staff and workers of all categories and have pleasure to mention here that during the year under review, the Management Employees relations continued to remain quite cordial.

Your Directors express their thanks to the officials of the Ministry of Food and Agriculture, other Government Agencies and Pakistan Sugar Mills Association for the support and encouragement they have extended to your Company and which we hope will continue in future too. We would also like to express our sincere thanks to all the financial institutions for their continued support and co-operation.

Messrs. Hyder Bhimji & Co. and Messrs. A.R. Diwan & Co. the Auditors of the Company retire and offer themselves for reappointment.

Statement showing the pattern of holding of the shares held by the members of Baba Farid Sugar Mills Limited as on 30.9.2001 is annexed.

By Order of the Board
(GHULAM MOHAMMED A. FECTO)
Chief Executive

KARACHI: the 16th February, 2002

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/S BABA FARID SUGAR MILLS LIMITED as at September 30, 2001 and related Profit and loss account, Cash Flow statement and statement of changes in equity, together with the notes forming part thereof, for the year 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 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 accounts 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 accounts 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 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 and 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, 2001 and of the loss in Cash Flow and changes in equity for the year ended; and

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

Without qualifying our opinion, we draw your attention to the note No. 2.1 of the financial statement in respect of appropriateness of going concern basis, however the financial statements have been prepared on the basis in view of matters stated in that note.

Karachi: the 16th February, 2002

A. R. DIWAN & CO.
Chartered Accountants

HYDER BHIMJI & CO.
Chartered Accountants

BALANCE SHEET AS AT SEPTEMBER 30, 2001

	NOTE	2001 RUPEES	2000 RUPEES
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorized 10,000,000 Ordinary Shares of Rs. 10/= each		100,000,000	100,000,000
Issued Subscribed & Paid up	3	94,500,000	94,500,000
Accumulated (loss)		(110,039,328)	(76,579,980)
		(15,539,328)	17,920,020
SUB-ORDINATED LOANS	4	60,000,000	60,000,000
REDEEMABLE CAPITAL	5	106,972,500	51,080,000
DEFERRED LIABILITIES	6	28,700,000	29,700,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	66,378,652	40,977,963
CURRENT LIABILITIES			
Current Portion of Long Term Liabilities	8	74,583,299	99,161,993
Short Term Running Finance (Utilized under Mark-up Arrangements)	9	50,946,801	35,295,079

Creditors, accrued and other liabilities	10	66,586,654	60,353,089
Provision For Taxation		5,342,640	4,987,133
		197,459,394	199,797,294
CONTINGENCIES AND COMMITMENTS	11	--	--
		-----	-----
TOTAL		443,971,218	399,475,277
		=====	=====
FIXED ASSETS			
Operating Assets	12	234,342,728	250,788,595
Capital Work-in-Progress		383,437	383,437
		234,726,165	251,172,032
LONG TERM DEPOSITS	13	12,326,967	13,865,867
CURRENT ASSETS			
Stores, Spares and Loose Tools	14	28,285,063	33,702,275
Stock-in-Trade	15	59,392,390	14,828,243
Trade Debts	16	49,590	57,162
Short term investment	17	61,500,000	--
Loans and Advances	18	8,960,536	14,416,417
Deposits, Prepayments and Other Receivables	19	1,085,064	1,948,592
Cash and Banks Balances	20	37,645,443	69,484,689
		-----	-----
		196,918,086	134,437,378
		-----	-----
TOTAL		443,971,218	399,475,277
		=====	=====

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

(GHULAM MOHAMMED A. FECTO) (MOIN A. HAROON)

Karachi: the February 16, 2002

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2001

		2001	2000
	NOTE	RUPEES	RUPEES
Sales	21	571,712,788	466,574,137
Cost of Sales	22	527,460,381	411,156,048
		-----	-----
Gross Profit		44,252,407	55,418,089
Administrative Expenses	23	26,848,718	28,726,226
Selling & Distribution Expenses	24	1,418,107	1,582,759
		-----	-----
		28,266,825	30,308,985
		-----	-----
Operating Profit / (Loss)		15,985,582	25,109,104
Other Income	26	7,399,744	3,100,664
		-----	-----
		23,385,326	28,209,768
		-----	-----
Financial Expenses	27	55,271,947	30,819,509
Other Charges	28	93,540	96,240
		-----	-----
		55,365,487	30,915,749
		-----	-----
		(31,980,161)	(2,705,981)
Prior Year Adjustment	29	(920,650)	--
Net Loss Before Taxation		(32,900,811)	(2,705,981)
Taxation	30	(558,537)	(2,991,777)
		-----	-----
Net Loss After Taxation		(33,459,348)	(5,697,758)
Accumulated Loss Brought Forward		(76,579,980)	(70,882,222)
		-----	-----
Accumulated loss carried forward		(110,039,328)	(76,579,980)
		=====	=====
Earning per Share	31	(3.54)	(0.60)

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

Karachi: the February 16, 2002

(GHULAM MOHAMMED A. FECTO) (MOIN A. HAROON)
Chief Executive Director**(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30TH SEPTEMBER, 2001**

	NOTE	2001 RUPEES	2000 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated f A	A	(51,722,932)	69,527,539
Financial charges paid		(52,325,200)	(35,864,965)
Taxes paid		(1,203,029)	(3,596,102)
Dividend paid		--	(350)
		-----	-----
Net cash inflow from operating activities		(105,251,161)	30,066,122
		-----	-----
CASH FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(493,199)	(16,183,118)
Sale proceeds of fixed assets		--	150,000
Decrease in long term deposits		1,538,900	(3,999,950)
Decrease in long term investment		--	3,000,000
		-----	-----
		1,045,701	(17,033,068)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in short term finance		15,651,722	(67,485,860)
Proceeds of liabilities against assets subject to finance lease		151,250,000	40,000,000
Repayment of liabilities against assets subject to finance lease		(115,989,940)	(22,745,272)
Proceeds of redeemable capital		92,500,000	110,425,269
Decrease/increase in Deferred Liability		(3,206,291)	(5,038,457)
Repayment of redeemable capital		(67,839,275)	--
		-----	-----
		72,366,216	55,155,680
		-----	-----
Net increase/(decrease) in cash and Cash equivalents		(31,839,246)	68,188~734
Cash and Cash Equivalent in the beginning of the year		69,484,689	1,295,955
		-----	-----
Cash and cash equivalents at the end of year		37,645,443	69,484,689
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi: the February 16, 2002

(GHULAM MOHAMMED A. FECTO) (MOIN A. HAROON)
Chief Executive Director

A. CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) before taxation		(32,900,811)	(2,705,981)
Add/(less) adjustment for non cash charges and other items			
Depreciation		16,939,067	18,253,715
(Profit) on disposal of fixed assets		--	(126,000)
Financial charges		55,271,947	30,819,509
Provision for obsolete stores items		--	1,001,250
		-----	-----
		72,211,014	49,948,474
		-----	-----
Profit before working capital changes		39,310,203	47,242,493
		=====	=====
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES			
(Increase)/decrease in current assets			
Stores and spares		5,417,212	1,565,256
Stock-in-trade		(44,564,147)	13,573,782
Short term investment		(61,500,000)	--

Trade debts	7,572	(23,042)
Loans and advances	5,455,882	(6,687,293)
Deposits, prepayments & Receivables	863,528	2,903,968
	-----	-----
	(94,319,953)	11,332,671
Increase/(decrease) in current liabilities:		
Creditors and accrued liabilities	3,286,818	10,952,375
	-----	-----
	(91,033,135)	22,285,046
	-----	-----
Cash generated from operations	(51,722,932)	69,527,539
	=====	=====

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2001

	<i>Share Capital</i>	<i>Unappropriated Profit / (Loss)</i>	<i>Total</i>
Balance as on Sept. 30 1999	94,500,000	(70,882,222)	23,617,778
Net Loss for the Year	--	(5,697,758)	(5,697,758)
	-----	-----	-----
Balance as on Sept. 30, 2000	94,500,000	(76,579,980)	17,920,020
Net Loss for the Year	--	(33,459,348)	(33,459,348)
	-----	-----	-----
Balance as on Sept. 30, 2001	94,500,000	(110,039,328)	(15,539,328)
	=====	=====	=====

(GHULAM MOHAMMED A. FECTO) (MOIN A. HAROON)

Karachi: the February 16, 2002

Chief Executive

Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2001

1. THE COMPANY AND ITS OPERATIONS:

Baba Farid Sugar Mills Limited was incorporated in Pakistan in 1978 as a Public Limited company and its shares are quoted on the Karachi and Lahore Stock Exchanges. The company is principally engaged in the production and sale of sugar.

2. GOING CONCERN:

These accounts have been prepared on ongoing concern basis despite the fact that during the year the company have incurred a net after tax loss of Rs. 33.5 million, and its accumulated loss stood at Rs. 110.04 million. However the going concern basis is valid as:

- The Company is able to arrange finances for its smooth operation.
- Repayment of liabilities are being made and there are no defaults.
- Subsequent production and financial results of the company have shown improvement and profit.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

2.1.1 Accounting Convention:

The Accounts of the Company are prepared on historical cost convention.

2.1.2 Foreign Currency Translation:

Loans in foreign currency, if any, are translated into Pak Rupees at the rate of exchange ruling on the Balance Sheet date. The resultant difference is adjusted to assets acquired under the loans.

2.1.3 Staff Retirement Benefits:

The Company operates a defined Contributory Recognized Provident Fund Scheme for all permanent employees eligible to the benefit.

2.1.4. Borrowing cost:

Interest, markup and other charges on long term liabilities are capitalized upto the date of commissioning of fixed assets, acquired out of the proceeds of such long-term liabilities. All other interest, markup and other charges are charged to income.

2.1.5 Taxation:

The provision for current taxation is calculated in accordance with the provision of the income tax ordinance 1979.

The company accounts for deferred taxation on all major timing differences by using liability method.

2.1.6 Fixed Assets:

Company Owned Assets:

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost. Depreciation is computed by applying reducing balance method whereby the cost of an asset will be written off over its estimated useful life. Full year depreciation is charged on the assets acquired during the year, while no depreciation is charged in the year of their disposal.

Maintenance and normal repairs are charged to Profit & Loss Account as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired. Profit or Loss on disposal of fixed assets is included in current income.

Leased Assets (Under Finance Lease):

The Company accounts for plant and machinery under financial lease, by recording the assets and related liabilities. The amounts are determined on the basis of discounted value of total minimum lease payment and residual value of the asset at the end of lease period to be paid by the company. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rate specified in the related note to write-off the assets over its estimated useful life in view of the certainty of the ownership of the assets at the end of the lease period.

2.1.7 Stores, Spares, Accessories and Loose Tools:

These are valued at cost on the basis of First-in-First out method except those in transit, which are valued at actual cost.

2.1.8. Stock-in-Trade:

a) Stock-in-Process:

Stock-in-Process is valued at average raw material cost.

b) Finished Goods:

Stock of manufactured Sugar is valued at the lower of average cost or net realizable value.

c) Molasses:

Valued at net realizable price.

2.1.9 Trade Debts:

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

2.1.10 Revenue Recognition:

Sales are recorded on dispatch of goods to Customers. Income from Profit on time deposit / COI's and rent recognized on accrual basis.

	<i>2000</i>	<i>2001</i>
	<i>RUPEES</i>	<i>RUPEES</i>
3. ISSUED, SUBSCRIBED AND PAID-UP:		
6,400,000 (2000: 6,400,000) Ordinary Shares of Rs. 10/- each fully paid Issued for cash.	64,000,000	64,000,000
3,050,000 (2000: 3,050,000) Ordinary Shares of Rs. 10/- each issued as fully paid Bonus Shares	30,500,000	30,500,000
	-----	-----
	94,500,000	94,500,000
	=====	=====
SUB-ORDINATED LOANS (UNSECURED):		
From Associated Undertakings	60,000,000	60,000,000
	=====	=====

(The above loan is interest free and repayable at the convenience of the company).

<i>TOTAL</i>	<i>CURRENT</i>	<i>LONG TERM</i>	<i>2000</i>
	<i>MATURITY</i>	<i>LOANS</i>	

5. REDEEMABLE CAPITAL:

First Providence Modaraba	5.1	50,000,000	5,259,500	44,740,500	--
Guardian Leasing Modaraba	5.2	42,500,000	--	42,500,000	--
N.D.F.C	5.3	8,585,994	8,585,994	--	8,580,000
I.D.B.P	5.4	34,000,000	14,268,000	19,732,000	33,500,000
Standard Chartered Grindlays Bank Ltd.	5.5	--	--	--	9,000,000
		-----	-----	-----	-----
		135,085,994	28,113,494	106,972,500	51,080,000
		=====	=====	=====	=====

5.1 Musharika finance is secured by way of demand promissory note and personal guarantee of two sponsoring directors. The rate of profit is 18.75% p.a, payable in 10 equal semi-annual installments commencing from 28th February 2002.

5.2 Musharika finance is secured by way of demand promissory note and personal guarantee of two sponsoring directors and payable in five years. The rate of profit is 18.75% p.a.

5.3 Loan is secured by way of charged on company's property and personal guarantee of sponsoring directors. The rate of markup is 17% p.a.

5.4 Loan is secured by way of first charge on fixed assets of the company. The loan is repayable in 37 monthly installments starting from January 01, 2001. The rate of markup is 50 paisas per day per 1000/-,

5.5 Loan was secured by way of floating charge on the assets of the company. The rate of markup was 13% p.a.

6. DEFERRED LIABILITIES:

	<i>2001</i>	<i>2000</i>
	<i>RUPEES</i>	<i>RUPEES</i>
Deferred Taxation	28,700,000	29,700,000
Road development cess	--	3,206,291
Less: to be paid next year	--	3,206,291
	-----	-----
	28,700,000	29,700,000
	=====	=====

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE (SECURED):

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	RUPEES		RUPEES	
	2001		2000	
	<i>Minimum</i>	<i>Present</i>	<i>Minimum</i>	<i>Present</i>
	<i>Lease</i>	<i>Value</i>	<i>Lease</i>	<i>Value</i>
	<i>Payments</i>		<i>Payments</i>	
Within one year	46,469,804	36,728,991	36,610,433	26,913,884
After one year but not more than Five years	100,020,469	76,119,465	58,459,546	50,674,512
	-----	-----	-----	-----
Total minimum lease payments	146,490,273	112,848,456	95,069,979	77,588,396
Less: amount representing financial charges	(33,641,817)	--	(17,481,583)	--
	-----	-----	-----	-----
Present value of minimum lease payments	112,848,456	112,848,456	77,588,396	77,588,396
Less: Current portion	(46,469,804)	(46,469,804)	(36,610,433)	(36,610,433)
	-----	-----	-----	-----
	66,378,652	66,378,652	40,977,963	40,977,963
	=====	=====	=====	=====

Discounting factor implicit in the lease ranges between 1.66% to 1 ./~3% per month.

The company intends to exercise its option to purchase the leased plant and machinery upon completion of the leased period at residual value.

This is secured by demand promissory notes and security deposits.

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

The payment of lease rentals are secured by way of demand promissory note and personal guarantee of sponsoring directors.

There are no financial restrictions imposed by the lease agreement.

	<i>2001</i>	<i>2000</i>
	<i>RUPEES</i>	<i>RUPEES</i>
8. CURRENT PORTION OF LONG TERM		
LIABILITIES:		
Redeemable Capital	28,113,495	59,345,269
Finance Lease	46,469,804	36,610,433
Deferred Liabilities	--	3,206,291
	-----	-----
	74,583,299	99,161,993
	=====	=====

9. SHORT TERM FINANCE (UTILISED UNDER MARK-UP ARRANGEMENT):

From Banking Companies (Secured)	50,946,800	35,295,079
	-----	-----
	50,946,800	35,295,079
	=====	=====

Security:

Secured against hypothecation/Pledge of Sugar, Stores & Spares and personal guarantee of sponsoring directors.

Mark-up:

55 to 60 paisas per thousand per day on daily product basis.

Repayment:

Renewable annually.

Aggregate Credit facility available to the Company is Rs. 110 million (2000: Rs. 170 million)

10. CREDITORS, ACCRUED & OTHER LIABILITIES:

Trade Creditors		5,189,037	16,008,531
Accrued Expenses		10,983,015	14,216,099
Accrued Interest	10.01	9,641,038	6,694,291
Due to Associated Undertakings	10.02	551,082	16,429
Advances from Customers		29,598,869	16,272,735
Deferred Custom Duty		3,634,501	3,634,501
Sales Tax Payable		6,368,202	3,297,047
Other Liabilities	10.03	620,909	213,456
		-----	-----
		66,586,654	60,353,089
		=====	=====

10.01 Accrued interest on:

Custom debentures	3,853,672	3,853,672
Redeemable Capital	3,129,288	2,611,506
Short term running finance	2,658,078	229,113
	-----	-----
	9,641,038	6,694,291
	=====	=====

10.02 The terms of repayments have not been finalized.

10.03 Other Liabilities:

Staff Income Tax Payable	50,288	19,350
Suppliers & Contractors Tax Payable	7,956	--
Professional Tax Payable	150	--
BFSM Staff Provident Fund Trust	218,409	--
Workman compensation payable	150,000	--
Unclaimed Dividend	194,106	194,106
	-----	-----
	620,909	213,456
	=====	=====

11. CONTINGENCIES AND COMMITMENTS:

The Company has been successful in appeals against additions made by the Deputy commissioner of income tax (DCIT) in the Assessment Year from 1995-96, 1996-97 and 2000-2001. However, the department has preferred a second Appeal before the income tax Appellate Tribunal (ITAT), which is pending for adjudication. The management and their tax advisors are hopeful for a favourable outcome.

12. OPERATING ASSETS:

PARTICULARS	COST				RATE %	DEPRECIATION			WRITTEN DOWN
	AS AT 01/10/2000	ADDITIONS DURING THE YEAR	SALES AND ADJUSTMENTS	AS AT 30/09/2001		UPTO 01/10/2000	FOR THE ADJUSTMENT YEAR	UPTO 30/09/2001	VALUE AS AT 30/09/2001
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
OWNED									
Land (Leased Hold)	11,477,905	--	--	--	--	--	--	--	11,477,905
Building (On Lease hold land)	74,893,233	--	--	74,893,233	5 - 10	43,710,739	1,863,708	45,574,446	29,318,787
Plant and Machinery	344,769,999	91,309,683	(151,250,000)	284,829,683	7	241,686,969	(6,347,132)	2,575,691	244,262,660
Electric Installation	9,576,080	--	--	9,576,080	10	6,465,068	--	311,101	6,776,169
Tools and Equipment	2,681,210	36,116	--	2,717,326	10	1,779,771	--	93,756	1,873,527
Vehicles	14,149,675	--	--	14,149,675	20	12,314,501	--	367,035	12,681,536
Furniture & Fixtures	4,824,596	20,675	--	4,845,271	10	3,479,153	--	136,612	3,615,764
Equipments	5,706,663	183,725	--	5,890,388	10	3,528,769	--	236,162	3,764,931
TOTAL	468,079,362	91,550,199	(151,250,000)	408,379,561		312,964,970	(6,347,132)	5,584,063	318,549,034
LEASED:									
Leased Machinery	131,097,620	151,250,000	(91,057,000)	191,290,620	7	35,423,416	6,347,132	11,355,004	46,778,420
Total Rupees 2001	599,176,982	242,800,199	(242,307,000)	599,670,181		348,388,386	--	16,939,067	365,327,453
Total Rupees 2000	583,197,061	71,959,921	(55,980,000)	599,176,982		330,140,672	(6,000)	18,253,715	348,388,387

	2001 Rupees	2000 Rupees
Depreciation for the year is charged as under:		
Raw material Procurement Expenses	243,711	278,574
Manufacturing Expenses	14,816,911	15,953,336
Administrative Expenses	1,724,340	1,859,589
Selling Expenses	154,105	162,216
	16,939,067	18,253,715

13. LONG TERM DEPOSITS:

Leasing company securities	11,951,912	13,495,112
Central Depository Company	200,000	200,000
Utilities and Others	175,055	170,755
	12,326,967	13,865,867

14. STORES, SPARES & LOOSE TOOLS:

Stores	12,214,354	16,725,368
Spares & Accessories	16,989,627	17,850,426
Loose Tools	231,783	277,181
	29,435,764	34,852,975
Provision for Obsolete Stores	(1,150,700)	(1,150,700)
	28,285,064	33,702,275

15. STOCK-IN-TRADE:

In Stock - Sugar	58,356,130	13,742,001
Molasses	54,026	155,404
Work-in-Process	982,234	930,838
	59,392,390	-14,828,243

16. TRADE DEBTS:

Local debts-Unsecured (Considered Good)	49,590	57,162
	49,590	57,162

17. SHORT TERM INVESTMENT:

Musharika investment:

First Providence Modaraba	17.1	38,000,000	--
Guardian Leasing Modaraba	17.2	22,500,000	--
T.F.C:			
Dawood Leasing Company Ltd.	17.3	1,000,000	--
		-----	-----
		61,500,000	--
		=====	=====

The above COIS and TFC are under pledge with the issuer lessor.

17.1 It bears Profit @ 16.75% p.a.

17.2 It bears Profit @ 16.75% p.a.

17.3 It bears Profit @ 13.75% p.a.

	2001	2000
	RUPEES	RUPEES

18. LOANS & ADVANCES (UNSECURED):

Loans to Cane Growers

- Considered Good

5,000,397

3,327,777

- Considered doubtful

1,927,624

1,927,624

- Provision there against

(1,927,624)

(1,927,624)

--

--

3,327,777

5,000,397

Loans to Staff

1,066,754

1,053,055

Advance against supplies

1,599,400

5,220,853

Advance against expenses

2,966,605

3,142,112

5,632,759

9,416,020

8,960,536

14,416,417

=====

=====

19. DEPOSITS, PREPAYMENTS AND**OTHER RECEIVABLES (CONSIDERED GOOD)**

Deposits

--

96,000

Prepaid Expenses

975,680

1,659,115

Other Receivables

109,384

193,477

1,085,064

1,948,592

=====

=====

20. CASH AND BANK BALANCES:

Cash in hand

25,591

141,174

Balances with Banks

- In Current Accounts

23,255,536

69,343,515

- In Deposit Accounts

14,364,316

--

37,645,443

69,484,689

=====

=====

21. SALES:

Sugar- Local

664,980,900

529,004,625

Less: Commission on sale of Sugar

--

(73,680)

Sales tax on Sugar

(93,268,112)

(62,356,808)

571,712,788

466,574,137

=====

=====

22. COST OF SALES:

Raw Materials & Expenses

thereon

21.01

515,297,259

327,955,262

Manufacturing Expenses

21.02

70,224,946

76,484,095

585,522,204

404,439,357

Stock-in-Process:

Opening	930,838	952,286
Closing	(982,234)	(930,838)
	-----	-----
	(51,396)	21,448
	-----	-----
	585,470,809	404,460,805
Sale of By - Products		
Molasses	(13,432,076)	(6,804,451)
Molasses Stock Adjustment	101,378	53,391
V.F. Cake	(65,600)	(52,640)
	-----	-----
	(13,396,298)	(6,803,700)
	-----	-----
Cost of Goods Manufactured	572,074,511	397,657,105
Stock Of Finished Goods		
Opening	13,742,001	27,240,944
Closing	(58,356,130)	(13,742,001)
	-----	-----
	(44,614,129)	13,498,943
	-----	-----
Cost of Goods Sold	527,460,381	411,156,048

22.01 RAW MATERIAL & EXPENSES THEREON:

Cost of Sugarcane and related Expenses		
	507,787,266	320,759,839
Salaries, Wages, Bonuses and Staff Benefits	3,783,163	3,858,250
Rent, Rates and Taxes	293,832	310,879
Establishment & Other Expenses	25 3,006,806	2,401,168
Depreciation	243,711	278,574
Insurance	182,481	346,552
	-----	-----
	515,297,259	327,955,262

22.02 MANUFACTURING EXPENSES:

Processing and Packing Materials	6,802,072	6,455,431
Fuel and Power consumed	18,740,049	21,841,765
Salaries, Wages, Bonuses & Staff Benefits	15,868,524	17,818,847
Stores and Spares consumed	11,865,544	12,786,893
Rates and Taxes	52,710	34,750
Establishment & Other Expenses	25 163,987	130,346
Insurance	1,915,149	1,462,727
Depreciation	14,816,911	15,953,336
	-----	-----
	70,224,946	76,484,095

23. ADMINISTRATIVE EXPENSES:

Salaries, Bonus & Staff Benefits	15,586,558	16,631,577
Directors' Fee	32 11,000	8,000
Rent, Rates and Taxes	697,482	664,421
Establishment & Other Expenses	25 8,029,774	8,848,543
Insurance	799,564	714,096
Depreciation	1,724,340	1,859,589
	-----	-----
	26,848,718	28,726,226

24. SELLING AND DISTRIBUTION EXPENSES:

Salaries, Bonuses and Staff Benefits	439,035	617,416
Establishment & Other Expenses	25 77,556	62,533
Depreciation	154,105	162,216
Handling and Stacking Expenses	728,002	592,591
Insurance	19,409	148,003
	-----	-----

1,418,107 1,582,759

25. ESTABLISHMENT AND OTHER EXPENSES:

Advertisement Expenses	432,686	352,961
Annual General Meeting Expenses	65,650	73,595
Conveyance Expenses	54,450	42,259
Diesel Charges - Generator	16,054	18,330
Effluent water disposal Expenses	33,000	33,000
Electricity Expenses	615,674	730,497
Entertainment Expenses	359,346	325,063
Fees and Subscriptions	269,665	210,745
Freight and Cartage	72,332	22,515
Gardening Expenses	19,158	530
Gas Charges	36,765	24,963
Guest House Expenses	99,178	237,025
Lease Rentals	105,483	180,828
Legal Fees and Expenses	821,148	522,082
Messing Expenses	9,800	11,025
Packing and Forwarding	1,360	2,393
Papers and Periodicals	37,167	42,343
Postage and Telegram	87,405	84,931
Printing and Stationary	895,352	806,458
Repair and Maintenance	347,338	389,213
Security Service Charges	74,111	122,575
Sundry Expenses	25,018	17,986
Stores & Spares written off	--	1,001,250
Telephone & Telefax Charges	1,066,430	1,140,200
Travelling Expenses	255,434	210,665
Vehicle Expenses	5,317,307	4,787,590
Water Charges	53,194	51,240
Weighbridge repairs	107,260	--
Zakat	358	328
	-----	-----
	11,278,123	11,442,590
	=====	=====

Above expenses are allocated as follows:

Raw Material	3,006,806	2,401,168
Manufacturing Expenses	163,987	130,346
Administrative Expenses	8,029,774	8,848,543
Selling and Distribution Expenses	77,556	62,533
	-----	-----
	11,278,123	11,442,590
	=====	=====

26. OTHER INCOME:

Profit on C.O.I.		
On Short Notice and Time Deposits	6,782,657	276,438
Miscellaneous Receipts	114,969	442,922
Profit on disposal of Fixed Assets	--	126,000
Liabilities written back	476,604	2,224,612
Rent Income	25,514	29,094
Others	--	1,598
	-----	-----
	7,399,744	3,100,664
	=====	=====

27. FINANCIAL EXPENSES:

Financial Charges on Leases	12,368,166	8,955,233
Markup on running & cash finance	41,756,163	21,381,727
Lease Initiation Expenses	80,660	105,000
Bank Charges	436,898	281,148
Commission on Bank Guarantee	630,060	96,401
	-----	-----
	55,271,947	30,819,509
	=====	=====

28. OTHER CHARGES:

Auditors' Remuneration	28	93,540	96,240
		-----	-----
		93,540	96,240

28.01 Auditors Remuneration:

	<i>Hyder Bhimji A.R. DIWAN</i>		<i>Total Rupees</i>	
	<i>& Co.</i>	<i>& Co.</i>	<i>2001</i>	<i>2000</i>
Annual Audit	35,000	35,000	70,000	70,000
Audit of Workers' Profit Participation Fund	--	--	--	1,000
Employees Provident fund	1,500	--	1,500	1,500
	-----	-----	-----	-----
	36,500	35,000	71,500	72,500
	-----	-----	-----	-----
Travelling & reimbursement of expenses			22,040	23,740
			-----	-----
			93,540	96,240

29. PRIOR YEAR ADJUSTMENT:

	920,650	--
	-----	-----

The amount represents sales tax paid on Baggasse from November 1996 to April 1997.

30. TAXATION:

Current - For the year		3,500,000	2,700,000
- Prior year		(1,941,463)	291,777
- Deferred Taxation		(1,000,000)	--
		-----	-----
		558,537	2,991,777

31. EARNING PER SHARE:

Net Loss after tax	(33,459,348)	(5,697,758)
Average Ordinary Shares	9,450,000	9,450,000
	-----	-----
Earning per Share	(3.54)	(0.60)

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS:

The Company sold goods and materials to associated undertakings aggregating to Rs. 5,574,878 (2000: Rs. 2,898,204)

33. DETAILS OF PAYMENT TO DIRECTORS AND EXECUTIVES:

PARTICULARS	2001			2000		
	CHIEF	DIRECTOR	EXECUTIVES	CHIEF	DIRECTOR	EXECUTIVES
	EXECUTIVE	EXECUTIVE	EXECUTIVE	EXECUTIVE	EXECUTIVE	EXECUTIVE
Managerial Remuneration	--	455,400	3,173,600	--	455,400	3,904,700
Allowances	--	209,436	1,224,441	--	209,436	1,613,025
Medical	--	27,324	190,416	--	27,324	234,282
Contribution to Provident Fund	--	45,636	314,234	--	45,636	392,241
Perquisites in Kind:	--	--	--	--	--	--
Car Expenses	47,700	158,720	--	46,719	93,895	--
Utilities						
Telephone at' Residence	5,605	99,135	150,010	6,826	82,666	100,957
	-----	-----	-----	-----	-----	-----
TOTAL	53,305	995,651	5,052,701	53,545	944,357	6,245,205
	-----	-----	-----	-----	-----	-----
Number of Persons	1	1	12	1	1	17

The aggregate amount charged for directors fees in the accounts is Rs. 11,000 (2000 Rs. 8,000) for 6 Directors (2000 - 4 Directors)

34. FINANCIAL ASSETS & LIABILITIES:

FINANCIAL ASSETS	INTEREST BEARING			NON INTEREST BEARING			TOTAL
	Within	Above	S. Total	Within	Above	S. Total	
	One Year	One Year		One Year	One Year		
Deposit	--	--	--	--	12,326,967	12,326,967	12,326,967
Short term investments	61,500,000	--	61,500,000	--	--	--	61,500,000
Loans & Advances	--	--	--	8,960,536	--	8,960,536	8,960,536
Prepayments & Other receivables	--	--	--	1,085,064	--	1,085,064	1,085,064
Cash & Bank Balances	14,364,316	--	14,364,316	23,281,127	--	23,281,127	37,645,443
	-----	-----	-----	-----	-----	-----	-----
	75,864,316	--	75,864,316	33,326,727	12,326,967	45,653,694	121,518,010

FINANCIAL LIABILITIES

Subordinated Loans	--	--	--	--	60,000,000	60,000,000	60,000,000
Redeemable Capital	5,259,500	87,240,500	92,500,000	--	--	--	92,500,000
Liabilities against Lease	36,728,991	176,119,465	112,848,456	--	--	--	112,848,456
Short term financing	59,946,801	--	59,946,801	--	--	--	59,946,801
Creditors & Accrued Liabilities	--	--	--	66,586,654	--	66,586,654	66,586,654
	-----	-----	-----	-----	-----	-----	-----
	101,935,292	163,359,965	265,295,257	66,586,654	60,000,000	126,586,654	391,881,911
	-----	-----	-----	-----	-----	-----	-----
	(26,070,976)	(163,359,965)	(189,430,941)	(33,259,027)	(47,673,033)	(80,932,960)	(270,363,901)
	=====	=====	=====	=====	=====	=====	=====
Year 2000	(71,905,512)	(40,977,963)	(112,883,475)	21,985,721	(46,134,133)	(24,148,412)	(137,031,887)
	=====	=====	=====	=====	=====	=====	=====

INTEREST RATE DISCLOSURE

Effective interest rate 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 additions to financial instruments, trade debts and trade creditors arising directly from the company's operation.

The company finances its operation primarily by a 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 rate risk management

Since the ,company borrows fund 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 receivables and payables in foreign currency. Liabilities in foreign currency if any are covered through forward foreign exchange cover whereas the receivable have limited risk and that too in company's favour.

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 approximated to their fair value.

35. CAPACITY AND PRODUCTION:

	CAPACITY		PRODUCTION	
	M.TONS	DAYS	M.TONS	DAYS
2001	27,200	160	29,750	138
2000	27,200	160	24,100	128

36. AVERAGE NUMBER OF EMPLOYEES:

Total average number of employees (including permanent, seasonal and temporary) for year 2001 were 500 (200:522).

37. GENERAL:

a) Previous year's figures have been re-grouped and re-arranged wherever necessary for the purpose of comparison.

b. Figures have been rounded off .to the nearest Rupees.

**PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER, 2001**

No. of Shareholders	Shareholdings	Total share Held
566	From 1 to 100 Shares	22,565

573	From	101	to	500	Shares	100,809
68	From	501	to	1,000	Shares	50,313
105	From	1,001	to	5,000	Shares	219,073
15	From	5,001	to	10,000	Shares	101.41
1	From	10,001	to	15,000	Shares	12,402
2	From	15,001	to	20,000	Shares	35,999
1	From	25,001	to	30,000	Shares	26,429
1	From	35,001	to	40,000	Shares	37,668
1	From	65,001	to	70,000	Shares	67,625
1	From	80,001	to	85,000	Shares	84,163
1	From	90,001	to	95,000	Shares	93,475
2	From	305.00	to	310,000	Shares	618,382
2	From	410.00	to	415,000	Shares	827,077
1	From	655.00	to	660,000	Shares	658,673
1	From	985.00	to	990,000	Shares	987,277
1	From	1,475,001	to	1,480,000	Shares	1,476,562
1	From	1,630,001	to	1,635,000	Shares	1,633,211
1	From	2,395,001	to	2,400,000	Shares	2,396,887

1344

TOTAL 9,450,000

Categories of Shareholders	Number	Shares held	Percentage
INDIVIDUALS	1334	7,789,114	82.42%
INVESTMENT COMPANIES	3	3,340	0.04%
INSURANCE COMPANIES	1	84,163	0.89%
JOINT STOCK COMPANIES	4	1,570,331	16.62%
FINANCIAL INSTITUTIONS	2	3,052	0.03%
MODARABA COMPANIES	--	--	--
FEDERAL GOVERNMENT	--	--	--
ABANDONED PROPERTY	--	--	--
CORPORATE LAW AUTHORITY	--	--	--
CHARITABLE INSTITUTIONS	--	--	--
TRUST	--	--	--
TOTAL	1344	9,450,000	100.00%