

Bawany Sugar Mills Limited

Annual Report 2000

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COMPANY PROFILE

BOARD OF DIRECTORS:

- | | |
|-------------------------------|-----------------|
| 1. Mr. Dawood Ebrahim Bawany | Chief Executive |
| 2. Mr. Khalid Ebrahim Bawany | Chairman |
| 3. Mr. Ismail Ebrahim Bawany | |
| 4. Mr. Ahmed Ebrahim Bawany | |
| 5. Ms. Farzana Munaf | |
| 6. Mr. Ansar Hussain | |
| 7. Mr. Muhammad Baqir Jafferi | |
| 8. Mr. Syed Zamir Hassan | |
| 9. Mr. H. A. Satar Mohammed | |

COMPANY SECRETARY

Mr. Muhammad Baqir Jafferi

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. 4178,
Karachi-74000

MILLS

Ahmed Nagar
TALHAR
(Distt. Badin) Sindh.

NOTICE OF MEETING

Notice is hereby given that the 36th Annual General Meeting of the Company will be held on Saturday, 26th May 2001 at 2:00 p.m. at the Registered Office at 3rd Floor, Bank House No. 1, Habib Square, M.A. Jinnah Road, Karachi to transact the following business:

1. To confirm the minutes of the 35th Annual General Meeting held on 27th March, 2000.
2. To receive, consider and adopt the Director's Report, Chairman's Review Audited Accounts of the Company and Auditor's Report thereon for the year ended 30th September 2000.
3. To appoint Auditors for the year 2000-2001 and fix their remuneration. The present Auditors Messrs. Hyder Bhimji & Co., Chartered Accountants, being eligible have offered themselves for re-appointment.
4. To transact any other business the may be brought forward with the permission of the Chairman.

Karachi: Dated 04th May, 2001.

NOTES:

1. The Share Transfer Books of the Company will be closed from 25th May 2001 to 31st May 2001 (both days inclusive).
2. 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 tile Meeting.
3. Shareholders are requested to immediately notify the change in address, if any.

Karachi: Dated 04th May, 2001.

CHAIRMAN'S REVIEW

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

I present this review of the Company's Annual Report and performance for the year ended September 30, 2000. Your Company suffered a gross loss of 80.50 million as against gross profit

BY ORDER OF THE B

**Muhammad Baqir Ja
Company Secretar**

BY ORDER OF THE B

**Muhammad Baqir Ja
Company Secretar**

of 48.87 million of last year. As reported earlier the cane crushing and sugar production both showed a drastic decline as given below.

<i>PARTICULARS</i>	<i>Year 1999/00</i>	<i>Year 1998/99</i>
Season	07/11/99 to 10/02/00	11/11/98 to
Number of Days worked	96	
Cane crushed M. Tons	258,757	
Average Recovery	9.33%	
Production of Sugar M. Tons	23,876	
Production of Molasses M. Tons	12,005	

A massive cyclone hit the Badin District in May 1999 and devastated the Ratoon and spring plantation in our cane procurement areas. The entire district was declared a calamity area. Your Mill closed on 10th of February, 2000 due to a collapse in sugar cane supply, which had already been trickling in at low pace throughout the season. The final production of 23,876 metric tonnes was the lowest ever in the past 25 years. There was an overall decline of sugarcane crop in the country and particularly in the province of Sindh. Our mills was one of the worst sufferers of acute shortage of sugarcane crop due to high intensity cyclone last year, which particularly damaged the sugarcane crop in Badin and surroundings districts.

Due to acute shortage of sugarcane crop the prices of sugar-cane also shot up abruptly, whereas sugar prices declined as a result of low international prices and our import policies. We had to sell sugar soon after the same was manufactured as due to the paucity of funds, we had to make prompt payments to the growers.

Your mill started the current crushing season on 27th November, 2000 and by the Grace of Almighty Allah, the production was bagged at 28,135 metric tons, on 31st March, 2001 at an average recovery rate of 9.48. The sowing for the next season is on the lower side and we pray to Almighty Allah for favourable weather and water conditions in the hope of a healthy crop and blessings in all our endeavours.

We are also negotiating with the Banks/DFIs and their response is encouraging.

The relationship among the Staff, Workers and Management with the blessing of Almighty ALLAH remained satisfactory and may ALLAH bless us in our efforts.

Karachi: 04th May, 2001.

KHALID EBRAHIM BA
Chairman

DIRECTORS' REPORT

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

Dear Shareholder,

By the Grace of Almighty Allah, your Directors presenting the 36th Annual Report and the Company's Audited Accounts together with the Auditors' Report thereon for the year ended 30th

September, 2000.

ACCOUNTS:

Rupees

(Loss) for the year after provision for Taxation

(224.

(Loss) brought forward

(188.

Accumulated (Loss)

(412.
=====

The loss for the year under review has the following reasons.

- a) Short production of 23,876 metric tons.
- b) Administrative Expenses
- c) Financial Expenses

AUDITORS' OBSERVATION:

The audit report for the period under review contain qualification, which are being addressed as follows:

- i) The Institute of Chartered Accountants of Pakistan and Banks and DFIs have an understanding in the mater of direct confirmation by Banks and DFIs, we cannot influence Banks and DFIs in this matter.
- ii) The conditions are not permanent and would reverse. The Company managed financial affairs, re-arranged / re-structured its financial liabilities. The sponsors of the Company are committed to continued operation and plans are afoot to improved the Company's operational results.

PATTERN OF SHARE HOLDINGS

The pattern of share holdings as at 30th September, 2000 is annexed to this report.

AUDITORS

M/s. Hyder Bhimji & Company, Chartered Accountants, Auditors of the company retire at this Annual General Meeting and being eligible, offer their services for re-appointment as auditors of the company for the ensuing year.

For and on behalf of the

DAWOOD EBRAHIM B.
Chief Executive

Karachi: 04th May, 2001.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **BAWANY 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 period 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 approved auditing standards as applicable in Pakistan. These standards requires that we plan an perform the audit to obtain reasonable assurance about whether the said statement 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.

(i) We have not received direct confirmation from National Development Finance Corporation confirming the outstanding balance including markup and Charges, despite sending reminder request.

(ii) The company's accounts has been prepared on going concern basis despite the fact that the company is sustaining significant losses over the years which has now aggregated to Rs. 412.847 Million resulting into negative equity of Rs. 157.356 Million besides for the effects of our above observation if given effect, would result substantially increase the loss reported by the company while current ratio of the company has reached the level of 0.49:1.

Subject to effect of above, 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) Except for the effects of the above 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 period was for the purpose of the Company's business; and

(iii) the business conducted, investment made and the expenditure incurred during the period were in accordance with the objects of the Company;

c) Subject to the effects of above in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and with the exception for the effect of above respectively give a true and fair view of the state of the

Company's affairs as at September 30, 2000 and of the Loss, its Cash Flow and changes in equity for the year then ended; and

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

e) Without qualifying our report, we refer the matter in Note No. 10.

Karachi: 4th May, 2001.

**HYDER BHIMJI &
Chartered Accountants**

BALANCE SHEET AS AT 30TH SEPTEMBER, 2000

	<i>Notes</i>	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised:			
15,000,000 Ordinary Shams of Rs. 10/- each		150,000,000 =====	150,000,000 =====
Issued, Subscribed and Paid-up Capital	2	87,245,910	87,245,910
RESERVES AND SURPLUS			
Reserves	3	168,245,430	168,245,430
Accumulated (Loss)		(412,847,941)	(188,245,430)
		----- (244,602,511)	----- (20,000,000)
		----- (157,356,601)	----- 60,000,000
REDEEMABLE CAPITAL	4	59,529,632	89,529,632
LONG-TERM LOAN	5	6,593,077	18,593,077
DEFERRED LIABILITIES			
Deferred Taxation		43,000,000	43,000,000
CURRENT LIABILITIES			
Current Maturity of Redeemable Capital & Long term Loan	6	104,687,136	62,687,136
Short term running finance	7	220,466,405	231,466,405
Creditors, Accrued and Other Liabilities	8	455,559,772	318,559,772
Provision for Taxation	9	13,868,802	12,868,802
		----- 794,582,115	----- 624,582,115

CONTINGENCIES & COMMITMENTS

10

746,348,223
=====-----
843
=====

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

Karachi:

Dated: May 04, 2001

TANGIBLE FIXED ASSETS

Operating Assets

11

348,626,243

383

Capital Work-in-Progress

12

--

1

348,626,243-----
384**LONG- TERM INVESTMENTS**

13

582,986

4

LONG TERM DEPOSITS

14

8,164,546

8

CURRENT ASSETS

Stores and Spares

15

35,319,859

41

Stock-in-Trade

16

12,724,741

8

Trade Debts

17

101,746,666

111

Loans, Advances & Other Receivables

18

238,242,349

282

Cash and Bank Balances

19

940,833

2

388,974,448-----
446-----
746,348,223
=====-----
843
=====**KHALID EBRAHIM BAWANY**
Chairman**DAWOOD EBRAHIM BAWANY**
Chief Executive

NOTES: Mr. Dawood E. Bawany, Chief Executive of the Company is presently out of Pakistan hence these accounts have been authenticated by two Directors in accordance with the section 241 of the Companies Ordinance

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

	<i>Notes</i>	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
Sales	20	330,096,183	830
Less: Cost of Sales	21	410,602,268	781
GROSS (Loss) / PROFIT		----- (80,506,085)	----- 48

Establishment and Other Expenses	22	52,551,835	54
Selling and Distribution Expenses	23	327,431	13
		-----	-----
		52,879,266	68
		-----	-----
Operating (Loss) before the following:		(133,385,351)	(19)
Other Income/(Loss)	24	9,450,710	(19)
		-----	-----
		(123,934,641)	(38)
		-----	-----
Financial Expenses	25	985,702,951	93
Charity and Donation	26	25,325	
		-----	-----
		98,595,620	93
		-----	-----
(Loss) before taxation		(222,530,261)	(132)
Provision for taxation	27	(1,670,000)	(4)
		-----	-----
(Loss) after taxation		(224,200,261)	(136)
Accumulated (Loss) brought forward		(188,647,680)	(52)
		-----	-----
Accumulated (Loss) carried over to Balance Sheet		(412,847,941)	(188)
		=====	=====
Earnings Per Share	28	(25.70)	

KHALID EBRAHIM BAWANY
Chairman

DAWOOD EBRAHIM BAWANY
Chief Executive

NOTES: Mr. Dawood E. Bawany, Chief Executive of the Company is presently out of Pakistan hence these accounts have been authenticated by two Directors in accordance with the section 241 of the Companies Ordinance.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT) FOR THE YEAR ENDED 30TH SEPTEMBER, 2000**

	<i>2000</i>	<i>1999</i>
	<i>RUPEES</i>	<i>RUPEES</i>
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(222,530,261)	(132,847,680)
ADD: item not effecting funds:		
Depreciation	38,958,472	19,847,680
(Profit) / Loss on sale of fixed assets	(1,911,842)	38,958,472
Loss on sale of shares investment	1,822,200	93,000,000
Financial Charges	98,570,295	93,000,000
	-----	-----
	(85,091,136)	19,847,680

(INCREASE) / DECREASE IN CURRENT ASSETS

Stores and spares	6,034,013	
Stock-in-trade	(4,166,660)	27
Trade debts	9,660,714	28
Loans, advances and Other Receivables	44,240,693	(242)
	-----	-----
	55,768,760	(186)

INCREASE / (DECREASE) IN CURRENT LIABILITIES

Creditors, accrued and Other Liabilities	69,997,553	163
Payment of Income - tax	(245,382)	(3)
	-----	-----
Net cash inflow / (outflow) from operating activities	40,429,795	(8)

CASH FLOW FROM INVESTING ACTIVITIES

Fixed Operating Assets including Capital work-in-Progress	(5,208,663)	(11)
Proceeds from sale of fixed assets	3,942,000	3
Proceeds from sale of Long-term investments	1,927,800	3
Decrease / (Increased) in Long-term deposits	140,000	(2)
	-----	-----
Net cash out flow from investing activities	801,137	(8)

CASH FLOW FROM FINANCING ACTIVITIES

Payment of Redeemable Capital & Long Term Loan	--	(10)
Financial Charges Paid	(31,797,795)	(45)
(Decrease) / Increase in short-term borrowings	(10,700,514)	69
	-----	-----
Net cash out flow from financing activities	(42,498,309)	13
Net (decrease) in cash and cash equivalents	(1,267,377)	(3)
Cash and cash equivalents at the beginning of the year	2,208,210	5
	-----	-----
Cash and cash equivalents at the end of the year	940,833	2
	=====	=====

KHALID EBRAHIM BAWANY
Chairman

DAWOOD EBRAHIM B.
Chief Executive

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

	<i>Shares Capital</i>	<i>General Reserve</i>	<i>Accumulated (Loss)</i>	<i>Total</i>
Balance at 1st October, 1998	83,091,340	172,400,000	(52,246,893)	203
Bonus Shares Issued	4,154,570	(4,154,570)	--	
(Loss) for the year 1999	--	--	(136,400,787)	(136)
	-----	-----	-----	-----

Balance at 30th September, 1999	87,245,910	168,245,430	(188,647,680)	60
(Loss) for the year 2000	--	--	(224,200,261)	(224,
Balance at 30th September 2000	87,245,910	168,245,430	(412,847,941)	(157,

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

THESE NOTES FROM 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 and its shares are quoted on Karachi and Lahore Stock Exchanges. Principal activity of the Company is the manufacture and sale of sugar.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1.1 ACCOUNTING CONVENTION:

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

1.2 GOING CONCERN:

The accounts have been prepared on going concern basis despite the fact that the Company incurred loss for the year amounting to Rs. 224.20 million and its accumulated loss stood at Rs. 412.84 million, adverse current ratio and subsequent operational and financial result are also not positive. However the going concern basic is valid as:

The condition are not permanent and would reverse. The Company managed financial affairs, re-arranged/restructured its financial liabilities. The sponsors of the company are committed to continue operation and plans are afoot to improve the company's operational results.

1.3 DEFINED BENEFIT GRATUITY SCHEME:

The defined benefits gratuity scheme was discontinued, however determined liability upto the date of cessation of benefit scheme i.e. 31-12-1994 is shown in note no. 8 to the accounts.

1.4 DEFINED CONTRIBUTION PROVIDENT SCHEME:

The company operates defined contribution provident fund Scheme for all its eligible employees. Equal monthly contributions are made, both by company and the employees to the fund.

1.5 TAXATION:

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The company accounts for deferred tax liability arising due to timing deference by using liability method.

However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION:

Fixed Assets are stated at cost less accumulated depreciation, except free-hold land which is stated at cost. Depreciation is charged to income applying the reducing balance method.

Acquisitions in a year are depreciated for a full year irrespective of the date of purchase, while no deprecations is charged on assets in the year of their disposal. Maintenance and normal repairs are charge to income as and when incurred. Major renewals and replacements are capitalised and assets so replace, if any, are retired.

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

1.7 CAPITAL WORK IN PROGRESS:

Capital work in progress is stated at cost and represents expenditures on fixed assets in course of construction and installations, if any. Transfers are made to relevant fixed assets category as and when assets become operational.

1.8 ACCOUNTING FOR LEASE:

The Annual lease rentals in respect of fixed assets held under operating leases are charged against profit for the year.

1.9 BORROWING COSTS:

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

1.10 LONG TERM INVESTMENT:

Investment in shares is stated at cost. However, provision, if any, for permanent diminution in the value of investment is made.

1.11 STORES AND SPARES:

Store and Spares are valued at weighted average cost.

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

1.12 STOCK - IN - TRADE

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

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

1.13 TRADE DEBTS:

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

1.14 REVENUE RECOGNITION:

Sales are recorded on despatch of goods to customers. Dividend from investment is recorded when right to receive the same is established.

1.15 FOREIGN CURRENCY TRANSLATION:

Foreign Currency loan has been converted in to Pak Rupees at the rate of exchange prevailing on the date of actual disbursement.

2. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<i>2000</i>	<i>1999</i>			
1,500,000	1,500,000	Ordinary shares of Rs. 10/- each fully paid-up issued for cash.	15,000,000	15
7,124,591	7,124,591	Ordinary shares of Rs. 10/- each fully paid-up issued as Bonus Shares	71,245,910	71
100,000	100,000	Ordinary shares of Rs. 10/- each fully paid-up issued to debenture-holders pursuant to Conversion option of debenture Trust Deed	100,000	
----- 8,724,591 =====	----- 8,724,591 =====		----- 87,245,910 =====	----- 87 =====

3. RESERVES - REVENUE

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

3.1 GENERAL RESERVE

Opening Balance	165,745,430	165
-----------------	-------------	-----

3.2 DIVIDEND EQUALISATION RESERVE

Opening Balance	2,500,000	2
	----- 168,245,430 =====	----- 168 =====

4. REDEEMABLE CAPITAL (SECURED)

LONG - TERM RUNNING FINANCE UTILISED UNDER MARK-UP ARRANGEMENTS

National Development Finance Corporation (NDFC) 4.01

Local Manufactured Machinery (LMM)		1,359,916	1
Local Manufactured Machinery (LMM)		126,757,883	126
Local Currency Loan	(LCY-GTF)	8,514,118	8
Local Currency Loan	(LCY-GTF)	1,064,000	1
		-----	-----
		37,695,917	137
Less: Current portion show under current liabilities (Note # 6.1)		(78,166,285)	(47)
		-----	-----
		59,529,632	89
		=====	=====

4.1 LONG-TERM RUNNING FINANCE FROM NDFC

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

<i>Credit Line</i>	<i>Principal Amount Rupees in Million</i>	<i>Re-Purchase Amount Rupees in Million</i>	<i>Prompt Payment Rebate Rupees in Million</i>	<i>Unutilised Amount Rupees in Million</i>	<i>Effective Markup Rate P.A.</i>
LMM	1.95	3.91	1.33	0.25	
LMM	141.07	402.36	104.55	0.15	
LCY-GTF	23.97	30.61	4.39	0.56	

SECURITY

The above credits are secured by equitable mortgage on the Company's immovable properties including Land, Buildings, Plant and Machinery, a floating charges on all other properties and assets of the Company. A demand promissory note executed by the company and additionally secured by exclusive hypothecation of the machinery financed by NDFC under this agreement.

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
5. LONG-TERM LOAN (SECURED)		
National Development Finance Corporation (NDFC)		
Foreign Currency Loan -FCL	5.01	33,113,928
Less:- Current Portion show under current Liabilities (Note # 6.2)		(26,520,851)

		6,593,077
		=====

5.1 FOREIGN CURRENCY LOAN FROM NDFC

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

<i>Credit</i>	<i>Principal Amount</i>	<i>Unutilised Amount</i>	<i>Effective Markup</i>	<i>Exchange Risk Fee</i>
---------------	-------------------------	--------------------------	-------------------------	--------------------------

<i>Line</i>	<i>Million</i>	<i>Million</i>	<i>Rate</i>		<i>No. Mode</i>
		<i>Rs.</i>	<i>P.A.</i>		
FCL	US\$	5.49	18%	Included	7
(2rid)	1.94			in 16%	Semi-Annual
	Rs: 52.552				

SECURITY

The above loans are secured by equitable mortgage on the company's immovable properties including Land, Building, Plant and Machinery, a floating charges on all other properties and assets of the company and exclusive hypothecation of machinery financed by NDFC under this agreement and demand promissory note executed by the company.

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

		<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
Redeemable Capital-NDFC (Secured) (6.1)		78,166,285	47,166,285
Long Term Loan-NDFC (Secured) (6.2)		26,520,851	14,166,285
		-----	-----
		104,687,136	62,332,570
		=====	=====
(6.1) Includes overdue installment	32,151,398	(1999 15,642,498)	
(6.2) Includes overdue installment	10,004,308	(1999 4,301,032)	
	-----	-----	
	42,155,706	19,943,530	
	=====	=====	

7. SHORT TERM RUNNING FINANCE (SECURED)

a) From Bank - Under Mark - up agreement (Secured against hypothecation / pledge of stock in trade, stores & spares and personal guarantees of Directors		220,466,405	231,466,405
		-----	-----
		220,466,405	231,466,405
		=====	=====

(i) The facilities for short-term running finance available for Banks under Mark-up arrangement amounting to Rs. 100,000,000 (1999- Rs. 150,000,000), which represent the sale prices under mark-up agreements with a corresponding purchase prices of Rs. 118,250,000 (1999 - Rs. 177,813,000). This is repayable on demand. The rate of mark-up is changed at 50 paisa per thousand rupees per day payable quarterly.

(ii) The company has short-term agricultural finance facilities for banks on mark-up basis upto Rs. 125 million (1999 - Rs. 145 Million) paid by banks to cane growers for seeds, fertilizers, tractors etc., which is guaranteed by the Company.

2000

1999

	RUPEES	RUPEES
8. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Cane growers for supplies of cane etc.	71,645,975	85
Due to Associated Companies, for services	6,691,436	4
Suppliers of store material	36,940,918	24
Sales Tax	56,479,769	12
Other Government Levies	20,175,741	16
Advance from Customers	24,654,078	23
Staff Dues	39,117,154	21
Lease rentals	10,498,693	7
Accrued Liabilities	49,309,313	40
Accrued mark-up on secured short term running finance	55,417,806	37
Levy on Central Excise Duty Payable	69,640	
Accrued Markup on Secured Loan (NDFC)	72,702,189	24
Commitment Charges on Secured Loan (NDFC)	423,468	
Commitment charges on FCY Loan Payable	93,686	
Workers Profit Participation Fund (Note 8.1)	472,642	
Determined Liability for Gratuity (Note 8.2)	9,296,999	18
Unclaimed Dividend	823,490	
Others	746,775	
	-----	-----
	455,559,772	318
	=====	=====
8.1 WORKERS' (PROFIT) PARTICIPATION FUND		
Balance as per last Balance Sheet	4,305,941	3
Interest paid on fund utilised for Company's business, shown under		
Financial Expenses (See note 25)	420,481	
	-----	-----
	472,642	
	=====	=====
8.2 DETERMINED LIABILITY FOR GRATUITY		
Opening Balance		
Less:- Paid during the year	18,600,000	1
Excess provision written back (Note # 24)	(709,780)	
Determined Liability for Gratuity	(8,593,221)	
	-----	-----
	9,296,999	18
	=====	=====
9. PROVISION FOR TAXATION		
On Income:-		
Balance as per last Balance Sheet	12,444,184	11
Add: Provided for the year		
Provision for taxation	1,670,000	4
	-----	-----

Less: Payments	14,114,184 (245,382)	16 (3)
	----- 13,868,802 =====	----- 12 =====

Note:

Company's Income-tax Assessment upto assessment year 1999/2000 (accounting year September 30, 1998) have been Completed. The Company has filed appeal with C.I.T. (Appeals) against certain disallowances. The management is confident that the decision of the Appeal will be in the Company's favour.

10. CONTINGENCIES & COMMITMENTS

(a) Contingent liabilities in respect of:-

(i) A demand of Rs. 1,146,158 together with interest Rs. 2,427,132 is made by Assistant Commissioner, Badin on account of compensation of factory free-hold land. The company has not acknowledged the claim 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. (Note No. 14 as Long term Deposits)

(ii) Claim by National Investment Trust Limited for issue of = 6,600 = Bonus shares and Rs. 40,500 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 acknowledge as debt by the company and the suit in the high court of Sindh Karachi by N.I.T., Is being defended by the company

(iii) As the NDFC has gone into litigation and files a suit for the recovery of the sum of Rs. 486.689 Million as against the balance recorded by the Company as Rs. 244.029 Million. The Company disputes the suit and claims it to be unreasonable and unjustified. The suit is pending before the High Court of Sindh at Karachi under Banking Companies Act 1997.

(iv) The disputed income-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.

(v) Continuing Guarantees issued to banks in consideration of banks making agricultural loans to cane growers for purchase of seeds and fertilizers aggregating to Rs. 125 million. (1999 -Rs. 145 million)

(b) Commitments in respect of:-

(i) The Rentals under operating lease agreement in respect of equipments and vehicles, payable are as follows.

<i>YEAR</i>	<i>RENTALS</i>
2001	799,820

11. TANGIBLE FIXED ASSETS

11.01 Following is a summary of Operating Assets:-

<i>PARTICULARS</i>	<i>Cost at 01-10-1999</i>	<i>Additions (disposals)</i>	<i>Cost at 30-09-2000</i>	<i>Accumulated Depreciation</i>
FACTORY LAND - FREEHOLD	1,017,901	--	1,017,901	
FACTORY BUILDING - ON FREEHOLD LAND	105,685,705	157,445	105,843,150	66
NON-FACTORY BUILDING - ON FREEHOLD LAND	12,623,242	--	12,623,242	9
PLANT AND MACHINERY	574,466,270	5,956,718	580,422,988	280
AGRICULTURAL VEHICLES	2,899,498	--	2,461,178	1
		(438,320)		
TRANSPORT VEHICLES	8,964,829	115,000	4,714,300	2
		(4,365,529)		
ELECTRICAL AND AIRCONDI- TIONING INSTALLATION	2,469,640	--	2,469,640	1
FURNITURE AND FIXTURES	2,560,904	7,160	2,568,064	1
OFFICE EQUIPMENTS, TOOLS, AND OTHER EQUIPMENTS	4,378,140	--	4,378,140	2
	-----	-----	-----	-----
2000 - RUPEES	715,066,129	6,236,323 (4,803,849)	716,498,603	367
	=====	=====	=====	=====
1999- RUPEES	707,277,961	11,962,968 (4,174,800)	715,066,129	331
	=====	=====	=====	=====

NOTE:

11.1 The Company has changed the method of calculating depreciation on plant and machinery on the basis of actual working days to estimated useful life of the plant. Had the depreciation charge calculated on the previous basis, the charge for depreciation for the year would have been lower by Rs. 24,549,804/-

		<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
11.02 Depreciation charge for the year has been allocated as follows:-			
Cost of sales	(See Note 21)	37,728,739	17
Establishment and other Expenses	(See Note 22)	1,229,733	1
		-----	-----
		38,958,472	19
		=====	=====

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

<i>PARTICULARS</i>	<i>Original costs Rs.</i>	<i>Accumulated Depreciation Rs.</i>	<i>W.D.V. Rs.</i>	<i>Sales Price Rs.</i>
AGRICULTURAL VEHICLES				
Tractor Ap - 0005	148,300	135,561	12,739	
Tractor KJ - 0881	118,800	112,269	6,531	
Trolly	51,000	44,155	6,845	
2 Trolly	120,220	114,932	5,288	
TRANSPORT VEHICLES				
Suzuki Hi Roof CG - 6562	144,650	125,236	19,414	
Suzuki Van BA - 3540	185,000	169,109	15,891	
Nissan Sunny ABD - 869	795,000	286,200	508,800	
Toyota Corrolla C- 8539	117,250	113,124	4,126	
Mitsubishi Van CG - 7917	379,000	315,413	63,587	
Mazda Pickup CG - 9325	267,500	222,622	44,878	
Hyundai Excel AB - 9405	510,366	249,058	261,308	
BMW 5181 IDD-490	800,000	160,000	640,000	
Suzuki Jeep BC - 1572	209,524	181,402	28,122	
Honda Civic AB - 1573	603,120	356,082	247,038	

Honda Civic AAD- 883	60,720	21,859	38,861
Toyota Corolla R - 7510	47,443	28,011	19,432
Toyota V - 6337	181,956	107,426	74,530
Mitsubishi Van CJ - 6750	64,000	31,232	32,768
2000 Rupees	4,803,849	2,773,691	2,030,158
1999 Rupees	4,174,800	1,002,153	3,172,647

**2000
RUPEES**

**1999
RUPEES**

12. CAPITAL WORK-IN-PROGRESS

Plant and Machinery under installation

--

1

--

1

13. LONG-TERM INVESTMENTS (AT COST):

<i>Name of investe</i>	<i>Class of shares</i>	<i>Number of fully paid shares</i>	<i>Market value on 30-09-2000</i>
B.F. Modaraba	--	--	--
Faran Sugar Mill	Ordinary	79,800	770,070
			582,986

14. LONG-TERM DEPOSITS:

Security Deposits	4,591,256
Deposit with High Court (See Note 10(a)(i))	3,573,290
	8,164,546

15. STORES AND SPARES:

Stores	13,671,862
Spares	21,647,997
	35,319,859

16. STOCK- IN- TRADE:

Sugar	8,843,365
Sugar- in -Process	3,835,167

	12,678,532
Molasses	46,209

	12,724,741
	=====

17. TRADE DEBTS: (SECURED)101,746,666
=====

17.01 The above debt is jointly and severally secured against continuing Guarantee, on recurring and revolving, basis by Al-Asif Sugar Mills Ltd., Payable within 16 years in the light of Company's cash flow.

**18. LOANS, ADVANCES & OTHER RECEIVABLES
(unsecured - Considered Good)**

Advances to staff and workers, against salaries and Wages	3,060,057
Advances to cane haulage and other contractors	10,500
Advances against supplies	2,061,643
Advances to cane growers against cane supplies:-	
To Cane Growers	29,490,664
Less: Considered doubtful (Note 18. 1)	(22,591,425)

	6,899,239
Excise duty (Sugar) current Account Balance	585,120
Other Receivables (Note 18.2)	225,625,790

	282,483,042
	=====

18.1 Provision for doubtful Growers Loan	1,202,204
Provision made during the year	21,389,221

	22,591,425
	=====

18.2 The above other receivables includes an amount of Rs. 114.071 Million outstanding from M/s. Ebramin (Pvt) Ltd., jointly and secured against continuing Guarantee on recurring and revolving basis by Al-Asif Sugar Mills Ltd., payable within 16 years in the light of Company's Cashflow.

(i) The maximum amount due from executives during the year was Rs. NIL (1999-Rs. NIL).

19. CASH AND BANK BALANCES

Cash in Hand	242,428	1
Balance with Banks On Current Accounts	698,405	
	-----	-----
	940,833	2
	=====	=====

20. SALES

Sugar-Local	390,493,732	759
Sugar-Export	--	135
Export Rebate	--	34
Molasses	5,790,697	11
	-----	-----
	396,284,429	941
Less: Brokerage	(259,125)	(2)
Excise Duty	--	(14)
Sales Tax	(65,929,121)	(94)
	-----	-----
	330,096,183	830
	=====	=====

21. COST OF SALES

Sugar cane consumed (including procurement and development expenses).	288,651,379	592
Quality premium to cane growers	13,041,392	21
Road Cess	1,617,252	3
Salaries, Wages and Benefits	43,353,454	63
Manufacturing Stores and Spares	13,608,864	29
Water, fuel and power	10,672,369	15
Repairs and Maintenance	3,068,975	3
Insurance	1,952,545	4
Operational Transport and handling	675,852	1
Other Manufacturing Expenses	398,107	
Depreciation (Note 11.02)	37,728,739	17
	-----	-----
	414,768,928	754
Add: Opening Stock 1-10-1999		
Sugar	8,134,661	34
Sugar-in-Process	421,480	1
Molasses	1,940	
	-----	-----
	8,558,081	35
	-----	-----
	423,327,009	789
Less: Closing Stock 30-9-2000		
Sugar	8,843,365	8
Sugar-in-Process	3,835,167	

Molasses	46,209	
	-----	-----
	12,724,741	8
	-----	-----
COST OF SALES	410,602,268	781
	=====	=====
22. ESTABLISHMENT AND OTHER EXPENSES		
Administration Salaries and Benefits	15,612,127	19
Office and Other Expenses	1,557,641	3
Traveling and Conveyance	602,218	
Legal Fees and Professional charges	419,353	2
Post and Telegraph Expenses	774,454	2
Vehicles Expenses	1,144,977	3
Lease Rent	3,021,485	8
Doubtful Growers Loan	22,591,425	
Employees Welfare Expenses	4,330,922	10
Directors fee and Remuneration (Note 31)	1,202,000	1
Auditors Remuneration (Note 32)	65,500	
Depreciation (Note 11.02)	1,229,733	1
	-----	-----
	52,551,835	54
	=====	=====
23. SELLING AND DISTRIBUTION EXPENSES		
Freight and Forwarding Expenses - Local	152,615	
Freight and Forwarding Expenses - Export	--	9
Sugar Handling and Storage Expenses - Local	174,816	
Sugar Handling and Storage Expenses - Export	--	3
	-----	-----
	327,431	13
	=====	=====
24. OTHER INCOME		
Profit / (Loss) on disposal of Fixed Assets (11.03)	1,911,842	
(Loss) on Sale of Share Investment	(1,822,200)	(38)
Dividend Income	60,000	
Miscellaneous Receipts	707,847	1
Excess Provision written back	8,593,221	
On PLS Term Deposit account	--	
From Other advances and Trade debts	--	17
	-----	-----
	--	17
	-----	-----
	9,450,710	(19)
	=====	=====
25. FINANCIAL EXPENSES		

Mark-up on short term running finance	50,109,283	51
Mark-up on NDFC LMM Finance	38,392,301	22
Interest on Long-term Loan	4,759,147	15
Interest on Workers Participation Fund (See Note 8.1)	42,048	
Markup on NDFC LCY GTF Loan	5,013,348	3
Bank Commission and Charges	254,168	1
	-----	-----
	98,570,295	93
	=====	=====

26. 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).

25,325

27. PROVISION FOR TAXATION:

Current year (Note 27.01)

1,670,000

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

27.02 Deferred Tax Liability works out at Rs. 46.08 million against which provision of Rs. 43 million has already been made in the accounts.

28. EARNING PER SHARE (EPS)

(Loss) after Taxation	(224,200,261)	(136)
Number of Ordinary Shares	8,724,591	8
Earning per Share	(25.70)	

29. MARK-UP RATE RISK EXPOSURE

	<i>Mark-up Bearing</i>		<i>Non-Mark-up Bearing</i>	
	<i>One month to one year</i>	<i>One year to and onward</i>	<i>One month to one year</i>	<i>One year to and onward</i>
Financial Assets:				
Long Term Investment	--	--	--	
Trade Debtors	101,746,666	--	--	
Loan, Advances & Other Receiva	--	--	238,242,349	
Cash & Bank Balances	--	--	--	
	-----	-----	-----	-----
	101,746,666	--	238,242,349	1
Financial Liabilities:				
Redeemable Capital	78,166,285	59,529,632	--	
Long term Loans	26,520,851	6,593,077	--	
Running Finance	220,466,405	--	--	

Creditor's Accrued & Other Liabili	--	--	455,559,772
Taxation	--	--	13,868,802
	-----	-----	-----
	325,153,541	66,122,709	469,428,574
On Balance Sheet Gap (a)	(223,406,875)	(66,122,709)	(231,186,225)
Cumulative Mark-up sensivity Ga	(223,406,875)	(66,122,709)	(231,186,225)

(a) The Balance Sheet Gap represents the net amount of Balance Sheet items.

(b) Effective rates of mark-up for Financial Assets & Liabilities are as follows.

Rate of Mark-up

Trade Debts	Refer Note # 1.13
Redeemable Capital	Refer Note # 4.01
Long term Loans	Refer Note # 5.01
Running Finance	Refer Note # 7(a) 'i & ii'

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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. The Company applies credit limits to its customers and does not have significant exposure to any individual customer.

Interest rate risk

interest rate risk arise from the possibility that changes in interest rate will effect the value of financial instruments. The risk arising is minimal.

Fair values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

31. DETAILS OF PAYMENTS TO DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	<i>2000</i>	<i>1999</i>
	<i>RUPEES</i>	<i>RUPEES</i>
Directors		
Meeting fee	2,000	
	=====	=====
Number	2	
	=====	=====
Chief Executive		
Managerial Remuneration	185,400	
Allowance and Utilities	83,400	
Medical	31,200	

	-----	300,000	-----
	=====		=====
Number		1	
	-----		-----
Director			
Managerial Remuneration		538,200	
Allowance and Utilities		268,200	
Medical		93,600	
	-----	900,000	-----
	=====		=====
Number		3	
	-----		-----
Executives			
Managerial Remuneration		358,800	
Bonus		--	
Co's contribution to Provident Fund		--	
Allowance and Utilities		178,800	
Medical		62,400	
	-----	600,000	-----
	=====		=====
Number		2	
	-----		-----

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

32. AUDITORS REMUNERATION

Audit fees	60,000	
Out of Pocket Expenses	5,500	
	-----	-----
	65,500	-----
	=====	=====

33. TRANSACTION WITH ASSOCIATED COMPANIES

Services obtained	1,952,545	4
	-----	-----
	=====	=====

34. CAPACITY AND PRODUCTION

<i>SUGAR</i>	<i>Capacity as determined under Production Capacity (Sugar) Rules 1972</i>		<i>Actual Production</i>	
	<i>(M. Tons)</i>	<i>Days</i>	<i>(M. Tons)</i>	<i>Days</i>
2000	78,375	150	23,876	

1999 78,375 150 55,023

Note:

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

35. NUMBER OF EMPLOYEES

Total average number of employees (including Permanent, Seasonal and Temporary) for the year 736 (1999-777)

36. COMPARATIVE FIGURES

- 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
Chairman

DAWOOD EBRAHIM B.
Chief Executive

Pattern of Shareholding as at 30th September, 2000

<i>No. of Shareholders</i>	<i>Holding From</i>	<i>To</i>	<i>Total Shares Held</i>	<i>Percentage</i>
842	1	100	20,714	0.24
404	101	500	104,212	1.17
249	501	1,000	152,383	1.75
219	1,001	5,000	470,624	5.39
42	5,001	10,000	294,341	3.37
15	10,001	15,000	180,418	2.07
2	15,001	20,000	31,115	0.36
6	20,001	25,000	139,090	1.59
4	25,001	30,000	112,170	1.29
2	30,001	35,000	63,837	0.73
4	35,001	40,000	152,097	1.74
4	40,001	45,000	166,330	1.91
2	50,001	55,000	102,878	1.18
7	55,001	60,000	407,770	4.67
2	60,001	65,000	127,421	4.46
1	65,001	70,000	65,857	0.75
2	70,001	75,000	144,646	1.66
2	75,001	80,000	156,162	1.79
1	80,001	85,000	82,624	0.95
1	85,001	90,000	87,867	1.01
3	90,001	95,000	277,287	3.18
1	110,001	115,000	110,715	1.27
4	115,001	120,000	467,123	5.35
2	120,001	125,000	245,345	2.81
2	125,001	130,000	255,948	2.93
2	135,001	140,000	271,870	3.12

4	150,001	155,000	610,700	7.00
1	155,001	160,000	158,005	1.81
1	170,001	175,000	172,710	1.98
1	185,001	190,000	188,007	2.15
1	190,001	195,000	193,574	2.22
2	240,001	245,000	481,225	5.52
1	460,001	465,000	463,466	5.31
1	550,001	555,000	551,825	6.32
1	570,001	575,000	570,918	6.54
1	640,001	645,000	643,267	7.37
-----			-----	-----
1,839			8,724,591	100.00
=====			=====	=====

Categories of Shareholders

<i>Particulars</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage of Issued Capital</i>
Individual	1,783	4,350,162	
Investment Companies	12	1,504,789	
Insurance Companies	8	979,899	
Joint Stock Companies	19	697,298	
Financial Institutions	4	793,698	
Charitable Institutions	10	391,695	
Government Organisations	3	7,050	
	-----	-----	-----
	1,839	8,724,591	
	=====	=====	=====