

## **AL-ABBAS SUGAR MILLS LIMITED**

### **ANNUAL REPORT 2003**

#### Company Information

Notice of Meeting

Directors' Report to the Members

Pattern of Share holding

Six years at a glance

Vision and Mission Statement

Statement of Compliance with the Code of Corporate Governance

Auditors' Review report to the Members on Statement of Compliance

with the Best Practices of Code of Corporate Governance

Auditors' Report to the Members

Balance Sheet

Profit & Loss Account

Cash Flow Statement

Statement of Changes in Equity

Notes to the Financial Statements

#### **BOARD OF DIRECTORS**

HAJI ABDUL GHANI

Chairman

MR. SHUNAID QURESHI

Chief Executive

MR. MUHAMMAD IQBAL USMAN

Director

MR. TARIQ USMAN BHATTI

Director

MR. MUHAMMAD AYOUB

Director

MR. DURAID QURESHI

Director

MR. ASIM GHANI

Director

MR. MUHAMMAD AYUB

Director

#### **COMPANY SECRETARY**

MR. MUHAMMAD SULEMAN KANJIANI

#### **AUDIT COMMITTEE**

MR. MUHAMMAD IQBAL USMAN

Chairman

MR. DURAID QURESHI

Secretary

MR. MUHAMMAD AYOUB

Member

#### **AUDITORS**

Haroon Zakaria & Co.

Chartered Accountants

#### **LEGAL ADVISOR**

Usmani & Iqbal

Advocate & Solicitors

#### **BANKERS**

AlBaraka Islamic Bank

Bank Alfalah Limited

Habib Bank Limited

Muslim Commercial Bank Limited

Union Bank Limited

#### **REGISTERED OFFICE**

Plot # 50-A/3, Unit # H, Gulshan-e-Faisal,

Co-operative Housing Society,

Street No.2, Bath Island, Karachi.

#### **FACTORY**

Mirwah Gorchani District Mirpurkhas, Sindh.

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Wednesday, 28th January 2004, at 1600 hours at Rafia Chaudri Memorial Center, Karachi to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on 22nd January 2003.
2. To receive consider and adopt the Audited Accounts for the year ended 30th September 2003 together with the Director's and Auditors Reports thereon.
3. To approve 18% cash dividend as recommended by the Board of Directors.
4. On the recommendation of Audit Committee Board of Directors has proposed to appoint M/s. Hyder Bhimji & Co. Chartered Accountants to carry out the audit of accounts for the year ended 30th September 2004 in place of M/s. Haroon Zakaria & Co. Chartered Accountants, who have not offered their services due to provisions of Code of Corporate Governance
5. To elect Seven Directors in accordance with the Companies Ordinance, 1984 for a period of three years commencing from March 01, 2004. The retiring Directors are Messrs Haji Abdul Ghani, Mohammad Iqbal Usman, Tariq Usman Bhatti, Muhammad Ayoub, Duraid Qureshi, Asim Ghani and Muhammad Ayub.
6. To transact any other business, with the permission of the Chair.

By Order of the Board.

**MUHAMMAD SULEMAN KANJIANI**

Company Secretary

Karachi, Dated 16th December 2003

### **Notes:**

1. The Share Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from 21st January 2004 to 28th January 2004 (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. Proxies in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of the meeting. A proxy must be a member of the Company.
3. Shareholders are advised to notify the company of any change in their address immediately to ensure prompt delivery of mails.

CDC Account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

### **A. For Attending the meeting:**

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting,

ii) In case of Corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

### **B. For Appointing Proxies:**

i) In case of individuals, the account holder or sub account holder and/or the person whose securities

are in group account and their registration details are uploaded as per the Regulations, shall submit

the proxy form as per the above requirement,

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall

be mentioned on the form,

iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with

the proxy form.

iv) The proxy shall produce his original NIC or original passport at the time of the meeting,

v) In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature

shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

#### DIRECTOR'S REPORT

The Board of Directors is please to present 13th Annual Report and Audited Accounts for the year ended September 30th 2003.

#### SUGAR UNIT

##### OPERATING RESULTS:

Due to surplus sugar availability in the country, the sale of total production for the crushing season 2002-2003 before the commencement of new crushing season has become difficult. Although, the Government of Pakistan has exported 100,000 Metric tons of sugar through TCP and also purchased 100,000 Metric tons sugar in November 2003.

The operating data for the year under review is given below:

<b>PRODUCTION DATA</b>	<b>2002-2003</b>	<b>2001-2002</b>
Number of days crushed	117	119
Sugar cane crushed (in metric tons)	531,940	387,668
Recovery %	9.55	8.9
Sugar made	50,851	34,440
Molasses recovery %	5.2	5.57
Molasses made	27,630	21,950
<b>FINANCIAL DATA:</b>	<b>2002-2003</b>	<b>2001-2002</b>
Sales	669,410	747,019
Cost of sales	644,781	795,789
Gross profit/(loss)	24,629	-48,770
Operating profit/(loss)	2,345	-72,743
Financial charges	-36,489	-50,726
Loss after financial charges	-34,144	-123,469

#### FUTURE OUTLOOK OF SUGAR UNIT:

The future of sugar industry is dependant on the cost of raw material and disposal of excess production of sugar. These two factors play an important role in the financial position of sugar industry.

Government of Sindh has notified minimum sugar cane price of Rs. 41/- per 40 kg of sugar cane, which is Re. 1/- higher than the minimum price fixed by the Government of Punjab last year. Whereas, last year this difference was Rs. 3/-.

We may further add that Government of Pakistan has promised to procure another 100,000 Metric tons of sugar through TCP from the production of 2003-2004 crushing year and your Board expects that these two steps will play a very important role in improving financial strength of sugar industry.

Performance of sugar unit for current crushing year (upto 15th December 2003) is given below:

Date of Start	Sugar Cane Crush in (in Metric Tons)	Recovery %	Sugar made (in Metric Tons)	Molasses made (in Metric Tons)
29th November 2003	69,799.53	8.5968	5305	2840

**DISTILLERY UNIT:  
OPERATING RESULTS:**

By the Grace of Almighty Allah, the distillery unit continuously performing as per plan. The operating results of the unit with comparative figures of last year is given as under:

	2002-2003	2001-2002
Number of days worked	299	300
Production Liters	28,874,000	22,595,000
Metric tons	23,099	18,076
<b>FINANCIAL DATA:</b>		
	2002-2003	2001-2002
Sales	523,371	306,365
Cost of sales	359,862	220,726
Gross profit	163,509	85,639
Operating profit	137,894	62,823
Financial charges	-20,502	-20,758
Profit after financial charges	117,392	42,065

**FUTURE OUTLOOK OF DISTILLERY UNIT:**

The work on expansion program of distillery unit is as per schedule and we expect that with the commissioning of new plant, your company will be in position to compete internationally with more strength. However we would also like to point out that the mushroom growth of distillery unit in our country may result negative impact both in financial and operation terms of existing distillery units and therefore it is our humble suggestion that the Government must evolve some systems which shall ensure that production capacity of distillery units is in accordance with available raw material and no investment is being made in installation of idle production capacity of industrial alcohol in Pakistan otherwise both new and old units will suffer greatly.

**FINANCIAL RESULTS AND APPROPRIATION**

The overall financial results alongwith appropriations for the year ended September 30, 2003 is given in below.

	2002-2003	2001-2002
Profitless) before taxation	86,074	-10,857
Taxation	-16,259	11,480
Profit after taxation	69,815	623
Un-appropriated profit brought forward	1,263	640
Profit available for appropriation	71,078	1,263
<b>APPROPRIATION</b>		
Transfer to General reserve	38,000	0
Proposed dividend @ 18% (2002 nil)	31,252	0
Total appropriation	69,252	0
Inappropriate profit c/f to balance sheet	1,862	1,263

**BOARD OF DIRECTORS**

The tenure of Board of Directors will be completing on 28th February 2004, however since Annual General Meeting is to be held within four months from the date of year-end therefore, the election of Directors will be held in forthcoming Annual General Meeting, which is one month ahead of schedule. However the term of new Board will start from 1st March 2004. Board of Directors has fixed number of Directors to be elected in forthcoming Annual General Meeting at seven (7).

Following are the retiring Directors of the Company:

1. Haji Abdul Ghani
2. Mr. Mohammad Iqbal Usman
3. Mr. Tariq Usman Bhatti
4. Mr. Muhammad Ayoub
5. Mr. Duraid Qureshi
6. Mr. Asim Ghani
7. Mr. Muhammad Ayub

#### AUDITORS

The audit committee in compliance with the provisions of Corporate Governance recommends the appointment of Messer Hyder Bhimji and Co. Chartered Accountants as an External Auditors of the Company for the year ending 30th September 2004 which board has agreed. The Board places on record its appreciation to Messer Haroon Zakaria and Co. Chartered Accountants, the retiring auditors of their services to the Company in the past.

#### STATEMENT OF CHANGES AND FINANCIAL REPORTING FRAMEWORK

- a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Company has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- e) The system of internal control has been effectively implemented and is being continuously reviewed and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h) The key operating and financial data of last six (6) years is annexed herewith.
- i) Board of Directors has recommended to pay cash dividends @ 18 % i.e. Rs 1.807- per share.
- j) The operating result as compared to last year is showing improved results, though overall turnover showing reduction of 5.14% as compare to last year turnover. Sugar unit is also showing operating profit of Rs. 2.345 million as compare to last year operating loss of Rs. 72.743 million.
- k) (i) Company has not made payment against market committee fee since inception as it has been challenged in Honorable High Court of Sindh. The total aggregate amount is Rs.25, 951 million up to 30th September 2003  
(ii) Government of Sindh has imposed surcharge on road cess in 1991 at the rate of Re. 0.15 per 40 kg to be shared equally by mills and growers. From crushing year 1994-95 increased rate of road cess on sugar cane for mill's share from Re. 0.14 per 40 kg to Re. 0.75 per 40 kg. However, Pakistan Sugar Mills Association agitated above amendments and finally on 08 July 2002 cabinet in its meeting decided to withdraw both levy and increase in rate from the date of imposition/increase with certain conditions to be complied by mills. In view of this position appropriate actions have been taken in the accounts of last year and no further provision of such levy has been made in these accounts.
- l) The company maintains Gratuity Fund for its employees. Stated below is the value of investment of the fund as on 30th June 2003, based on latest audited accounts of the fund.

- Gratuity Fund Rs. 13.74 million

m) There have been 4 (Four) board meetings during the year and the attendance of each director is stated as under

<b>Name of Directors</b>	<b>Number of meetings attended</b>
Haji Abdul Ghani	4
Shunaid Qureshi	4
Tariq Usman Bhatti	3
Muhammad Iqbal Usman	4
Muhammad Ayoub	3
Duraid Qureshi	4
Asim Ghani	3
Muhammad Ayub	4

n) The pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors and Company Secretary and their spouses including minor children during the year under review is annexed herewith.

#### **ACKNOWLEDGEMENT**

The Directors are grateful to the Company's shareholders, financial institutions and customers for their continued cooperation, support and patronage, which enabled the Company to continue its efforts for constant improvement. The Directors acknowledge the dedicated services, loyalty and hard work of all the employees of the Company at its various divisions and hope this spirit of devotion and dedication will continue.

For & on behalf of the Board

#### **SHUNAIQ QURESHI**

Karachi: December 16, 2003

Chief Executive

#### **PATTERN OF SHAREHOLDINGS AS ON 30/09/2003**

<b>Number of Share Holders</b>	<b>Share Holdings</b>		<b>Total Number of Shares Held</b>
	<b>From</b>	<b>To</b>	
187	1	100	18,700
1173	101	500	560,600
88	501	1,000	86,500
97	1,001	5,000	261,800
18	5,001	10,000	134,900
4	10,001	15,000	45,600
8	20,001	25,000	183,200
2	25,001	30,000	53,500
1	30,001	35,000	35,000
1	35,001	45,000	42,400
9	45,001	50,000	439,468
1	50,001	55,000	50,100
2	55,001	60,000	113,000
1	60,001	65,000	62,000
1	65,001	70,000	68,000
2	70,001	85,000	167,000
2	95,001	100,000	199,300
1	100,001	105,000	104,000
1	145,001	150,000	150,000
1	150,001	155,000	151,000
1	160,001	165,000	164,500
1	225,001	230,000	230,000
1	255,001	260,000	257,400
1	555,001	560,000	556,182
1	660,001	665,000	663,500
1	1,145,001	1,150,000	1,148,700

1	1,245,001	1,250,000	1,247,000
1	1,395,001	1,400,000	1,399,668
1	1,525,001	1,530,000	1,525,750
1	1,795,001	1,800,000	1,800,000
1	1,800,001	2,550,000	2,546,232
1	2,895,001	2,900,000	2,897,300
1612			17,362,300

**CATEGORIES OF SHAREHOLDERS****AS ON 30/09/2003**

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1,582	13,108,100	75.5
Joint Stock Companies	24	1,350,300	7.78
Financial Institutions	5	2,899,900	16.7
Other	1	4,000	0.02
Total	1,612	17,362,300	100

Information on shareholding required under reporting formwork is as follows:

1 NIT and ICP INVESTMENT CORPORATION OF PAKISTAN	1,700
2 Directors, CEO and their spouses and minor children HAJI ABDUL GHANI	3,695,932
SHUNAIQ QURESHI	1,399,668
TARIQ USMAN BHATTI	556,182
MUHAMMAD AYOUB	1,525,750
MUHAMMAD IQBAL	500
DURAIQ QURESHI	1,000
ASIM GHANI	62,500
3 Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas & Mutual Funds NATIONAL BANK OF PAKISTAN, TRUSTEE DEPARTMENT	2,897,300
BANK OF KHYBER	300
PRUDENTIAL STOCK FUND	600
N.D.F.C. - INVESTER	2,000
4 Public Sector Companies & Corporations TAURUS SECURITIES LTD.,	500
FIRST CAPITAL EQUITIES LTD.,	4,000
AZIZ FIDAHUSEIN & CO. (PVT) LTD.,	164,500
JAN MOHAMMAD A.LATIF NINI & SONS (PVT) LTD.,	2,500
JAN MOHAMMAD A.LATIF NINI & SONS (PVT) LTD.,	5,000
JAHANGIR SIDDIQUI & CO. LTD.,	663,600
JAHANGIR SIDDIQUI CAPITAL MKTS (PVT) LTD.,	257,400
Y.S. SECURITIES & SERVICES (PVT) LTD.,	2,000
AMER COTTON MILLS (PVT) LTD.,	25,000
MOLASSES EXPORT CO. (PVT) LTD.,	50,000
BULK MANAGEMENT PAKISTAN (PVT) LTD.,	151,000
VALIKA ART FABRICS LTD.,	8,000
ZAHID LATIF KHAN SECURITIES (PVT) LTD.,	600
SALIM CHAMDIA SECURITIES (PVT) LTD.,	1,500
JAMSHAIQ & HASAN SECURITIES (PVT) LTD.,	500
MUNAF SATTAR SECURITIES (PVT) LTD.,	1,500
FAWAD YUSUF SECURITIES (PVT) LTD.,	1,600
BAWA SECURITIES (PVT) LTD.,	100
HASEEB WAQAS ENGINEERING LTD.,	500
ZILLION CAPITAL SECURITIES (PVT) LTD.,	5,500
TIME SECURITIES (PVT) LTD.,	2,500
AKD SECURITIES (PVT) LTD.,	500
AL-ABBAS SUGAR MILLS LTD. - EMP: G.F	4,000
	1,352,300

5 Shareholders holding ten percent or more voting interest in the Company

Employees, Annuitants & Employees' Trust-approximately		
HAJI ABDUL GHANI	3,695,932	21.28%
NATIONAL BANK OF PAKISTAN.TRUSTEE DEPTT.	2,897,300	16.68%
CENTRAL DEPOSITORY COMPANY OF PAKISTAN (as Depository) (Shares of Mr.Haji A.Ghani & NBP- Trustee Deptt: Excluded)	13,292,768	76.56%

Details of purchase/sale of shares by Directors/Company Secretary & their spouses/minor children during 2002

Name	Dated	Purchase	Sale	Rate Rs./Shares
HAJI ABDUL GHANI	12/09/2003	1,000		25
ASIM GHANI	12/09/2003	62,000		25
M.SULEMAN KANJIANI	05/09/2003		500	25.4
	08/09/2003		2,500	25.15

	2003	2002	2001	2000	1999	1998
<b>ASSETS EMPLOYED</b>						
Fixed Assets	713,015	756,644	684,794	725,072	546,335	537,787
Capital Work-in-Progress	180,632	12,843	60,653	1,907	32,987	24,821
Long Term Deposits	1,752	2,512	1,490	1,109	1,494	1,570
Net Current Assets/(Liabilities)	-33,662	-97,963	-18,098	-101,418	-51,339	-77,485
Total Assets Employed	861,737	674,036	728,839	626,670	1,355,509	486,693
<b>FINANCED BY</b>						
Shareholders	463,449	424,886	424,263	377,856	357,207	324,204
Long Term Loan	294,737	150,056	129,376	112,604	53,866	118,547
Deferred Liabilities	103,551	99,950	175,199	136,210	104,947	90,270
Total	892,989	675,643	728,839	626,670	1,355,509	486,693
<b>SALES &amp; PROFIT</b>						
Sales	1,205,339	1,270,682	1,770,531	819,717	1,047,752	977,692
Gross Profit	193,452	67,619	260,875	111,340	164,952	128,252
Operating Profit	147,595	9,284	203,066	87,032	132,808	90,572
Profit/(Loss) before taxation	86,074	-10,857	118,293	71,389	88,212	37,190
Dividend	31,252	NIL	34,725	26,043	26,043	17,362
Un-appropriated Profit/(Loss)	1,826	1,263	640	4,233	3,584	581
<b>RATIOS:</b>						
Gross Profit to Sales (%age)	16.05%	5.32%	14.73%	13.58%	15.74%	13.12%
Operating Profit to Sales (%age)	12.25%	0.73%	11.47%	10.62%	12.68%	9.26%
Debt: equity ratio	38.87%	26.10%	23.37%	22.96%	13.10%	26.78%
Breakup value per share of Rs. 10 each	26.69	24.47	24.44	21.76	20.57	18.67

**VISION**

AL-ABBAS SUGAR MILLS LIMITED is committed to earn the reputation of a reliable manufacturer and supplier of good quality white refined sugar and industrial alcohol in local and international markets.

**MISSION**

To be a profitable organization and to meet the expectations of our stockholders.

To become competitive in local and international markets by concentrating on quality of core products.

To promote best use and development of human resources in a safe environment, as an equal opportunity employer.



To use advance technology for efficient and cost effective operations.

#### **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board comprises of seven directors including two executive director. The Company encourages the representation of independent non-executive directors on its board. There are five non-executive directors, one of them represents National Investment Trust.
2. The directors have confirmed that none of them is serving a director in more than ten listed companies, including this Company.
3. All the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the current year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. The Chief Financial Officer and Company Secretary were appointed prior to the implementation of Code of Corporate Governance. The remuneration and terms & conditions incase of future appointments on these positions will be approved by the Board. However, the appointment of Internal Auditors together with their remuneration and terms and conditions as determined by the CEO approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three non-executive directors including Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has outsourced the internal audit function to M/s. Shekha & Mufti Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accounts (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

**Chairman**

**Chief Executive**

Karachi: December 16, 2003

#### REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2003 prepared by the Board of Directors of **AL-ABBAS SUGAR MILLS LIMITED**, to comply with the Listing Regulation No. 37 (chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2003.

Place: Karachi

**HAROON ZAKARIA & COMPANY**

Dated: 16th December, 2003

CHARTERED ACCOUNTANTS

#### AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **AL-ABBAS SUGAR MILLS LIMITED** as at September 30, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) 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 purposes 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and, 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, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Place: Karachi

**HAROON ZAKARIA & COMPANY**

Dated: 17th December, 2003

CHARTERED ACCOUNTANTS

**AS AT SEPTEMBER 30, 2003**

	Note	2003 (Rs. In 000's)	2002
<b>ASSETS</b>			
Operating fixed assets	3	713,015	756,644
Capital work-in-progress	4	180,632	13,699
Long term loan	5	1,138	1,665
Long term deposits		614	847
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	6	85,730	67,145
Stock-in-trade	7	400,083	406,410
Trade debts - considered good		4,586	61,247
Loans and advances	8	99,568	76,738
Deposits, prepayments and other receivables	9	21,391	60,784
Cash and bank balances	10	15,662	5,721
		627,020	678,045
<b>TOTAL ASSETS</b>		<b>1,522,419</b>	<b>1,450,900</b>

**EQUITY AND LIABILITIES**

<b>Capital and Reserves</b>			
<b>Authorised capital</b>			
17,500,000 ordinary shares of Rs. 10/- each		175,000	175,000
Issued, subscribed and paid-up capital	11	173,623	173,623
General reserve		288,000	250,000
Unappropriated profit		1,826	1,263
<b>sSHAREHOLDER'S eQUITY</b>		463,449	424,886
Redeemable capital	12	294,737	147,556
Long term loan	13	-	2,500
Deferred liabilities	14	103,551	99,950
<b>CURRENT LIABILITIES</b>			
Current maturity of redeemable capital	15	55,263	61,919
Current maturity of long term loan	13	2,500	751
Short term finances	16	333,878	561,551
Creditors, accrued and other liabilities	17	215,881	136,434
Proposed dividend		31,252	-
Provision for taxation		21,908	15,353
		660,682	776,008
<b>CONTIGENCIES AND COMMITMENTS</b>	18	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		1,522,419	1,450,900

The accounting policies and explanatory notes form an integral part of these financial statements.

**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<b>Note</b>	<b>2003 (Rs. In 000's)</b>	<b>2002</b>
Sales	19	1,205,339	1,270,682
Cost of sales	20	-1,011,887	-1,203,063
<b>GROSS PROFIT</b>		193,452	67,619
Other income	21	2,827	1,886
		196,279	69,505
Administrative expenses	22	25,663	28,056
Selling and distribution expenses	24	23,021	32,165
		48,684	60,221
<b>OPERATING PROFIT</b>		147,595	9,284
Financial charges	25	-56,991	-74,810
Worker's profit participation fund	17	-4,530	-
		-61,521	-74,810
<i>profit/(loss) before prior year adjustment</i>		86,074	-65,526
Prior years' adjustment	26	-	54,669
Profit/(loss) before Taxation		86,074	-10,857
Taxation	27	-16,259	11,480
<b>PROFIT AFTER TAXATION</b>		69,815	623
Unappropriated profit brought forward		1,263	640
Profit available for appropriation		71,078	1,263
Appropriations:			
Transfer to general reserve		38,000	-
Proposed dividend @ 18% (2002: 0%)		31,252	-
		-69,252	-
Profit carried to Balance Sheet		1,826	1,263
Earnings Per Share (Rupees)	30	4.02	0.04

The accounting policies and explanatory notes form an integral part of these financial statements.

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<b>Note</b>	<b>2003 (Rs. In 000's)</b>	<b>2002</b>
Cash Flows from operating Activities			
Cash generated from operations	28	350,982	75,951

Financial charges paid	-65,409	-75,629
Taxes paid	-8,852	18,630)
	-74,261	-84,259
Net cash generated from (used in) operating activities	276,721	-8,308
Cash flows from investing activities		
Fixed capital expenditure	-180,233	-78,680
Proceeds from disposal of fixed assets	592	275
Long term loans and advances	527	-954
Long term deposits	233	-68
Net cash used in investing activities	-178,881	-79,427
Cash flow from Financing Activities		
Proceeds from issue of redeemable capital	350,000	97,134
Redemption of redeemable capital	-209,475	-31,482
Payment of long term loan	-751	-15,095
Dividend paid	-	-34,596
Net cash flows from financing activities	139,774	15,961
Net increase / (decrease) in cash and cash equivalents	237,614	-71,774
Cash and cash equivalents at the beginning of the year	-555,830	-484,056
Cash and cash equivalents at the end of the year	29	-318,216

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Issued, subscribed and paid-up capital	General Reserve (Rs.)	Unappropriated profit in 000's)	Total
Balance as at October 1, 2001	173,623	250,000	640	424,263
Profit after taxation	-	-	623	623
Balance as at September 30, 2002	173,623	250,000	1,263	424,886
Profit after taxation	-	-	69,815	69,815
Transfer to general reserve	-	38,000	-38,000	-
Proposed dividend	-	-	-31,252	-31,252
Balance as at September 30, 2003	173,623	288,000	1,826	463,449

The accounting policies and explanatory notes form an integral part of these financial statements.

**Chief Executive**

**Director**

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2003

#### 1. NATURE OF BUSINESS

The Company was incorporated in Pakistan on May 2, 1991 as a Public Limited Company and its shares are quoted on Karachi Stock Exchange. The registered office of the company is situated in Karachi. The principal activity of the Company is manufacture and sale of sugar and industrial alcohol.

#### 2. SIGNIFICANT ACCOUNTING POLICIES.

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP)

differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## **2.2 Cost convention**

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for financial assets and liabilities which are carried at their fair values.

## **2.3 Change in accounting estimate**

During the year, the company changed its accounting estimate in respect of expected pattern of consumption of economic benefits of certain depreciable assets owned by the company. Presently the company depreciates its plant and machinery of sugar unit at a rate of 5%, as opposed to its previous policy of depreciation charged on the basis of actual operating days. The above change is accounted for in accordance with the requirements of the International Accounting Standard (IAS) - 8, "Net profit or loss for the period, fundamental errors and changes in accounting policies", which requires that the effect of change in accounting estimate should be included in the determination of net profit or loss in the period of the change and future periods. Consequently, the effect of the change is an increase in depreciation for the year by Rs.6.533 million and a decrease in net profit for the year by Rs.6.533 million.

## **2.4 Operating fixed assets**

These are stated at cost less accumulated depreciation except for free-hold land, which is stated at cost.

Depreciation is charged to income applying reducing balance method at the rates specified in Note 3 to the financial statements. Full year's depreciation is charged on all assets, including additions during the year. No depreciation is charged on assets disposed off during the year.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

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

Gains or losses on disposals, if any, are included in income currently.

## **2.5 Capital work-in-progress**

Capital work-in-progress represents expenditures on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work in progress is stated at cost.

## **2.6 Long term loans and deposits**

Long term loans and deposits are stated at cost.

## **2.7 Stores, spares and loose tools**

These are valued at average cost.

## **2.8 Stock-in-trade**

These are stated at the lower of cost and net realisable value and cost is determined as follows:

Raw materials	- at average cost.
Work-in-process	- at average manufacturing cost.
Finished goods	- at average manufacturing cost.

Molasses - at average prevailing market price.

Baggase - at average prevailing market price.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## **2.9 Stock and stores-in-transit**

These are valued at invoice value plus other directly attributable charges incurred thereon.

## **2.10 Trade debts and other receivables**

Trade debts originated by the company are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off as incurred.

Other receivables are recognized and carried at cost.

## **2.11 Loans and advances**

These are stated at cost.

## **2.12 Deposits**

Deposits are carried at cost which is the fair value of the consideration to be received.

## **2.13 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances net of short term running finances and short term loans. The cash and cash equivalents are subject to insignificant risk of changes in value.

## **2.14 Taxation**

### **(a) Current**

The company falls under the presumptive tax regime under Sections 154 and 169 of the Income tax Ordinance, 2001, to the extent of sales of imported goods and direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

### **(b) Deferred**

Deferred tax is provided, proportionate to other income and local sales, in full, using the liability method, on all major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised only to the extent that it is probable that future profit will be available against which the assets can be utilised.

## **2.15 Staff retirement benefits**

The company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who have completed the qualifying period under the scheme. The funded scheme is administered by the trustees and contributions therein are made in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at September 30, 2003, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains and losses are recognised on the basis of actuarial recommendations.

**2.16 Creditors, accrued and other liabilities**

Creditors, accrued and other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received up to the year end, whether or not billed to the company.

**2.17 Foreign currency transaction**

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

**2.18 Financial instruments**

**(a) Recognition**

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on de-recognition of the financial assets and financial liabilities is taken to profit and loss account currently.

**(b) Offsetting**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.19 Borrowing cost**

Borrowing cost is charged to profit and loss account on an accrual basis.

**2.20 Provisions**

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**2.21 Revenue recognition**

**Local sales**

Local Sales are recorded when goods are dispatched to the customers

**Export sales**

Export sales are recorded on shipment basis.

**Interest**

Interest on saving accounts and bank deposits is recorded on receipt basis.

**Other Income**

Other income is recorded on receipt basis.

**3. OPERATING FI**

As at Oct 1,2002	COST		As at Sept 30, 2003	ACCUMULATED DEPRECIATION			As at Sept 30,2003	Written down value As at Sept 30, 2003
	Adjustments Additions / (disposals)			Rate of depreciation %	As at Oct 1,2002 in 000's)	Charge for the year / (disposals)		
				(Rs.)				



Free-hold Land	8,623	1,983	10,606	-	-	-	-	10,606
Main factory building - Sugar	69,949	-12,750	57,199	10	37,947	1,925	39,872	17,327
- Distillery	42,707	-	42,707	10	6,535	3,617	10,152	32,555
Non-factory building	80,292	2,245	95,287	10	27,414	6,787	34,201	61,086
		12,750						
Plant & machinery - Sugar	574,271	6,774	581,045	5	172,412	20,432	192,844	388,201
- Distillery	245,799	-	245,799	10	39,363	20,644	60,007	185,792
Furniture & fixtures	3,127	186	3,313	10	1,340	197	1,537	1,776
Office equipment	11,490	1,926	13,150	10	4,743	850	5,498	7,652
		-266						
Tools & tackles	2,530	66	2,596	20	1,437	232	1,669	927
Motor vehicle	18,583	120	18,057	20	9,536	1,773	10,964	7,093
		-646						
2003	1,057,371	13,300	1,069,759		300,727	56,457	356,744	713,015
		-912						
2002	932,472	125,394	1,057,373		247,679	53,414	300,729	756,644
		-493						

3.1 Depreciation charge for the year has been allocated as follows :

	Note	2003 (Rs. In 000's)	2002
Cost of sales		53,636	50,203
Administrative expenses		2,821	3,211
		56,457	53,414

	Cost of Sales	Administrative Expenses	2003 (Rs. in 000's)	2002
Sugar	29,376	2,793	32,169	24,347
Distillery	24,260	28	24,288	28,986
Trading	-	-	-	81
	53,636	2,821	56,457	53,414

3.2 The following operating fixed asset were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Written down value	Proceeds	Gain	Mode of disposal	Sold To
Vehicles							
Suzuki Baleno - ACL - 857	574	331	243	450	207	By Negotiation	Ex - Employee
Motorcycle - KAV - 5781	72	15	57	68	11	Insurance claim	EFU General Insurance Co. Ltd.
Office equipment							
Photocopy machine	244	91	152	55	-97	By Negotiation	Gestetner (Pvt) Ltd.
Mobile phone	22	3	19	19	-	Insurance claim	EFU General Insurance Co. Ltd.
2003	912	440	471	592	121		
2002	493	364	129	275	146		

	Note	2003 (Rs. In 000's)	2002
<b>4. CAPITAL WORK-IN PROGRESS</b>			
Building			
Cost		24,217	53,588
Advance payment		4,075	856
		28,292	54,444
Transfer to operating fixed assets		-1,702	-40,745
		26,590	13,699
Plant and machinery			
Cost		141,037	77,978
Advance payment		13,000	-
Letter of credit		5	-
		154,042	77,978
Transfer to operating fixed assets		-	-77,978
		154,042	-

180,632 13,699

5. LONG TERM LOANS

Unsecured (Considered good)

Executives

Employees

881 710

1,075 1,555

1,956 2,265

Recoverable within one year shown under current assets

Executives

Employees

324 456

494 144

-818 -600

5.1 1,138 1,665

5.1 Outstanding for period exceeding three years

383 575

Others

755 1,090

1,138 1,665

5.2 These loans are interest free and are given for the purchase of vehicles to executives and for personal uses to others.

5.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs.1.333 million (2002: Rs.1.024 million).

STORES, SPARES AND LOOSE TOOLS

Stores

Spares

Loose tools

42,457 22,949

43,026 43,961

247 235

85,730 67,145

Note 2003 (Rs. in 000's) 2002

7. STOCK IN TRADE

Raw material

Molasses

Work-in-process

Sugar

Finished goods

Sugar

Rectified spirit

40,557 26,357

1,218 2,171

317,456 244,564

38,454 130,433

355,910 374,997

Other stock

Baggasse

2,398 2,885

400,083 406,410

8. LOANS AND ADVANCES-UNsecured (Considered Good)

Loans

Current portion of long term loan

To executives

To staff

324 144

494 456

818 600

To growers

Considered good

Considered doubtful

9,352 18,301

4,000 -

13,352 18,301

Provision for loans considered doubtful

-4,000 -

9,352 18,301

Advances

To employees

To suppliers

Against raw material

Against store

Against capital expenditure

124 418

40,153 29,529

11,755 13,677

20,908 -

72,816 43,206

Against expenses

Others

276 277

2,159 261

		75,375	44,162
Advance income tax		14,023	13,675
		99,568	76,738
		<b>2003</b>	<b>2002</b>
	<b>Note</b>	<b>(Rs. In 000's)</b>	
<b>9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Deposits			
Earnest money		460	—
Others		831	979
		1,291	979
Prepayments	9.1	2,157	1,281
Other receivables			
Income tax refundable		11,011	50,977
Interest on growers loan		6,085	6,153
Others		847	1,394
		17,943	58,524
		21,391	60,784

9.1 Included herein is an amount of Rs.0.247 million (2002: Nil) representing an asset recognised during the year, in respect of staff gratuity (refer Note 17.1).

		<b>2003</b>	<b>2002</b>
	<b>Note</b>	<b>(Rs. In 000's)</b>	
<b>10. CASH AND BANK BALANCES</b>			
Cash in hand		330	253
Cash at banks in			
Current accounts		4,765	2,103
Saving accounts		10,567	3,365
		15,332	5,468
		15,662	5,721
<b>11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
17,362,300 (2002: 17,362,300) ordinary shares of Rs.10/- each fully paid up in cash		173,623	173,623
<b>12. REDEEMABLE CAPITAL</b>			
Secured ( non - participatory )			
Term finance certificates	12.1	350,000	
Long term finances utilised under mark - up arrangements	12.2	-	209,475
		350,000	209,475
Current maturity		-55,263	-61,919
		294,737	147,556

#### 12.1 Term finance certificates

The company has issued 70,000 Term Finance Certificates of Rs. 5,000/- each through private placement arranged by *M/s. Jahangir Siddiqui & Company* to various commercial banks and financial institutions. By virtue of Trust Deed dated: June 24, 2003 *M/s. Jahangir Siddiqui Investment Bank Limited* is acting as a trustee on behalf of Term Finance Certificate holders.

The facility carries a floating mark - up rate linked to the cut off yield of three months Treasury bill of State Bank of Pakistan as base rate plus 3.25% per annum. The mark - up rate is subject to a minimum of 6% per annum and a maximum of 13% per annum.

#### Repayment

The tenure of financing is five years including a grace period of six months. The above term finance facility is payable in 20 equal quarterly installments commencing from 3rd October, 2003.

#### Security

The above finance facility is secured by first charge ranking pari passu with the other secured creditor(s) on all fixed assets of the company including plant and machinery.

	<b>Note</b>	<b>2003 (Rs. In 000's)</b>	<b>2002</b>
12.2 Long-term finances utilized under mark-up arrangements:			
Muslim Commercial Bank Ltd. (MCB)		8,334	16,667
Habib Bank Ltd. (HBL)		57,413	77,591
Pakistan Industrial Credit Investment Corp. (PICIC)		83,728	86,716
Jahangir Siddiqui Investment Bank Ltd. (JSIBL)		60,000	60,000
		209,475	240,974
Redeemed during the year		-209,475	-31,499
		-	209,475
<b>LONG TERM LOAN</b>			
Unsecured - Interest free	13.1	2,500	3,251
Current maturity		-2,500	-751
		-	2,500

13.1 The above loan has been obtained from the directors of the company and is repayable within next twelve months.

#### DEFERRED LIABILITIES

Deferred taxation	14.1	77,600	76,400
Market fee	14.2	25,951	23,550
		103,551	99,950
14.1 Deferred taxation is composed of:			
Credit balance arising on accelerated depreciation allowances		95,100	89,440
Debit balance on unused tax losses		-17,500	-13,040
		77,600	76,400

14.2 The Company has challenged the levy of market fee in the Honourable Sindh High Court through review petition and suit. The company has provided liability in these financial statements, but has deferred its payment pending necessary decision by the Honourable Court.

	<b>Note</b>	<b>2003 (Rs. In 000's)</b>	<b>2002</b>
15. CURRENT MATURITY OR REDEEMABLE CAPITAL			
Long term finances utilised under mark - up arrangements			
Muslim Commercial Bank Ltd. (MCB)		-	8,334
Habib Bank Ltd. (HBL)		-	22,965
Pakistan Industrial Credit Investment Corp. (PICIC)		-	13,117
Jahangir Siddiqui Investment Bank Ltd. (JSIBL)		-	17,503
		-	61,919
Term finance certificates		55,263	-
<i>SHORT TERM FINANCES - Secured</i>		55,263	61,919
Finances utilised under mark-up arrangements			
Cash / Running finances	16.1	251,41,1	335,656
Export refinance	16.2	82,467	225,895
		333,878	561,551

16.1 (a) The aggregate cash / running finance facilities of Rs. 755 million (2002: Rs. 435 million) have been arranged from various commercial and investment banks.

(b) These are secured against hypothecation of current assets, pledge of stocks, second charge on fixed assets and personal guarantees of directors of the company.

(c) These carry mark-up ranging from 7.5% to 12.5% per annum, (2002: 15.70% to 17.5% per annum) payable quarterly in arrears.

(d) Above includes book overdraft amounting to Rs. 334 million (2002: Rs.4.884 million).

(e) At the year end Rs. 420.94 million (2002 Rs.93.959 million) remains unutilized.

16.2 (a) The company has arranged export refinance facilities amounting to Rs.175 million (2002: Rs.

175 million) and US\$ 1.5 million (2002 : US\$ 3.50 million) from commercial bank.

(b) The facility is secured against pledge of stock of sugar, molasses and industrial alcohol, hypothecation of fixed assets of the company, first pari passu charge on fixed assets of the company and personal guarantees of four directors.

(c) The rate of mark-up is 1% to 2% (2002 : 1% to 1.5%) above the rate at which State Bank of Pakistan extended refinance facility to the banks and on US Dollar finance rate of mark-up is 4.5% (2002 : 5%).

(d) At the year-end Rs. 162.53 million (2002 : Rs. 159.005 million) remains unutilized.

	<b>Note</b>	<b>2003 (Rs. In 000's)</b>	<b>2002</b>
17. creditors, accrued and other liabilities			
Creditors			
Trade		129,879	67,456
Others		19,170	11,955
		149,049	79,411
Accrued			
Accrued	17.1	22,982	6,101
Mark-up on			
Redeemable capital		5,038	3,572
Short term loan		4,709	14,594
Others		2,341	1,984
		35,070	26,251
Other liabilities			
Advance from coustomers		18,092	15,925
Sales tax payable		4,035	9,274
Retention money		3,307	3,529
Security deposit		296	260
Worker's profit participation fund	17.2	4,530	-
Unclaimed dividend		1,054	1,168
Withholding income tax		148	540
Others		300	76
		31,762	30,772
		215,881	136,434

17.1 Employees benefits - Staff gratuity

Disclosure of Defined Benefit Scheme (Funded) is as follows:

(a) Movement in the (assets)/liabilities recognized in the Balance Sheet			
Opening liability		4,607	5,594
Charge for the year		2,106	1,241
Contributions made by the company during the year		-6,960	-2,228
Closing (assets )/liability		-247	4,607
(b) The following amounts have been charged to profit and loss account during the year in respect of the scheme			
Current service cost		2,470	2,332
Interest cost		1,495	1,367
Net actuarial gain recognised during the year		-1,859	-2,458
Net amount chargeable to profit and loss account		2,106	1,241

	<b>Note</b>	<b>2003 (Rs. In 000's)</b>	<b>2002</b>
(c) Actuarial valuation of these plans was carried out as of 30-09-2003 using the projected unit credit method principal actuarial assumptions used were as follows:			
Contributions rates			As per rules

Expected rate of salary increase in future years	8%	9%
Discount rate	8%	10%
Expected rate of return on fund assets during the year	8%	10%
17.2 Worker's profit participation fund		
Opening balance	-	6,226
Interest provided for the year	176	680
Contribution made during the year	4,530	-
	4,706	680
	4,706	6,906
Paid during the year	-176	-6,906
	4,530	-

## CONTINGENCIES AND COMMETMENTS

### 18.1 Contingencies

18.1.1 Through the Finance Act 1994, Government of Sindh had increased road cess from Re. 0.28 to Re. 1 per 40 kgs of sugar cane crushed, whereas company's share increased from Re. 0.14 to Re. 0.75 per 40 kgs. The Government of Sindh had also imposed surcharge on road cess in 1991 at the rate of Re. 0.15 per 40 kgs of cane crushed. These matters were raised by Pakistan Sugar Mills Association (PSMA) with Government of Sindh. Untill financial year 2000-2001, the company had made full provision in respect of road cess and surcharge on road cess. However, Government of Sindh, in its cabinet meeting held on July 08, 2002, decided to reduce the rate of road cess from Re.1.0 to Re.0.50 per 40 kgs of sugar cane crushed with effect from inception of its levy and also approved withdrawal of surcharge on road cess from the date it was levied with certain conditions, which management has agreed to comply with and started refund of surcharge on road cess earlier deducted from growers, In view of the above decisions, the provisions in respect thereof have been written back in the financial statements for the year ended 30th September 2002, and no provision for the current year is being made in these financial statements.

18.1.2 The company has entered into an agreement dated 09-06-2003, with M/s Karachi Tanks Terminal (Private) Limited for purchase of its terminal along with all facilities at its terminal, however M/s National Bank of Pakistan, through recovery suit filed against M/s Karachi Tank Terminal (Private) Limited, obtained stay order from High Court of Sindh for transfer of property. Company has already paid Rs. 20.9 million against purchase of said property by virtue of agreement as referred above.

### 18.2 Commitments

Committed capital expenditure in respect of civil works and plant and machinery is Rs. 86.00 million (2002: 12.00 million).

	Note	Sugar Unit		Distillery Unit		Trading Unit		Total	
		2003	2002	2003	2002	2003	2002	2003	2002
19. OPERATING RESULTS									
SALES					(Rs. in	000's)			
Local		781,676	859,333	50,671	42,242	-	16,560	832,347	918,135
Export		1,760	9,728	480,801	270,885	12,558	202,898	495,119	483,511
		783,436	869,061	531,472	313,127	12,558	219,458	1,327,466	1,401,646
Less: Sales Tax		113,971	122,011	8,101	6,751	-	2,160	122,072	130,922
Commission		55	31	-	11	-	-	55	42
		114,026	122,042	8,101	6,762	-	2,160	122,127	130,964
		669,410	747,019	523,371	306,365	12,558	217,298	1,205,339	1,270,682
Cost of sales	20	644,781	795,789	359,862	220,726	7,244	186,548	1,011,887	1,203,063
Administrative expenses	22	21,019	22,696	4,478	4,393	166	967	25,663	28,056
Selling expenses	24	1,265	1,277	21,137	18,423	619	12,465	23,021	32,165
		667,065	819,762	385,477	243,542	8,029	199,980	1,060,571	1,263,284
Operating profit / (loss)		2,345	-72,743	137,894	62,823	4,529	17,318	144,768	7,398
19.1 Segment assets employed		344,162	277,854	119,164	184,640	-	-	463,326	462,494

19.2 Segment liabilities employed	483,617	484,684	347,467	367,033	-	-	831,084	851,717
19.3 Capital expenditure	431,003	452,507	384,979	242,608	-	-	815,982	695,115
19.4 Inter segment pricing								

Sales between business segments are recorded at net realizable value.

	Sugar Unit		Distillery Unit		Trading Unit		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Note cost of sales								
Cost of raw material consumed	651,902	679,719	195,354	201,435	6,573	186,548	853,829	1,067,702
Stores, spares and tools consumed	22,571	20,523	19,519	14,599	-	-	42,090	35,122
Salaries, wages and other benefits	40,393	41,657	5,183	4,100	-	-	45,576	45,757
Water, fuel and power	6,372	6,399	18,523	62,602	671	-	25,566	69,001
Packing materials	8,965	6,576	-	-	-	-	8,965	6,576
Other manufacturing expenses 20.1	9,993	11,749	2,326	2,151	-	-	12,319	13,900
Repairs and maintenance	3,906	4,488	2,718	816	-	-	6,624	5,304
Depreciation	29,376	21,288	24,260	28,915	-	-	53,636	50,203
	773,478	792,399	267,883	314,618	7,244	186,548	1,048,605	1,293,565
Sugar-in-process Opening	2,171	7,350	-	1,426	-	-	2,171	8,776
Closing	-1,218	-2,171	-	-	-	-	-1,218	-2,171
	953	5,179	-	1,426	-	-	953	6,605
	774,431	797,578	267,883	316,044	7,244	186,548	1,049,558	1,300,170
Less: Sales / transfer price of molasses	-41,445	-26,340	-	-	-	-	-41,445	-26,340
Sales / transfer price of bagasse	-15,313	-	-	-	-	-	-15,313	-
Cost of goods manufactured	717,673	771,238	267,883	316,044	7,244	186,548	992,800	1,273,830
Finished goods Opening	244,564	269,115	130,433	35,115	-	-	374,997	304,230
Closing	-317,456	-244,564	-38,454	-130,433	-	-	-355,910	-374,997
	-72,892	24,551	91,979	-95,318	-	-	19,087	-70,767
Cost of sales	644,781	795,789	359,862	220,726	7,244	186,548	1,011,887	1,203,063

Note	Sugar Unit		Distillery Unit		Trading Unit		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
20.1 Other manufacturing expenses								
Security services	2,518	2,384	332	270	-	-	2,850	2,654
Printing and stationery	129	597	10	74	-	-	139	671
Vehicle running expenses	1,880	2,193	119	142	-	-	1,999	2,335
Insurance expenses	2,195	3,260	873	934	-	-	3,068	4,194
Wastage removal expenses	399	330	75	181	-	-	474	511
Traveling and conveyance	1,275	1,181	142	27	-	-	1,417	1,208
Telephone, telex and fax charges	705	674	13	-	-	-	718	674
Fees and subscription	42	41	308	273	-	-	350	314
Newspapers and periodicals	25	36	2	-	-	-	27	36
Entertainment	725	561	227	160	-	-	952	721
Legal and professional charges	48	61	-	-	-	-	48	61
Miscellaneous expenses	52	431	225	90	-	-	277	521
	9,993	11,749	2,326	2,151	-	-	12,319	13,900
OTHER INCOME								
Gain on disposal of fixed assets	121	146	-	-	-	-	121	146
Others	1,476	411	-	-	-	-	1,476	411
Scrap sales	1,079	1,163	-	-	-	-	1,079	1,163
Sale of fusel oil	-	-	151	166	-	-	151	166
	2,676	1,720	151	166	-	-	2,827	1,886

Note	Sugar Unit		Distillery Unit		Trading Unit		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
ADMINISTRATIVE EXPENSES								
Salaries, allowances and other benefits	8,511	6,810	625	1,837	98	523	9,234	9,170
Directors' remuneration	2,242	2,895	150	-	-	-	2,392	2,895
Rent, rates and taxes	100	1,252	-	-	-	-	100	1,252
Postage, telegrams and telephones	1,241	1,217	97	12	19	104	1,357	1,333

Traveling and conveyance	281	253	1,014	1,716	2	40	1,297	2,009
Printing and stationery	528	399	120	8	9	10	657	417
Entertainment	285	231	169	46	2	-	456	111
Consultancy charges	669	785	606	468	-	-	1,275	1,253
Vehicles running expenses	1,714	1,632	155	139	5	55	1,874	1,826
Repairs and maintenance	164	823	568	23	-	-	732	846
Insurance	33	45	.	-	-	154	33	199
Fees and subscription	788	628	496	9	7	-	1,291	637
Legal and professional charges	236	509	175	-	-	-	411	509
Auditors' remuneration	22.1	287	57	.	-	-	243	287
Charity and donations	22.2	282	940	30	6	-	312	946
Annual General Meeting expenses	186	191	-	-	-	-	186	191
Newspapers and periodicals	29	46	6	4	-	-	35	50
Utilities	427	277	21	-	-	-	448	277
Depreciation	2,793	3,059	28	71	-	81	2,821	3,211
Miscellaneous expenses	324	417	161	54	24	-	509	471
	21,019	22,696	4,478	4,393	166	967	25,663	28,056
<b>22.1 Auditors' Remuneration</b>								
Haroon Zakaria & Co.								
Statutory audit fee	50	85	50	-	.	.	100	85
Out of pocket expenses	-	3	-	-	-	-	-	3
Other professional charges	35	90	-	-	-	-	35	90
	85	178	50	-	-	-	135	178
Hyder Bhimji & Co.								
Cost audit fee	90	75	"	-	-	-	105	75
Out of pocket expenses	3	2	-	-	-	-	3	2
Other professional charges	8	32	7	-	-	-	-	32
	101	109	7	-	-	-	108	109
	186	287	57	-	-	-	243	287

## 2.2 CHARITY AND DONATIONS

The donation of Rs. 0.15 million is made to Fakhr-e-Imdad Foundation. One of the director of the foundation is relative of the Chief Executive and a Director of the Company.

## 2.3 RETIREMENT AND BENEFITS

The charge for retirement benefits of Rs. 2.106 million (2002: Rs. 1.241 million) is included in the figures of salaries, wages and other benefits of manufacturing and administrative expenses.

Note	Sugar Unit		Distillery Unit		Trading Unit		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	(Rs. In 000's)							
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>								
Sugar bags handling expenses	1,157	1,209	.				1,157	1,209
Spirit export expenses	108	68	21,137	18,423	619	12,465	21,864	30,956
	1,265	1,277	21,137	18,423	619	12,465	23,021	32,165
<b>25. FINANCIAL CHARGES</b>								
Redeemable capital								
Long term finance	8,845	12,830	7,981	8,810			16,826	21,640
Term finance certificates	1,219	-	3,819	-	-	-	5,038	-
Short term finances								
Cash/Running finance	23,890	35,825	-	-	.	3,326	23,890	39,151
Export refinance	-	-	5,917	11,948	-	-	5,917	11,948
Interest on :								
Workers profit participation	176	680	-	-	-	-	176	680
Bank charges	1,451	1,391	172	-	-	-	1,623	1,391
Others	908	-	2,613	-	-	-	3,521	-
	36,489	50,726	20,502	20,758	-	3,326	56,991	74,810
			<b>2003</b>	<b>2002</b>				
			<b>Note</b>	<b>(Rs. In 000's)</b>				



PRIOR YEARS' ADJUSTMENT - 54,669

The Government of Sindh, in its cabinet meeting held on July 08, 2002, decided to reduce the rate of road cess from Re.1.0 to Re.0.50 per 40 kgs of sugar cane crushed with effect from inception of its levy and also approved the withdrawal of the surcharge on road cess from the date it was levied with certain conditions, which management has agreed to comply with. Therefore, the provisions in respect thereof appearing under the head of deferred liabilities are being written back in these financial statements.

**TAXATION**

Current		
for the year	6,050	6,500
for prior year	9,009	-2,263
Deferred	1,200	-15,717
	16,259	-11,480

The income tax assessment of the company have been finalised up to and including the assessment year 2002-03. However, the company has filed appeal against the assessment year 2002-03 in respect of certain add backs. The department has also filed appeals against the orders of the Commissioner of Income Tax (Appeals) for assessment years 1999-2000 to 2001-2002 with the Income Tax Appellate Tribunal, Karachi, which are still pending.

**CASH GENERATED FROM OPERATIONS**

Profit / (loss) before taxation	86,074	-65,526
Adjustment for:		
Depreciation	56,457	53,414
Financial charges	56,991	74,810
Gain on disposal of fixed assets	-121	-146
Deferred liabilities	2,401	-4,863
Operating profit before working capital changes	201,802	57,689
Changes in working capital		
(Increase)/decrease in current assets		
Stores and spares	-18,585	-3,308
Stock-in-trade	6,327	47,725
Trade debts	56,661	-41,409
Loan and advances	-22,482	-453
Deposits, prepayments and other receivable	39,393	-4,616
Increase in current liabilities		
Creditors, accrued and other liabilities	87,866	20,323
	149,180	18,262
Cash generated from operations	350,982	75,951
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	15,662	5,721
Short term finances	-333,878	-561,551
	-318,216	-555,830

	<b>Note</b>	<b>Note</b>	<b>2003</b>	<b>2002</b>
			<b>(Rs. in 000's)</b>	
<b>EARNINGS PER SAHRE</b>				
Profit after taxation			69,815	623
Weighted average number of ordinary shares in issue			17,362	17,362
Earnings Per Share (Rupees)			4.02	0.04

	Effective yield / mark-up rate %	2003 Interest/Mark-up bearing			Non-Interest bearing		Sub-Total (b)	Total (a+b)
		Maturity upto one year	Maturity after one year	Sub-Total (a)	Maturity upto one year	Maturity after one year		
Financial Assets								
Long term deposit		.	-	.	-	614	614	614
Trade debts		-	-	-	4,586	-	4,586	4,586
Loans and advances		9,352		9,352	75,251	-	75,251	84,603

Deposit and other receivables	-	-	-	8,223	-	8,223	8,223
Cash and bank balances	-	-	-	15,662	-	15,662	15,662
	9,352	-	9,352	103,722	614	104,336	113,688
<b>Financial Liabilities</b>							
Redeemable capital	6 to 13	55,263	294,737	350,000	-	-	350,000
Long term loans		-	-	-	2,500	"	2,500
Deffered liabilities		-	-	-	-	25,951	25,951
Short term finances	4.5 to 12.5	333,878	-	333,878	-	-	333,878
Creditors, accrued and other liabilities		-	-	-	215,881	-	215,881
		389,141	294,737	683,878	218,381	25,951	244,332
							928,210

2003

	Effective yield / mark-up rate %	Interest/Mark-up bearing		Sub-Total (a) (Rs. in	Non-Interest bearing		Sub-Total (b)	Total (a+b)
		Maturity upto one year	Maturity after one year		Maturity upto one year	Maturity after one year		
<b>Financial Assets</b>								
Long term deposit		-	-	-	.	847	847	847
Trade debts		-	-	-	61,247	-	61,247	61,247
Loans & advances		18,301	-	18,301	43,744	-	43,744	62,045
Deposit & other receivables		-	-	-	8,526	-	8,526	8,526
Cash and bank balances		-	-	-	5,721	-	5,721	5,721
		18,301	-	18,301	119,238	847	120,085	138,386
<b>Financial Liabilities</b>								
Redeemable capital	13.5 to 15.5	61,919	147,556	209,475	.	.	.	209,475
Long term loans		-	-	-	751	2,500	3,251	3,251
Deffered liabilities		-	-	-	-	23,550	23,550	23,550
Short term finances	5 to 17.5	561,551	-	561,551	-	-	-	561,551
Creditors, accrued and other liabilities		-	-	-	136,434	-	136,434	136,434
		623,470	147,556	771,026	137,185	26,050	26,801	934,261

### 31.1 Financial risk management objectives

The company finances its operations through equity, borrowings and management of working capital with a view to obtaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments

#### (a) Foreign exchange risk management

Foreign currency risk arises mainly where receivable and payables exist due to transactions with foreign undertakings, payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts.

#### (b) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spared over number of counter parties in the case of trade debts. Out of the total financial assets of Rs.113,688 (2002: Rs.138,386) financial assets which are subject to credit risk amount to Rs. 113,358 (2002: Rs. 138,133). To manage exposure to credit risk, the company applies credit limits to its customers and obtains advances from them.

#### (c) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

**(d) Liquidity risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available.

**(e) Interest rate risk**

Interest rate risk is the risk that the value of a financial instruments will fluctuate due to changes in market interest rates. The company usually borrows funds at fixed and market based rates.

**32. REMUNERATION OF CHEIF EXECUTIVE, DIRECTOR AND EXECUTIVES**

	Chief Executive		Director		Executives		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	(Rs. in OOO's)							
Managerial remuneration	1,440	1,252	100	79	7,443	8,427	8,983	9,758
House rent	589	564	41	36	3,350	3,792	3,980	4,392
Bonus	82	-	-	-	4,519	-	4,601	-
Utilities	131	907	9	57	744	4,343	884	5,307
Total	2,242	2,723	150	172	16,056	16,562	18,448	19,457
No. of persons	1	1	1	1	35	40	37	42

32.1 Chief Executive and the Directors are provided company maintained cars for the business and personal use. Chief Executive and Directors are also provided with telephone facility for the business and personal use.

32.2 Some of the executives of the company are also provided company maintained cars for the business and personal use.

**33. CAPACITY AND PRODUCTION**

	2003		2002	
	Quantity M.Tons	Working days	Quantity M.Tons	Working days
Sugar Unit (note 33.1)				
Capacity - sugar from cane	61,454	117	58,250	119
Actual production	50,851	117	34,400	119
%age of capacity attained	82.75		59.06	
Distillery Unit				
Capacity	20,930	299	21,000	300
Actual production	23,099	323	18,076	283
%age of capacity attained	110.36		86.08	

33.1 Installed capacity based on cane crushing and actual recovery percentage.

33.2 In addition to the production of sugar from sugarcane Nil m. tons (2002: 8,271.30 m. tons) have been produced / manufactured from reprocessing of imported raw sugar.

33.3 Main reason for under-utilization of production capacity of sugar from cane is non-availability of sugar cane.

	2003	2002
<b>NUMBER OF EMPLOYEES</b>		
The number of employees at the end of the year.	435	453

### 35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on December 16, 2003 by the Board of Directors of the Company.

### 36. GENERAL

36.1 For better and clear understanding, certain previous year figures which were grouped together have been re-arranged in the current year mainly under the head of capital work in progress (note 4), loans and advances (note 8) and deposits, prepayments and other receivables (note 9).

36.2 Figures have been rounded off to the nearest thousand rupees.