

Chashma Sugar Mills Limited
Annual Report 1998

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BOARD OF DIRECTORS

CHAIRMAN

KHAN AZIZ SARFARAZ

CHIEF EXECUTIVE

KHAN ABBAS SARFARAZ

DIRECTORS

BEGUM ZARI SARFARAZ
ABDUL QADAR KHATTAK
BEGUM MEHMOODA SALIM KHAN
MUHAMMAD RAFIQ KHAN
ISKANDAR M. KHAN
USMAN RASHID (NDFC)

SECRETARY/CONTROLLER FINANCE

MALIK MUHAMMAD ASLAM, FCMA

AUDITORS

MESSRS HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

REGISTERED OFFICE

GUNNER LANE, OFF 11-FORT
ROAD, PESHAWAR CANTT

FACTORY

DERA ISMAIL KHAN
PHONE: 750090,750091

SEVEN YEARS' REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %
1992	174,454	8.69

1993	328,422	8.43
1994	436,302	8.41
1995	507,706	8.66
1996	495,543	8.02
1997	370,489	7.72
1998	744,391	8.47

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting of the shareholders of Chashma Sugar Mills Limited, will be held on 27th March 1999 at 10.00 A.M. at the Registered Office of the Company at 11-Fort Road, Peshawar for transacting the following business:-

1. To confirm the minutes of the last meeting held on 31st March 1998.
2. To receive and consider the audited accounts of the Company together with the Directors' and Auditors' reports for the year ended 30th September, 1998.
3. To appoint auditors for the year 1998-99 and fix their remuneration. The outgoing auditors, Messrs. Hameed Chaudhri & Co., Chartered Accountants, offer themselves for re-appointment.
4. To transact any other ordinary business of the Company as may be permitted by the Chair.

The Share transfer books of the company will remain closed from 21st March, 1999 to 26th March, 1999 (both days inclusive).

BY ORDER OF THE BOARD

PESHAWAR
February 16, 1999.

(MALIK MOHAMMAD ASLAM) FCMA
SECRETARY

N.B. Member unable to attend in person may kindly send the proxy form attached with signed and witnessed to the Company at least 48 hours before the time of the meeting. The member shall act as proxy unless he is entitled to be present and vote in his own right.

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report alongwith the audited accounts of the Company for the year ended 30th September, 1998.

PRODUCTION DATA

1997 - 98

Sugarcane crushed	(Tons)	744,391
Sugar produced	(Tons)	63,025
Recovery	%	8.47
Working	days	159

GENERAL

SUGARCANE SEASON 1997 - 98

The Sugarcane crushing season started on 22nd November, 1997 and ended on 29th April, 1998. The Sugarcane price was raised by the Government from Rs. 24/- to Rs. 35/- per 40 Kgs an increase of about 45%. This exorbitant increase in price has had a negative impact on the Sugar Industry in that the cultivation of Sugarcane has been increased to more than requirement of the Mills. While this has given a boost to cane production and allowed capacity utilization, it has also pushed the cost of sugar production much above the international level and has also led to a crash in domestic sugar price. Therefore, in spite of record production during the year by the factory, we faced a grave financial situation and this is true for the industry in the country as a whole.

CURRENT SEASON 1998 - 99

The current season started on 25th November 1998 and we have crushed 428,100 tons of sugarcane, production 31,672 tons of sugar upto 10th February 1999 at an average recovery of 7.50%. We anticipate to crush about 800,000 tonnes sugarcane during the season and hope to produce approximately 60,000/64,000 tons of sugar and 40,000 tons of molasses. Due to record production expected this year in the country plus carry over stock prices are expected to be low and take off of slow which will have an adverse effect on the industry.

SALES TAX ON SUGAR

The Government imposed sales tax on sugar with effect from 1st April, 1998 and reduced excise duty from Rs. 2100/- per ton to Rs. 400/- per ton. The present amount of sales tax and excise duty works out Rs. 2,480.00 per ton.

DIVIDEND

The Directors do not recommend any dividend due to very low profit earned by the company for the year ended 30 September, 1998.

STAFF

Labour and Management relations remained cordial during the year. All employees of the Company were paid bonus equivalent to 4 months salary in addition to other amenities and statutory benefits.

AUDITORS

The present auditors Messrs. Hameed Chaudhri & Co. Chartered Accountants, Lahore, have retired and being eligible offer themselves for reappointment.

The Directors appreciate the spirit of good work done by the company's staff at all levels.

ON BEHALF OF THE BOARD

PESHAWAR:
February 16, 1999.

(KHAN ABBAS SARFARAZ)
CHIEF EXECUTIVE

FORM - 34

**PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS
AS AT 30TH SEPTEMBER, 1998**

SHARE HOLDERS			SHAREHOLDING	
409	From	1	to	100
4,398	From	101	to	500
162	From	501	to	1,000
215	From	1,001	to	5,000
56	From	5,001	to	10,000
15	From	10,001	to	15,000
8	From	15,001	to	20,000
7	From	20,001	to	25,000
6	From	25,001	to	30,000
2	From	30,001	to	35,000
5	From	35,001	to	40,000
2	From	40,001	to	45,000
5	From	45,001	to	50,000
1	From	50,001	to	55,000
1	From	55,001	to	60,000
1	From	75,001	to	80,000
1	From	80,001	to	85,000
3	From	95,001	to	100,000
1	From	105,001	to	110,000
1	From	115,001	to	120,000
3	From	195,001	to	200,000
1	From	200,001	to	205,000
1	From	255,001	to	260,000
1	From	435,001	to	440,000
1	From	905,001	to	910,000
1	From	1,910,001	to	1,915,000
1	From	9,565,001	to	9,570,000

5,308

=====

Categories of Shareholders	Numbers	Share Held
Individuals	5,277	5,777,500
Investment Companies	13	2,415,200
Insurance Companies	2	131,800
Joint Stock Companies	15	10,603,500
Sarfaraz Distt: Hospital	1	200,000
	-----	-----
	5,308	19,128,000
	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of CHASHMA SUGAR MILLS LIMITED as at 30 September, 1998 and the related Profit and Loss Account and 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 purposes of our audit and after due verification thereof, we report

(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 explanations given to us, the Balance Sheet, Profit and Loss Account and the 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 30 September, 1998 and of the profit and cash flows for the year then ended; and

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

LAHORE: February 17, 1999.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS.

BALANCE SHEET AS AT 30 SEPTEMBER, 1998

	Note
SHARE CAPITAL AND RESERVES	
Authorised capital 22,000,000 ordinary shares of Rs. 10 each	
Issued, subscribed and paid-up capital 19,128,000 ordinary shares of Rs. 10 each fully paid in cash	3
General reserve	4
Unappropriated profit	
LONG TERM FINANCES AND LOANS	
Long term finances under mark-up arrangements	5
Long term loans	6
Long term loans from Holding Company and Associated Undertaking	7
CURRENT LIABILITIES	
Current portion of long term liabilities	8
Short term finances	9
Creditors, accruals and other liabilities	10
Excise duty and sales tax payable	11
Unclaimed dividend	
CONTINGENCIES AND COMMITMENTS	12

FIXED CAPITAL EXPENDITURE

Operating fixed assets	13
Capital work-in-progress	14
Stores held for capital expenditure	

SECURITY DEPOSITS**CURRENT ASSETS**

Stores and spares	15
Stock-in-trade	16
Trade debtors - Unsecured	
- Considered good	
Advances, deposits, prepayments and other receivables	17
Cash and bank balances	18

The annexed notes form an integral part of these accounts.

KHAN ABBAS SARFARAZ
CHIEF EXECUTIVE

ABDUL QADAR KHATTAK
DIRECTOR

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

	Note
SALES - Net	19
COST OF SALES	20
GROSS PROFIT	
OPERATING EXPENSES	
Administrative and general	21
Selling and distribution	22

OPERATING PROFIT

OTHER INCOME 23

OTHER CHARGES

Financial 24
Miscellaneous 25
Corporate assets tax 26.5
Provision written-back
-Provision written-back
-Refund
Workers' (profit) participation fund

**PROFIT/ (LOSS) BEFORE PRIOR
YEAR'S ITEM AND TAXATION**

EXCISE DUTY - Prior year 11.2

PROVISION FOR TAXATION 26.3
Prior years
Refunds

PROFIT AFTER TAXATION

UNAPPROPRIATED PROFIT- Brought forward

PROFIT AVAILABLE FOR APPROPRIATION

APPROPRIATION:

Transfer to General Reserve

UNAPPROPRIATED PROFIT

- Carried to Balance Sheet

The annexed notes form an integral part of these accounts.

ABDUL QADAR KHATTAK
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 1998

CASH FLOW FROM OPERATING ACTIVITIES

Profit/(Loss) for the year
- Before prior year's item and taxation
Adjustments for:
Depreciation
Loss on disposal of vehicle and equipment
Interest and profit on deposits
Interest, mark-up and excise duty
on loans and finances
Deferred cost amortised
Corporate assets tax
Net decrease in working
capital (note 'A')

**CASH (OUT FLOW)/INFLOW FROM OPERATING
ACTIVITIES - Before taxation**

Income tax paid

**NET CASH (OUTFLOW)/INFLOW FROM OPERATING
ACTIVITIES - After taxation**

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure
Insurance claim of vehicle
Interest and profit on deposits - net
Security deposits

**NET CASH (OUTFLOW) FROM INVESTING
ACTIVITIES**

CASH FLOW FROM FINANCING ACTIVITIES

Long term loan obtained from
an Associated Undertaking '
Long term finances and loans repaid
Interest, mark-up and excise duty

paid on loans and finances
Short term finances - net
Dividend paid

**NET CASH INFLOW FROM FINANCING
ACTIVITIES**

**INCREASE IN CASH AND CASH
EQUIVALENTS**

CASH AND CASH EQUIVALENTS

- At the beginning of the year

CASH AND CASH EQUIVALENTS

- At the end of the year (note 'B')

The annexed notes 'A' and 'B' form an integral part of this
Statement.

ABDUL QADAR KHATTAK
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR

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NOTE 'A'

MOVEMENT IN WORKING CAPITAL

(Increase)/Decrease in current assets

Stores and spares

Stock-in-trade

Trade debtors

Advances, deposits, prepayments

and other receivables

Increase/(Decrease) in current liabilities

Creditors, accruals and other

liabilities

Excise duty on sugar

Sales tax

NET DECREASE IN WORKING CAPITAL

NOTE 'B'

CASH AND CASH EQUIVALENTS

Cash and bank balances
Temporary bank overdraft

ABDUL QADAR KHATTAK
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR

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NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER, 1998

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on 5 May, 1988 as a Public Company and it commenced commercial production from 1 October, 1992. The Company is principally engaged in manufacture and sale of white sugar. Its shares are quoted on Stock Exchanges in Pakistan.

The Company is a Subsidiary of The Premier Sugar Mills & Distillery Company Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by adjustments of exchange rate fluctuations on foreign currency loans as referred to in note

2.2 Foreign currency translations

Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange ruling on the balance sheet date. Exchange differences in respect of foreign currency loans, obtained for acquisition of fixed assets, are incorporated in the cost of relevant assets. All other exchange differences are included in income currently.

2.3 Staff retirement benefits

The Company operates a Provident Fund Scheme for all its permanent employees and contribution to the Fund is made monthly to cover obligation under the Scheme.

2.4 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation

Deferred tax liability, if any, is accounted for using the liability method on all major timing differences. However, deferred tax debits are not accounted for.

2.5 Tangible fixed assets and depreciation thereon

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income applying reducing balance method to write-off the cost over estimated remaining useful life of assets. Rates of depreciation are stated in note 13.

No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase. Gain/loss on sale of fixed assets is reflected in income currently.

Normal maintenance and repairs are charged to income, as and when incurred. Major renewals and replacements are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

2.6 Deferred cost

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over a period of not more than five years.

2.7 Stores and spares

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date. Obsolete and used items are recorded at nil value.

2.8 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Finished goods	- At lower of cost and net realisable value.
Sugar-in-process	- At cost.
Molasses	- At net realisable value.

- Cost in relation to finished goods and sugar-in-process represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads.

- Net realisable value signifies the selling price in the ordinary course of business less necessary to be incurred to effect such sale.

2.9 Debts

Known bad debts are written-off whereas debts considered doubtful of recovery are fully provided for.

2.10 Development expenditure

Expenditure incurred on development of sugar cane is expensed in the year of incurrance.

2.11 Revenue recognition

- Sales are recorded on despatch of goods.
- Income on deposit/saving accounts is accounted for on receipt basis'.

3. SHARE CAPITAL

3.1 National Development Finance Corporation and Bankers Equity Limited have option to convert 20% of the outstanding finances/loans into ordinary shares of the Company at Par Value. The maximum amount of option as at 30 September, 1998 worked-out to Rs.26.207 million (1997:Rs.34.344 million).

3.2 The Premier Sugar Mills & Distillery Company Limited (the Holding Company) owned 9,569,000 ordinary shares as at 30 September, 1998 and 30 September, 1997.

4. GENERAL RESERVE

Note

Opening balance
Add: Transfer during the year from
Appropriation Account

Balance as at 30 September,

5. LONG TERM FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

National Development Finance
Corporation (NDFC)

Bankers Equity Limited (BEL)

5.2

Less: Current portion grouped
under current liabilities
-NDFC
- BEL

5.1 National Development Finance Corporation - (NDFC)

a) This finance has been obtained from NDFC for financing the cost of locally manufactured machinery. Under these arrangements, NDFC purchased plant and machinery valuing Rs.99.588 million and simultaneously sold it to the Company at a marked-up price of Rs.318.918 million (without rebate). The marked-up price is repayable in 16 semi-annual equal installments of Rs.19.932 million each commencing March 01, 1993. In case of repayment of installment on or before the due date, NDFC will allow rebate in each installment reducing the installment amount to Rs..10.947 million.

b) The mark-up rate applied (after rebate) works-out 6% per annum.

c) This finance alongwith the long term loans, stated in note 6, are secured by first equi mortgage charge on all immovable properties ranking pari-passu with Bankers Equity Limited, first floating charge on business undertaking and other assets, hypothecation of book debts/receivables and demand promissory notes.

5.2 Bankers Equity Limited- (BEL)

a) This finance has been obtained from BEL for financing the cost of locally manufactured machinery. Under these arrangements, BEL purchased plant and machinery valuing Rs.86.0 million and simultaneously sold it to the Company at a marked-up price of Rs.235.441 million (without rebate). The marked-up price is repayable in 16 semi-annual equal-installments of Rs.14.715 million each commencing 01 March, 1993. In case of repayment of installment within one month of the due date, BEL will allow rebate in each installment reducing the installment amount to Rs.8.320 million. In case of repayment of installment on due date, the installment amount will be further reduced to Rs.7.493 millio

b) The mark-up rate applied (after rebates) works-out 6% per annum.

c) In case of default, the Company will be liable to pay liquidated damages @ 20%.

d) This finance is secured by first legal mortgage of movable and immovable properties, ranking pari-passu with the charges created in favour of NDFC.

6. LONG TERM LOANS- Secured

	Note
National Development Finance Corporation (NDFC)	
Long term loan	6.1
Restructured loan	6.2

Less: Current portion grouped
under current liabilities

- Long term loan
- Restructured loan

6.1a) This loan has been obtained in terms of Pak Rupees against credit line of U.S.\$ 4.65 million converted into Pak Rupees at rates of exchange ruling on disbursement dates. Un-utilised balance as at 30 September, 1998 amounted U.S.\$ 0.120 million (1997:U.S\$ 0.120 million).

b) The loan carries interest @ 15% per annum. Additional interest @ 7% above Bank Rate or 17% per annum whichever is higher is payable on overdue amounts. Commitment charges @ 1.5% per annum are payable on un-utilised balance.

c) The loan is repayable in 16 half-yearly installments commencing 15 November, 1994.

d) The loan is secured by mortgage/charges detailed in note 5.1 (c).

6.2 Restructured loan

a) This loan has been created by transfer of interest accrued on NDFC long term loan upto November, 1993.

b) The loan carries interest @ 18% per annum.

c) The loan is repayable in 14 half-yearly installments commencing 01 March, 1994.

d) The loan is secured by mortgage/charges detailed in note 5.1(c).

7. LOANS FROM HOLDING COMPANY AND ASSOCIATED UNDERTAKING - Unsecured

	Note
The Premier Sugar Mills & Distillery Company Limited (the Holding Company)	7.1
The Frontier Sugar Mills & Distillery Limited (an Associated Undertaking) Loan No. 1	7.1

Less: Current portion grouped under
current liabilities

Installments overdue

- Holding Company's loan
- Associated Undertaking's loans

Installments due within following
twelve months

- Holding Company's loan
- Associated Undertaking's loan

7.1 These loans were obtained for expansion of the existing Plant. The outstanding balances of these loans were repayable in lump sum during October, 1997. These loans carry interest @ 12 % per annum.

7.2 This loan has been obtained on 12 March, 1997 and is repayable over a period of three years commencing 12 March, 1998. It carries interest @ 16% per annum.

8. CURRENT PORTION OF LONG TERM LIABILITIES

	Note
Long term finances under mark-up arrangements	5
Long term loans	6
Loans from Holding Company and Associated Undertaking	7

9. SHORT TERM FINANCES

Cash and running finances	
- Secured	9.1
Temporary bank overdraft	
- Unsecured	9.2

9.1 Cash and running finance facilities available from Commercial Banks under mark-up arrangements aggregate Rs. 340.0 million (1997: Rs. 165.0 million). Facilities available from opening letters of credit amount to Rs. 2.5 million (1997: Rs. 2.5 million).

These facilities are secured against hypothecation of stores inventories/book debts, pledge/hypothecation of stock-in-trade and promissory notes. These facilities carry mark-up at the rates ranging from Re.0.44 to Re.0.48 per Rs. 1,000 per day and are expiring on various dates by 31 October, 1998.

9.2 This has arisen due to issuance of cheques for amounts in excess of balance in a bank account.

10. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Note

Creditors	
Accrued expenses	
Retention money	
Security deposits - interest free repayable on demand	
Advance payments	
Mark-up accrued on secured:	
Long term finances	
Short term finances	
Interest accrued on:	
Long term loans - Secured	
Holding Company's and Associated Undertaking's loans - Unsecured	
Lease rentals payable	12.20

Due to provident fund trust
Income tax deducted at source
Workers' (profit) participation fund 10.1

10.1 Workers' (profit) participation fund

Opening balance
Add: Interest on funds utilised by the Company

Less: Payments made during the year

Add: Contribution for the year

11. EXCISE DUTY AND SALES TAX PAYABLE

Note

Excise duty on sugar
- Current year
- Prior year 11.2

Sales tax payable

11.1 Provision for excise duty has been shown n of Rs.577,393
(1997: Rs.4,960,183) representing current account balance.

11.2 The Additional Collector (the Collector), Customs & Central Excise, Peshawar vide his judgement dated 13 February, 1998 ordered the Company to deposit the amount of Rs. 18,589,175 on the grounds that the Company on account of better production of sugar during crushing season of 1994-95 availed concessionary rate of central excise duty stipulated under notification SRO 545(I)/94 dated 09 June, 1994; the incidence of concession, however, was not passed-over to the consumers.

The Company, against the said demand, made provision to the tune of Rs.7,295,295 during the year-ended 30 September, 1995 and the balance amounting P,s.11,293,880 has been provided for during the current year.

The Company has filed an appeal before the Collector, Customs, Central Excise and Sales Tax (Appeals), Northern Zone, Rawalpindi against the aforesaid orders of the Collector. The appeal is pending for adjudication.

12. CONTINGENCIES AND COMMITMENTS

12.1 No commitments were outstanding as at 30 September, 1998 (1997: Commitments for irrevocable letters of credit outstanding were for Rs. 1.014 million).

12.2 The Company executed a Lease Agreement with The Premier Sugar Mills and Distillery Company Limited (the Holding Company) during December, 1994 for acquiring machinery i.e. 4,000 K.W. Horizontal Multi Stage Turbo Alternator Set complete with all equipment on lease at prime cost of Rs.30.0 million at an annual lease rent of Rs.6.0 million for a period of three years. The Holding Company, during the current year, has extended the lease period of the said machinery for further period of three years with lease amount of Rs.5.200 million per annum. The agreement is secured against demand promissory note of Rs.18.0 million.

13. OPERATING FIXED ASSETS-Tangible

PARTICULARS	COST		
	As at 30 September, 1997	Additions during the year	Disposals during the year
Freehold land	8,413,440	0	0
Buildings and roads	133,397,593	797,072	0
Plant and machinery	623,607,815	622,790	0
Electric installations	19,248,695	0	0
Office equipment	2,357,523	89,684	0
Furniture and fixtures	5,659,678	648,260	0
Vehicles	5,059,387	0	825,990
Rupees	797,744,131	2,157,806	825,990
1997 Rupees	774,513,685	23,230,446	0

13.1 Disposal of vehicle and equipment

Particulars	Cost	Accumulated depreciation	Book value
Vehicle:			
Toyota Corolla	800,940	160,188	640,752
Vehicle's airconditioner and stereo deck	25,050	14,318	10,732
	-----	-----	-----
Rupees	825,990	174,506	651,484
	=====	=====	=====

13.2 Depreciation for the year has been allocated as follows:

Cost of sales

Administrative and general expenses

14. CAPITAL WORK-IN-PROGRESS

This comprises of:

Buildings on freehold land

Cost of materials

Advance payments

Plant and machinery

Cost of materials

Advance payments

Electric installations

Cost of materials

15. STORES AND SPARES

Stores

Spares

16. STOCK-IN-TRADE

Finished goods

Sugar-in-process

17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance payments

- Employees

- Suppliers and Contractors

Due from Holding Company

Due from Associated Undertakings

[including Rs.3.325 million (1997:
Rs.3.325 million) advance payment
for plant and machinery]

Deposits

Letters of credit

Tax deducted at source

Prepayments

Due from provident fund trust

Minimum tax-Refundable

Corporate assets tax-Refundable

Note

17.1

26.3

26.5

Less: Provision for doubtful advances

17.1 These are unsecured and considered good except for Rs.2.437 million (1997:Rs.2.437 million) which have been fully provided for in these accounts.

17.2 Holding Company and Associated Undertakings

a) Aggregate transactions with the Holding Company and Associated Undertakings during the year were as follows:

- Long term loan obtained from an Associated Undertaking
- Purchase of goods
- Lease rentals credited
- Sale of goods
- Interest credited

b) Maximum aggregate debit balance of the Associated Undertakings at any month end during the year was Rs.5,993,147 (1997:Rs.6,774,917). Maximum aggregate debit balance of the Holding Company at any month end during the year was Rs.1,694,239 (1997: Rs. 1,504,690).

18. CASH AND BANK BALANCES

Note

Cash at banks on:

- Current accounts
- PLS accounts
- Deposit accounts

18.1

Cash at National Savings Centre:

- Saving accounts

Cash at Development Finance Institution

- Deposit account

18.1 These include Rs.185,615 (1997:Rs.207,418) on dividend account.

19. SALES - Net

Turnover

Less: Commission

Sales tax

20. COST OF SALES

Raw materials consumed
including local taxes
Rs.895,352 (1997: Rs.732,204)
Chemicals and stores consumed
Salaries, wages and benefits
Power and fuel
Repair and maintenance
Insurance
Machinery lease rentals
Excise duty
Depreciation

12.2

Adjustment of sugar-in-process
Opening
Closing

Cost of goods manufactured

Adjustment of finished goods
Opening stock
Closing stock

21. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and benefits

Travelling and conveyance:

- Directors
- Others

Vehicles' running and maintenance
Rent, rates and taxes
Communication
Printing and stationery
Insurance
Repair and maintenance
Fee and subscription
Depreciation
General

21.1 The Company, during the year, shared expenses aggregating Rs.5,263,175 (1997:Rs.2,901,710) with the Holding Company and Associated Undertakings on account of combined office expenses. These expenses have been booked in respective accounts.

22. SELLING AND DISTRIBUTION EXPENSES

Loading and stacking
Salaries and benefits

23. OTHER INCOME

Profit on deposits with
National Savings Centre

Interest/profit on bank deposits
Sale of scrap
Unclaimed balances - Written-back
Miscellaneous

24. FINANCIAL CHARGES

Mark-up on:

Long term finances
Short term finances

Interest on:
Long term loans
Loans from Holding Company and
Associated Undertaking
Workers' (profit) participation fund

Excise duty on long term loans and
long term and short term finances

Bank charges

25. MISCELLANEOUS CHARGES

Auditors' remuneration
Audit fee
Tax consultancy
Out-of-pocket expenses

Legal and professional charges
(other than Auditors)

Donations (without Directors' interest)
Loss on disposal of vehicle and equipment
Amortisation of deferred cost

26. TAXATION

26.1 Income of the Company is exempt from tax for a period of eight years under clause 118-C of Second Schedule to the Income Tax Ordinance, 1979. Income tax exemption is available from the date of commercial production.

26.2 Income tax assessments of the Company have been completed upto the Income Year ended 30 September, 1996 (Assessment Year 1997-98).

26.3 The Company, in view of the Supreme Court of Pakistan's Judgment dated 04 June, 1997 is not liable to pay Minimum Tax under section 80-D of the Income Tax Ordinance, 1979.

Consequently, provision for Minimum Tax existing in the Books as at 30 September, 1997 was written-back and Minimum Tax already paid was accounted for as refundable from Tax Department (note 17).

26.4 The Assessing Officer, while finalising the Company's assessments for the Income Year ended 30 September, 1994 and 30 September, 1995 (Assessment Years 1995-96 and 1996-97) raised minimum tax and workers' welfare fund demands aggregating Rs.6.306 million.

The Assessing Officer while finalising the Company's assessment for the Income Year ended 30 September, 1996 (Assessment Year 1997-98) taxed Other Income and raised tax and workers' welfare fund demands aggregating Rs.2282 million.

Provision for the aforesaid demands has not been made in these accounts in view of the Supreme Court of Pakistan's decision as stated in note 26.3 and the Income Tax Appellate Tribunal (ITAT), Peshawar Bench's decision. ITA. No.191(PB) of 1997-98 dated 10 June, 1998 in response to the Company and Department's appeals for the Assessment Year 1994-95. The ITAT, in the said appeals, held that the Company's Other Income is not liable to tax.

The Company has also filed appeals before the Commissioner of Income Tax (Appeals) for the Assessment Years 1995-96, 1996-97 and 1997-98 against the said demands. These appeals are pending for adjudication.

26.5 The Assessing Officer for the Income Year ended 30 September, 1992 (Assessment Year 1993-94) raised demands aggregating Rs.4,676,219 on account of Corporate Assets Tax - Rs.2,000,000, Additional Tax - Rs.1,520,219 and Penalty - Rs.1,156,000. The Income Tax Appellate Tribunal, Peshawar Bench, on an appeal filed by the Company, declared the charging of Corporate Assets Tax, Additional Tax and imposition of Penalty as wrong and illegal. Consequently, provisions against these demands existing in the Books as at 30 September, 1997 were written-back and Corporate Assets Tax already paid was accounted for as refundable from Tax Department (note 17).

26.6 There were no tax effects of timing differences as at 30 September, 1998 and 30 September, 1997.

27. REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	Directors		Executives
	1998	1997	1998
Managerial remuneration	384,000	288,000	1,434,200

Allowances and utilities	0	0	821,400
Contribution to Provident Fund	0	0	87,830
Medical expenses reimbursed.	195,325	123,876	0

Rupees	579,325	411,876	2,343,430
	=====		
No. of persons	2	2	6

28. CAPACITY AND PRODUCTION

		1998
Rated crushing capacity (based on 150 working days)	M.Tons	750,000
Cane crushed	M.Tons	744,391
Sugar produced	M.Tons	63,025
Days worked	Nos.	159

29. FIGURES

- in the accounts are rounded-off to the nearest rupee;
- of the previous year are re-arranged wherever necessary for the purpose of comparison.

ABDUL QADAR KHATTAK
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR

KHA