

# **Bawany Sugar Mills Limited**

## **Annual Report 1998**

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### **COMPANY PROFILE**

#### **BOARD OF DIRECTORS**

1. Mr. Dawood Ebrahim Bawany - Chairman
2. Mr. Khalid Ebrahim Bawany - Chief Executive
3. Mr. Ismail Ebrahim Bawany
4. Mr. Ahmed Ebrahim Bawany
5. Mr. M. Tariq Bawany
6. Ms. Farzana Munaf
7. Mr. Ansar Hussain
8. Mr. Zakaria A. Aziz Kamdar
9. Mr. Mohd. Khalid Vali Mohd. Bawany
10. Mr. H.A. Sattar Mohammed

#### **COMPANY SECRETARY**

Mr. Mohd. Zakaria A.G. Tabba

#### **BANKERS**

Habib Bank Limited  
National Bank of Pakistan  
Metropolitan Bank Limited

#### **AUDITORS**

Hyder Bhimji & Co.,  
Chartered Accountants.

#### **REGISTERED OFFICE**

Bank House No.1,  
3rd Floor, Habib Square,

M. A. Jinnah Road,  
P.O. Box No. 41 78,  
Karachi-74000

**MILLS**

Ahmed Nagar,  
TALHAR  
(Distt. Badin) Sindh.

**NOTICE OF MEETING**

Notice is hereby given that the 34th Annual General Meeting of the Company will be held on 24th March, 1999 at 12:00 noon at Raffia Choudri Memorial Centre, Ground Floor, Sidco Centre, Karachi to transact the following business:-

**1. ORDINARY BUSINESS**

1. To confirm the minutes of the 33rd Annual General Meeting held on 26th March, 1998.
2. To receive, consider and adopt the Directors' Report, Chairman's Review, Audited Accounts of the Company and Auditors' Report thereon for the year ended 30th September, 1998.
3. To elect Directors of the Company for a period of three years commencing from 31st March 1999 in accordance with the provisions of the Companies Ordinance, 1984 in place of retiring Directors, namely Mr. Dawood Ebrahim Bawany, Mr. Khalid Ebrahim Bawany, Mr. Ismail Ebrahim Bawany, Mr. Ahmed Ebrahim Bawany, Mr. M. Tariq Bawany, Mr. Ansar Hussain, Ms. Farzana Munaf, Mr. Zakaria A. Aziz Kamdar, Mr. Mohd. Khalid Valimohd Bawany and H. A. Sattar Mohammad.

The Board of Directors have fixed the number of Elected Directors at nine (9). All retiring Directors shall be eligible to offer themselves for re-election.

4. To appoint Auditors for the year 1998-99 and fix their remuneration. The present Auditors Messrs. Hyder Bhimji & Co., Chartered Accountants, being eligible have offered themselves for re-appointment.

**II. SPECIAL BUSINESS**

5. To consider and if thought fit, pass the following Ordinary Resolution for the Capitalisation of Rs. 4,154,570/-.

**RESOLVE D THAT**

- i) a sum of Rs. 4,154,570 from the Company's revenue reserve as at 30th September, 1998 be capitalised for issuing 415,457 fully paid-up Ordinary Shares of Rs. 10/- each as Bonus Shares to be allotted to those members whose names appear in the Register of Members on 15th March, 1999 in proportion of 1 (One) Share for every 20 (Twenty) existing shares held and that the Bonus Shares when issued shall rank pari-passu in all respects with the existing shares.

Ordinary Shares of the Company.

ii) the holders of fractions of shares as a result of holdings either being less or in excess of an exact multiple of proportion (referred in 5 (i) above) shall be given the sale proceeds of fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange; and

iii) for the purpose of giving effect to the above, the Chairman, and/or Chief Executive Officer is hereby authorised to take all necessary actions and to settle any question or difficulty that may arise in regard to the distribution of the said Bonus Shares or in the payment of the sale proceeds of the fractional entitlements as he deems fit.

6. To transact any other business that may be brought forward with the permission of the Board.

The Share Transfer Books of the Company will be closed from 16th March, 1999 to 24th March, 1999 (both days inclusive). Transfers received in order at the Registered office of the Company upto the close of business on 15th March, 1999 will be considered in time to be eligible for the issue of Bonus Shares to the transferees.

BY ORDER OF THE BOARD

**MOHD. ZAKARIA A. G. TABBA**

Company Secretary

Karachi- 16th February, 1999.

**NOTES:**

1. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered office not later than 48 hours before the time for holding the Meeting.

2. Shareholders are requested to immediately notify the change in address, if any.

3. A Statement under Section 160 of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984 IN RESPECT OF SPECIAL BUSINESS TO BE CONDUCTED AT THE 34TH ANNUAL GENERAL MEETING.**

**AGENDA NO. 5**

The Board of Directors have recommended issue of Bonus Shares @ 5% out of General Reserve. As it has become necessary to capitalize a part of the reserves by way of issue of Bonus Shares to the shareholders. Upon issuance of the Bonus Shares, the paid-up Capital of the Company shall stand at Rs. 87,245,910/-.

BY ORDER OF THE BOARD

**MOHD. ZAKARIA A. G. TABBA**

Company Secretary

Karachi- 16th February, 1999.

### **FIVE YEARS AT A GLANCE**

	<b>1998</b>	<b>1997</b>
Cane Crushing (M. Tons)	685,845	459,857
Sugar Production (M. Tons)	70,025	48,266
Average Recovery	10.16%	10.56%

### **EARNINGS AND DIVIDENDS**

(Loss)/Earnings before Taxation (Rs. in million)	(47.73)	5.98
(Loss)/Earnings after Taxation (Rs. in million)	(52.43)	1.98
(Loss)/Earning per share after tax	(6.31)	0.25
Cash Dividend	-	-
Stock Dividend	5%	5%
Break up value per share (Rs.)	24.46	32.30

### **SHAREHOLDERS' EQUITY**

(Rs. in million)		
Share Capital	83.09	79.13
Reserves and Surplus	120.15	176.54
Shareholders' equity	203.24	255.67

### **CHAIRMAN'S REVIEW**

#### **IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL**

I present to you this review of the Company's Annual Report and performance for the year ending September 1998. Your company earned a gross profit of 60.76 million but suffered a pre-tax loss. As reported earlier the crushing season saw a remarkable improvement in sugar production with the company able to cross the 70,000 tons sugar production mark by the Grace of Almighty Allah, with an average recovery of 10.16%.

The results of the plant operation were the following.

### **PARTICULARS**

Season

01

15

Number of Days worked

Cane Crushed M. Tons

Average Recovery

Production of Sugar M. Tons

Production of Molasses M. Tons

### **OPERATING RESULTS AND COST OF MANUFACTURING**

Your Mill was able to utilize its extended capacity due to a larger sugarcane crop in Sind a record high last year. The Government announced a new sugarcane price of Rs. 36 per 40 K an increase of 47% over the previous year's support price. Your mill also had to pay quality tune of 80.10 million. At such high cost of manufacture due to raw material price alone, t was unable to compete in the international market.

### **MARKETING**

The sugar production of the country touched a peak level of approximately 3.50 million ton national requirement was estimated at 2.90 million tons. As a result the sugar prices coll seen for many years at a time when sugarcane prices were set very high. Those mills that h the crushing season and were unable to stock sugar for off-season found themselves trapped

The Government in order to support the industry at a time of huge surplus production did t best to formulate a workable export policy. However, when the complete policy came in earl mill had sold 86% of its production with export no longer a possibility. Thus your mill wa its conversion cost of sugar even at this high production level. It is indeed a sad reflec general well being.

### **PROSPECTS**

The present season is expected to end by Eid-uI-Azha (end March) and sugar production is e be similar to last year both for your factory and the industry in general. The recoveries, low throughout, due to a damaged crop from persistent cloudy weather last summer. Your mil crushing season on 11th November, 1998 and by the Grace of Almighty Allah, the production 42,990 tons, on 15th February, 1999 at an average recovery rate of 9.04%. The Government a sugar export policy well in time this season and your mill has exported 7,650 metric tons for the next season is on the lower side and we pray to Almighty Allah for favourable weat the hope of a healthy crop and blessings in all our endeavours.

### **CONCLUSION**

I would like to close with thanks to the Company's management, Executives and entire worki their valuable contribution to the affairs of the company. The employees and trade union d for their strenuous efforts and may Allah bless us in our efforts.

Karachi: 16th February, 1999.

**DAWOOD EBRAHIM BAWANY**

Chairman

**IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL**

Dear Shareholders,

By the Grace of Almighty Allah, your Directors presenting the 34th Annual Report and the Company Accounts together with the Auditors' Report thereon for the year ended 30th September, 1998.

**ACCOUNTS**

Net (Loss) for the year after Provision for Taxation  
Unappropriated Profit brought forward

**PATTERN OF SHARE HOLDINGS**

The pattern of share holdings as at 30th September, 1998 is annexed to this report.

**AUDITORS**

Messrs. Hyder Bhimji & Company, Chartered Accountants, Auditors of the company retire at the Annual Meeting and being eligible, offer their services for re-appointment as auditors of the company for the year ending 30th September, 1999.

**COMPUTER AND Y2K**

Your Company has acquired necessary software/hardware equipment to face the millennium challenge and will be Y2K compliant in due course.

For and on behalf of the Board

Karachi- 16th February, 1999.

**KHALID EBRAHIM BAWANY**

Chief Executive

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the annexed Balance Sheet of BAWANY SUGAR MILLS LIMITED as at September 30, 1998 and the related Profit and Loss Account and Statement of Changes in Financial Position (Company Accounts) together with the Notes forming part thereof, for the year then ended and we state that we have obtained the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and after due verification thereof, we report that:

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

(b) in our opinion;

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

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

iii) the business conducted, investments made and the expenditures 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 in the Balance Sheet, Profit and Loss Account and the Statement of Changes in Financial Position (Cash Flow Statement) together with the Notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 1998 and of the profit and the change in financial position (Cash Flow Statement) for the year then ended; and

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

Karachi: 16th February, 1999.

**HYDER BHIMJI & CO.**  
Chartered Accountants

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

### **Notes**

#### **SHARE CAPITAL AND RESERVES**

##### **SHARE CAPITAL**

Authorised:

15,000,000 Ordinary Shares of Rs.10/- each.

Issued, Subscribed and Paid-up Capital 2

##### **RESERVES AND SURPLUS**

Reserves 3

(Loss)/Unappropriated Profit

<b>REDEEMABLE CAPITAL</b>	4
<b>LONG-TERM LOAN</b>	5
<b>DEFERRED LIABILITIES</b>	
Deferred Taxation	
Employees Retirement Gratuity	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Current Maturity of Redeemable Capital & Long term Loan	6
Short term running finance	7
Workers' (Profit) Participation Fund	8
Creditors, Accrued and Other Liabilities	9
Provision for Taxation	10
<b>CONTINGENCIES &amp; COMMITMENTS</b>	11
<b>TANGIBLE FIXED ASSETS</b>	
Operating Assets	12
Capital Work-in-Progress	13
<b>LONG-TERM INVESTMENTS</b>	14
<b>LONG-TERM DEPOSITS</b>	15
<b>CURRENT ASSETS</b>	
Stores and Spares	16
Stock-in-Trade	17
Trade Debts	18
Loans, Advances & Other Receivables	19
Cash and Bank Balances	20



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

**KHALID EBRAHIM BAWANY**  
Chief Executive

**DAWOOD EBRAHIM BAWANY**  
Chairman

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

	<b>Notes</b>
Sales	21
Less: Cost of Sales	22
<b>GROSS PROFIT</b>	
Establishment and Other Expenses	23
Selling and Distribution Expenses Workers' (Profit) Participation Fund	24
Operating Profit before the following: Other Income	25
Financial Expenses	26
Lease Rent Charity and Donation	27
(Loss)/Profit before taxation Provision for taxation	28
(Loss)/Profit after taxation Transfer from General Reserve Unappropriated Profit brought forward	
Available for Appropriation	

**APPROPRIATION:**

Transfer from General Reserve  
Transfer to Capital Reserve for Issue of  
Bonus Shares @ 5% (1997: 5%)

**(LOSS)/UNAPPROPRIATED PROFIT CARRIED FORWARD**

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

**KHALID EBRAHIM BAWANY**

Chief Executive

**DAWOOD EBRAHIM BAWANY**

Chairman

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE YEAR ENDED 30TH SEPTEMBER, 1998**

**CASH FLOW FROM OPERATING ACTIVITIES**

(Loss)/Profit before taxation

ADD:           Item not effecting funds:  
                  Depreciation  
                  (Profit) on sale of fixed assets  
                  Financial Charges

**(INCREASE)/DECREASE IN CURRENT ASSETS**

Stores and Spares  
Stock-in-trade  
Trade Debts  
Loans, Advances, and Other Receivables

**INCREASE/(DECREASE) IN CURRENT LIABILITIES**

Creditors, accrued and Other Liabilities  
Payment of Income Tax

Net cash inflow from operating activities

**CASH FLOW FROM INVESTING ACTIVITIES**

Fixed Operating Assets including Capital Work-in-Progress

Proceeds from sale of fixed assets

Redeemable Capital and Long-Term Loan - NDFC

Proceeds from sale of Long Term Investments

Decrease in Long-term deposits

Net cash out flow from investing activities

**CASH FLOW FROM FINANCING ACTIVITIES**

Payment of Redeemable Capital & Long-Term Loan

Financial Charges paid

(Increase)/Decrease in short-term borrowings

Net cash out flow from financing activities

Net (decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

**KHALID EBRAHIM BAWANY**

Chief Executive

**DAWOOD EBRAHIM BAWANY**

Chairman

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER, 1998**

**THESE NOTES FORM AN INTEGRAL PART OF THE ACCOUNTS PRESENTED HEREWITH:-**

**STATUS AND NATURE OF BUSINESS:**

The Company was incorporated in Pakistan on 16th December 1964, as a Public Limited Company on Karachi and Lahore Stock Exchanges. Principal activity of the Company is the manufacture

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**1.01. ACCOUNTING CONVENTION:**

The accounts of the company have been prepared under the historical cost convention.

**1.02 EMPLOYEES RETIREMENT GRATUITY:**

The company operated an unfunded gratuity scheme for all the employees eligible for gratuity

31-12-94 after that date the scheme was discontinued. Provision of Rs. 18.600 million exists to the period upto 31-12-1994.

### **1.3 TAXATION:**

The provision for current taxation is based on taxable income at the current rates of tax and account tax credits and rebates available, if any. The Company accounts for deferred tax liability to timing difference by using liability method. However, deferred tax is not provided if it is not with reasonable probability that these timing differences will not reverse in the foreseeable future.

### **1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION:**

Fixed Assets are stated at cost less accumulated depreciation, except free-hold land which is not depreciated. Depreciation is charged to income applying the reducing balance method. Acquisitions in a year are for a full year irrespective of the date of purchase, except for plant and machinery on which depreciation has been charged on the basis of actual operating days of factory. No depreciation is charged on the cost of their disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals are capitalised and assets so replaced, if any, are retired.

Gain or loss on disposal of fixed assets is included in the income currently.

### **1.5 CAPITAL WORK-IN-PROGRESS:**

Capital work-in-progress is stated at cost and represents expenditures on fixed assets in the process of acquisition and installation. Transfers are made to relevant fixed assets category as and when assets are ready for use.

### **1.6 ACCOUNTING FOR LEASE:**

The Annual lease rentals in respect of fixed assets held under operating lease are charged to income on a straight line basis over the lease period.

### **1.7 BORROWING COSTS:**

The borrowing costs including interest are normally written off to profit and loss account as incurred. In the case of borrowing costs incurred for the purchase/import of plant and machinery, they are added to the cost of plant and machinery until their installation is completed.

### **1.8 LONG TERM INVESTMENT:**

Investment in shares is stated at cost. No adjustment for market value is made as on the balance sheet date in the accounts.

### **1.9 STORES AND SPARES:**

Stores and Spares are valued at average cost.

Stores-in-Transit are stated at actuals and comprise of invoice value and importing charges.

### **1.10 STOCK-IN-TRADE:**

Stock of sugar is valued at lower of average manufacturing cost and net realisable value. Stock-in-process at average material cost and Molasses at contract price.

Net realisable value signifies the estimated selling price in the ordinary course of business.

to be incurred to make the sale.

**1.11 TRADE DEBTS:**

Debts considered irrecoverable are written off and no provision is made for debts considered irrecoverable. Interest is charged at 20.50% per annum on debts.

**1.12 REVENUE RECOGNITION:**

Sales are recorded on despatch of goods to customers. Income on investment and PLS term deposits are recorded when received.

**1.13 FOREIGN CURRENCY TRANSLATION:**

Foreign Currency Loan has been converted into Pak Rupees at the rate of exchange prevailing at the time of actual disbursement.

**2. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

1,500,000 Ordinary shares of Rs.10/- each  
fully paid-up issued for cash

6,709,134 Ordinary shares of Rs.10/- each  
fully paid-up issued as Bonus Shares

100,000 Ordinary shares of Rs. 10/- each  
fully paid-up issued to debenture-holders pursuant  
to conversion option of Debenture Trust Deed

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8,309,134  
=====

**3. RESERVES**

The movement in and composition of reserves is as under:-

**CAPITAL:**

**3.01 RESERVE FOR ISSUE OF BONUS SHARES**

Opening Balance  
Less: Bonus Shares issued during the year

Add: Transfer from Appropriation Account

**REVENUE:**

### 3.02 GENERAL RESERVE

Opening Balance

Less: Transfer to Appropriation Account

### 3.03 DIVIDEND EQUALISATION RESERVE

Opening Balance

TOTAL RESERVES

### 4. REDEEMABLE CAPITAL (SECURED)

LONG-TERM RUNNING FINANCE UTILISED  
UNDER MARKUP ARRANGEMENTS

National Development Finance Corporation (NDFC)

4.01

Local Manufactured Machinery (LMM)

Local Manufactured Machinery (LMM)

Local Curre (LCY-GTF)

Local Curre (LCY-GTF)

Less: Current portion shown under current Maturity

(4

#### 4.01 LONG-TERM RUNNING FINANCE FROM NDFC

The significant terms and conditions of the agreement are as follows:

Credit Line	Principal Amount Rupees in Million	Re-Purchase Amount Rupees in Million	Prompt Payment Rebate Rs. in million	Unutilised Amount Rupees in Million
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LMM	15.000	36.695	16.628	-
LMM	1.951	3.912	1.326	0.251
LMM	141.065	402.360	45.445	0.153
LCY-GTF	23.973	30.611	7.315	0.560
LCY-GTF	4.256	9.596	1.816	-

#### **SECURITY**

The above credits are secured by equitable mortgage on the Company's immovable properties Land, Buildings, Plant and Machinery, a floating charges on all other properties and asset ranking pari-passu in all respects with the existing senior creditors. A demand promissory by the company and additionally secured by exclusive hypothecation of the machinery finance under this agreement.

#### **5. LONG-TERM LOAN (SECURED)**

National Development Finance Corporation (NDFC) 5.01

Foreign Currency Loan FCL  
Foreign Currency Loan - FCL

Less: Current Portion shown under current Maturity

#### **5.01 FOREIGN CURRENCY LOAN FROM NDFC**

The significant terms and conditions of the agreement are as follows:

<b>Credit Line</b>	<b>Principal Amount Million</b>	<b>Unutilised Amount Million Rs.</b>	<b>Effective Markup Rate P.A.</b>	<b>Exchange Risk FEE</b>
------------------------	---	--	---	------------------------------

FCL	US\$	5.490	18%	Included
	1.939			in 18%
	Rs. 52.552			

#### **SECURITY**

The above loans are secured by equitable mortgage on the Company's immovable properties in Land Building, Plant and Machinery, a floating charge on all other properties and assets of ranking pari-passu in all respects with the existing senior creditors and exclusive hypoth machinery financed by NDFC under this agreement and a demand promissory note executed by t company.

#### **6. CURRENT MATURITY OF REDEEMABLE CAPITAL AND LONG-TERM LOAN**

Redeemable Capital - NDFC (Secured)  
Long Term Loan - NDFC (Secured)

#### **7. SHORT-TERM RUNNING FINANCE (SECURED)**

From Bank - Under Mark-up agreement (Secured by hypothecation/pledge of stock in trade, stores & spares and personal guarantees of Directors)

(i) The facilities for short-term running finance available from Banks under Mark-up arrangement amounts to Rs.77,000,000 (1997 - Rs. 66,227,000), which represent the sale prices of mark-up agreements with a corresponding purchase prices of Rs.92,1 76,700 (1997- Rs.79,280,342). T repayable on demand. The rate of Mark-up is charged at 54 paisa per thousand rupees per da payable quarterly.

(ii) The company has short-term agricultural finance facilities from banks on mark-up basi million (1997- Rs. 95 million) paid by banks to cane growers for seeds, fertilizers, tract is guaranteed by the Company.



#### **8. WORKERS' (PROFIT) PARTICIPATION FUND**

Balance as per last Balance Sheet

Interest paid on fund utilised for Company's business,  
shown under Financial Expenses (See note 26)

Less: Amount paid to the Staff and Workers

Add: Transfer from current year's profit

#### **9. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Cane growers for supplies of cane etc.

Due to Associated Companies, for supplies & services

Suppliers of store materials

Excise duty payable

Accrued Liabilities

Accrued mark-up on secured short term running finance

Levy on Central Excise duty Payable

Accrued Mark-up on secured loan (NDFC)

Commitment Charges on Secured Loan (NDFC)

Commitment Charges on FCY Loan Payable

Unclaimed Dividend

Others

#### **10. PROVISION FOR TAXATION**

On Income:-

Balance as per last Balance Sheet

Add: Provided for the year:

Provision for taxation

Less: Payments

**NOTE:**

Company's Income Tax Assessment upto assessment year 1997/98 have been completed. The Company has filed appeal with C.I.T. (Appeals) against certain disallowances

**11. CONTINGENCIES & COMMITMENTS:**

(a) Contingent liabilities in respect of:-

(i) A demand of Rs.1,146,158 together with interest Rs.2,427,132 by Assistant Commissioner Badin on account of compensation of factory free-hold land. The company has not acknowledged as debt and has filed a petition in the High Court of Sindh. The company has deposited with the High Court Rs. 3,573,290 as security. (See Note No. 15)

(ii) Claim by National Investment Trust Limited for issue of = 6,600 = Bonus shares and Rs. 400,000 as dividend thereon against shares of the value of Rs. 400,000 issued to N.I.T., upon exercise of conversion option in 1976-77. The claim of N.I.T., is not acknowledged as debt by the company and the suit filed in the High Court of Sindh, Karachi by N.I.T., is being defended by the Company.

(iii) The disputed tax liability of about Rs. 13.399 million which the Company has already succeeded at the first stage of appeals but is being contested in appeals at the second stage by the Tax department. No provision for disputed tax liability is being made in accounts as in the opinion of the Company's management, it has a good legal case.

(iv) Continuing Guarantees issued to banks in consideration of banks making agricultural loans to cane growers for purchase of seeds and fertilizers aggregating to Rs. 145 million (1997- Rs. 95 million).

(b) Commitments in respect of:

(i) Letters of Guarantee issued by Banks on behalf of the Company

(ii) The Rentals under operating lease agreement in respect of equipment and vehicles, payable are as follows:-

**YEAR**

2001  
2000  
1999

**12. TANGIBLE FIXED ASSETS**

**12.01 FOLLOWING IS A SUMMARY OF OPERATING ASSETS:-**

Particulars	Cost at 01-10-1997	Additions/ (Disposals)
Factory Land-Freehold	1,01 7,901	-
Factory Building - on Freehold Land	105,625,887	8,500
Non-Factory Building- On Freehold land	12,586,615	11,038
Plant and Machinery	555,879,061	9,421,175
Agricultural Vehicles	2,182,198	399,000
Transport Vehicles	9,329,119	4,696,520 (3,200,787)
Electrical and Airconditioning installation	2,416,940	52,700
Furniture and Fixtures	2,526,503	19,201
Office Equipment, Tools and Other Equipment	3,793,740	512,650
1998 - RUPEES	695,357,964	15,120,784 (3,200,787)
1997-RUPEES	686,611,112	9,189,247 (442,395)

12.2 Depreciation charge for the year has been allocated as follows:

Cost of Sales	(See Note 22)
Establishment and other Expenses	(See Note 23)

12.03 The following assets were sold during the year by negotiation:-

<b>PARTICULARS</b>	<b>Original Cost Rs.</b>	<b>Accumulated Depreciation Rs.</b>	<b>W.D.V Rs.</b>
<b>TRANSPORT VEHICLES</b>			
Mitsubishi Lancer S-876	422,310	333,745	88,565
Suzuki Swift E-9708	160,000	138,526	21,474
Mercedes Benz AAC-159	1,800,000	360,000	1,440,000
Potohar Jeep BC-0691	225,000	187,251	37,749
Toyota Corolla V-8315	509,000	342,211	166,789
B.M.W. K-0093	84,477	30,411	54,066
1998 - Rupees	3,200,787	1,392,144	1,808,643
1997 - Rupees	442,395	335,302	107,093

**13. CAPITAL WORK-IN-PROGRESS**

Plant and Machinery under installation  
Down payment to suppliers of machineries

**14. LONG-TERM INVESTMENTS (AT COST) :**

<b>Names of Investee Companies</b>	<b>Class of Shares</b>	<b>Number of fully paid shares of</b>	<b>M</b>
--	----------------------------	---	----------

		<b>Rs.10/- each</b>
Al-Asif Sugar Mills Limited (Note 14.01)	Ordinary	3,400,000
B. F. Modaraba	Certificates	642,600
Faran Sugar Mills Limited (Note 14.02)	Ordinary	79,800

14.01 2,500,000 Ordinary Shares of Al-Asif Sugar Mills Limited have been pledged with Habi Ltd., as margin in consideration of guarantee issued in favour of the Collector of Central Hyderabad.

14.02 1,557,995 Ordinary Shares of Faran Sugar Mills Limited have been sold during the year

#### **15. LONG-TERM DEPOSITS**

Security Deposits  
Deposit with High Court (See Note 11 (a) (i))

#### **16. STORES AND SPARES**

Stores  
Spares

#### **17. STOCK-IN-TRADE**

Sugar  
Sugar-in-Process

Molasses

**18. TRADE DEBTS (Unsecured- Considered Good)**

**19. LOANS, ADVANCES & OTHER RECEIVABLES  
(Unsecured - Considered Good)**

Advances to staff and workers, against salaries and wages  
Advances to cane haulage and other contractors  
Advances against supplies  
Advances to cane growers against cane supplies:-  
Considered good  
Considered doubtful

Less- Provision for doubtful Growers Loans

Excise duty (Sugar) current Account Balance  
Other receivables

(i) The maximum amount due from executives during the year was Rs. NIL (1997 - Rs. NIL).

(ii) The excess provision of doubtful growers loan has been credited to sugarcane crushed.

**20. CASH AND BANK BALANCES**

Cash in hand  
Balance with Banks  
On Current Accounts  
On PLS Term Deposit Account

**21. SALES**

Sugar (21.01)  
Molasses

Less: Brokerage  
Excise Duty  
Sales Tax

21.01 Includes 2,521.500 Metric Tonnes of Export

## **22. COST OF SALES**

Sugar cane consumed (including procurement and  
development expenses).

Quality premium to cane growers

Road Cess

Salaries, Wages and Benefits

Manufacturing Stores and Spares

Water, fuel and power

Repairs and Maintenance

Insurance

Operational Transport and handling

Other Manufacturing Expenses

Depreciation (Note 12.02)

Add: Opening Stock 01-10-1997

Sugar

Sugar-in-Process

Molasses

Less: Closing Stock 30-09-1998

Sugar

Sugar-in-Process

Molasses

## **COST OF SALES**

### **23. ESTABLISHMENT AND OTHER EXPENSES**

Administration Salaries and Bonus  
Office and Other Expenses  
Travelling and Conveyance  
Legal fees and Professional charges  
Post and Telegraph Expenses  
Vehicles Expenses  
Vehicles Lease Rent  
Employees Welfare Expenses  
Directors fee and Remuneration (Note 29)  
Auditors' Remuneration (Note 30)  
Depreciation (Note 12.02)

### **24. SELLING AND DISTRIBUTION EXPENSES**

Freight and Forwarding Expenses (24.01)  
Sugar Handling and Storage Expenses (24.01)

24.01. Includes Export Freight & Forwarding,  
Export Handling & Storage Expenses

### **25. OTHER INCOME**

Profit on Sale of Fixed Assets (12.03)  
Miscellaneous Receipts

Profit/Compensation/Interest Received:  
On PLS Term Deposit account  
From Other advances and Trade debts



**26. FINANCIAL EXPENSES**

Mark-up on short term running finance  
Mark-up on NDFC LMM Finance  
Interest on Long-term Loan  
Interest on Workers' Participation Fund (See Note 8)  
Mark-up on NDFC LCY GTF Loan  
Bank Commission and Charges

**27. CHARITY AND DONATION**

Begum Aisha Bawany Education and Welfare Wakf,  
3rd Floor, Insurance House # 3, Habib Square, Karachi.  
(Mr. Ismail Ebrahim Bawany, Director of the Company  
is trustee).

**28. PROVISION FOR TAXATION**

Current year (Note 28.01)

28.01 The above provision has been made in respect of the minimum tax under Section 80D of Tax Ordinance, 1979.

**29. DETAILS OF PAYMENTS TO DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

The aggregate amount charged in the accounts for the year for remuneration including benefits to Chief Executive and Executives of the Company were as follows:

Directors  
Meeting fee

Number

Chief Executive  
Managerial Remuneration

Allowance and Utilities  
Medical

Number

Directors  
Managerial Remuneration  
Bonus  
Company's contribution to Provident Fund  
Allowance and Utilities  
Medical

Number

Executives  
Managerial Remuneration  
Bonus  
Company's contribution to Provident Fund  
Allowance and Utilities  
Medical

Number

The Chief Executive and Executives are provided with free use of cars maintained by the Co  
telephone at residence.

**1998**  
**Rupees**

**30. AUDITORS' REMUNERATION**

Audit fees	55,000
Out of Pocket Expenses	-
	-----
	55,000
	=====

**31. CAPACITY AND PRODUCTION**

SUGAR	Capacity as determined under Production Capacity (Sugar) Rules 1972		Actual Production
	(M. Tons)	Days	(M. Tons)
1998	78,375	150	70,025
1997	78,375	150	48,266

Note:

Production of Sugar is restricted to the availability of Sugarcane to the Company.

- have been rounded off to nearest rupee.

- of previous year have been re-arranged/regrouped wherever necessary, for the purpose of comparison.

**KHALID EBRAHIM BAWANY**

Chief Executive

**DAWOOD EBRAHIM BAWANY**

Chairman

**PATTERN OF SHAREHOLDING  
AS AT 30TH SEPTEMBER, 1998**

NUMBER OF SHAREHOLDERS	HOLDINGS FROM	TO	TOTAL SHARES HELD	PERCENTAGE
742	1	100	19,243	0.23
399	101	500	103,217	1.24
244	501	1,000	143,198	1.72
219	1,001	5,000	451,297	5.43
41	5,001	10,000	282,601	3.40
16	10,001	15,000	191,044	2.30
1	15,001	20,000	15,112	0.18
6	20,001	25,000	132,471	1.59
4	25,001	30,000	106,830	1.29
1	30,001	35,000	30,226	0.36
6	35,001	40,000	222,081	2.67
2	40,001	45,000	81,186	0.98
2	45,001	50,000	97,980	1.18
1	50,001	55,000	52,547	0.63
6	55,001	60,000	335,808	4.04
3	60,001	65,000	184,075	2.22
2	65,001	70,000	137,759	1.66
1	70,001	75,000	73,244	0.88
2	75,001	80,000	154,172	1.86

2	80,001	85,000	167,880	2.02
3	85,001	90,000	264,084	3.18
1	95,001	100,000	96,223	1.16
2	105,001	110,000	215,008	2.59
3	110,001	115,000	335,316	4.04
2	115,001	120,000	233,662	2.81
2	120,001	125,000	243,761	2.93
2	125,001	130,000	258,924	3.12
2	140,001	145,000	288,512	3.47
1	145,001	150,000	147,002	1.77
1	150,001	155,000	153,529	1.85
1	175,001	180,000	179,055	2.16
1	180,001	185,000	184,357	2.22
1	225,001	230,000	229,542	2.76
1	265,001	270,000	267,268	3.22
1	440,001	445,000	441,397	5.31
1	525,001	530,000	525,548	6.32
1	540,001	545,000	543,732	6.54
1	720,001	725,000	720,243	8.67
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1,727			8,309,134	100.00
=====			=====	=====

#### CATEGORIES OF SHAREHOLDERS

PARTICULARS	NUMBER	SHARES HELD
Individuals	1,673	4,145,322
Investment Companies	10	1,433,009
Insurance Companies	8	933,241
Joint Stock Companies	21	661,873
Financial Institutions	4	756,716
Charitable Institutions	9	372,277
Government Organisations	2	6,696
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	1,727	8,309,134
	=====	=====