

**Mehran Sugar Mills
Limited
Annual Report 1999**

**We begin in the name of Allah,
the most Gracious and the most Merciful**

MEHRAN SUGAR MILLS LIMITED

CORPORATE MISSION

PREAMBLE

We the management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate.

We pledge our efforts to the accomplishment of the purpose within the agreed principles.

BASIC PURPOSE

The basic purpose of Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar, food products, sugar by products and other products wherein management or sponsors have expertise. In addition we preserve to assume a leadership position in related industry regarding: quality of the product, cost effectiveness, turnover and technology.

WHAT WE DO

Our main business area is the production of refined cane sugar and sugar by products. We recognise the value of technological improvement kept in step with the latest innovations and developments in our field. We believe in modern management practice and use latest techniques. We constantly train our people and keep them highly motivated as they are our most important assets. We strongly believe in integrity in business and integrity of Mehran depends on integrity of each one of its employees. We consider our farmers who are our raw material suppliers as the most important part of our business.

*We believe in diversification through new
manufacturing facilities and through
equity participation.*

CONTENTS

Board of Directors
Notice of Meeting
Directors' Report
Operation at a Glance
Auditors' Report
Balance
Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts
Pattern of Shareholdings

BOARD OF DIRECTORS

Mr. Mohammed Kasim
Hasham
Chairman

Mr. Mohammed Ebrahim Hasham
Chief Executive Officer

Mr. Mohammed Hussain Hasham
Mr. Khurram Kasim
Mr. Ahmed Ebrahim
Mr. S. Qamar Ali Zaidi
Mr. Abdul Karim Lodhi
(NIT)
Mr. Gul Nawaz (NIT)
Mr. Ghulam Yasin (ICP)

Company Secretary

Mr. Q.A. Wadud, Chartered Secretary

Auditors

Messrs Gangat & Company
Chartered Accountants
Karachi

Legal

Adviser

Aman Law Associates
Advocates & Corporate Consultants
Karachi

Registered Office

Adamjee House, 8th Floor
I.I Chundrigar Road
Karachi
Fax: 242-
6477
Tel: 241-7131-4 & 242-3881
e-mail: msmedp@yahoo.com
www: mehransugar.com

Mills

Tando Allahyar, Distt. Hyderabad,
Sindh
Fax: (02231) 890568
Tel: (02231) 890856 & (02231) 3419
e-mail: msmta@yahoo.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 34th Annual General Meeting of the Company will be held at its Registered Office, Adamjee House, 8th Floor, I.I. Chundrigar Road, Karachi on Wednesday, the 29th March, 2000, at 18.00 o'clock in the afternoon to transact the following business:-

1. To confirm the minutes of the last Annual General Meeting held on March 24, 1999.
2. To receive and adopt the Audited Accounts for the year ended 30th September, 1999 and the Directors' Report and the Auditor's Report thereon.
3. To approve and declare a Dividend of Re. 1.00 Per Ordinary Share of Rs. 10.00 as recommended by the Directors.
4. To Appoint Auditors for the year ending at the conclusion of the 35th Annual General Meeting and fix their remunerations. The retiring Auditors, Messrs Gangat & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.
5. To transact any other business, which may be dealt with in such meeting, with the permission of the Chairman.

**By Order of the
Board of Director**

Karachi, March 4, 2000

Q.A. Wadud
Company Secretary

Notice:

(1) A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote on his/her/belhalf. A proxy must be a member o the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for holding the Annual General Meeting.

(2) The Share Transfer Books shall remain closed from 24th March to 29th March, 2000, (both days inclusive) for determining the entitlement of dividends.

(3) Members are requested to intimate any change in their addresses immediately.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Mehran Shareholders,

The Directors of the Company take pleasure in presenting the Thirty-fourth Annual Report, along with the audited accounts of the Company for the year ended September 30, 1999.

By the grace of Allah, the operational performance and the financial results for the year under review have improved considerably. The Sugar policy of the Government by way of an exorbitant support price of sugar cane and the increase in the quality premium acted as deterrents to achieving better financial results.

A brief summary of the operational results is given hereunder:

	1998-99	1997-98
Seasons commenced	November 12, 1998	November 06, 1997
Season closed	April 02, 1999	March 22, 1998
Duration of season	142 days	137 days
Cane crushed M. Tons	701,627	568,225
Cane crushed Mounds	18,798,216	15,224,059
Average crushing per day M. Tons	4,162	4,148
Average sucrose recovery	9.08%	10.06%
Sugar Production M. Tons	63,589	57,117
Molasses Production M. Tons	35,291	27,990

Your mill produced 63,589 metric tons sugar during the year under review, which is about 12.66% higher than the sugar produced in the preceding year. Your company maintained a good payment record to the growers, which not only attracted new growers to supply the cane to the mill but also helped in building positive and lasting relationship with the growers of the area.

Your Company was able to export 11,324 M. Tons of sugar thereby earning foreign exchange worth U.S. \$2.825 million. By producing highest ever quantity of sugar and exporting almost 18% of our production, the Company was able to earn pretax profit of Rs. 51,856 million. The Company has already paid interim dividend of 10% to its shareholders.

The financial results for the year under review are as under:

	<i>1998-99</i>	<i>1997-98</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>
Profit before taxation	51,855,692	1,790,666
Profit/(Loss) after taxation	46,780,875	(831,415)
Profit/(Loss) available for appropriation	46,112,373	(668,502)
Appropriation:		
Interim dividend	9,843,750	--

Earning per Ordinary Shares of Rs. 10.00 each during the year under review is Rs. 4.82 as compared to Rs. (0.08) in the previous year.

The following negative factors affected the profitability of your Company.

- * Increase of Sales Tax rate to unregistered persons from 16.00% to 18.00%.
- * Provision of market committee fee for Rs. 3,508,138 for the current year.
- * Decrease in recovery of sucrose from 10.06% to 9.08% due to poor quality of cane coupled with high trash content in the sugar cane.

Performance of the on-going season

The on-going crushing season commenced on November 7th, 1999 and till February 23rd, 2k, the mill has crushed 473,621.220 metric tons of sugar cane and produced 40,622 metric tons of sugar at an average recovery rate of 9.29%. Regrettably, due to non-availability of sugar cane, the mill has closed in the mid-season, after working for only 109 days. Apparently, the operating performance and the financial results will be adversely affected.

Reduced availability of sugarcane is due to the following factors.

- a) Approximately 15% fall in yield per acre.
- b) Approximately 20% fall in acreage.
- c) Inadequate supply of irrigation water for the cultivation of sugarcane in the traditional zone of our mill.
- d) Excessive lifting of sugarcane produced in the natural zone of our mill by other sugar mills & those in the coastal area where the sugarcane crop was affected by the cyclone.

Appointment of Auditors

Messrs Gangat & Company, Chartered Accountants, Karachi, the retiring Auditors of the Company,

being eligible, offer themselves for re-appointment, for the year 1999-2000.

Acknowledgement

The Directors place on record their appreciation for the devoted services and hardwork of the officers, staff and workers of the Company in bringing best possible results.

The Directors also appreciate continued cooperation and support of the shareholders, sugarcane farmers of the area, the customers, creditors and the government.

For and on behalf of the Board of Directors.

**Mohammed
Kasim Hasham

Chairman**

**Mohammad Ebrahim
Hasham
Chief Executive
Officer**

Karachi, March 04, 2000

OPERATION AT A GLANCE-KEY INDICATORS (1995-1999)

<i>Particulars/period</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
Equity (Rs. in million)					
Paid-up Capital	98,438		98,438	98,438	98,438
Capital & General Reserves	144.206		117.113	107.781	182.781
Production (Metric tons)					
Sugarcane Crushed	699,994		568,225	243,283	289,279
Sugar Produced	63,509		57,117	34,284	42,867
Average Sucrose Recovery	9.08%		10.06%	9.90%	8.81%
Crushing Days	142		137	144	124
Earnings (Rs. in million)					
Sales	1,014.993		852.092	511.956	524.214
Gross Profit/(Loss)	135.864		78.653	88.767	83.133
Pre-Tax Profit/(Loss)	51.856		1.791	10.697	3.000
After tax Profit/(Loss)	46.781		(0.831)	7.937	(0.032)
Return of Equity	4.82		(0.08)	0.81	--
Payout (Rs. in million)					
Cash Dividend	19.688		--	9.844	--
Bonus Shares	--		--	--	--
Rate of Return	--		--	10%	--

**AUDITORS' REPORT TO THE
MEMBERS**

We have audited the annexed Balance Sheet of Mehran Sugar Mills Limited as at September 30, 1999 and the related Profit and Loss Account and the Cash Flow Statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanation given to us, the Balance Sheet, Profit and Loss Account and 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, 1999 and of the profit and the changes in the cash flow for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi, March 4, 2000

**GANGAT &
COMPANY
Chartered
Accountants**

BALANCE SHEET AS AT SEPTEMBER 30, 1999

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>

**CAPITAL AND
LIABILITIES**

Share Capital and Reserves

**Share
Capital**

**Authorise
d**

50,000,000 (1998: 50,000,000) Ordinary

Shares of Rs. 10/- each

500,000,0
500,000,000 00
=====

Issued Subscribed & paid-up 3 98,437,500 98,437,500 0

RESERVE AND SURPLUS

Capital
reserve

4 63,281,250 63,281,250 0

Revenue reserve - General

5 79,000,000 79,000,000 0

Unappropriated profit/(loss)

1,424,873 (668,502)

117,112,7
242,643,623 48

215,550,2
252,487,373 48

REDEEMABLE CAPITAL

6 28,160,719 28,160,719 8

LONG TERM LOANS

7 15,760,446 15,760,446 6,268,226

DEFERRED LIABILITIES

8 28,719,432 28,719,432 8

CURRENT LIABILITIES

Current maturity of redeemable capital

9 19,238,757 19,238,757 45,650,78

and long term loans

10 25,700,878 25,700,878 106,637,4

Short term borrowings

11 171,522,451 171,522,451 87

Creditors, accrued and other liabilities

12 15,511,686 15,511,686 4,483,334

Dividend

296,794,1

231,973,772 37

CONTINGENCIES &

13

COMMITMENTS

	-----	-----
	-----	-----
		580,680,6
	547,257,992	77
		=====
	=====	=====

PROPERTY AND ASSETS**FIXED ASSETS**

			404,034,1
Operating assets	14	397,043,852	58
Capital work-in-progress		4,294,481	2,370,885

LONG TERM INVESTMENTS

			42,511,09
	15	42,511,096	6

CURRENT ASSETS:

			35,255,74
Stores and spares	16	33,135,830	0
Stock-in-trade	17	2,333,540	6
Trade debts	18	9,828,185	2
Loans, advances, prepayments and receivable	19	41,863,981	1
Cash and bank balances	20	16,247,027	7,041,329

	-----	-----
	-----	-----
		131,764,5
	103,408,563	38

	-----	-----
		580,680,6
	547,257,992	77
		=====
	=====	=====

The annexed notes form an integral part of these accounts.

**Mohammed
Kasim Hasham**

Chairman

**Mohammed Ebrahim
Hasham**
Chief Executive
Officer

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Sales	21	1,014,993,415	852,092,040
Cost of goods sold	22	879,128,996	773,438,663
		-----	-----
Gross Profit		135,864,419	78,653,377
Administrative expenses	23	42,226,214	37,424,260
Selling expenses	24	22,027,373	7,251,860
Financial expenses	25	19,072,615	28,463,935
		-----	-----
		83,326,202	73,140,055
		-----	-----
		52,538,217	5,513,322
Operating profit			
Other income	26	3,723,668	5,242,165
Donations	27	(945,015)	(265,400)
Zakat		(16,000)	(150,000)
Prior years' adjustment	28	--	(8,451,674)
Workers' profit participation fund	29	(2,765,044)	(97,747)
Workers' welfare fund		(680,134)	--
		-----	-----
		(682,525)	(3,722,656)
		-----	-----
Profit before taxation		51,855,692	1,790,666
Taxation	30	5,074,817	2,622,081
		-----	-----
Profit/(Loss) after taxation		46,780,875	(831,415)
Transfer from general reserve			
Unappropriated profit brought forward		(668,502)	162,913
		-----	-----
Profit/(Loss) available for appropriation		46,112,373	(668,502)

Appropriations:

Interim dividend @ 10%		(9,843,750)	--
Proposed dividend @ 10%		(9,843,750)	--
Transfer to Revenue Reserved		(25,000,000)	--

**Unappropriated profit/(loss)
carried forward**

-----	-----
1,424,873	(668,502)
=====	=====
=====	=====

Earnings per share

32	4.82	(0.08)
	=====	=====
	=====	=====

The annexed notes form an integral part of these accounts.

**Mohammed
Kasim Hasham**

Chairman

**Mohammed Ebrahim
Hasham**
**Chief Executive
Officer**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Cash flow from operating activities:			
Cash generated from operation	A	164,577,195	28,521,147
Financial charges paid		(21,883,596)	94
Taxes paid		(5,457,735)	(5,121,272)
		-----	-----
Net cash inflow from operating activities		137,235,864	5,891,881
Cash flow from investing activities:			
Fixed capital expenditure		(17,063,733)	(14,398,540)
Capital work-in-progress		(1,923,596)	(2,370,855)
Sales proceeds of fixed assets		4,512,850	2,005,000
		-----	-----
Net cash (outflow) from investing		(14,474,479)	(14,764,440)

activities			25)
Cash flow from financing activities:			
Long term loans raised		3,500,000	9,402,339
			(65,296,6
Repayment of long term loans		(20,419,810)	45)
			(10,208,2
Repayment of redeemable capital		(7,040,179)	60)
Dividend paid		(8,659,148)	(11,223,6
			15)
		-----	-----
Net cash (outflow) from financing activities		(32,619,137)	(77,326,1
			81)
		-----	-----
Net increase/(decrease) in cash and equivalents		90,142,248	(86,198,7
			25)
			(13,397,3
Cash and cash equivalent at the beginning of the year		(99,596,099)	74)

Cash and cash equivalent at the end of the year		(9,453,851)	(99,596,0
	B		99)
		=====	=====
		=====	=====

**Mohammed
Kasim Hasham**

Chairman

**Mohammed Ebrahim
Hasham**
**Chief Executive
Officer**

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
A. Cash generated from operation			
Profit before taxation		51,855,692	1,790,666
Adjustments for non-cash charges and other items:			
Depreciated on		20,213,483	19,583,74
Gratuity		1,852,264	9
			1,882,154
Profit on sale of fixed assets		(672,294)	(1,043,52
			0)
Financial charges		19,072,615	28,463,93
			5

	-----	-----
	48,886,31	8
	40,466,068	
	-----	-----
Profit before working capital changes	50,676,98	4
	92,321,760	
Effect on cash flow due to working capital changes		
(Increase)/Decrease in current assets:		
Stores and spares	(13,334,3	87)
2,119,910		
Stock-in-trade	(33,128,9	27)
31,153,376		
Trade debts	(8,021,37	4)
7,025,006		
Loans, advances and short term prepayments	(10,648,2	32)
(4,369,594)		
	-----	-----
	(65,132,9	20)
	35,928,698	
(Increase)/Decrease in current liabilities:		
Creditors, accrued and other liabilities	42,977,08	3
36,326,737		
	-----	-----
	(22,155,8	37)
72,255,435		
	-----	-----
	28,521,14	7
164,577,195		
	=====	=====
	=====	=====
B. Cash and cash equivalent		
Bank and cash balances	16,247,027	7,041,329
		(106,637,
Short term borrowings	(25,700,878)	428)
	-----	-----
	(99,596,0	99)
(9,453,851)		
	=====	=====
	=====	=====

Mohammed
Kasim Hasham

Mohammed Ebrahim
Hasham

Chairman

Chief Executive
Officer

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1999

1. STATUS AND NATURE BUSINESS

Mehran Sugar Mills Limited is a Public Limited Company incorporated in Pakistan and is quoted on Karachi Stock Exchange. The Company is engaged in the manufacture and sale of sugar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared on the historical cost convention without any adjustment for the effect of inflation or current values.

2.2. Staff Retirement Benefits

The total cost of the Company's contribution to provident fund for the year has been charged against revenue and the payments made to the trust fund established by the Company for these purposes.

Liability on account of gratuity payable to employees has been fully provided for in the accounts.

2.3 Taxation

Current

Provision for current taxation is based on taxable income on after taking into account tax rebates and tax credits available or based on 0.5% of turnover, whichever is higher.

Deferred

The company accounts for deferred tax in respect of timing differences arising from depreciation allowances on fixed assets using the liability method. It, however does not account for deferred tax in respect of other timing difference arising from sundry provisions

2.4 Fixed Assets

These are stated at cost less accumulated depreciation except land and capital work-in-progress which are stated at cost.

Depreciation is charged to income applying the reducing balance method for the full year, at rates shown in note 14 except for plant and machinery of the sugar unit on which depreciation is charged for the actual number of working days.

Full year's depreciation is charged on additions, while no depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss, if any, on disposal of assets is included in income currently.

2.5 Investments

Investments are stated at cost less provision made for diminution in its value.

2.6 Stores, Spares and Stock of Fertilizers

These are valued at cost using the first in, first out method.

2.7 Stock-in-trade

It is valued at lower cost and net realisable value. Cost is determined on an average basis including an appropriated proportion of factory overhead expenses.

2.8 Revenue Recognition

28.1 Sales of goods are recognised on delivery of goods. Income from Term deposits is accounted for on receipt basis.

28.2 Mark-up on advances to growers are accounted for as and when received.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

5,968,750 Ordinary Share of Rs. 10/- each

fully paid in cash

350,000 Ordinary Shares of Rs. 10/- each

fully paid up issued to PICIC

3,525,000 Ordinary Shares of Rs. 10/- each

fully paid up issued as bonus shares

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
		59,687,50
	59,687,500	0
		35,250,00
	35,250,000	0

		98,437,50
	98,437,500	0
		=====
	=====	====

4. CAPITAL RESERVE

Premium on issue of right shares	63,281,250	63,281,250
		0
		=====
		=====

5. REVENUE RESERVE - GENERAL

Balance as per last balance sheet	54,500,000	54,500,000
Transferred to profit and loss appropriation account	--	--

		54,500,000
	54,500,000	0
		=====
		=====

6. REDEEMABLE CAPITAL

PICIC LMM Finance (6.1)	35,200,898	42,241,077
Less: Installments payable within one year grouped under current liabilities	(7,040,179)	(7,040,179)

		35,200,898
	28,160,719	8
		=====
		=====

6.1 The company has entered into purchase and sale agreement on mark-up basis with Pakistan Industrial Credit & Investment Corporation Limited in respect of locally manufactured machinery for balancing, modernisation, replacement and expansion. The total purchase price is Rs. 127,257,420 (net of prompt payment rebate of Rs. 25,451,484) with a corresponding sale price of Rs. 90,114,295 which has been fully disbursed. The payment of the purchase price is to be made in forty-one quarterly installments. The mark-up rate is 8 percent per annum.

The above arrangement is secured by way of equitable mortgage by deposit of title deeds of all immovable properties of the company which shall rank pari passu with the mortgage, if any, already subsisting in favour of existing creditors/TFCs holders. In addition, the Company has also executed and registered an irrevocable power of attorney in favour of PICIC with powers, inter alia, to execute and register a legal mortgage if and when required by PICIC.

7. LONG TERM LOANS- UNSECURED

From Directors	1,483,667	6,268,226
Received during the year	9,402,339	3,500,000

		-----	-----
		10,886,00	6
		9,768,226	6
Less:	Installments payable within one year grouped under current liabilities	(4,617,780)	(4,617,780)
		-----	-----
		5,150,446	6,268,226
		-----	-----
		23,541,06	5
From Associated undertaking		--	5
Received during the year		15,915,000	--
		-----	-----
		23,541,06	5
		15,915,000	5
Less:	Installments payable within one year grouped under current liabilities	(5,305,000)	(23,541,065)
		-----	-----
		15,760,446	6,268,226
		=====	=====
		=====	=====

7.1 Mark-up is payable at the rate of 45 paisas per thousand per day. Loan is repayable in six half yearly installments.

<i>1999</i>	<i>1998</i>
<i>Rupees</i>	<i>Rupees</i>

8. DEFERRED LIABILITIES

Taxation (Note 8.1)		17,400,000	17,400,000
Staff gratuity		11,319,432	9,467,168
		-----	-----
		28,719,432	26,867,168
		=====	=====
		=====	=====

8.1 Deferred taxation arising due to timing difference computed under the tax liability method at 30% estimated to Rs. 49.064 million (1998: Rs. 46.112 million). The deferred Tax liability to the extent of Rs. 31.664 million has not been provided as it is unlikely to crystallize within foreseeable future.

9. CURRENT MATURITY OF REDEEMABLE CAPITAL AND LONG TERM LOANS

Redeemable capital	7,040,179	7,040,179
Less: Advance payment made during the year	(1,760,046)	(1,760,046)
	-----	-----
	5,280,133	5,280,133
Current maturity of long term loans	9,922,780	10,973,977
Overdue portion of long term loans	4,035,844	29,396,678
	-----	-----
	19,238,757	45,650,788
	=====	=====
	=====	=====

10. SHORT TERM BORROWINGS

10.1 Secured from Banks

		106,637,428
	25,700,878	28
		=====
		=====

Against pledge of sugar stock and hypothecation of stores and spares. Hypothecation of stocks of sugar cane crop of growers, guarantee of the company and second charge on the fixed assets. The rates of mark-up range 51 paisas per thousand per day.

10.2 The total credit facilities available to the Company amounted to Rs. 200 million (1998: Rs. 150 million).

1999	1998
Rupees	Rupees

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors		12,391,548
Interest/mark-up accrued and outstanding on unsecured advances	10,877,993	8,878,735
Mark-up on bank guarantee	6,192,329	5,616,165
Mark-up on secured borrowings	5,616,165	11,689,716
Provisions:		
Market committee fee	40,091,752	36,583,61

			4
Excise duty	--	824,220	
Workers' profit participation fund (Note 11.1)	2,777,263	97,752	
Workers' welfare fund	680,134		
Taxation	349,798	2,365,690	
	-----	-----	
	43,898,947	39,871,276	

		11,087,051	
Advance from customer	2,014,180	17,932,140	
Accrued liabilities	15,142,000	32,555,956	
Others	75,474,439		
	-----	-----	
	171,522,451	140,022,587	
	=====	=====	
	=====	=====	

11.1 Workers' profit participation fund

Balance as per last balance sheet	97,752	1,286,365
Add: Provided during the year	2,765,044	97,747
Interest credited	12,219	66,521
	-----	-----
	2,875,015	1,450,633
Less: Paid during the year	97,752	1,352,881
	-----	-----
	2,777,263	97,752
	=====	=====
	=====	=====

12. DIVIDENDS

Unclaimed	5,667,936	4,483,334
Proposed dividend	9,743,350	--
	-----	-----
	15,511,686	4,483,334
	=====	=====
	=====	=====

1999

1998

	<i>Rupees in Million</i>	<i>Rupees in Million</i>
13. CONTINGENCIES AND COMMITMENTS		
Contingent liabilities in respect of:		
KMC demand for octroi	0.17	0.17
Penalty on non-payment of octroi	1.67	1.67
Short payment of EOBI contribution for the period October 1990 to September 1993, which is disputed by the Company	3.20	3.20
Short payment of SESSI contribution for the period October 1990 to December 1994 which is disputed by the Company	3.28	3.28
Guarantee and counter guarantees	8.81	8.81
Contingent gain/assets in respect of Insurance claim of molasses burnt	2.12	2.12
DGP Army against supply of sugar, cotton seeds, oil cake etc.	9.21	9.21
There were no commitments as at year end.		

14. FIXED ASSETS - OPERATING

<i>PARTICULARS</i>	<i>Cost to September 30, 1998</i>	<i>Additions/ (Deletions)</i>	<i>Cost to September 30, 1999</i>	<i>Accumulated depreciation September 30, 1998</i>	<i>Depreciat ion charge (deletions) for the year</i>	<i>Accumul ated Depreciat ion September 30, 1999</i>	<i>Written down value as June 30, 1999</i>	<i>RATE %</i>
Freehold land	180,720		-- 180,720		--	--	180,720	--
Factory building on freehold land	52,345,150		57,686,650	29,454,906	2,823,174	32,278,080	25,408,570	10

Non factory building on freehold land	4,168,720	-- 4,168,720	2,680,994	74,386	2,755,380	1,413,340	5
	549,655,68	553,269,1		14,243,20	201,401,7	351,867,4	
Plant and machinery	7	5,299,789 89	187,456,675	7	89	00	10
		(1,686,287)		(298,093)			
Workshop tools and other equipments	4,145,009	-- 4,145,009	1,790,093	235,492	2,025,585	2,119,424	10
Weighbridge and scales	928,624	-- 928,624	585,244	34,338	619,582	309,042	10
Electric Installation	6,282,982	-- 6,282,982	2,275,619	400,736	2,676,355	3,606,627	10
Airconditioners and refrigerators	3,488,581	190,240 3,678,821	2,163,771	151,505	2,315,276	1,363,545	10
Furniture and fixture	1,956,246	7,700 1,963,946	1,518,245	44,570	1,562,815	401,131	10
Office equipments	4,798,900	897,104 5,696,004	2,596,495	309,951	2,906,446	2,789,558	10
		14,761,27					
Vehicles	13,171,772	5,327,400 2	6,566,191	1,896,124	7,176,777	7,584,495	20
		(3,737,900)		(1,285,538)			
	-----	-----	-----	-----	-----	-----	-----
Total Rupees 1999	641,122,391	17,063,733 37	237,088,233	3	255,718,085	397,043,852	
		(5,424,187)		(1,583,631)			
	=====	=====	=====	=====	=====	=====	=====
Total Rupees 1998	629,004,056	14,398,540 91	218,823,209	9	237,088,233	404,034,158	
		(2,280,205)		(1,318,725)			
	=====	=====	=====	=====	=====	=====	=====
	==	==	==	==	==	==	==

1999
Rupees

1998
Rupees

14.1 Depreciation provided for the year has been apportioned as under:

Cost of goods sold	17,811,333	17,491,774
Administrative expenses	2,402,150	2,091,975
	-----	-----
	20,213,483	19,583,749
	=====	=====
	==	==

14.2 Details of Fixed Assets Disposed during the year

<i>PARTICULAR</i>	<i>ORIGINAL COST</i>	<i>ACCUMULATED DEPRECIATION</i>	<i>WRITTEN DOWN VALUE</i>	<i>SALE PROCEEDS</i>	<i>PROFIT/ (LOSS)</i>	<i>PURCHASER</i>	<i>MODE</i>
PLANT AND MACHINERY							
Skinner Turbine	1,686,287	298,093	1,388,194	1,100,000	(288,194)	Sangar Sugar Mills Ltd. Karachi	By Negotiation
MOTOR VEHICLES							
Potohar Jeep	522,900	--	522,900	480,000	(42,900)	Mr. Ghulam Qadir House No.36 B, Sector 11-F, North Karachi	BY Negotiation
Vollkwagon	110,000	22,000	88,000	110,000	22,000	Mr. Saleem-ur-Rehman D-86 Block 4, Federal, 'B' Area, Karachi.	BY Negotiation
Toyota Corolla	840,000	495,936	344,064	480,000	135,936	Mr. Nasir Mahmood, C-387 Block 7, Gulshan-e-Iqbal, Karachi.	By Negotiation
Lucida Vanhock	1,350,000	270,000	1,080,000	1,500,000	420,000	Mr. Rais Khan, House No.F-90, Block 'J', North Nazimabad, Karachi	By Negotiation
Suzuki Margalla	335,000	225,147	109,853	280,850	170,997	Mr. Nadeem Arshad, A-22, Shahrah-e-Faisal, Karachi.	By Negotiation
Suzuki Margalla	370,000	74,000	296,000	322,000	26,000	Mr. Qamar Iqbal, G-30, Block-2, Clifton, Karachi.	By Negotiation
Pajero Jeep	210,000	198,455	11,545	240,000	228,455	Mr. Asghar Ali, A-2, Al-Raheem	By Negotiation

Tower,
Garden East,
Karachi. on

1999					
Rupees	5,424,187	1,583,631	3,840,556	4,512,850	672,294
1998					
Rupees	2,280,204	1,318,724	961,480	2,005,000	1,043,520

1999
Rupees

1998
Rupees

15. LONG TERM INVESTMENTS

In associated company

Not quoted on stock exchange

Pakistan Paper Corporation Limited

817,584 ordinary shares of Rs. 10/- each

fully paid

up

Less: Provision for diminution in value of

investmen

ts

8,271,098 8,271,098

8,270,998 8,270,998

100 100

Others

Payment for purchase of Thatta Sugar

Mills

42,510,99

42,510,996 6

42,511,09

42,511,096 6

16. STORES AND SPARES

Stores

319,494 273,634

33,485,01

Spares

30,533,222 4

Packing materials

1,244,550 828,963

Oil and lubricants

1,038,564 668,129

33,135,830 35,255,74

0

17. STOCK-IN-TRADE

		32,613,66	
Sugar	60,500		4
Molasses	--		3,192
Sugar-in-process	2,273,040		870,060
		-----	-----
			33,486,91
	2,333,540		6
		=====	=====

18. TRADE DEBTS - UNSECURED

		16,853,19	
Considered good	9,828,185		2
Considered doubtful	2,241,225		2,241,225
		-----	-----
			19,094,41
	12,069,410		7
Less: Provision for doubtful debts	2,241,225		2,241,225
		-----	-----
			16,853,19
	9,828,185		2
		=====	=====

**19. LOANS, ADVANCES,
PREPAYMENTS
AND RECEIVABLES**

Loans and advances, considered good:			
Due from employees		2,145,072	1,851,980
Cane growers		11,656,07	6
Provision for doubtful advances		6,634,253	(1,927,58
			(1,927,582)
			2)
		-----	-----
			4,706,671
			9,728,494
Advance income tax		1,078,219	2,711,193
Advance to suppliers, considered good		18,086,540	8,266,370
Others		1,088,500	893,137
			11,078,93
Sundry deposits and prepayments		10,331,983	7

Receivables

4,426,996	4,597,250
-----	-----
	39,127,361
41,863,981	1
=====	=====

19.1 A provision of Rs. 1,927,582 has been made in these accounts against doubtful advances to cane growers. The directors are of the opinion that the amount of the provision is sufficient to cover any future non-recovery of advances.

20. CASH AND BANK BALANCES

At bank on:

Current accounts

2,712,698 1,032,410

Term deposit account

13,500,000 6,000,000

Cash in hand

34,329 8,919

-----	-----
16,247,027	7,041,329
=====	=====

20.1 Short term deposit certificates of the value of Rs. 6,000,000 have been deposited with the bankers against guarantee issued by them on behalf of the Company.

21. SALES

Local

814,725,1
937,837,010 48

Brokerage and commission

(633,775) (178,730)

Sales tax

(30,301,6
(110,776,434) 35)

-----	-----
	784,244,7
826,426,801	83
	67,847,25
188,566,614	7
-----	-----
	852,092,0
1,014,993,415	40
=====	=====

22. COST OF GOODS SOLD

		617,517,4
Sugarcane (including procurement and development)	682,706,575	04
		11,719,68
Road cess on sugarcane	14,604,115	7
Market committee fee	3,508,138	2,841,126
Excise		76,324,20
duty	11,579,017	0
		52,893,89
Salaries, wages and bonuses	57,519,696	5
		32,958,18
Stores and spares consumed	53,996,484	4
Repairs and maintenance	10,280,056	7,178,074
		17,444,09
Fuel, electricity and water charges	13,184,795	2
Insurance	872,983	1,057,303
Depreciation		17,491,77
	17,811,333	4

	-----	-----
		837,425,7
	866,063,192	39
		(30,858,1
Sale of molasses	(18,087,572)	49)

	-----	-----
		806,567,5
	847,975,620	90

Opening stocks	-----	-----
Sugar in process	870,060	357,989
Sugar	32,613,664	--
Molasses	3,192	--

	-----	-----
	33,486,916	357,689
Closing stocks		
Sugar in process	(2,273,040)	(870,060)
		(32,613,6
Sugar	(60,500)	64)
Molasses	--	(3,192)

	-----	-----
		(33,486,9
	(2,333,540)	16)

	-----	-----
		773,438,6
	879,128,996	63
		=====
	=====	=====

22.1 The company purchased from and sold to the associated undertakings goods and materials in the aggregate sum of Rs. Nil (1998: Rs. Nil) and Rs. 18,087,572 (1998: Rs. 30,845,551) respectively.

23. ADMINISTRATIVE EXPENSES

Salaries bonus and other benefits

		19,471,88
(including directors' emoluments)	19,426,398	2
Rent, rates and electricity	667,732	1,609,861
Postage, telegram and telephone	3,123,669	2,962,383
Printing and stationery	1,409,412	1,178,508
Travelling and conveyance	3,422,573	1,694,472
Vehicle expenses	5,577,185	5,075,802
Legal and professional charges (Note 23.1)	3,607,597	1,380,100
Fees and subscription	317,465	355,029
Insurance	96,998	54,823
Repairs and maintenance	1,709,316	1,168,414
General expenses	465,719	381,011
Depreciation	2,402,150	2,091,975
	-----	-----
	-----	-----
		37,424,26
	42,226,214	0
	=====	=====
	=====	=====

23.1 Legal and professional charges include, inter alia, the following in respect of auditors' services for:

Statutory audit

	95,000	85,000
	=====	=====
	=====	=====

24. SELLING EXPENSES

Freight and loading	4,963,495	2,480,599
Export expenses	16,360,743	4,202,551
Advertising	703,135	568,710
	-----	-----
	-----	-----
	22,027,373	7,251,860
	=====	=====
	=====	=====

25. FINANCIAL

EXPENSES

Mark-up on long term redeemable capital	3,027,084	3,716,906
Mark-up on long/short term borrowings:		
Associated undertaking and directors	7,051,566	--
		23,561,79
Bank borrowings	7,828,750	4
On bank guarantee	400,000	417,142
Workers' profit participation fund	12,219	66,521

	-----	-----
		24,045,45
	15,292,535	7
Bank charges	752,996	701,572

	-----	-----
		28,463,93
	19,072,615	5
		=====
	=====	=====

26. OTHER INCOME

Profit/Mark-up earned on deposits and advances	1,357,867	1,583,540
Profit on disposal of fixed assets	672,294	1,043,520
Scrap sale	1,514,765	1,920,562
Sundry receipts	178,742	553,373
Commission on sale of fertilizers	--	141,170

	-----	-----
	3,723,668	5,242,165
		=====
	=====	=====

27. DONATIONS

Usman Memorial Hospital, Federal 'B' Area, Karachi (Late Haji Hasham Haji Ahmed, Haji Dawood Haji Ahmed Mr. Muhammad Kasim, Mr. Muhammad Ebrahim and Mr. Muhammad Hussain, directors of the company are members of the Hospital's Board of Governors)	50,000	--
Hashim Institute of Technology Tando Allahyar Distt. Hyderabad Sindh. (All the directors except nominee directors are interested)	50,000	--

	-----	-----
100,000	--	--
	=====	=====
	=====	=====

28. PRIOR YEAR'S ADJUSTMENT

Market committee fee
Excise
duty

Sales tax on bagasse

Mark-up on borrowings

		(33,742,4
	--	88)
	--	4,547,250
		(3,044,25
	--	7)
		23,787,82
	--	1
	-----	-----
	-----	(8,451,67
	--	4)
	=====	=====
	=====	=====

29. WORKERS' PROFIT PARTICIPATION FUND

The company has fully allocated 5 percent of net profit before tax for workers' profit participation fund. Interest is paid at the rate of 2.5 percent above the bank rate or 75 of the rate at which dividends is cleared, whichever is higher.

2,765,044	97,747
=====	=====
=====	=====

30. TAXATION

Current
Prior
years

5,074,817	4,059,341
	(1,437,26
--	0)
-----	-----
5,074,817	2,622,081
=====	=====
=====	=====

The provision for current taxation represents the minimum tax due under section 80-D of the Income-tax Ordinance, 1979. After considering the available tax losses no provision of current taxation except minimum tax is required.

31. DIRECTORS' AND EXECUTIVES' REMUNERATION

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

PARTICULARS	1999				1998				
	Chief	Directors	Executive	Total	Chief	Executive Directors	Executive	Total	
	Executive		s		Executive		s		
Fees	1,000		7,500	--	8,500	1,000	7,000	--	8,000
Emoluments	658,064		--	4,252,000	4,910,064	360,000	--	4,148,022	4,508,022
Company's contribution to provident fund	--		--	201,020	201,020	--	--	199,933	199,933
Medical	14,800		--	151,200	166,000	10,250	--	148,779	159,029
Utilities	329,419		--	--	329,419	295,561	--	--	295,561
Car maintenance	221,542		--	625,530	847,072	208,636	--	519,532	728,168
TOTAL	1,224,825		7,500	5,229,750	6,462,075	875,447	7,000	5,016,266	5,898,713
NO. OF PERSONS	1		8	19	28	1	8	18	27

* for 8 (1998: 8) directors

3.1 Nine executives (1998: eight executives) are also provided with free furnished accommodation at the mills premises.

32. EARNING PER SHARE

Net profit / (loss) for the year

47,504,956 (831,415)

Average ordinary share in issue during September 30, 1999 Rs. 9,843,750

(1998: Rs. 9,843,750) Earnings / (loss) per share

4.82 (0.08)

33. CAPACITY AND PRODUCTION

	1999		1998	
	Quantity M. Tons	Days	Quantity M. Tons	Days
Capacity	23,167	160	23,167	160
Production	63,590	142	57,117	137

**34.
GENERA
L**

34.1 Previous year's figures have been recasted and rearranged to confirm to the revised presentation of the accounts.

34.2 Figures have been rounded off to the nearest rupee.

**PATTERN OF
SHAREHOLDINGS
AS AT SEPTEMBER 30, 1999**

<i>Number of Shareholders</i>			<i>Shareholding</i>	<i>Total shares held</i>	
712	From	1	to	100	16,310
145	From	101	to	500	38,366
39	From	501	to	1,000	27,214
67	From	1,001	to	5,000	193,930
16	From	5,001	to	10,000	108,986
5	From	10,001	to	15,000	62,166
1	From	15,001	to	20,000	15,675
4	From	20,001	to	25,000	82,386
1	From	25,001	to	30,000	28,000
1	From	30,001	to	35,000	30,072
2	From	35,001	to	40,000	76,856
3	From	45,001	to	50,000	140,488
1	From	51,001	to	55,000	54,377
1	From	55,001	to	60,000	59,717
1	From	65,001	to	70,000	65,829
1	From	70,001	to	75,000	73,827
1	From	75,001	to	80,000	79,642
1	From	80,001	to	85,000	84,974
1	From	95,001	to	100,000	99,253
1	From	130,001	to	135,000	131,706
1	From	140,001	to	145,000	142,798
1	From	165,001	to	170,000	166,272
1	From	175,001	to	180,000	175,024
1	From	185,001	to	190,000	187,500
1	From	290,001	to	295,000	293,060
1	From	420,001	to	425,000	421,878
1	From	575,001	to	580,000	577,386
1	From	615,001	to	620,000	618,923

1	From	1,040,001	to	1,045,000	1,040,952
1	From	1,000,001	to	1,105,000	1,102,193
1	From	1,110,001		1,115,000	1,113,393
1					2,534,597

		1,016			9,843,750
=====					=====
===					=====

(The slabs, having no holding, have been omitted)

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	999	6,274,285	63.74
Investment Companies	1	2,534,597	25.75
Insurance Companies	3	173,094	1.76
Joint Stock Companies	4	188,494	1.92
Financial Institutions	4	665,475	6.76
Modaraba Companies	--	--	--
(Other (See below))	5	7,805	0.07
		-----	-----
	1,016	9,843,750	100.00
		=====	=====
		=====	=====
		===	=====
The Okhai Memon Youth Services		5,235	0.05
The Hussain Ebrahim Foundation		437	--
The Administrator, Abandoned Properties, Government of Pakistan		132	--
The Corporate Law Authority		1	--
The United Executors & Trustees Company Ltd.		2,000	0.02
		-----	-----
		7,805	0.07
		=====	=====
		=====	=====
		===	=====