

Pangrio Sugar Mills Limited
Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS: MR. SAJID HUSSAIN NAQVI Chairman & Chief Executive
BEGUM AKHTER ABID
MS. NAHEED ZAFFAR MIRZA
MRS. YASMEEN BAIG
MR. HIMMADULLAH BEG
MR. ABBAS ALLY AGHA
MR. ABDUL LATIF UQAILI (ICP)
MR. KEMAL SHOAIB (NIT)
MR. HAMMAD MEHMOOD (NIT)
RAO MOHAMMAD SHAFAT (NDFC-Nominee)

SECRETARY: MR. TAHIR MAHMOOD

AUDITORS: M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

BANKERS TO THE COMPANY: ALLIED BANK OF PAKISTAN LIMITED
UNITED BANK LIMITED
DOHA BANK LIMITED
HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN LIMITED
NATIONAL DEVELOPMENT FINANCE CORPORATION
BANKERS EQUITY LIMITED
MUSLIM COMMERCIAL BANK LTD.

LEGAL ADVISER: MR. GHULAM QADIR ZARGAR

REGISTERED OFFICE: 10TH FLOOR, BUILDING NO.1
LAKSON SQUARE
SARWAR SHAHEED ROAD,
KARACHI.

MILLS: DEH RAJAURI II,
TALUKA TANDO BAGO,
DISTRICT BADIN
SINDH.

NOTICE OF ANNUAL GENERAL MEETINGS

Notice is hereby given that the 14th & 15th Annual General Meetings of the Company will be held on Tuesday, March 28, 2000 at 3.00 p.m. at Raffia Choudri Memorial Centre, Ground Floor, Sidco Avenue Centre, 264 R. A. Lines, Karachi to transact the following business:

1. To confirm the Minutes of the 13th Annual General Meeting of the Company held on March 28, 1998 and Extra-Ordinary General Meeting of the Company held on December 18, 1999.
2. To receive, consider and adopt the Annual Audited Accounts alongwith the Directors' and Auditors' Reports of the Company for the years ended September 30, 1998 & September 30, 1999.
3. To appoint Auditors of the Company for the years ending September 30, 2000 and fix their remuneration. The retiring Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

TAHIR MAHMOOD
Company Secretary

Karachi: March 06, 2000

NOTES:

1. The Share Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from March 19, 2000 to March 28, 2000. (both days inclusive)
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf.

Form of Proxies, in order to be valid, must be received at the Registered Office of the Company 48 hours before the scheduled time of Meeting. A Proxy must be a member of the Company.

3. Shareholders are requested to notify and change in address immediately.

DIRECTORS' REPORT

Dear Shareholders:

We congratulate the shareholders that the management of the company has been entrusted with them by the Order of the Supreme Court of Pakistan and on behalf of the Directors, it is my pleasure to welcome you to the 14th Annual General Meeting of the Company. It is my privileged honour to present you the financial and operating results alongwith the audited accounts for the year ended September 30, 1998.

APPOINTMENT OF RECEIVER

During the year the bank accounts of the Company were made inoperative and the assets of the Company were frozen by the Order of the Honourable Lahore High Court (Ehtesab Bench) on April 28, 1998.

An appeal was made against this order in which affects of this order on the shareholders and the cane growers of the area were submitted to the court, as a result the Receiver was appointed vide order dated 21.7.1998. The order said, "Receiver is directed to take over the management and control of the Mills. All financial responsibilities shall be incurred and discharged under his signatures. He will be also responsible for operating all accounts, dealing with all departments and persons till further orders".

Mr. Aftab Ahmed, Senior Vice President of NDFC, took charge of the mills as Receiver on August 21, 1998.

PERFORMANCE REVIEW

The Operating results of your company are as under:-

	<i>1997-98</i>	<i>1996-97</i>
Season Started	31-10-97	12-11-96
Season Closed	06-04-98	31-03-97
Days Worked	158	140
Sugar Cane Curshing (Tons)	347,805	167,900
(Monds)	9,318,508	4,498,420
Sugar Recovery (%)	10.704	10.300
Sugar Production (Tons)	37,225	17,278
Molasses Recovery (%)	4.888	5.189
Molasses Production (Tons)	17,000	8,705

The crop situation during the year was much better as is evident from the comparative results. Adequate supply of water with conducive sugarcane growing weather helped in a good crop harvest. The support price of sugarcane was raised by the Government from Rs. 24.50 to Rs. 36.00 per 40 kg, to give further incentive to the growers for cultivation of sugarcane, as there was always a demand and supply gap due to unplanned horizontal and vertical expansion of milling capacity, necessitating smooth supply of sugarcane.

It was however, unfortunate that though the rates of sugarcane and other inputs keeps on rising, there is an inadequate rise in the rate of sugar and infact a sharp fall in the rates of the byproducts, due to ever rising sugar production. Mills such as yours who are denied all sorts of financial facilities due to strigent SBP regulations have to unload their stocks during the pendency of the milling/ harvesting time to pay the purchase price of sugar cane, does not benefit from the post-season price boom, as there is hardly any stocks left to reap the benefit of higher prices. During the year under review also, no banks or DFIs extended any helping hand, all the financial institutions were adamant in realization of their dues, without realizing the impact of such drain of funds to an economic entity such as yours. We must emphasize here that if the financial institutions do not come with terms with the depression set in the economy and provide a helping hand in overcoming the recession, the country would further be entangled into economic crises.

We take this opportunity to suggest to the Government some initiatives for the sugar industry for their economic revival:

- a) Complete moratorium on recovery of principal amount for next five years;
- b) Reduction in mark-up rates by 5% on short-term borrowings;
- c) Mandatory purchase by government of some portion of sugar at the prior year average rate of that particular sugar mill;
- d) Zoning the area of a sugar mill;
- e) Reduction of some of the tariffs payable by mills.

FINANCIAL RESULTS:

	<i>1997-98</i>	<i>1996-97</i>
Loss for the year	(64,007,925)	(125,228,767)
Taxation	(3,099,937)	(2,986,346)
	-----	-----
Accumulated Loss brought forward	(67,107,862)	(128,215,113)
	(564,821,746)	(436,606,633)
	-----	-----
Accumulated Loss carried forward	(631,929,608)	(564,821,746)
	=====	=====

SEASON 1998-99

The season was operated by the Receiver. We are conducting the Annual General Meeting (AGM) of the financial year ended September 30, 1999 also in the current AGM, as such a detailed review is available in the Directors' Report for the year ended September 30, 1999.

AUDIT REPORT

- a) The auditors have shown doubts on the going concern ability of the company, the management is however confident that the present phase will be overcome by the company. The banks and DFIs are being persuaded to renegotiate the rescheduling packages and withdraw suits. The results of such endeavors are encouraging.
- b) The long-term loan had been arranged by the directors at the time of take-over from previous management.

c) Negotiations are also in progress with NDFC for rescheduling and the company has paid a further amount of Rs.21 million, apart from the payment of Rs.16 million at the time of change of management

d) Growers are resident in remote areas and are unfamiliar with paper work, as such they are reluctant to confirm balance. The company cannot force the issue as the growers may get agitated. Trade debtors are being pursued.

The matter regarding the Central Excise duty was decided in favour of the company, however, the department has not refunded the amount to the company, other matters raised are also being resolved in the interest of the company.

AUDITORS

The present Auditors - Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and offer their services for the ensuing year.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on September 30, 1998 is annexed.

EMPLOYERS, SHAREHOLDERS, BANKERS & DFIs

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearance, as well as the assistance and cooperation extended to the management during these hard days.

In the end, let us pray to Almighty Allah to guide us in all our pursuits of national development and for the betterment of your organization, Ameen.

On behalf of the board

SAJID H. NAQVI
Chairman & Chief Executive

Karachi: January 26, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Pangrio Sugar Mills Limited as at September 30, 1998 and related Profit and Loss Account and Statement of Changes in Financial Position (cash flow statement), together with the notes forming part thereof, for the year ended on that date 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 and, after due verification thereof, we report that:

a. The Company has incurred a net loss of Rs. 67.108 million during the year and the net capital deficiency has increased to Rs. 523.430 million, current liabilities exceed current assets by Rs. 275.282 million and total liabilities exceeded total assets by Rs. 523.430 million. The major lenders of the Company have filed cases for recovery of their dues. These factors create doubt that the Company will be able to continue as a going concern. No adjustments, if any, have been made in the accounts that may necessary should the

Company be unable to continue as a going concern;

b. Confirmation of balance in respect of long term loan - other Rs.39.5 million has not been received therefore, the balance remained unconfirmed;

c. Confirmation of balances and statement of accounts in respect of redeemable capital from NDFC have not been received (except the portion of LMM loan for which NDFC has filed suit for recovery), therefore, the balance and accruals thereon remained unconfirmed and unverified (Refer Note No.6.3);

d. Confirmation of balances of growers liabilities (Note No.8) and trade debtors (Note No.13), have not been received, therefore, these balances remained unconfirmed.

e. In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

f. In our opinion:

i. the balance sheet and profit and loss account together with the notes forming part thereof 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.

g. In our opinion and to the best of our information and according to the explanations given to us, except for the financial effect of the matters referred to in para (a) to (d) above and Note Nos. 7, 9.1, 9.2, 9.3 and 9.4, regarding settlement of amount due to Banks, pending excise duty case, charges and rebates on finance obtained from NDFC and tax and additional tax claim on non-deduction of tax at source respectively, the balance sheet, profit and loss account and the statement of changes in financial position (cash flow statement), together with the notes thereon, 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 loss and the changes in financial position for the year then ended; and

h. In our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our report we would like to draw the attention of the Members towards the facts that during the year the Honourable High Court freezed the assets and accounts and then appointed Receiver by the order dated July 21, 1998 under the Ehtesab Act, 1997 (Refer Note No.1.2).

Karachi.

Dated: January 25, 2000

**M. YOUSUF ADIL SALEEM & CO.,
CHARTERED ACCOUNTANTS**

**PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 1998**

<i>No. of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
1740	1	100	174,000	1.60
397	101	500	144,200	1.33
332	501	1000	310,000	2.86
384	1001	5000	889,250	8.20
105	5001	10000	671,100	6.19
4	10001	15000	57,700	0.53
1	15001	20000	16,000	0.15
1	20001	25000	22,600	0.21
1	25001	30000	30,000	0.28
25	45001	50000	1,247,100	11.49
8	95001	100000	800,000	7.37
3	100001	145000	345,600	3.19
1	145001	150000	146,400	1.35
2	160001	175000	336,700	3.10
4	500001	815000	2,227,450	20.53
2	1599001	1810000	3,431,900	31.63
----- 3010 =====			----- 10,850,000 =====	----- 100.00 =====

CATEGORIES OF SHARES AND SHAREHOLDERS

<i>Particulars</i>	<i>No. of Shareholders</i>	<i>Total Shares Held</i>	<i>Percentage</i>
Individual	2,997	5,825,250	53.69
Investment Companies	6	3,910,700	36.04
Insurance Companies	5	300,200	2.77
Joint Stock Companies	1	100	0.00
Financial Institutions	1	813,750	7.50
	----- 3,010 =====	----- 10,850,000 =====	----- 100.00 =====

BALANCE SHEET AS AT SEPTEMBER 30, 1998

	<i>Note</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>
SHARE CAPITAL			
Authorised 12,000,000 ordinary shares of Rs. 10/= each		120,000,000	120,000,000
Issued, subscribed and paid up		108,500,000	108,500,000
Accumulated loss		(631,929,608)	(564,821,746)
		(523,429,608)	(456,321,746)
PARTICIPATION RESERVE FOR ISSUE OF CONVERTIBLE SHARES	4	73,328,776	73,328,776
SURPLUS ON REVALUATION OF FIXED ASSETS	5	281,803,020	281,803,020
REDEEMABLE CAPITAL	6	225,749,440	236,844,222
LONG TERM LOANS - OTHERS Unsecured - interest free		39,469,525	58,000,000
DEFERRED LIABILITY Staff gratuity		4,109,880	4,243,418
CURRENT LIABILITIES			
Short term borrowings	7	62,129,885	46,774,779
Current portion of Redeemable Capital		69,461,195	45,782,808
Creditors, accrued and other liabilities	8	230,434,166	189,820,020
Taxation		9,862,419	9,462,482
		371,887,665	291,840,089
CONTINGENCIES	9	--	--
		472,918,698	489,737,779
OPERATING ASSETS	10	375,957,626	416,226,863
LONG TERM DEPOSITS		355,874	314,874
CURRENT ASSETS			
Stores, spares and loose tools	11	30,878,816	31,019,725
Stock in trade	12	27,345,778	

Trade debtors			
Un secured-considered good	13	5,743,607	13,125,617
Loans and advances	14	30,363,381	28,441,876
Deposits and prepayments		395,173	--
Cash and bank balances	15	1,878,443	608,824
		-----	-----
		96,605,198	73,196,042
		-----	-----
		472,918,698	489,737,779
		=====	=====

The annexed notes from 1 to 26 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

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

	<i>Note</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>
Sales	16	565,333,798	325,224,916
Cost of goods sold	17	535,176,107	363,521,559
		-----	-----
Gross Profit / (loss)		30,157,691	(38,296,643)
Operating expenses			
Administration	18	15,606,294	12,179,197
Selling	19	690,485	797,657
Financial	20	13,233,629	13,922,667
		-----	-----
		(29,530,408)	(26,899,521)
		-----	-----
Operating profit/(loss)		627,283	(65,196,164)
Other allocation and charges	21	(64,771,428)	(60,073,162)
		-----	-----
		(64,144,145)	(125,269,326)
Other income	22	136,220	40,559
		-----	-----
Loss before taxation		(64,007,925)	(125,228,767)
Taxation			
Current		2,452,000	1,450,000
Prior Years'		647,937	1,536,346
		-----	-----
		(3,099,937)	(2,986,346)
		-----	-----

Loss after taxation	(67,107,862)	(128,215,113)
Accumulated loss brought forward	(564,821,746)	(436,606,633)
	-----	-----
Accumulated loss carried forward	(631,929,608)	(564,821,746)
	=====	=====

The annexed notes from 1 to 26 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

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

	<i>1998</i> <i>Rupees</i>	<i>1997</i> <i>Rupees</i>
A. CASH FROM OPERATING ACTIVITIES		
Loss before taxation	(64,007,925)	(125,228,767)
Adjustments for Depreciation	41,502,662	45,924,559
Financial charges	13,173,629	13,922,667
Profit / markup on redeemable capital	40,489,000	54,517,669
Provision for doubtful recoveries	24,282,428	5,555,493
Gain on disposal of fixed assets	(11,000)	(33,169)
	-----	-----
Gratuity paid	(133,538)	(173,910)
Operating profit/(Loss) before working capital changes	55,295,256	(5,515,458)
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	140,909	2,296,105
Stock in trade	(27,345,778)	313,910
Trade debts	7,382,010	928,927
Loans and advances	(23,763,695)	6,252,372
Deposits & Prepayments	(395,173)	362,779
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	13,522,416	987,625
	-----	-----
Cash generated from operations	24,835,945	5,626,260
Financial charges paid	(5,527,665)	(500,195)
Taxes paid	(5,140,238)	(4,010,582)

Net cash from operating activities	14,168,042	1,115,483
B. CASH FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,022,425)	(1,554,320)
Proceeds from sale of fixed assets	800,000	177,500
Long term deposits	(41,000)	(10,000)
Net cash (used in) / from investing activities	(1,263,425)	(1,386,820)

1998	1997
Rupees	Rupees

C. CASH FROM FINANCING ACTIVITIES		
Redemption of redeemable capital	(8,459,629)	(874,287)
Long term loan- other	(18,530,475)	(743,759)
Increase in short term borrowings	15,355,106	--
Net cash used in financing activities	(11,634,998)	(1,618,046)
Net increase/ (decrease) in cash and bank balances (A+B+C)	1,269,619	(1,889,383)
Cash and bank balances at the beginning of the year	608,824	2,498,207
Cash and bank balances at the end of the year	1,878,443	608,824

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS - SEPTEMBER 30, 1998

1. STATUS AND ACTIVITIES

1.1 The Company is limited by shares, incorporated in Pakistan on June 12, 1984 and quoted on Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacture and sale of white sugar. The Mill is located at District Badin in the Province of Sindh.

1.2 As per the order of the Lahore High Court dated April 27, 1998 the assets of the Company were freezed. A petition was filed by the Company against the said Order. Disposing the petition vide order dated July 21, 1998 the High Court appointed Receiver Under

Section 6 of the Ehtesab Act. 1997 to take over the management and control of the Company. The Receiver took the charge on August 21, 1998.

The Company has filed appeal in Supreme Court against the above order of the High Court, which is pending. By order dated October 07, 1998 the Supreme Court allowed the Company to depute one representative for the purpose of overseeing their interest upon which Mr. Nisar H. Virani has been appointed on behalf of the Company.

3.1 The Company has incurred after tax loss of Rs. 67.108 million during the year ended September 30, 1998 and net capital deficiency is Rs. 523.430 million. The Company's current liabilities exceed its current assets by Rs.275.282 million. These factors raise doubts that the Company will be able to continue as going concern. In order for the Company to continue as going concern, the Management approved various plans for the Company including rescheduling /deferment of long term loan installments. As a result these accounts have been prepared on the assumption that based on the management plans and restructuring / rescheduling of long term debts, the Company will continue as going concern:

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under historical cost convention, except that certain fixed assets have been included at revaluation.

2.2 Staff retirement benefits

Head Office and Mills management staff participate in an approved provident fund scheme. Permanent employees were also entitled to unfunded gratuity scheme till September 1995.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax credits and rebates available, if any.

Deferred

The Company accounts for deferred taxation on all material timing differences using the 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.

2.4 Operating assets

Operating assets, except freehold land are stated at cost or valuation less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates specified in the operating assets note. Depreciation on additions during the year is charged on the basis of whole year while no depreciation is charged on disposals during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major

renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

2.5 Stores, spares and Loose tools

These are valued at moving average cost.

2.6 Stock in trade

These are valued at lower of cost and net realisable value applying the following basis:

Sugar at average manufacturing cost.

Sugar in process at average manufacturing cost.

Molasses at contracted price/net realisable value.

Average cost signifies in relation to work in process and finished goods average manufacturing cost including a portion of related direct overheads. Net realizable value signifies the selling prices prevailing in the market less selling expenses incidental to sales.

2.7 Trade debtors

Known bad debts are written off and provision is made for debts considered doubtful.

2.8 Revenue recognition

Sales are recorded on despatch of goods to customers.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

10,850,000 Ordinary Shares of

Rs. 10/- each fully paid in cash

1998
Rupees

1997
Rupees

108,500,000	108,500,000
=====	=====

National Development Finance Corporation hold 813,750 shares, subscribed and paid under equity participation agreements. Separate buy back agreements have been entered into with the sponsors of the Company.

4. PARTICIPATION RESERVE FOR ISSUE OF CONVERTIBLE SHARES

This represents the apportionment of loss to PTC holders, led by Bankers Equity Limited (BEL), calculated in the manner provided in clause 2.03 of the PTC's agreement dated October 09, 1984 (Refer Note 6.1). The BEL has agreed to convert the share of loss into redeemable shares to be redeemed as per the terms of agreement.

*Share of loss for
the year ended
September 30,*

Rupees

1990	22,962,408
1991	27,070,021
1992	8,490,253
1993	6,649,158
1994	8,087,580
1995	3,287,807

	76,547,227
Adjustment in 1997 on determination of final amount by BEL	(3,218,451)

	73,328,776
	=====

4.1 (a) In case the Company earns a profit, in the year following the year in which loss has occurred, such profits shall be appropriated according to the following priorities;

(i) First 25% of such profit shall be applied in the reconversion of convertible shares in PTCs;

(ii) Thereafter 75% i.e., the balance remaining from the profit, shall be distributed on PTCs in terms of the shares of profit of PTC holders in the same proportion as the PTCs have with the amount of investment against PTCs reserves, and the paid-up capital of the Company. If however, the profit is insufficient for accommodating and giving a return in above terms, then the entire amount of such balance of the profit shall be distributed on the outstanding PTCs;

(iii) Any profit still left after the foregoing appropriations i.e., adjustments and distributions, it shall be wholly or to the extent of outstanding convertible shares, as the case may be, applied to convert such convertible shares into PTCs; and

(iv) Such balance as remains after the profits have been subjected to (i) to (iii) shall be applied for payment of profit on the PTCs reconverted under Clause (i) and (iii) above at the rate of 17% of the face value of PTCs.

(b) If in any year during the currency of Convertible Shares the Company declares dividend, the Convertible Shares shall also be entitled to dividend at the same rate and in the same manner as is available to ordinary shareholders;

(c) The Convertible Shares after payment of dividend, if any, as prescribed in Clause (b) above and reconversion into PTCs as envisaged in Clause (a) above shall be redeemed immediately. However, if the Company's cash flow position does not permit their immediate redemption, they shall in any case, be redeemed within 180 days from the date of conversion;

(d) Such reconverted PTCs shall be entitled to participate in the Profit and Loss of the Company from the first day of the financial year in which they are issued and have the same character and basis and shall be treated at par and pari passu with the PTCs as originally issued.

5. SURPLUS ON REVALUATION OF FIXED ASSETS

Valuation of land, building, machinery and electric installation have been carried out as on September 30, 1995 by independent valuers M/s. Razzak Umerani & Co. on the basis of depreciated replacement values. Revaluation surplus has been credited to surplus on revaluation of fixed assets account.

6. REDEEMABLE CAPITAL

BEL - LED SYNDICATE

	<i>Participation Term Certificates</i>		<i>Rescheduled Loan TFC</i>	<i>NDFC Rescheduled Loan TFC</i>	<i>BEL L.F.M.</i>	<i>BEL Restructured TFC Installment</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>	
	<i>I</i>	<i>II</i>			<i>III</i>				
Opening balance	49,255,227	27,292,000	106,693,868		173,893,171	2,039,991	--	359,174,257	337,566,721
Transferred/rescheduled during the year	--	--	(10,109,687)		--	--	31,152,920	21,043,233	22,481,823
	49,255,227	27,292,000	96,584,181		173,893,171	2,039,991	31,152,920	380,217,490	360,048,544
Redeemed during the year	--	--	840,973		--	1,165,716	1,452,940	3,459,629	
Down Payment	--	--	--		--	--	5,000,000	5,000,000	
Provision for issue of convertible shares (Refer Note No. 4)	49,255,227	27,292,000	--		--	--	--	76,547,227	76,547,227
	(49,255,227)	(27,292,000)	(840,973)		(--)	(1,165,716)	(6,452,940)	(85,006,856)	(77,421,514)
	--	--	95,743,208		173,893,171	874,275	24,699,980	295,210,634	282,627,030
Shown under current Liabilities									
Redemption due	--	--	471,572		16,903,430	291,429	3,632,350	21,298,781	9,016,683
Redeemable within one year	--	--	9,219,005		13,642,922	582,846	8,717,640	32,162,413	20,766,125
Down payment due	--	--	--		16,000,000	--	--	16,000,000	16,000,000
	--	--	(9,690,577)		(46,546,352)	(874,275)	(12,349,990)	(69,461,194)	(45,782,808)
	--	--	86,052,631		127,346,819	--	12,349,990	225,749,440	236,844,222
Sale price (Million)	--	--	84.608		157.893	8.160	26.153	--	--
Purchase price (Million)	--	--	203.572		528.745	15.475	33.549	--	--

Rebate price (Million)	--	--	192.863	285.412	10.158	--	--	--
Redemption and repayment								
No. of installments	--	--	16	16	28	36	--	--
Installment payment rest	--	--	Half Yearly	Half Yearly	Quarterly	Monthly	--	--
Rupees each	--	--	12,053,939	17,838,277	362,779	726,470	--	--
Date of first Installment								
as per rescheduling	--	--	July 01 1997	July 01, 1997	--	March 01, 1998	--	--
Sub note no.	6.1	6.1	6.2	6.3	6.4	6.5	--	--

6.1 The rate of profit on the participation term certificates is 17% per annum payable semi annually with a rebate of 2% per annum if the profit is paid within 30 days of the due date. In case the profit is not paid within 60 days of the close of the financial year, the Company shall issue convertible shares/PTCs of the amount of profit payable which shall be redeemed out of the profit of the subsequent year(s).

In the event of loss in any accounting year, the loss shall first be off-set against reserves, if any, and the balance loss shall be apportioned between paid-up share capital and PTCs.

The loss shared by the PTC holders shall be adjusted against the nearest repayable installment of principal and against the amount of such loss the Company shall issue to PTC holders convertible shares in all respects including voting rights, rights of transfer, rights of subscription for right issue and bonus shares. BEL has agreed to convert the share of loss into redeemable shares. The convertible shares will be reconverted into PTCs and will be redeemed out of the profit of subsequent years in the prescribed manner.

In case of outstanding dues to BEL and syndicate members in respect of their PTCs, the payment of dividend or issuance of bonus shares will be subject to prior written consent from Bankers Equity Limited.

The PTC holders have a right to convert PTCs to the extent of 20% of the principal amount of PTCs into Ordinary shares at par value in case profit paid to PTC holders for any two years is less than the average rate of agreed return.

6.2 BEL has rescheduled this loan vide their Letter No. BE/RMD/PSML/95/053 dated October 24, 1995 and accordingly TFC finance, part of LFM loans I, II and III have been transferred to rescheduled loan under new TFCs. TFCs have not yet been issued. BEL has further rescheduled their portion (three installments from July 1997 to July 1998) (Refer Note No.6.5)

6.3 LMM and other financing from NDFC and their accruals were rescheduled vide letters No.PG111/42/96 and 111/288/96 dated July 02, 1996 and transferred to new finance under TFCs basis. NDFC has not yet confirmed the effect of rescheduling as legal formalities and issue of TFCs has not been completed. The confirmation of balance sent by NDFC to auditors does not reflect the amount as per the rescheduling arrangement made in the above referred letter. NDFC vide letter No.PMD/PSML/98-1037 dated October 05, 1998 has cancelled the previous rescheduling because of non-fulfillment of conditions of rescheduling. NDFC has filed suit before High Court of Sindh, Karachi for

recovery of their LMM loan amounting to Rs. 101,280,581/- and confirmed only this balance. The matter is pending for decision before the Court.

6.4 The agreement with BEL for LFM-III is on sale and purchase basis.

6.5 This represents three installment of BEL LT-TFCs and accrued markup thereon vide their letter No. BE/PD/PSML/FA/98/228-2445 dated February 10, 1998. The Company has made default in payment of installment and markup thereon due to freezing of Bank Accounts on April 28, 1998. As per the restructuring / rescheduling arrangement with BEL in case of single default in payment of installments the arrangement will be reverse and the Company will have to repay as per the previous arrangement. However, the position as per rescheduling arrangement is reflected in the books which is also confirmed by BEL.

The principal and accruals of all redeemable capital are secured against first English mortgage on all the present and future movable and immovable properties of the Company ranking pari passu with each other and a continuing floating charge on the Company's assets. BEL and NDFC finance are further secured against pledge of sponsors shares.

7. SHORT TERM BORROWINGS

Secured - under mark-up arrangements

Banking companies

Cash finance (7.1)

Running finance (7.2)

Agricultural finances (7.3)

	<i>1998</i>	<i>1997</i>
	<i>Rupees</i>	<i>Rupees</i>
	35,070,721	19,715,615
	2,869,451	2,869,451
	-----	-----
	37,940,172	22,585,066
	24,189,713	24,189,713
	-----	-----
	62,129,885	46,774,779
	=====	=====

7.1 The cash finance facility has been obtained from Doha Bank Limited. The balance includes the encashment of guarantee Rs. 21,236,249/- and guarantee commission Rs. 1,359,120/-. The Bank had filed suit for recovery of their dues and Honourable High Court Sindh, Karachi has issued decree in favour of the Bank amounting to Rs. 50,925,656/- including markup. The matter for repayment/settlement is in process with Bank.

7.2 The running finance was obtained from Habib Bank Limited. The Bank has also filed suit for recovery of Rs. 5,488,018/- in the Banking Court, Hyderabad.

Above borrowings are secured against pledge/hypothecation of stock, stores and spares and charge on other current assets of the Company, equitable mortgage of property and pledge of directors' shares and are further secured by demand promissory note and personal guarantee of directors and are subject to markup ranging from 52 to 54 paisas

per Rs. 1,000/- per day.

7.3 The company has short term agricultural finance facilities aggregate Rs. 24.189 million from following banks. Rate of markup/interest are as under:

<i>BANK</i>	<i>RUPEES (MILLION)</i>	<i>RATE FOR MARKUP</i>
Habib Bank Limited	6.189	48 paisa per Rs. 1,000/- per day
A.D.B.P.	18.000	12.5% per annum

The amount was paid to cane growers for seeds, fertilizers etc. The repayments were guaranteed by the Company.

The ADBP have obtained decree in their favour for Rs. 22,390,400/- from Banking Court, Hyderabad. The Company's application to defend alongwith application to set aside the decree passed in exparte judgement is pending.

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

	<i>1998 Rupees</i>	<i>1997 Rupees</i>
Suppliers	6,533,924	6,658,896
Accrued expenses	19,738,799	21,447,398
Road cess	4,530,654	5,590,816
Excise duty	--	20,951,685
Advance against sale	15,128,332	617,752
Growers liabilities (8.1)	66,021,324	46,781,488
Surcharge	3,138,200	1,833,920
Sales tax	1,980,494	--
Profit/mark-up on secured		
Redeemable capital	48,899,041	31,821,805
Short term borrowings	54,245,627	44,231,132
Excise duty on borrowings	8,416,836	8,416,836
Provident fund	491,717	132,565
Income tax and zakat withheld	263,463	281,350
Unclaimed dividend	144,150	144,150
Others	901,605	910,227
	-----	-----
	230,434,166	189,820,020
	=====	=====

8.1 Cane Commissioner Sindh filed complaint before the SDM Matli for recovery of growers outstanding dues who has passed order on October 18,1997 for recovery of Rs. 13,136,229/- from the Company. On appeal against the order, Additional Session Judge, Sindh High Court and Supreme Court have confirmed the order passed by SDM.

9. CONTINGENCIES

9.1 The Provision for excise duty on sugar dispatched out of excess average production in the year 1988-89 over and above the average production of sugar in the preceding two seasons on which company has claimed excise concession of Rs. 20,951,685/=. The Company had disputed the liability and the matter was remanded back by the Supreme Court to Central Board of Revenue (CBR). The sugar had been released against a bank guarantee as per the High Court Order. The Member Appellate Tribunal (Customs and Excise) Karachi decided in favour of Mills allowing excise concession of Rs.21,236,249/-. However, Collector of Customs and Central Excise, Hyderabad filed an appeal No.33/98 in the High Court of Sindh at Karachi against this order which has been dismissed subsequently.

9.2 Reinstatement of charges waived by NDFC at the time of rescheduling not provided in the books as the company has requested for rescheduling (Refer Note No.6.3)

53,080,000

	<i>1998</i> <i>Rupees</i>	<i>1997</i> <i>Rupees</i>
9.3 The amount of rebate due on timely repayment of TFC's of NDFC not provided in the books. (Refer Note. 6.3)	45,624,984	15,208,328
9.4 Amount claimed by the Commissioner of Income Tax Karachi u/s. 52 for non deduction of withholding tax and additional tax thereon u/s. 86 of Income Tax Ordinance relating to assessment year 1990-91 to 1996-97. The matter is pending before the Commissioner of Income Tax Appeal.	73,564,840	--
9.5 Continuing guarantees for agricultural finance to cane growers	27,000,000	27,000,000
9.6 An appeal against tax imposed on interest income during construction period pending with Income Tax Tribunal.	344,002	344,002
9.7 Excise duty on NDFC - LFM loan and working capital finance claimed not acknowledged.	384,770	384,770

10. OPERATING ASSETS

<i>Particulars</i>	<i>Cost/ valuation at October 01, 1997</i>	<i>Addition/ (Disposal)</i>	<i>Cost/ valuation at September 30, 1998</i>	<i>Accumulated Depreciation at September 30, 1998</i>	<i>Written down value at September 30, 1998</i>	<i>Depreciation for the year</i>	<i>Rate %</i>
--------------------	--	---------------------------------	--	---	---	--	-------------------

Freehold land	5,824,913	--	5,824,913	--	5,824,913	--	--
Building on freehold land	136,562,063	--	136,562,063	37,008,318	99,553,745	11,061,527	10
Office premises	19,254,820	--	19,254,820	5,218,056	14,036,764	1,559,640	10
Plant and machinery	320,000,000	--	320,000,000	86,720,000	233,280,000	25,920,000	10
Electrical Installation and appliances	20,062,100	--	20,062,100	5,436,829	14,625,271	1,625,030	10
Mills and other equipment	3,544,550	--	3,544,550	2,496,471	1,048,079	116,453	10
Agricultural vehicles	1,331,467	--	1,331,467	958,946	372,521	93,130	20
Furniture and fixture	5,295,072	--	5,295,072	3,479,525	1,815,547	201,727	10
Office equipment	6,650,666	177,425	6,828,091	3,767,793	3,060,298	340,033	10
Vehicles	4,255,149	1,845,000 (789,000)	5,311,149	2,970,661	2,340,488	585,122	20
Rupees	522,780,800	2,022,425 (789,000)	524,014,225	148,056,599	375,957,626	41,502,662	
1997 Rupees	521,721,480	1,554,320 (495,000)	522,780,800	106,553,937	416,226,863	45,924,559	

**10.1 Depreciation for the year
has been allocated as under:**

	<i>1998</i> <i>Rupees</i>	<i>1997</i> <i>Rupees</i>
Cost of goods manufactured	38,892,269	43,214,912
Administration	2,610,393	2,709,647
	41,502,662	45,924,559

10.2 Detail of disposal of operating assets

<i>Description of assets</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written Down Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Buyer</i>
Vehicle	789,000	--	789,000	800,000	Insurance claim	EFU Insurance Company Clifton Centre, Karachi.
Rupees 1998	789,000	--	789,000	800,000		
Rupees 1997	495,000	350,669	144,331	177,500		

10.3 Had there been no revaluation the related figures of office premises, building, machinery and electric installation at September 30, 1998 would have been as follows;

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written down value</i>
Office premises	9,808,206	5,874,173	3,934,033
Building	93,618,097	66,058,382	27,559,715
Machinery	386,808,065	268,509,071	118,298,994
Electric Installation	19,473,136	13,553,904	5,919,232
	-----	-----	-----
	Rupees 509,707,504	353,995,530	155,711,974
	=====	=====	=====

1998
Rupees

1997
Rupees

11. STORES, SPARES AND LOOSE TOOLS

Stores		8,729,574	8,656,964
Spares		21,580,024	21,784,294
Loose tools		569,218	578,467
		-----	-----
		30,878,816	31,019,725
		=====	=====

12. STOCK IN TRADE

Sugar:			
Finished		24,580,278	--
Molasses:			
Finished		2,765,500	--
		-----	-----
		27,345,778	--
		=====	=====

1998
Rupees

1997
Rupees

13. TRADE DEBTORS

Unsecured		10,778,356	18,160,366
Provision for doubtful recoveries		(5,034,749)	(5,034,749)
		-----	-----
Considered good		5,743,607	13,125,617
		=====	=====

14. LOANS AND ADVANCES

Due from employees		1,749,357	1,452,231
Advance to growers		28,647,815	28,644,716
Advances			
Transport contractors		1,373,530	1,235,573

Suppliers	2,274,795	1,321,537
Expenses	2,520,733	1,520,502
Advance tax	2,469,687	29,449
Central excise duty (14.1)	21,372,074	50
	-----	-----
	60,407,991	34,204,058
Provision for doubtful recoveries	(30,044,610)	(5,762,182)
	-----	-----
	30,363,381	28,441,876
	=====	=====

14.1 This includes amount of Rs. 21,236,249/- of bank guarantee encashed by the Central Excise Department in respect of excise duty on sugar dispatched out of excess average production in the year 1988-89 claimed by the Central Excise Department (Refer Note No. 9.1). In compliance of High Court of Sindh's order in suit No. 443/95 dated December 15, 1998, the said amount has been credited by Custom and Central Excise Circle, Hyderabad vide C. No. Nil dated January 10, 1999 to Company account in current ledger.

15. CASH AND BANK BALANCES

Cash in hand	55,547	66,139
Cash with banks/financial institution		
Current account	1,807,893	527,682
PLS account	15,003	15,003
	-----	-----
	1,878,443	608,824
	=====	=====

16. SALES

Sugar	552,331,380	313,916,957
Molasses	13,002,418	11,307,959
	-----	-----
	565,333,798	325,224,916
	=====	=====

17. COST OF GOODS SOLD

	<i>1998</i> <i>Rupees</i>	<i>1997</i> <i>Rupees</i>
Sugar cane (including procurement, recovery premium and development charges)	402,388,602	228,535,617
Road cess	2,173,784	1,049,373
Salaries, wages and benefits	29,808,836	27,018,798
Stores and spares	10,946,895	8,616,116
Packing material consumed	7,455,891	4,110,837
Insurance	447,251	168,717
Fuel and power	8,301,398	7,764,347
Repair and maintenance	802,264	1,666,141

Depreciation	38,892,269	43,214,912
Other overheads	7,515,320	4,778,991
	-----	-----
	508,732,510	326,923,849
Sugar in process - opening stock	--	125,071
	-----	-----
Cost of goods manufactured	508,732,510	327,048,920
Finished sugar and molasses		
Opening stock	--	188,839
Closing stock	27,345,778	--
	-----	-----
	(27,345,778)	188,839
	-----	-----
	481,386,732	327,237,759
Excise duty (17.1)	50,447,540	36,283,800
Sales tax	3,341,835	--
	-----	-----
	53,789,375	36,283,800
	-----	-----
	535,176,107	363,521,559
	=====	=====

17.1 It is net off Rs. 21,236,249/- reversal of provision of excise duty for prior period (Refer Note No. 9.1).

	1998	1997
	Rupees	Rupees
18. ADMINISTRATION EXPENSES		
Directors' remuneration	501,177	290,000
Salaries and benefits	4,649,730	3,000,166
Rent, rates and taxes	120,706	91,924
Repairs and maintenance	776,858	531,398
Vehicles running and maintenance	939,043	1,092,347
Printing and Stationery	270,435	247,026
Telephone and postage	1,032,239	2,188,086
Utilities	666,694	611,286
Fees and subscription	331,484	229,688
Insurance	266,070	115,495
Travelling and conveyance	256,411	300,424
Legal and professional	2,587,400	309,628
Audit fee	85,000	85,000
Advertisement	12,000	24,620
Entertainment	133,628	102,047
Charities and donation	19,515	31,500

Depreciation	2,610,393	2,709,647
Other	347,511	218,915
	-----	-----
	15,606,294	12,179,197
	=====	=====

19. SELLING EXPENSES

Loading and stacking	651,772	774,467
Advertisement	26,000	17,350
Others	12,713	5,840
	-----	-----
	690,485	797,657
	=====	=====

20. FINANCIAL CHARGES

Markup on short term borrowings	11,594,733	11,323,559
Bank charges, guarantee commission, etc.	1,638,896	2,599,108
	-----	-----
	13,233,629	13,922,667
	=====	=====

21. OTHER ALLOCATION AND CHARGES

Profit / mark-up on redeemable capital (21.1)	40,489,000	54,517,669
Provision for doubtful recoveries	24,282,428	5,555,493
	-----	-----
	64,771,428	60,073,162
	=====	=====

21.1 In view of loss for the year, profit on the amount of PTCs has not been provided as there is no condition of such provision in the PTCs agreement dated October 09, 1984. PTC holders will be entitled to profit when company earn profit.

22. OTHER INCOME

Profit on disposal of operating assets	11,000	33,169
Scrap sales	125,220	7,390
	-----	-----
	136,220	40,559
	=====	=====

23. TAXATION

Current

Income tax assessment of the Company has been finalised upto accounting year 1994-95 (assessment year 1996-97). Tax losses available to be carried forward as per last assessment or-

1998
Rupees

1997
Rupees

der is Rs. 61,615,785.

Deferred

In view of the operating losses and available assessed tax loss, no provision for deferred tax liability is required.

24. PLANT CAPACITY AND PRODUCTION

	<i>1998</i>		<i>1997</i>	
	<i>Metric Tons</i>	<i>Days</i>	<i>Metric Tons</i>	<i>Days</i>
Capacity	42,600	160	42,600	160
Actual production	37,225	158	17,278	140

Reasons for shortfall:

Production restricted to the availability of sugar cane.

25. PAYMENTS TO DIRECTORS AND EXECUTIVES

	<i>Chief Executive</i>		<i>Directors</i>	
	<i>1998 Rupees</i>	<i>1997 Rupees</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>
Remuneration	550,447	--	494,677	285,000
Meeting fee	--	--	6,500	5,000
	-----	-----	-----	-----
	550,447	--	501,177	290,000
	=====	=====	=====	=====
Number of persons	1	--	1	2
Remuneration	--	--	6	2
Meeting fees				

26. FIGURES

Corresponding figures have been rearranged wherever necessary for the purpose of comparison have been rounded off nearest to Rupee.

CHIEF EXECUTIVE

DIRECTOR