

Chashma Sugar Mills Limited

Annual Report 1999

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BOARD OF DIRECTORS

CHAIRMAN / CHIEF EXECUTIVE

KHAN AZIZ SARFARAZ KHAN

DIRECTORS

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

COMPANY SECRETARY

MUJAHID BASHIR

AUDITORS

MESSRS HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

REGISTERED OFFICE

GUNNER LANE, OFF I 1-FORT
ROAD, PESHAWAR CANTT

FACTORY

DERA ISMAIL KHAN
PHONE: 750090,750091

EIGHT YEARS' REVIEW

CANE YEAR	SUGAR CRUSHED TONS	RECOVERY %	PRODUCED TONS
1992	174,454	8.69	15,093
1993	328,422	8.43	27,699
1994	436,302	8.41	36,701

1995	507,706	8.66	44,001
1996	495,543	8.02	38,884
1997	370,489	7.72	28,616
1998	744,391	8.47	63,025
1999	828,703	7.84	64,963

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 12th Annual General Meeting of the shareholders of Chashma Sugar Mills Limited, will be held on 31st March, 2000. at 10.30 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 27th March, 1999.
2. To receive and consider the Audited Accounts of the Company together with the Directors' and Auditors' reports for the year ended 30th September, 1999.
3. To declare a dividend.
4. To appoint auditors for the year 1999 - 2000 and to fix their remuneration. The outgoing auditors, Messrs. Hameed. Chaudhri & Co., Chartered Accountants, offer themselves for 're-appointment.
5. To approve remuneration of Directors.
6. 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 for entitlement of dividend from 20th March, 2000 to 30th March, 2000 (Both days inclusive).

BY ORDER OF THE BOARD

PESHAWAR
March 01, 2000.

(MUJAHID BASHIR)
SECRETARY

- N.B. 1. Member unable to attend in person may kindly send proxy form attached with the Balance sheet signed and witnessed to the Company at least 48 hours before the time of the meeting. No Person shall act as proxy unless he is entitled to be present and vote in his own right.
2. Members are requested to notify any change in address immediately.
 3. C.D.C shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and participants I.D numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his / her National Identity Card.

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report alongwith the Audited Accounts of the Company for the year ended 30th September, 1999.

1. SUGARCANE SEASON '1998- 99

The Sugarcane crushing season which started on 25th November, 1998 and ended on 2nd May, 1999. The Sugarcane growers were paid Rs. 35/- per 40 kgs, the support price fixed by the Government. Recovery from sugarcane was below the bench mark recovery of 8.50%. The main reason for this decline was red rots diseases on sugarcane and increase in the cultivation of unapproved sugarcane variety CO J1148.

2. CURRENT SEASON 1999- 2000

The current season started on 19th November 1999 and we have crushed 594,575 tons of sugarcane, producing 47,503 tons of sugar upto 29th February 2000 at an average recovery of 8.02%. We anticipate to crush about 700,000 tons sugarcane during the season and hope to produce approximately 56,000/57,000 tons of sugar and 35,000 tons of molasses. While we are happy to report that the sugarcane area in D.I. Khan district has increased but we are facing difficulties in procurement of sugarcane as the other sugar mills of Punjab are purchasing sugarcane from our area due to the shortage of sugarcane in Punjab.

3. SALES TAX ON SUGAR

Sales tax on sugar is 15 percent but we have to pay 3 percent additional sales tax because all the sugar buyers are unregistered. This is unfair as we have been penalized for inability of CBR to register the traders.

4. DIVIDEND

The Directors recommend the payment of cash dividend @ 20% out of the profits available for appropriation.

5. GENERAL RESERVE

A sum of Rs. 50.00 million has been transferred to general reserve.

6. STAFF

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

7. AUDITORS

The present auditors, Messrs Hameed Chaudhri & Co. Chartered Accountants,

Lahore retire and being eligible offer themselves for re-appointment.

8. LISTING WITH CENTRAL DEPOSITORY COMPANY

During the fiscal year the Company has been listed with the CDC to facilitate the shareholders of the Company for smooth transaction of shares at Lahore, Karachi and Islamabad Stock Exchanges.

9. PATTERN OF SHARE HOLDING

Pattern of shareholding of the Company is annexed.

10. Y2K COMPLIANCE OF COMPUTER SYSTEM

The company took measures to comply with the requirements of Y2K compliance of computer system.

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

ON BEHALF OF THE BOARD

PESHAWAR :March 1, 2000.

(**KHAN AZIZ SHARFARAZ KHAN**)
CHAIRMAN / CHIEF EXECUTIVE

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30TH SEPTEMBER, 1999

SHARE HOLDERS	SHAREHOL	TOTAL SHARESHELD				
417	From	1	to	100	Shares	4
3,600	From	101	to	500	Shares	1,62
144	From	501	to	1,000	Shares	13
184	From	1,001	to	5,000	Shares	49
43	From	5,001	to	10,000	Shares	34
14	From	10,001	to	15,000	Shares	16
7	From	15,001	to	20,000	Shares	12
7	From	20,001	to	2,500.00	Shares	15
6	From	25,001	to	30,000	Shares	17
10	From	30,001	to	65,000	Shares	43
8	From	70,001	to	130,000	Shares	77
3	From	195,001	to	200,000	Shares	60
1	From	200,001	to	250,000	Shares	20
1	From	250,001	to	295,000	Shares	25
1	From	295,001	to	335,000	Shares	33
2	From	415,001	to	520,000	Shares	88
3	From	520,001	to	Above	Shares	12,39

4,451
=====

19,12
=====

Categories of Shareholders	Numbers	Shares Held	Percentage
Individuals	4,423	6,064,700	31.71
Investment Companies	11	2,285,400	11.95
Insurance Companies	2	9,800	0.05
Joint Stock Companies	14	10,568,100	55.25
Sarfaraz Distt: Hospital	1	200,000	1.05
	-----	-----	-----
	4,451	19,128,000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS OF CHASHMA SUGAR MILLS LIMITED

We have audited the annexed Balance Sheet of CHASHMA SUGAR MILLS LIMITED as at 30 September, 1999 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 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 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, 1999 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: MARCH 02, 2000

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS.

BALANCE SHEET AS AT 30 SEPTEMBER, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>199 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised capital 22,000,000 ordinary shares of Rs.10 each		220,000,000	220,000,000
Issued, subscribed and paid-up capital 19,128,000 ordinary shares of Rs.10 <i>each fully paid in cash</i>	3	191,280,000	191,280,000
General reserve	27	156,000,000	106,000,000
Un appropriated profit		332,534	87,000
		-----	-----
		347,612,534	298,157,000
LONG TERM FINANCES AND LOANS			
Long term finances under mark-up arrangements	4	0	23,190
Long term loans Long term loans from Holding Company and Associated Undertaking	6	40,593,708	64,280,000
		0	11,000
		-----	-----
		40,593,708	98,470,000
CURRENT LIABILITIES			
Current portion of long term liabilities	7	57,952,637	98,390,000
Short term finances	8	200,928,494	224,910,000
Creditors, accruals and other liabilities	9	45,442,904	55,420,000
Excise duty and sales tax payable	10	42,062,464	34,090,000
Provision for taxation		1,123,704	
Unclaimed dividend		243,376	24,000
Proposed dividend		38,256,000	
		-----	-----
		386,009,579	413,070,000
CONTINGENCIES AND COMMITMENTS			
	11	-----	-----
		774,215,821	809,720,000
FIXED CAPITAL EXPENDITURE			

Operating fixed assets	12	436,764,799	472,55
Capital work-in-progress	13	15,575,723	7,11
Stores held for capital expenditure		11,920,189	9,27
		-----	---
		464,260,711	488,94
SECURITY DEPOSITS		93,765	12
CURRENT ASSETS			
Stores and spares	14	38,764,929	37,12
Stock-in-trade	15	133,657,000	188,88
Trade debtors - Unsecured			
- Considered good		102,143,794	61,04
Advances, deposits, prepayments			
and other receivables	16	27,182,506	28,76
Cash and bank balances	17	8,113,116	4,82
		-----	---
		309,861,345	320,64
		-----	---
		774,215,821	809,72
		=====	=====

The annexed notes form an integral part of these accounts.

ISKANDAR M. KHAN
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR

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

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>199</i> <i>Rupees</i>
SALES - Net	18	1,111,549,907	811,33
COST OF SALES	19	932,608,310	719,69
		-----	---
GROSS PROFIT		178,941,597	91,63
OPERATING EXPENSES			
Administrative and general	20	15,985,619	16,60
Selling and distribution	21	2,324,558	1,97
		-----	---
		18,310,177	18,57
		-----	---
OPERATING PROFIT		160,631,420	73,05
OTHER INCOME	22	7,747	2,01
		-----	---
		160,639,167	75,07

OTHER CHARGES			
Financial - net	23	60,405,207	62,86
Miscellaneous	24	6,723,263	68
Workers' (profit) participation fund		4,675,500	1
		-----	---
		71,803,970	63,56
		-----	---
PROFIT BEFORE PRIOR YEAR'S ITEM AND TAXATION			
		88,835,197	11,50
EXCISE DUTY - Prior year			
	10.2	0	(11,293
		-----	---
		88,835,197	21
PROVISION FOR TAXATION			
	25.6	1,123,704	
		-----	---
PROFIT AFTER TAXATION			
		87,711,493	21
UNAPPROPRIATED PROFIT - Brought forward			
		877,041	66
		-----	---
PROFIT AVAILABLE FOR APPROPRIATION			
APPROPRIATION:			
Transfer to General Reserve		50,000,000	
Proposed dividend @ 20% (1998:Nil)		38,256,000	
		-----	---
		88,256,000	
UNAPPROPRIATED PROFIT			
- Carried to Balance Sheet			
		332,534	87
		=====	=====
Earnings per Share	26	4.59	
		=====	=====

The annexed notes form an integral part of these accounts.

ISKANDAR M. KHAN
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR

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

	<i>1999</i>	<i>199</i>
	<i>Rupees</i>	<i>Rupe</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year		
- Before prior year's item and taxation	88,835,197	11,50
Adjustments for:		
Depreciation	47,995,626	51,77
Loss on disposal of vehicle and equipment	0	5
Interest and profit on deposits	(7,247)	(182
Interest and mark-up		

on loans and finances	59,910,876	62,48
Net decrease in working capital (note 'A')	22,525,471	(130,470)
	-----	---
CASH INFLOW (OUT FLOW)FROM OPERATING ACTIVITIES - Before taxation	219,259,923	(4,837)
Income tax paid	(308,207)	(153)
NET CASH INFLOW (OUT FLOW) FROM OPERATING ACTIVITIES - . After taxation	218,951,716	(4,991)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(23,310,812)	(9,936)
Insurance claim of vehicle	0	60
Interest and profit on deposits- net	7,247	18
Security deposits	36,000	(56)
	-----	---
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(23,267,565)	(9,210)
	-----	---
	195,684,151	(14,201)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans paid to Holding Company and Associated Undertaking	(54,848,000)	
Long term finances and loans repaid	(43,490,196)	1 (40,684)
Interest and mark-up paid on loans and finances	(70,074,004)	(67,632)
Short term finances - net	(53,747,476)	137,85
Dividend paid	(596)	(78)
	-----	---
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(222,160,272)	29,45
	-----	---
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(26,476:121)	15,25
CASH AND CASH EQUIVALENTS		
- At the beginning of the year	2,350,988	(12,907)
CASH AND CASH EQUIVALENTS		
- At the end of the year (note 'B')	(24,125,133)	2,35
	=====	=====

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

NOTE 'A'

MOVEMENT IN WORKING CAPITAL

(Increase)/Decrease in current assets

Stores and spares

1999
Rupees

199
Rupee

(1,636,907) (1,762)

Stock-in-trade	55,223,000	(145,759)
Trade debtors	(41,097,847)	(11,289)
Advances, deposits, prepayments and other receivables	1,893,410	2,16
Increase(Decrease) ~n current liabilities		
Creditors, accruals and other liabilities	176,322	10,72
Excise duty on sugar	(6,244)	5,00
Sales tax	7,973,737	10,43
	-----	---
NET INCREASE/(DECREASE) IN WORKING CAPITAL	22,525,471	(130,476)
	=====	=====

NOTE 'B'

CASH AND CASH EQUIVALENTS

Cash and bank balances	8,113,116	4,82
Temporary bank overdraft	(32,238,249)	(2,473)
	-----	---
	(24 125 133)	2,35
	=====	=====

ISKANDAR M. KHAN
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR

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

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.

1.1 Compliance with International Accounting Standards (IASs).

These accounts comply with IASs, as applicable in Pakistan, in all material respects.

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.

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 12.

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 cost 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, 1999 worked-out to Rs.17.509 million (1998:Rs.26.207 million).

3.2 The Premier Sugar Mills & Distillery Company Limited (the Holding Company) owned 9,569,000 ordinary shares as at 30 September, 1999 and 30 September, 1998.

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
National Development Finance Corporation (NDFC)	4.10	12,448,500	24,89,000
Bankers Equity Limited (BEL)	4.20	10,750,000	21,50,000
		-----	---
		23,198,500	46,39,000
Less: Current portion grouped			

under current liabilities

-NDFC

12,448,500 12,44

-BEL

10,750,000 10,75

23,198,500 23,19

0 23,19

4.1 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 5, are secured by first equitable 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.

4.2 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 million.

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.

5. LONG TERM LOANS- Secured

National Development Finance Corporation (NDFC)

Note

1999
Rupees

199
Rupees

Long term loan	5.1	58,031,326	73,000
Restructured loan	5.2	6,316,519	11,630
		-----	---
		64,347,845	84,630
Less: Current portion grouped under current liabilities			
- Longterm loan		17,437,618	15,030
- Restructured loan		631,651	5,310
		-----	---
		23,754,137	20,350
		-----	---
		40,593,708	64,280
		=====	=====

5.1a) This loan has been obtained in terms of Pak Rupees against credit line of U.S.\$ 4.657 million converted into Pak Rupees at rates of exchange ruling on disbursement dates. Un-utilised balance as at 30 September, 1999 amounted U.S.\$ 0.120 million (1998: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 4.1 .(c).

5.2 Restructured loan

a) This loan has been created by transfer of interest accrued on NDFC long term loan upto 15 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 4.1(c).

6. LOANS FROM HOLDING COMPANY AND ASSOCIATED UNDERTAKING - Unsecured

The Premier Sugar Mills & Distillery Company Limited (the Holding Company)	6.1	0	24,160
The Frontier Sugar Mills & Distillery Limited (an Associated Undertaking)			
Loan No. 1	6.1	0	8,680
Loan No. 2	6.2	11,000,000	33,000
		-----	---
		11,000,000	41,680
		-----	---

	11,000,000	65,84
Less: Current portion grouped under current liabilities		
Installments overdue		
- Holding Company's loan	0	24,16
- Associated Undertaking's loans	0	19,68
	-----	---
	0	43,84
Installments due within following twelve months		
- Associated Undertaking's loan	11,000,000	11,00
	-----	---
	11,000,000	54,84
	-----	---
	0	11,00
	=====	=====

6.1 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. The outstanding balances of these loans were fully repaid during the year.

6.2 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. The year end outstanding balance of this loan has been fully paid subsequent to the balance sheet date.

7. CURRENT PORTION OF LONG TERM LIABILITIES

	<i>Note</i>	<i>1999 Rupees</i>	<i>199 Rupees</i>
Long term finances under mark-up arrangements	4	23,198,500	23,19
	5	23,754,137	20,35
Loans from Holding Company and Associated Undertaking	6	11,000,000	54,84
		-----	---
		57,952,637	98,39
		=====	=====

8. SHORT TERM FINANCES

Cash and running finances			
- Secured	8.10	168,690,245	222,43
Temporary bank overdraft			
- Unsecured	8.20	32,238,249	2,47
		-----	---
		200,928,494	224,91
		=====	=====

8.1 Cash and running finance facilities available from Commercial Banks under mark-up arrangements aggregate Rs.410.0 million (1998:Rs.340.0 million). Facilities available for opening letters of credit amount Rs.2.5 million (1998: 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, 2000.

8.2 This has arisen due to issuance of cheques for amounts in excess of balance in a bank account. However, these cheques have been cleared subsequent to the balance sheet date.

9. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	Note	1999 Rupees	1998 Rupees
Due to Holding Company		1,018,087	
Creditors		9,896,415	15,820,000
Bills payable		1,414,517	
Accrued expenses		8,696,109	7,980,000
Retention money		232,414	1,930,000
Security deposits - interest free repayable on demand		511,323	530,000
Advance payments		14,748	30,000
Mark-up accrued on secured:			
Long term finances		850,720	4,160,000
Short term finances		4,454,393	7,310,000
Interest accrued on:			
Long term loans - Secured		3,318,216	4,240,000
Holding Company's and Associated Undertaking's loans - Unsecured		6,164,850	9,220,000
Lease rentals payable	11.2	3,900,000	3,900,000
Due to provident fund trust		61,544	80,000
Income tax deducted at source		223,068	170,000
Workers' (profit) participation fund	9.1	4,686,500	1,090,000
		-----	-----
		45,442,904	55,420,000
=====			
9.1 Workers' (profit) participation fund			
Opening balance		11,000	1,090,000
Less: Payments made during the year		0	1,090,000
		-----	-----
		11,000	

Add:Contribution for the year		4,675,500	1
		-----	---
		4,686,500	1

10. EXCISE DUTY AND SALES TAX PAYABLE

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>199</i> <i>Rupe</i>
Excise duty on sugar			
- Current year	10.1	12,289,758	12,29
- Prior years	10.2	11,293,880	11,29
		-----	---
		23,583,638	23,58
Sales tax payable		18,478,826	10,50
		-----	---
		42,062,464	34,09

10.1 Provision for excise duty has been shown net of adjustment of Rs.1,041,868 (1998:Rs.577,393) representing current account balance.

10.2 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 Rs.11,293,880 was provided for during the year ended 30 September, 1998.

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

10.3 The Additional Collector of Customs & Central Excise raised excise duty demand on the mandatory quantity of sugar required to be exported by the Company under various SROs, but was not exported during the current year. The Company has filed a writ petition before the Peshawar High Court against the said demand. Provision for excise duty amounting Rs.6,009,031, however, has been made in these accounts.

11. CONTINGENCIES AND COMMITMENTS

11.1 Commitments for Capital expenditure amounting Rs.6.867 million (1998:NIL) and Commitments for irrevocable letters of credit amounting Rs. 2.037 million (1998:NIL) were outstanding as at 30 September, 1999.

11.2 The Company executed a Lease Agreement with The Premier Sugar Mills & 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 ended 30 September, 1998 year, extended the lease period of the said machinery for further period of three years with lease amount of Rs.5.2 million per annum. The agreement is secured against demand promissory note of Rs. 18.0 million.

11.3 The Sales Tax Department during the current year levied sales tax, additional tax, and penalty demands aggregating Rs.11,668,685 on in-house consumption of baggasse during the accounting year ended 30 September, 1997. The Company has filed an appeal before the Collector of Sales Tax (Appeals), Rawalpindi against these levies which is pending adjudication. Provision against these demands has not been made in these accounts as the Company has disputed the liability.

12. OPERATING FIXED ASSETS - Tangible

PARTICULARS	COST			As at 30 September, 1999	Rat %
	As at 30 September, 1998	Additions during the year	Disposals during the year		
Freehold land	8,413,440	0	0	8,413,440	
Building and roads	134,194,665	1,931,381	0	136,126,046	
Plant and machinery	624,230,605	7,543,710	0	631,774,315	
Electric installations	19,248,695	0	0	19,248,695	
Office equipment	2447207	117,748	0	2,564,955	
Furniture and fixtures	6,307,938	473,555	0	6,781,493	
Vehicles	4,233,397	2,137,347	0	6,370,744	
	-----	-----	-----	-----	-----
Rupees	799,075,947	12,203,741	0	811,279,688	
	=====	=====	=====	=====	=====
1998 Rupees	797,744,131	2157806	825,990	799,075,947	

12.1 Depreciation for the year has been allocated as follows:

	1999 Rupees	1998 Rupees
Cost of sales	46,661,557	50,79
Administrative and general expenses	1,334,069	98
	-----	-----
	47,995,626	51,77
	=====	=====

13. CAPITAL WORK-IN-PROGRESS

This comprises of:

Buildings on freehold land

Cost of materials	1,050,097	1,05
Advance payments	52,039	1
	-----	----
	1,102,136	1,07
Plant and machinery		
Cost of materials	10,237,651	5,17
Advance payments	3,227,500	42
	-----	----
	13,465,151	5,59
Electric installations		
Cost of materials	1,008,436	44
	-----	----
	15,575,723	7,11

14. STORES AND SPARES

Stores [including in transit Rs. 2,099,344(1998:NIL)]	34,257,541	33,53
Spares	4,507,388	3,59
	-----	----
	38,764,929	37,12

15. STOCK-IN-TRADE

Finished goods	132,557,000	187,86
Sugar-in-process.	1,100,000	1,01
	-----	----
	133,657,000	188,88

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	<i>1999 Rupees</i>	<i>199 Rupees</i>
Advance payments	16.1		
- Employees		335,074	33
- Suppliers and Contractors		12,987,058	13,64
		-----	----
		13,322,132	13,97
Due from Holding Company		0	15
Due from Associated Undertakings [including Rs.3.325 million (1998: Rs.3.325 million) advance payment for plant and machinery]		4,657,093	5,99
Letters of credit		156,508	14
Tax deducted at source		1,461,162	1,15

Prepayments		391,455	15
Minimum tax-Refundable	25.30	7,631,228	7,63
Corporate assets tax-Refundable	25.50	2,000,000	2,00
		-----	---
		29,619,578	31,20
Less:Provision for doubtful advances		2,437,072	2,43
		-----	---
		27,182,506	28,76
		=====	=====

16.1 These are unsecured and considered good except for Rs.2.437 million (1998:Rs.2.437 million) which. have been fully provided for in these accounts.

16.2 Holding Company and Associated Undertakings

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

- Long term loans repaid to the Holding Company		24,166,000	
- Long term loans repaid to an Associated Undertaking		30,682,000	
- Purchase of goods		12,763,327	14,67
- Lease rentals credited		5,200,000	5,40
- Sale of goods		164,473	82
- Interest credited		7,650,562	9,22

b) Maximum aggregate debit balance of the Associated Undertakings at any month end during the year was Rs.5,699,961 (1998:Rs.5,993,147). Maximum aggregate debit balance of the Holding Company at any month end during the year was Rs.417,271 (1998: Rs. 1,694,239).

17. CASH AND BANK BALANCES

	<i>Note</i>	<i>1999 Rupees</i>	<i>199 Rupees</i>
Cash at banks on:			
- Current accounts	17.1	5,480,693	4,59
- PLS accounts		9,736	
- Deposit accounts		2,564,871	16
		-----	---
		8,055,300	4,77
Cash at National Savings Centre:			
- Saving accounts		6,263	
Cash at Development Finance Institution			
- Deposit account		51,553	4
		-----	---
		8,113,116	4,82
		=====	=====

17.1 These include Rs.185,615 (1998:Rs.185,615) on dividend account.

18. SALES - Net

Turnover		1,265,116,560	870,55
Less: Commission		3,445,200	2,37
Sales tax		150,121,453	56,85
		-----	---
		153,566,653	59,22
		-----	---
		1,111,549,907	811,33
		=====	=====

19. COST OF SALES

Raw materials consumed including local taxes Rs.543,288 (1998:Rs.895,352)		744,606,517	686,18
Chemicals and stores consumed		24,493,039	23,84
Salaries, wages and benefits	19.10	25,114,293	24,70
Power and fuel		5,337,284	4,21
Repair and maintenance		16,999,561	16,24
Insurance		638,334	67
Machinery lease rentals	11.20	5,200,000	5,40
Excise duty		8,334,725	53,40
Depreciation		46,661,557	50,79
		-----	---
		877,385,310	865,45
Adjustment of sugar-in-process			
Opening		1,011,000	1,16
Closing		(1,100,000)	(1,01
		-----	---
		(89,000)	15
		-----	---
Cost of goods manufactured		877,296,310	865,61
Adjustment of finished goods			
Opening stock '		187,869,000	41,95
Closing stock		(132,557,000)	(187,86
		-----	---
		55,312,000	(145,91
		-----	---
		932,608,310	719,69
		=====	=====

19.1 These include Rs.333,667 (1998:Rs.314,027) in respect of staff retirement benefits.

20. ADMINISTRATIVE AND GENERAL EXPENSES

1999 **199**
Rupees **Rupe**

Salaries and benefits	20.2	7,224,883	7,23
Travelling and conveyance:			
- Directors		1,362,215	2,04
- Others		389,817	43
Vehicles' running and maintenance		1,507,326	1,60
Rent, rates and taxes		619,667	66
Communication		1,247,206	1,25
Printing and stationery		224,418	52
Insurance		919,662	1,00
Repair and maintenance		228,674	39
Fees and subscription		771,458	29
Depreciation		1,334,069	98
General		156,224	16
		-----	---
		15,985,619	16,60
		=====	=====

20.1 The Company, during the year, shared expenses aggregating Rs.4,260,334 (1998:Rs.5,263,175) with the Holding Company and Associated Undertakings on account of combined office expenses. These expenses have been booked in respective heads of account.

20.2 These include Rs.84,439 (1998:Rs.90,361) in respect of staff retirement benefits.

21. SELLING AND DISTRIBUTION EXPENSES

Loading and stacking		1,980,533	1,64
Salaries and benefits	21.1	344,025	33
		-----	---
		2,324,558	1,97
		=====	=====

21.1 These include Rs.6,834 (1998:Rs.6,288) in respect of staff retirement benefits.

22. OTHER INCOME

Profit on deposits with National Savings Centre		719	
Interest/profit on bank deposits		6,528	18
Sale of scrap		0	2
Unclaimed balances - written-back		0	1,80
Miscellaneous		500	
		-----	---
		7,747	2,01

23. FINANCIAL CHARGES - Net

Mark-up on:

Long term finances

Short term finances

23.1

6,585,060 3,84

34,038,362 34,91

Interest on:

Long term loans

Loans from Holding Company and
Associated Undertaking

Commission on bank guarantees

Bank charges

11,636,892 14,50

7,650,562 9,22

177,081

317,250 38

60,405,207 62,86

23.1 Interest on bank deposits aggregating Rs.1,156,925 has been netted off against mark-up on short term finances.

24. MISCELLANEOUS CHARGES

Auditors' remuneration

Audit fee

Tax consultancy

Out-of-pocket expenses

30,000 3

119,500 6

41,040 2

190,540 12

Legal and professional charges
(other than Auditors)

163,917 45

Excise duty

Donations (without Directors' interest)

Loss on disposal of vehicle and equipment

10.3

6,009,031

359,775 5

0 5

6,723,263 68

25. TAXATION

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

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

25.3 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 16).

25.4 The Assessing Officer, while finalising the Company's assessments for the Income Years 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.2.282 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 25.3 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's 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 also filed appeals before the Commissioner of Income Tax (Appeals) [CIT(A)] for the Assessment Years 1995-96, 1996-97 and 1997-98 against the said demands. The CIT(A), during the current year, disposed off the appeals and deleted the said demands.

25.5 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 ITAT, 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 were written-back during the year, ended 30 September, 1997 and Corporate Assets Tax already paid was accounted for as refundable from Tax Department (note 16). However, the Income Tax Department has filed an appeal with the Peshawar High Court against the Orders of the ITAT.

25.6 This represents provision made to comply with the requirements of Section 12-9A of the Income Tax Ordinance, 1979.

25.7 There were no tax effects of timing differences as at 30 September, 1999 and 30 September, 1998.

26. EARNINGS PER SHARE (EPS)

26.1 BASIC

Profit attributable to ordinary shareholder :

1999
Rupees

1998
Rupees

87,711,493 21,128,000

Number of ordinary shares outstanding at year-end

No. of shares
19,128,000 19,128,000

EPS

Rupees
4.59

26.2 DILUTED

Profit attributable to
ordinary shareholders
Number of ordinary shares
outstanding at year-end
Option
Increase in net profit
Incremental shares

1999	
.No. of shares	Rupees
	87,711,493
19,128,000	
	2,24,000
1,750,000	
-----	-----
20,878,000	89,95,000

EPS (Diluted)

There is no dilutive effect on the basic earnings per share of the Company for the year ended 30 September, 1998.

27. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>General Reserve</i> (Rupees)	<i>Unappropri- ated Profit</i>	<i>Tota</i>
Balance as at 30 September, 1997	191,280,000	106,000,000	665,390	297,945,390
Profit for the year	0	0	211,651	211,651
Balance as at 30 September, 1998	191,280,000	106,000,000	877,041	298,157,041
Profit for the year	0	0	87,711,493	87,711,493
Transfer	0	50,000,000	(50,000,000)	0
Proposed dividend	0	0	(38,256,000)	(38,256,000)
Balance as at 30 September, 1999	191,280,000	156,000,000	332,534	347,612,534

28. NUMBER OF EMPLOYEES

Total number of employees at year-end was 282 (1998:268).

29. FINANCIAL ASSETS AND LIABILITIES

29.1 Financial assets of the Company aggregated Rs.111.682 million which are also subject to credit risk. The financial assets are not entitled to mark-up other than Rs.2.632 million, which represents cash with banks on saving and deposit accounts.

29.2 The financial liabilities of the Company aggregated Rs.381.867 million. The financial liabilities are based 'on mark-up/'interest except for liabilities aggregating Rs.43.893 million. The effective mark-up/interest rate of financial liabilities range from 6% to 18% per annum.

29.3 The carrying amounts of the financial assets and financial liabilities approximate their fair values.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

Particulars	Directors		Executives	
	1999	1998	1999	1998
Managerial remuneration	396,000	384,000	1,515,525	1,434,200
Allowances and utilities	0	0	929,400	821,400
Contribution to Provident Fund	0	0	88,708	87,830
Medical expenses reimbursed	221,132	195,325	0	0
	-----	-----	-----	-----
Rupees	617,132	579,325	2,533,633	2,343,430
	=====	=====	=====	=====
No. of persons	2	2	7	6

31. CAPACITY AND PRODUCTION

		1999	
Rated crushing capacity (based on 150 working days)	M.Tons.	750,000	75
Cane crushed	M.Tons	828,703	74
Sugar produced	M.Tons	64,963	6
Days worked	Nos.	158	

32. 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.

ISKANDAR M. KHAN
DIRECTOR

MUHAMMAD RAFIQ KHAN
DIRECTOR