

AL-ASIF SUGAR MILLS LTD.  
ANNUAL REPORT 2003

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COMPANY PROFILE

BOARD OF DIRECTORS:

MR. QAZI AMJAD ABID ABBASI	Chief Executive
MR. M. ARSHAD MIRZA	Director
MRS. HUSNA AMJAD QAZI	Director
MR. ALI AKBER JUNEJO	Director
MR. HAJI SHER JAMALI	Director
MR. SHAIKH AFTAB AHMED	Director (I.D.B.P)
MR. KEMALSHOAIB	Director (N.I.T)
MR. MUHAMMAD ABDUL SAMAD	Director (N.I.T)

AUDIT COMMITTEE:

MR. M. ARSHAD MIRZA	Chairman
MRS. HUSNA AMJAD QAZI	Member
MR. ALI AKBER JUNEJO	Member

CHIEF FINANCIAL OFFICER &

COMPANY SECRETARY: MR. MUHAMMAD BAQIR JAFFERI

AUDITORS: M/S. KHALID MAJID RAHMAN SARFARAZ RAHIM  
IQBALRAFIQ  
CHARTERED ACCOUNTANTS

COST AUDITOR: M. ISHAQUE AND COMPANY

COST & MANAGEMENT ACCOUNTANTS-KARACHI

LEGAL ADVISOR: MUHAMMAD SALIM THEPDAWALA & CO.

REGISTERED OFFICE: 4TH FLOOR, BANK HOUSE NO. 2,  
HABIB SQUARE, M. A. JINNAH ROAD,  
Karachi-74000

FACTORY: ASIF ABAD P.O. GARHO,  
DISTRICT THATTA.

NOTICE OF MEETING

Notice is hereby given that the 20th Annual General Meeting of the Company will be held at 4th Floor, Bank House No, 2, Habib Square, M.A. Jinnah Road, Karachi on Wednesday, 28th January, 2004 at 2:00 p.m.

1. To confirm the minutes of the 19th Annual General Meeting held on 06-03-2003.
2. To receive, consider and adopt the Audited Accounts for the year ended 30-09-2003 together with the directors' and auditors' report thereon.
3. To appoint auditors for the year 2003-2004 and to fix their remuneration. The retiring auditors M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have offered themselves for reappointment.
4. To transact any other business of the company that may be brought forward with permission of the chairman.

BY ORDER OF THE BOARD

(MUHAMMAD BAQIRJAFFERI)  
Company Secretary

Karachi

Dated: December 31,2003

NOTES:

1. The Share transfer books of the Company will remain closed from 20-01-2004 to 28-01-2004 (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. Form of proxies in order to be valid must be received at registered office of the company 48 hours before the time of the meeting. A proxy must be a member of the company.
3. Shareholders are requested to notify any change in address immediately.

DIRECTORS' REPORT

In the name of Allah the Most Gracious the Most Merciful  
Dear Members Assalam-o-Alekum,

On the behalf of the Board of Directors, it is my privilege to presenting 20th Annual Report and Audited Financial Statements together with auditors report thereon for the year ended 30th September 2003.

GENERAL

Periodic Quarterly Directors Reports with Unaudited / Reviewed Accounts of the Company have already covered a significant of the present report and major aspects of the operational and financial activities of the Company.

By virtue of it is being wholly agro-based sugar industry destined to play a role of catalyst in growth and development of the economy. Now this industry is passing through a critical phase. At present only a handful of the Mills are generating profit while the majority of the mills are suffering losses, some are incurring huge unbearable losses, which would choke their existence.

Your mill is also one of the Mills, which is very strongly fighting the odds.

Sugar industry is passing through critical situation however in Punjab the Industry has been able to keep up with the crisis as there is ample sugarcane crop due to water availability higher sugar price by about Re 1/- per kg compared to Sindh and lower sugarcane price fixed by the Punjab Government. The shortage of sugar in Punjab has almost diminished. Previously, Sindh was a net exporter of sugar, this has not changed but the export of sugai has been limited to new Punjab areas and buying by TCP and direct/indirect exports to Afghanistan. Government of Sindh has positively responded to the problems of Sindh Sugar Industry. There were certain concessions announced by the Government during the reporting Season 2002-2003, wherein sugarcane price was fixed at Rs. 43/- with split of payment in two parts i.e. Rs. 40/- to be paid at the time of delivery of sugarcane and Rs 3/- to be paid after the season was over. The issue of Quality Premium is under litigation at Supreme Court, the Industry consenting Q.P being not payable.

The Company is also facing litigation from Banks/DFTs. However, the company has applied to the Committee for Revival of Sick Industrial Units for restructuring and also applied to all the Banks/DFIs for availing the benefits offered under SBP Circular BPD 29 of October 15, 2002. Company management is hopeful for a favourable outcome from the above forums, which would give the company substantial leverage to overcome its financial difficulties and to become a viable unit.

The operating results of your company for the season are:

Particulars	2002-2003	2001-2002
Season Started	25-12-2002	10-11-2001
Date of Closure	12-04-2003	17-03-2002
No. of Days Worked	109	128
Cane Crushed (Tons)	265,822	120,603
(Manunds)	6,645,550	3,015,075
Sucrose Recovery %	9.8	9.021
Molasses Recovery %	5.23	5.1
Sugar Production from Sugarcane	26,126	10,810
Sugar Production from Raw Sugar	-	1,471
	2003	2002
	Rupees	Rupees
Sales- Net	407,025,797	210,679,859
Cost of Goods Sold	-395,505,344	-260,784,230
Gross ProfitX(Loss)	11,520,453	-50,104,371
Operating Expenses		
General and Administrative	19,304,644	17,929,581
Selling and Distribution	423,733	275,919
	-19,728,377	-18,205,500
Operating Loss	-8,207,924	-68,309,871
Financial and Other Charges		
Financial Charges	30,256,902	77,707,190
Other Charges	1,154,260	6,993,604
	-31,411,162	-84,700,794
	-39,619,086	-153,010,665
Other Income	101,696	12,136
Loss before Taxation	-39,517,390	-152,998,529
Provision for Taxation		
- Current	-2,035,129	1,053,400
- Prior	-	123,506
	-2,035,129	-1,176,906
Loss after Taxation	-41,552,519	-154,175,435

a) The accounts have a provision for Quality Premium factor into it, which resulting substantial increase it cost of production & loss for the year.

b) Company is in the process of availing concessional repayment plans offered by the Government to address the financial

crisis.

#### SEASON 2003-2004

The reduction in sugarcane support price from Rs 43/- to 41 /- is a landmark decision in the history of price fixation by the Government. The realization of the crisis in the Industry is a welcome move. Notification for Quality Premium for this season i.e 2003-2004 has not been issued so far. If it remains so, it will prove to be a major advantage to the industry in Sindh and provide the level playing field with the industry in Punjab.

It is hoped that industry would be reaping profits due to these factors. However, we may caution our shareholders that Thatta was badly hit by the natural calamity and crops destroyed. The estimate of destruction to date seems to be abnormal. This will negatively affect both our production and profitability.

#### HEALTH, SAFETY AND ENVIRONMENT

Appropriate facilities existed for safeguarding the health of employees in accordance with the Factories Act 1948 and National Environment Quality Standard (N.E.Q.S.) for Sugar Industry.

#### INFORMATION TECHNOLOGY

Improvement and up-gradation of the existing instruments are being continuously made to cope with the technological advancement in this field.

#### AUDIT REPORT

1. The company sustained Operating loss of Rs. 8.2 million as compared to last year the loss of Rs. 68.309 million which seems to be a healthy signal towards profitability of this project. As regards to the matter of Going Concern and reasons mentioned by the auditors it is stated that it is not only our mill, but also the entire Sugar Industry in Sindh is exposed to the problem of:-

1. Over-capacity in the sugar industry.
2. Government interference/Sugar price fixing mechanism, Sugarcane price fixing mechanism
3. Sugar-cane varieties and climatic conditions.
4. Water and soil problems
5. Sales Tax and other taxing mechanism.

In spite of above factor the Company has managed to repay its liabilities to the extent of Rs. 12.762 million to the financial institutions and is seeking extension for repayments. Meanwhile it has started operations for 2003-2004

season and does not foresee going concern problem arising from non payment of liabilities to the financial institutions on expectation of securing necessary extension based on a genuine difficulties faced by the Company in particular and industry in general. The management of the Company also has initiated to avail the scheme: under SBP Circular No. 29 of October 15, 2002 for settlement of Banks / DFIs dues.

2. We have finalised the matter of our long term liabilities with M/s. Aebros (Pvt) Ltd. and M/s Ebramin (Pvt) Ltd, and have paid Rs. 133.500 million during the current year. These parties have agreed with our repayment of liability in a period of 15 years according to the available cash flow.

3. The major portion of these receivables is the loans to growers, granted by the mill during period 1993-1995, to develop sugar cane in the area. At the time of resumption of mill operation after shut down of 4 years, the recovery was deferred for a period of four years, as the area was not developed till then. The decision proved favourable for the Company as the area is now developed and the burden of transportation cost has decreased to the some extent. At present under cultivated area is 20,524 acres against 5,625 in 1998. We have started the recovery campaign.

4. As regards the confirmations from Bankers Equity Limited, United Bank Limited and National Bank of Pakistan, it is stated that the Institute of Chartered Accountants of Pakistan has an understanding with Banks and DFIs in the

matter of direct confirmation. We cannot influence Banks and DFIs in this matter.

## BOARD OF DIRECTORS

The board comprises of eight directors including Chief Executive, two representatives of N.I.T and a nominee director. There has been two changes in the Board of Directors of the Company since publication of the prior year's Report.

Mr. Qazi Amjad Abid Abbasi	Chief Executive
Mr M Arshad Mirza	Director
Mrs. Husna Amjad Qazi	Director
Mr. Ali Akber Junejo	Director
Mr Haji Sher Jamali	Director
Mr Shaikh Aftab, Ahmed	Director (I.D.B.P.)
Mr. Kemal Shoaib	Director (N.I.T.)
Mr. Muhammad Abdul Samad	Director (N.I.T.)

During the year under review the following changes have been taken place in the Board of Directors

Incoming	Outgoing
Mr. Haji Sher Jamali - Director	Mr. Syed Vaqar Hussain - Director
Mr. Muhammad Abdul Samad - Director (N.I.T.)	Mr. Shamim Ahmed - Director (N.I.T.)

The Board welcomes the new member and records its appreciation for the valuable services rendered by the outgoing Director.

## AUDITORS

The present auditors - M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq & Co. Chartered Accountants retire and being eligible offer themselves or reappointment for the ensuing season.

The Board's Audit Committee has recommended their appointment for the year 2003-2004.

## STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations cash flows and changes in equity.
- b Proper books of accounts of the company have been maintained,
- c Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. To give effect to change in law, as clarified by SECP, an amount equal to the incremental depreciation has been transferred from the surplus on revaluation of fixed assets to accumulated loss in the current period
- d International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed
- e The system of internal control which was in place, is sound in design and has been effectively implemented and monitored. However, it is being continuously reviewed by internal audit and other officers handling such procedures. The process of review will continue and any weaknesses in controls will be removed. The function of Internal Audit has been implemented and operating successfully.
- >

- f. The Company's ability to continue as a going concern is being watched carefully, all events affecting the going concern basis are under constant review.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations,
- h. Key operating and financial data for last six (6) years in summarized form is annexed.
- i. Outstanding taxes and levies are being accrued and paid as per law
- j. During the year 3 (Three) meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Director		No. Meeting Attended
Mr. Qazi Amjad Abid Abbasi	Chief Executive	2
Mr. M Arshad Mirza	Director	3
Mrs. Husna Amjad Qazi	Director	3
Mr AH Akber Junejo	Director	0
Mr. Haji Sher Jamali	Director	0
Mr. Shaikh Aftab Ahmed	Director (I.D.B.P.)	2
Mr. Kemal Shoaib	Director (N.I.T.)	2
Mr Muhammad Abdul Samad	Director (N.I.T.)	2

- k. The pattern of shareholding is annexed
- l. Because of the loss sustained by the Company during the year under review, the Company has not declared any dividend or issued bonus shares for the year.
- m. There was no trading shares of ASML held by its directors, CEO, their spouses and minor children,
- n. The operating results as compared to last year are showing a gradual improvement in turnover by 93.20% and the operating loss of Rs. 68.309 million has been reduced to Rs. 60.101 million. The main reason for which is increase in turnover and lower cost of sugarcane.

#### FUTURE PROSPECTS

The Government of Pakistan has to assess the situation well in advance to prevent a late hour rush in rescue of the sugar industry in an effort for enabling it a sustainable existence. There are positive developments to Government and Financial Circles.

- a) Government has realized the burden on the sugar mills and has taken the bold decision of lowering the sugarcane support price and doing away with QP for the first time since Pakistan coming into being. This is a very big boost to the industry. This step may make most of the mills viable.
- b) The other step of allowing TCP to procure sugar for establishing a buffer would also go a long way in helping the industry from zigzag trends in sugar price.
- c) In the financial sector State Bank of Pakistan (SBP) has encouraged the Banks and DFIs to reschedule and restructure the non-performing loans liberally vis-a-vis, offer of entire payment in three years based on Forced Sale Value (FSV) of the project under circular no. 29.

#### ACKNOWLEDGEMENT

our deep appreciation to the shareholders, the workers, staff and officers of the

Company for their patience, tolerance and forbearance as well as the assistance and cooperation to the management during these hard days.

We would also like to thank our valued dealers, suppliers, financiers and shareholders for their cooperation and the trust reposed in our Company.

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

On behalf of the Board

Karachi:

Qazi Amjad Abid Abbasi

December 31st, 2003

Chief Executive

AL-ASIF SUGAR MILLS LIMITED

PATTERN OF SHAREHOLDING OF THE ORDINARY SHARES BY THE SHARE HOLDERS AS ON 30th SEPTEMBER, 2003

Number of Shareholders	Shareholding > From	To	Total Shares Held	Percentage
1,490	1	100	148,757	1.01
1,941	101	500	827,029	5.64
88	501	1,000	79,395	0.54
119	1,001	5,000	269,490	1.84
10	5,001	10,000	77,100	0.53
5	10,001	15,000	58,800	0.4
3	15,001	20,000	51,400	0.35
3	20,001	25,000	73,000	0.5
1	30,001	35,000	30,700	0.21
1	50,001	55,000	52,200	0.36
2	95,001	100,000	200,000	1.36
2	145,001	150,000	300,000	2.05
1	225,001	230,000	229,100	1.56
1	245,001	250,000	249,000	1.7
1	285,001	290,000	290,000	1.98
1	315,001	320,000	317,500	2.16
2	545,001	550,000	1,100,000	7.5
1	580,001	585,000	583,000	3.98
1	730,001	735,000	733,333	5
1	3,070,001	3,075,000	3,072,100	20.95
1	5,920,001	5,925,000	5,924,762	40.4
3,675			14,666,666	100

AL-ASIF SUGAR MILLS LIMITED  
CATEGORYWISE SHAREHOLDING AS ON 30-09-2003

SHAREHOLDERS CATEGORY	NUMBER OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
INDIVIDUALS	3,980,271	27.14
DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN		
Mr. Qazi Amjad Abid Abbasi	5,924,762	40.4
Mr. M. Arshad Mirza	733,333	5
Mrs. Husna Amjad Qazi	24,000	0.16
Mr. Ali Akber Junejo	25,000	0.17
Mr. Haji Sher Jmali	30,700	0.21
	6,737,795	45.94
LIMITED COMPANIES		
M/s. Asif Agencies	15,400	0.11
M/s. Pak Grease Mfg. Co. (Pvt ) Ltd.	6,500	0.04
M/s. Central Chemical Ltd.	5,000	0.03
M/s. Yalika Art Fabrics Ltd.	9,000	0.06

	35,900	0.24
<b>FINANCIAL INSTITUTIONS</b>		
M/s. National Bank of Pakistan (Trustee Department)	3,072,100	20.95
M/s. Habib Bank Limited	2,000	0.01
M/s. Pakistan Industrial Credit Investment Corporation Limited	229,100	1.56
M/s. Investment Corporation of Pak.	290,000	1.98
	3,593,200	24.5
<b>INSURANCE COMPANIES</b>		
M/s. Adamjee Insurance Co. Ltd.	1,000	0.01
	1,000	0.01
<b>INVESTMENT COMPANIES</b>		
M/s. Karachi Investment Co. (Pvt) Ltd.	1,000	0.01
M/s. The Pakistan Fund	317,500	2.16
	318,500	2.17
	14,666,666	100

## VISION AND MISSION STATEMENT

### OUR VISION

Our vision is to emerge as a quality sugar manufacturer with a global recognition and to be recognized as responsible corporate citizen

### OUR MISSION

- To overcome financial crises and meet the expectations of stakeholders
- To join hands in the best efforts in industrialization process
- To empower the agriculture sector
- To build the image of nation by promoting self reliance
- To promote best use and development of human talent in safe environment as an equal opportunity employer
- To adopt modern technology for efficient and cost reduction operations
- To ensure the preservation of environment

### STATEMENT OF ETHICS & BUSINESS PRACTICES

The Company's policy is to conduct business with honesty and integrity and be ethical in all its dealings, showing respect for the interest of those with whom it has a relationship.

The Company complies with all laws and regulations. The Company believes in fair competition and supports appropriate competition laws.

The Company does not support any political party, not contributes to the funds of group whose activities promote party interests. Company will promote its legitimate business interest through trade associations.

The Company is committed to provide products, which consistently offer value in terms of price and quality and are safe for their intended use, to satisfy customer needs and expectations. The Company is committed to run its business in an environmentally sound and sustainable manner. The Company recognizes its social responsibility and will contribute to community activities as a good corporate citizen.

The Company believes in and fully adheres to the reliability of financial reporting and transparent transactions.



The Company recruits and promotes employees on merit, and is committed to provide safe and healthy working conditions for all its employees. It also believes in maintaining good communication with employees.

The Company is committed to preservation of the environment.

It is the responsibility of the Board to ensure that the above principles are complied with and the internal audit committee constituted by the Board will support them in the compliance.

#### SIX YEARS' REVIEW AT A GLANCE

Description	2003	2002	2001	2000	1999	1998
<b>Trading results:</b>						
Turnover (Net Sales)	407,026	210,680	495,684	377,225	285,646	-
Gross profit / (loss)	11,520	-50,104	12,303	-21,512	-18,595	-
Operating (loss) / profit	-8,208	-68,310	-9,452	-40,483	-33,952	-11,203
(Loss) / profit before taxation	-39,517	-152,999	-50,245	-82,663	-58,493	-31,153
(Loss) / profit after taxation	-41,553	-154,175	-52,700	-83,347	-59,851	8,175
<b>Balance Sheet:</b>						
Shareholder equity	146,667	146,647	146,667	146,667	146,667	146,667
Surplus on Revaluation of F. Assets	96,155	186,826	186,826	186,826	-	-
Accumulated (loss) / profit	-971,945	-955,225	-801,049	-748,349	-665,002	-605,152
Property, plant & equipment	382,734	405,320	431,123	454,391	289,322	301,433
Other long term assets	769	1,409	2,034	3,297	3,147	565
Current assets	123,346	115,958	125,649	115,966	108,088	106,848
Current liabilities	451,129	363,406	350,289	288,121	188,782	106,139
Long term liabilities	784,394	781,013	676,074	700,389	730,111	761,193
<b>Significant results:</b>						
Gross profit / (loss) ratio %	2.83	-23.78	2.48	-5.7	-6.51	-
(Loss) / profit before tax ratio %	-9.71	-72.62	-10.14	-21.91	-20.48	-
Current ratio	0.27	0.32	0.36	0.4	0.57	1.01
Earning per share	-2.83	-10.51	-3.59	-5.68	-4.08	0.56

#### STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

(See clause XIV)

Name of Company : AL-ASIF SUGAR MILLS LIMITED  
 Year Ended : 30th September, 2003

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 and Chapter XIII of listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited respectively 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 Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent director representing Financial Institution and 3 non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company, except Mr. Kemal Shoaib and Mr. Muhammad Abdul Samad, nominees of N.I.T., who are serving as director on the Boards of more than 10 listed company. But they have submitted an exemption certificate.

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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred during the financial year 2002-2003 has been filed within 30 days of its occurrence.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all concerned.
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.

The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and 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 meeting were appropriately recorded and circulated.

9. Arrangements are being made for orientation courses for its Directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
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 3 (three) members, of whom 2 (two) are non-executive directors including the 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 and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (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.

QAZI AMJAD ABID ABBASI

Chief Executive

#### 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 prepared by the Board of Directors of Al-Asif Sugar Mills Limited to comply with the Regulations No. 37 and Chapter XIII of Listing Regulations of the Karachi and Lahore Stock Exchanges respectively 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 for the year ended September 30th, 2003.

Karachi: KHALID MAJID RAHMAN SARFARAZ

December 31, 2003 RAHIM IQBAL RAFIQ

Chartered Accountants

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ASIF 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 misstatement. 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:

1. The Company continued to incur operating losses and upto September 30, 2003 its accumulated losses amounts to Rs. 971.495 million (2002: Rs. 955.225 million) which has resulted in the net capital deficiency of Rs. 824.828 million (2002: Rs. 808.558 million). Its current liabilities have exceeded current assets by Rs. 327.782 million (2002: Rs. 247.447 million) which includes due and overdue loan installments of the rescheduled debts. These conditions alongwith those referred in notes 5, and 10 indicate the existence of a material uncertainty which

cast doubt on the Company's ability to continue as a going concern. No adjustments have been made in the financial statements that may be required should the Company be unable to continue as a going concern.

2. We refer to the matter of remaining long term liability of Rs. 276.14 million (2002: Rs. 506,999) (note 5.2.8) which is pending being under discussion with previous management for final settlement since the last four years. We have not been provided with information and explanation to ascertain the final-outcome of this matter and authenticity of the source of funds used for repayment of Rs. 133.500 million to previous management.

3. Provision against doubtful receivables amounting to Rs. 56.157 million (2002: Rs. 57.884 million) (notes 14 and 15) has not been made in these financial statements. Had the provision been made, the loss for the year would have been increased by this amount.

(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, except for the effect of the matters stated in para 1 to 4 above and note 10 and to the extent to which these may affect the financial results of the company, the Balance Sheet, Profit & 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 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 loss, its cash flows and changes in equity for the year then ended; and

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

KHALID MAJID RAHMAN SARFARAZ  
Karachi

RAHIMIQBAL RAFIQ

Dated: December 31,2003

Chartered Accountants

#### BALANCE SHEET

EQUITY AND LIABILITIES	Note	2003 Rupees	2002 Rupees
<b>SHARE CAPITAL</b>			
Authorised			
50,000,000 ordinary shares ofRs. 10/=each		500,000,000	500,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>			
14,666,666 Ordinary shares of Rs. 10/- each fully paid in cash	3	146,666,660	146,666,660
Accumulated loss		-971,495,007	-955,224,877
		-824,828,347	-808,558,217
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	4	96,154,821	186,826,477

REDEEMABLE CAPITAL AND				
LONG TERM LOANS	5	712,820,349	762,820,859	
DEFERRED LIABILITIES	6	71,573,938	4,779,901	
CURRENT LIABILITIES				
Short Term Borrowings	7	13,618,476	13,618,476	
Current Maturity of Redeemable Capital and Long Term Loans	8	130,705,421	103,784,145	
Creditors, Accrued, and Other	9	299,882,501	253,616,428	
Taxation		6,922,388	5,799,299	
		451,128,786	376,818,348	
CONTINGENCIES	10	-	-	
-----		506,849,547	522,687,368	

		2003	2002
ASSETS	Note	Rupees	Rupees
FIXED ASSETS - TANGIBLE			
Operating Fixed Assets	11	382,733,818	405,319,765
LONG TERM SECURITY DEPOSITS		769,259	769,259
DEFERRED COST	12	-	639,916
CURRENT ASSETS			
Stores and Spares		15,085,992	17,918,930
Stock-in-Trade	13	885,404	2,875,727
Trade Debtors	14	1,482,977	1,482,977
Advances, Deposits, Prepayments and Other Receivables	15	105,783,099	93,263,292
Cash and Bank Balances	16	108,998	417,502
		123,346,470	115,958,428
		506,849,547	522,687,368

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

		2003	2002
	Note	Rupees	Rupees
Sales - Net	17	407,025,797	210,679,859
Cost of Goods Sold	18	-395,505,344	-260,784,230
Gross Profit/(Loss)		11,520,453	-50,104,371
Operating Expenses			
General and Administrative	19	19,304,644	17,929,581
Selling and Distribution	20	423,733	275,919
		-19,728,377	-18,205,500
Operating Loss		-8,207,924	-68,309,871
Financial and Other Charges			
Financial Charges	21	30,256,902	77,707,190
Other Charges	22	1,154,260	6,993,604
		-31,411,162	-84,700,794
		-39,619,086	-153,010,665
Other Income	23	101,696	12,136
Loss before Taxation		-39,517,390	-152,998,529
Provision for Taxation			
- Current		-2,035,129	1,053,400
- Prior		-	123,506
		-2,035,129	-1,176,906
Loss after Taxation		-41,552,519	-154,175,435
Transfer from surplus on Revaluation			
Prior period		19,922,264	-

Current period		5,360,125	-
Accumulated Loss Brought Forward		-955,224,877	-801,049,442
Accumulated Loss Carried Forward		-971,495,007	-955,224,877
Earnings per Share	24	-2.833	-10.512

CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	2003 Rupees	2002 Rupees
Cash Flows from Operating Activities		
Loss before Taxation	-39,619,086	-153,010,665
ADJUSTMENT FOR:		
Depreciation	23,986,141	25,429,081
Financial Charges	30,256,902	77,707,190
Provision for Gratuity	1,488,201	1,680,017
Gain on disposal of fixed asset	-101,696	-12,136
	55,629,548	104,804,152
Operating Prof it/(Loss) before Working Capital Changes	16,010,462	-48,206,513
Changes in Working Capital		
(Increase) / Decrease in Current Assets		
Stores and Spares	2,832,938	-2,411,359
Stock-in-Trade	1,990,323	-1,676,266
Advances, Deposits and Prepayments	-12,519,807	-6,391,980
Trade Debtors	—	20,240,528
Increase / (Decrease) in Current Liabilities		
Creditors, Accrued and Other Liabilities	27,138,756	83,689,969
	19,442,210	93,450,892
Cash Generated from Operations	35,452,672	45,244,379
Taxes paid	-1,997,432	-500,000
Financial Charges paid	-11,129,585	-10,730,650
Gratuity paid	-83,431	-
	-13,210,448	-11,230,650
Net Cash from Operating Activities	22,242,224	34,013,729
Cash Flow from investment activities.		
Fixed Capital Expenditure	-1,498,497	-213,874
Proceeds from Disposal of Fixed Assets	200,000	600,000
Long Term Security Deposits	-	-15,000
Deferred Cost	639,917	639,917
Net Cash from/(used) in Investing Activities	-658,580	1,011,043

	2003 Rupees	2002 Rupees
Cash Flow from Financing Activities		
Long term loan chained/adjustment	124,369,967	—
Repayment of Long Term Loans	-146,262,115	-34,954,175
Net cash used in financing activities	-21,892,148	-34,954,175
(Decrease)/Increase in Cash and Bank Balances	-308,504	70,597
Cash and cash equivalents at the beginning of the year	417,502	346,905
Cash and Bank Balances at the end of the year	108,998	417,502

The annexed notes from 1 to 32 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Share Capital Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at September 30, 2001	146,666,660	-801,049,442	-654,382,782
Loss for ther year	-	-154,175,435	-154,175,435
Balance as at September 30, 2002	146,666,660	-955,224,877	-808,558,217
Loss For the year	-	-41,552,519	-41,552,519
Transfer from surplus on revaluation of fixed assets to unappropriated profit/ (loss)			
Prior period	—	19,922,264	19,922,264
Current period	—	5,360,125	5,360,125
Balance as at September 30, 2003	146,666,660	-971,495,007	-824,828,347

The annexed notes from 1 to 32 form an integral part of these financial statements.

#### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

##### 1. STATUS AND OPERATION

1.1 The Company was incorporated in Pakistan on February 25, 1984 as a Private Limited Company and was subsequently converted into a Public Limited Company on February 11, 1990. The Company is listed in Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacturing and selling of refined sugar. The Mills is located at Garho, Sindh.

1.2 The Company recommenced its operation with effect from November 24, 1998 after remaining inoperative since February 22, 1995.

1.3 The Company continued to incur operating losses and upto September 30, 2003 its accumulated losses amounts to Rs. 971.495 million (2002: Rs. 955.225 million) which has resulted in the net capital deficiency of Rs. 824.828 million (2002: Rs. 808.558 million). Its current liabilities have exceeded current assets by Rs. 327.782 million (2002: Rs. 247.447 million) which include due and overdue loan installments of the rescheduled debts.

The problem faced by the Company are the same and common to that faced by the industry. Losses are mainly attributable to the lower market price. The industry is seeking relief from Government as well as financial institution to counter the affects of the losses as a result of lower market price. The Company has, however, managed to repay its liabilities to the extent of Rs. 12.762 million to the financial institutions and is seeking extension for repayments. Meanwhile it has started operations for 2003-2004 season and does not foresee going concern problem arising from non payment of liabilities to the financial institutions on expectation of securing necessary extension based on a genuine difficulties faced by the Company in particular and industry in general.

In view of the above factors these accounts have been prepared on going concern basis.

##### 2. SIGNIFICANT ACCOUNTING POLICIES

###### 2.1 Statement of Compliance

These accounts have been prepared in accordance with approved Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprises of such International Accounting Standards as notified

under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by 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 Basis of preparation

These accounts have been prepared under the 'historical cost convention except that certain fixed assets referred in note 11 to these accounts, have been included at revalued amounts.

## 2.3 Staff Retirement Benefits

The Company operates a defined benefit plan comprising an unfunded gratuity scheme. Provision for the eligible employees is made annually in the period in which the benefit earned to cover the obligation under the scheme on the basis of salary and length of service with the company.

## 2.4 Taxation

Income tax on profit or loss for the year comprises of current (turnover tax under section 113 of Income Tax Ordinance 2001) and deferred tax (if any).

### Current

The Company accounts for current taxation on the basis of taxable income, if any, at the current rate of taxation after taking into account the tax credits and rebates available, if any, or 0.5 percent of the turn over which ever is higher.

### Deferred

Deferred tax is provided using balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax assets is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax reduced to the extent that it is no longer probable that the related tax benefits will be realized.

As at 30th September 2003, deferred tax assets on available losses has not been recorded in view of uncertainty about the availability of taxable profits in the foreseeable future against which such losses could be utilized. Further, deferred tax liability on revaluation of fixed assets has been recognized in view of availability of future profit.

## 2.5 Operating Fixed Assets

Operating fixed assets are stated at cost less accumulated depreciation except free hold land, plant and machinery, factory and non-factory buildings, furniture and fixtures and office equipment which are stated at revalued amount. Depreciation on operating fixed assets is charged to current year's profit and loss account by applying reducing balance over estimated useful life. Full year's depreciation is charged on all assets including additions during the year. No depreciation is charged on assets in the year of disposal.

Minor renewals, replacements, maintenance, repairs, and profit and loss on disposal of fixed assets are included in current year's profit and loss account.

Major renewals and improvements are capitalized.



## 2.6 Deferred Costs and Amortization

Deferred costs are amortized systematically over the period of five years commencing from the year of incurrance.

## 2.7 Impairment Of Assets

The Carrying amounts of the 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 recoverabe amounts, assets are written down to their recoverable amount.

## 2.8 Stores and Spares

These are valued at moving average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

## 2.9 Stock-in-Trade

These are valued at lower of cost and net realizable value except for molasses which is valued at net realizable value.

Cost in relation to work - in - process and finished goods consist of annual average material cost plus, direct labour and applicable facory over heads.

## 2.10 Revenue Recognition

Sales are recorded on dispatch of goods to customers.

## 2.11 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event and 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 the Company.

## 2.12 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date except for the liabilities covered under forward exchange contracts which are translated at the contracted rates. Transaction in foreign currencies are converted into rupees at the rate of ruling on the date of transactions.

## 2.13 Trade Debts

Trade debts are carried at original invoice amount less an estimate for doubtful receivable balance based on review of outstanding amounts at the year end. Balances considered bad and irrevocable are written off when identified.

## 2.14 Financial Instruments

### Financial assets

Financial assets are loans, advances, deposits, trade debts, other receivable and cash and banks. These are initially recognized at its cost which represent fair value of consideration given for it and subsequent to initial recognition financial assets are carried at cost, if fair value is not material.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long-term loans, creditors, accrued and other liabilities.

2.15 Offsetting of financial assets and liabilities

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

All financial liabilities are initially recognized at cost, which represents fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measure at amortized cost.

2.16 Cash and cash equivalents

Cash and cash equivalent comprises cash balances and call deposits with financial insitutions. Short term running finance that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cs=h flow.

	2003 Rupees	2002 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
14,666,666 (2002: 14,666,666)		
Ordinary shares of Rs. 10/- each fully paid in cash	146,666,660	146,666,660
	146,666,660	146,666,660
4. SURPLUS ON REVALUATION OF FIXED ASSETS		
Balance as on September 30	186,826,477	186,826,477
Less:		
Transferred to Unappropriated prof it/ (Loss)		
Prior period	19,922,264	-
Current period	5,360,125	-
	25,282,389	-
	161,544,088	186,826,477
Less: Adjustment for Deferred Tax	-65,389,267	-
	96,154,821	186,826,477

During the year, the companies (Amendment) Ordinance, 2002 was promulgated which introduced certain amendments in the Companies Ordinance, 1984. One of these amendments relates to section 235 of the Companies Ordinance, 1984 under which the surplus on revaluation of fixed assets can now be utilized to the extent of incremental depreciation charged on these assets. Before this amendments, the surplus could be utilized only at the time of disposal of the related asset or to set off a deficit arising on revaluation of any other fixed assets of the Company.

As a result of the amendment in law, the surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is now transferred to accumulated losses.

In accordance with the above change in law, as classified by the Securities and Exchange Commission of Pakistan, an amount equal to the incremental depreciation charged on these assets till 30th September 2003 has been transferred from surplus on revaluation of fixed assets to retained earnings/accumulated losses in the current year. Further, related deferred tax liability amounting to Rs. 65.389 million is recognized.

Valuation of Fixed Assets was carrid out by M/s. Iqbal A. Nanji and Company, Karachi on January 27,2000. The basis for revaluation are as under:

Land Current market value.  
 Building Current replacement value.  
 Plant and Machine Current replacement value with effect of foreign exchange rate for imported machinery.  
 Furniture and Fixtu Current book value.

	Note	2003 Rupees	2002 Rupees
<b>5. REDEEMABLE CAPITAL AND LONG TERM LOANS</b>			
Balance as on September 30,			
Redeemable Capital	5.1	24,048,000	29,392,000
Long-term loans	5.2	688,772,349	733,428,859
		712,820,349	762,820,859
<b>5.1 Redeemable Capital</b>			
Non participatory Term Finance Certificate - Secured			
Opening balance		50,768,000	50,768,000
Repaid during the year		-	-
		50,768,000	50,768,000
Current maturity		5,344,000	5,344,000
Overdue installments		21,376,000	16,032,000
		-26,720,000	-21,376,000
		24,048,000	29,392,000

5.1.1 The loan was rescheduled on October 22, 1997. Significant terms and conditions are as under:

	Rescheduled Principal Amount Rupees in million	Effective Markup rate.p.a.(%)	Mode	Repayment Terms Period From To	
Actual principal	30	16	20-Semi	01/04/1999	01/10/2009
Mark-up capitalized	23.44		annual		
	53.44		instalments		

**5.2 LONG TERM LOANS**

	Note	2003 Rupees	2002 Rupees
<b>Bank and DFIs - Secured</b>			
BEL-LMM	5.2.1	28,889,374	28,889,374
ICP-LMM	5.2.2	19,558,643	20,229,924
IDP - PakRupee Loan	5.2.1	28,889,374	28,889,374
1DBF- frozen MarkKlip	5.2.2	19,558,643	20,229,924
NBP - Demand Finance	5.2.4	25,021,250	25,021,250
HBL - Demand Finance	5.2.5	39,729,000	50,974,000
HBL - Frozen Markup	5.2.5	69,132,000	64,916,000
UBL - Demand Finance	5.2.6	8,226,000	8,226,000
UBL - Cash Finance	5.2.7	666,000	666,000
Others - Unsecured	5.2.8	609,129,546	506,998,889
		939,019,885	850,794,179
Less : Repayments	5.2.9	-146,262,115	-34,957,175
Current Maturity		24,105,994	24,003,360
Overdue Installments		79,879,427	58,404,785
		-103,985,421	-82,408,145
		688,772,349	733,428,859

Significant Terms and Conditions of long term loans

Note	Bank/DFIs	No. of Installments	Repayment After Rescheduling		Rupees in million	Rate of markup/ interest %	Securities / Remarks
			Period From	1 To			
5.2.1	BEL-LMM	20-Semi Annually	01-03-1999	01-03-2009	1.605	16	- Equitable mortgage of immovable properties both present & future.
5.2.2	ICP-LMM	59-Quarterly	31-12-2000	31-09-2015	0.188 to 0.210	14.235	- First equitable mortgage by way of hypothecation of Machinery - First Floating charge on other assets of the company both present and future.
5.2.3	IDBP-PRL	60-Quarterly	31-12-2000	31-12-2015	2.156	14.235	- Demand promissory notes in favor of financial institutions.
5.2.4	IDBP-Frozen Mark-up	60-Quarterly	31-12-2000	31-12-2015	0.401	14.235	The securities rank pari passu in favor of other secured creditors.
	NBP-Demand Finance	6-Semi Annually	25-07-1998	25-07-2001	4.5	15	
5.2.5	HBL-Demand Finance	23-Quarterly	31-12-2000	30-09-2006	2.249	14.235	- Personal guarantee of ex-directors. - Hypothecation of book debts and current assets. - First charge on stores & spares and stock-in-trade. - First charge on fixed assets and uncalled capital of the Company.
	HBL-Frozen Mark-up	34-Quarterly	31-06-2006	30-06-2015	0.753 to 2.249	14.235	- Enhancement of existing equitable mortgage charge on present & future assets of the Company. - Personal guarantee of all the Directors. - Marketable securities.
5.2.6	UBL-Demand Finance	20-Semi Annually	01-04-1999	01-04-2009	0.431	16	- Continuing guarantee of ex-directors of the Company.
5.2.7	UBL-Cash Finance	3-Annually	01-04-1999	01-04-2002	0.334	16	- Continuing guarantee of ex-directors of the Company.
5.2.8	Other-Unsecured		01-10-2003	30-09-2015	Nil		This represents unsecured and interest free loans from the associated concerns of the previous management. The matter of settlement of these liabilities is pending subject to the final outcome of the discussions with the previous management. Till a final conclusion is reached - the new management has decided to disclose the entire outstanding amount as its long term liability.
					2003 Rupees	2002 Rupees	
5.2.9	Repayments to Banks/DFIs and Others Investment Corporation of Pakistan (ICP)				468,277	671,281	

Industrial Development Bank of Pakistan (IDBP)	6,127,668	801,584
IDBP-Frozen Mark up	1,112,406	-
Habib Bank Limited (HBL)	4,498,000	11,245,000
United Bank Limited	555,000	—
Others - unsecured	133,500,764	22,239,310
	146,262,115	34,957,175
<b>6. Deferred Liabilities</b>		
Staff Gratuity	6,184,671	4,779,901
Deferred Tax relating to revaluation surplus	65,389,267	-
	71,573,938	4,779,901
<b>7. Short Term Borrowing</b>		
Running Finance - NBP	13,618,476	13,618,476

7.1 - Facility 20,00 million (expired)

- Markup @ 0.54 paisa per Rs. 1,000 per day.

Recovery suit filed in 1998 by National Bank of Pakistan against the Company for an amount of Rs. 28.798 million stands as decreed by the Banking Court No. 1 of Karachi as on February 28,2001 for a sum of Rs. 11.252 million with markup at the above rate till the realization of decretal amount. Furthermore, Bank has filed an execution appeal in the Banking Court on November 13,2002. Appeal filed by the Company in the Hounarable High Court of Sindh against the execution is pending for disposal.

## 7.2 Securities

The above finances are secured by:

- Demand promissory notes in favour of the creditors.
- Continuing guarantee of Directors of the Company.

	2003 Rupees	2002 Rupees
<b>8. Current Portion of Redeemable Capital and Long Term Loans</b>		
Redeemable Capital		
Current Maturity	5,344,000	5,344,000
Overdue Installments	21,376,000	16,032,000
	26,720,000	21,376,000
Long Term Loans		
Current Portion	24,105,994	24,003,360
Overdue Installments	79,879,427	58,404,785
	103,985,421	82,408,145
	130,705,421	103,784,145
<b>9. Creditors, Accrued and Other Liabilities</b>		
Creditors		
- Cane Suppliers	73,857,631	34,052,611
- Store and Others	45,057,287	45,795,634
	118,914,918	79,848,245
Advances from Customers	49,335,104	45,843,021
Accrued Expenses	10,947,276	14,999,957
Deposits	274,960	276,960
Road Cess	13,797,739	10,474,958
Surcharge on Road Cess	2,937,529	2,937,529
Sales Tax Payable	14,211,198	29,242,733

Excise Duty Payable	1,233,555	1,233,555
Accrued Markup		
- Long Term Loans	76,254,371	57,127,054
- Short Term Borrowings	6,493,983	6,493,983
	82,748,354	63,621,037
Dues to Ex-Employees	3,271,603	2,773,933
Other Liabilities	2,210,265	2,366,500
	299,882,501	253,616,428

#### 10. Contingencies

10.1 There is a contingent liability of Rs. 3.037million in respect of amount reversed by UBL as result of rescheduling of liabilities which may become due to Company in the event of default by the Company in meeting its commitments as per the terms and conditions laid down in the approval letter issued by the respective lender (Refer to Note 5.2.6 & 5.2.7).

10.2 The Company is defending suit filed by Bankers' Equity Limited in May 2000, BEL has claimed an amount to Rs. 59.855 million as against the Principal of Rs. 28.889 million and markup and other charges of Rs. 10.299 million. The Company has made no provision for the differential amount of Rs. 20.667 million on the strength of a statement of account filed in the High Court of Sindh reflecting deposits in the Bank being excess as compared with withdrawals. The legal counsel is of the view that the Company may be liable to the extent of markup only which in turn would be much less than the alleged claimed of the Bank in the suit.

10.3 The Company is defending a suit filed by M/s. Reliance Insurance Company on March 15,2002 for recovery of premium amount Rs. 4.964 million of Insurance Policies pertain to the period of previous management. In this suit issues have been settled and the matter is pending for recording evidence accordingly. However, the Insurance Company has to prove the utilization of the said policies by the previous management, because as per record available the claim of the Insurance Company is not maintainable.

#### 11. OPERATING FIXED ASSETS

Particulars	COST				DEPRECIATION			Written down value as on 30-09-2003
	As on 01-10-2002	Additions / (Deletion)	As on 30-09-2003	Rate %	As on 01-10-2002	For the year (Deletions)	As on 30-09-2003	
Land-free hold	2,502,556	-	2,502,556	-	-	-	-	2,502,556
Experimental Land	807,944	-	807,944	-	-	-	-	807,944
Building on free hold land								
- Factory	94,415,026	-	94,415,026	10	56,174,179	3,824,085	59,998,264	34,416,762
- Non Factory	52,610,125	-	52,610,125	10	29,171,758	2,343,837	31,515,595	21,094,530
Plant and Machinery	517,800,341	-	517,800,341	5	185,962,904	16,591,872	202,554,776	315,245,565
Electric Installations	12,105,825	39,000	12,144,825	10	9,225,488	291,934	9,517,422	2,627,403
Tools and Equipment	1,871,825	75,211	1,947,036	10	1,273,749	67,329	1,341,078	605,958
Telephone Installation	859,501	-	859,501	10	596,861	26,264	623,125	236,376
Electric Equipment	3,599,836	7,010	3,606,846	10	2,605,837	100,101	2,705,938	900,908
Furniture and Fixtures	5,078,581	45,900	5,124,481	10	3,709,184	141,530	3,850,714	1,273,767
Office Equipment	936,462	34,400	970,862	10	527,869	44,299	572,168	398,694
Arms and Ammunitions	269,847	-	269,847	10	208,479	6,137	214,616	5,231
Computers	1,000,200	31,000	1,031,200	10	284,994	74,621	359,615	671,585
Vehicles	3,86', 569	1,265,976	4,893,545	20	2,664,570	474,134	2,997,008	1,896,537
		-240,000				-141,696		
Total - 2003	697,725,638	1,498,497	698,984,135		292,405,872	23,986,141	316,250,317	382,733,818
		-240,000				-141,696		
		-734,830				-146,966		

Total - 2002	698,246,594	213,874	697,725,638	267,123,758	25,429,081	292,405,873	405,319,765
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			Schedule Reference	2003 Rupees	2002 Rupees		
Cost of Goods Sold			(Note No. 18)	20,415,957	22,210,995		
Administration			(Note No. 19)	3,570,184	3,218,086		
Total				23,986,141	25,429,081		

11.1 Disposal of Fixed Assets

The following assets were sold during the year:

Particulars	Original Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees	Sale Proceeds Rupees	Profit/ (Loss) Rupees	Particulars of buyer
Nissan Sunny G-6994	240,000	141,696	98,304	200,000	101,696	Ahmed Motors Tariq Road, Karachi
Total - 2003	240,000	141,696	98,304	200,000	101,696	
Total - 2002	734,830	146,966	587,864	600,000	12,136	

			Note	2003 Rupees	2002 Rupees	
12. DEFERRED COST						
Road Development Expenses - Site				3,199,584	3,199,584	
Less: Amortization						
Accumulated as at September 30.				2,559,668	1,919,751	
During the year				639,916	639,917	
				-3,199,584	-2,559,668	
				-	639,916	

12.1 This represents cost incurred on construction of Road at mill (S.I.T.E.)

13 STOCK-IN-TRADE	885,404	2,875,727
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It represents work in process which includes raw sugar and molasses.

14. TRADE DEBTORS -UNSECURED		
Considered good	-14.1	1,482,977
		1,482,977

14.1 This represents old outstanding balances which are considered as fully recoverable and are to be settled alongwith the other matters mentioned in Note 5.2.8.

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances					
Unsecured - Considered good					
- Growers				25,386,111	18,292,677
- Contractors				6,718,245	6,514,442
- Suppliers				1,476,062	584,610
- Non Executives	-15.1			13,519,613	10,611,803
- Executives	-15.2			717,418	458,492
- for Expenses				1,447,865	875,432
- Income Tax				28,150	28,150
				49,293,464	37,365,606
Considered doubtful					

- Growers		43,265,463	43,265,463
Contractors		1,455,164	1,455,164
- Suppliers		18,820	18,820
Employees		536,778	536,778
		45,276,225	45,276,225
		94,569,689	82,641,831
Provision against doubtful advances to growers	-15.3	-11,931,393	-11,931,393
		82,638,296	70,710,438
Deposits			
- Excise Duty	-15.4	20,831,910	20,831,910
- I.D.B.P.		497,467	497,467
- Others		435,911	571,961
		21,765,288	21,901,338
Prepayments		1,379,515	651,516
		105,783,099	93,263,292

15.1 The maximum aggregate balance at any month end due from the non-executives was Rs. 14,365,2597- (2002: Rs. 13,548,658/-).

15.2 The maximum aggregate balance at any month end due from the executives was Rs. 720,365 (2002: Rs. 493,890/-).

15.3 This represents long outstanding balances. The management is confident of securing maximum recovery and as a matter of prudence has made provision to the extent of Rs. 11.931 millions only.

15.4 This represents the amount of Excise Duty deposited in 1991-92 under protest with Collector of Custom and Central Excise, Hyderabad on account of rebate of Excise Duty earlier claimed as per the incentive given by the Government. The matter is pending in the High Court of Sindh.

	Note	2003 Rupees	2002 Rupees
16. CASH AND BANK BALANCES			
Cash in hand		16,933	5,160
Cash with Banks - in current accounts		92,065	412,342
		108,998	417,502
17. SALES -Net			
- Sugar		449,734,785	235,851,573
- Molasses		17,664,127	6,838,718
		467,398,912	242,690,291
Less: Sales Tax		-60,373,115	-32,010,432
		407,025,797	210,679,859
18. COST OF GOODS SOLD			
Opening Work-in-Process (Sugar)		2,875,727	1,199,461
Raw Material Consumed		327,887,159	172,658,533
Raw Sugar Processed		-	21,206,380
		327,887,159	193,864,913
Manufacturing Expenses			
- Salaries, Wages and Benefits	-18.1	19,710,449	20,021,519
- Stores and Spares Consumed		12,781,568	17,588,708
- Packing Material Consumed		4,584,938	2,053,278
- Water, Fuel and Power		4,495,148	3,399,954
- Freight, Handling and Octroi		540,293	337,615
- Insurance		974,254	733,083
- Vehicle Running and Maintenance		960,626	1,313,072



- Depreciation	-11	20,415,957	22,210,995
- Others		1,164,629	937,359
		65,627,862	68,595,583
Closing Work - in - Process (Sugar)		-885,404	-2,875,727
		395,505,344	260,784,230

18.1 This includes Rs. 1,339,381/- (2002: Rs. 1,603,981/-) in respect of retirement benefits.

	Note	2003 Rupees	2002 Rupees
<b>19. GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries, Bonus, & Allowances	(19.1 & 19.4)	11,452,999	11,038,265
Travelling, Conveyance and Entertainment		464,376	364,479
Insurance		114,620	78,730
Postage and Telegrams		17,652	24,277
Telephone and Telex		915,413	1,062,006
Electricity		19,530	191,697
Printing and Stationery		408,081	109,723
Repairs and Maintenance		723,365	581,232
Auditor's Remuneration	-19.2	303,830	125,000
Vehicle Running and Maintenance		430,272	331,140
Rent, Rates and Taxes		181,824	166,722
Legal and Professional Charges		378,500	159,000
Fees, Subscriptions, and Renewals		164,865	327,167
Newspapers and Periodicals		18,996	18,209
Depreciation	-11	3,570,184	3,218,086
Donation	-19.3	-	21,000
Others		140,137	112,848
		19,304,644	17,929,581

19.1 This includes Rs. 148,820/- (2002: Rs. 204,911/4 in respect of retirement benefits.

19.2 Auditor's Remuneration

Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq

Audit ree	125,000	125,000
Review Report	50,000	-
Certification Fee	50,000	-
Hyder Bhimji & Co.		
Cost Audit	50,000	-
Special Assignment	25,000	-
Out of pocket	3,830	-
	303,830	125,000

19.3 None of the directors or their spouse had any interest in these donations.

19.4 Director's Remuneration

Particulars	2003				2002			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Remuneration	480,000	480,000	1,653,489	2,613,489	476,000	533,000	1,083,084	2,092,084
Perquisites and other benefits	240,000	240,000	823,870	1,303,870	235,500	267,000	1,022,840	1,525,340

Total-Rupees	720,000	720,000	2,477,359	3,917,359	711,500	800,000	2,105,924	3,617,424
No. of Persons	1	1	9		1	1	6	

	Note	2003 Rupees	2002 Rupees
<b>20. SELLING AND DISTRIBUTION EXPENSES</b>			
Advertisement		42,824	29,000
Sugar Handling		380,909	246,919
		423,733	275,919
<b>21. FINANCIAL CHARGES</b>			
Markup / Interest on			
- Long Term Loans		29,984,706	31,445,422
Penalty and other charges on rescheduling of loan	-21.1	-	46,048,490
Bank Charges and Commission		272,196	213,278
		30,256,902	77,707,190

21.1 This represents the penalty and other charges on rescheduling of long term loans with Investment Corporation of Pakistan Limited Rs. Nil (2002: Rs. 5.193 million). Industrial Development Bank of Pakistan Limited Rs. Nil (2002: Rs. 1.880 million) and Habib Bank Limited Rs. Nil (2002: Rs. 38.975).

<b>22. OTHER CHARGES</b>			
Additional Sales Tax		409,092	-
Sales Tax penalty		745,168	6,993,604
		1,154,260	6,993,604
<b>23. OTHER INCOME</b>			
Gain on disposal of fixed asset		101,696	12,136

**24. EARNINGS PER SHARE**

There is no dilutive effect on the basic earnings per share of the Company, which is based:

**25. CASH AND CASH EQUIVALENT**

Cash and cash equivalents comprise of the following items as included in the balance sheet:

Cash and bank balances	417,502	346,905
	417,502	346,905

**26. TAXATION**

The provision for income tax is based on section 113 of the Income Tax Ordinance, 2001 which specifies minimum tax charge at the rate of half (0.5) percent of the Company's revenue. Tax expense reconciliation is not presented as income for the year is only subject to minimum tax on turnover.

**Current**

Income tax assessment of the Company has been finalized upto the assessment year 2002-2003. Assessed tax loss available to be carried forward amounting to Rs. 33.800 million.

**Deferred**

Deferred taxation computed under liability method estimated is Rs. 76.528 million arising from unused tax losses and accelerated tax depreciation. The Company has not recognized not deferred debit/credit as the future taxable profit could not be ascertained.

**27. Number of Employees**

The Number of Employees as at September 30,2003 are 328 (2002:350).

28. Financial Instruments and Related Disclosures

28.1 Financial Assets and Liabilities

	Interest Bearing One month to one year Rupees	One year and onwards Rupees	Non Interest Bearing Rupees	Total 2003 Rupees	2002 Rupees
Financial Assets					
Long Term Deposits	-	-	769,259	769,259	769,259
Trade Debts	-	-	1,482,978	1,482,978	1,482,977
Advances, Deposits, Prepayments and other Receivables	-	-	117,686,342	117,686,342	97,666,657
Cash and Bank Balances	-	-	108,998	108,998	417,502
	-	-	120,047,577	120,047,577	100,336,395
Financial Liabilities					
Redeemable Capital	26,720,000	24,048,000	-	50,768,000	50,768,000
Long Term Loans	103,985,427	688,772,349	-	792,757,776	781,527,950
Short Term Borrowings	13,618,476	-	-	13,618,476	13,618,476
Creditors, Accrued & Other Liabilities	-	-	299,832,501	299,832,501	248,352,485
	144,323,903	712,820,349	299,832,501	1,156,976,753	1,094,266,911

28.2 Interest Rate Disclosure

Redeemable Capital	Refer Note No. 5
Long Term Loans	Refer Note No. 5
Short Term Borrowing	Refer Note No. 7

28.3 Interest / Markup Rate Risk Exposure

Interest/markup rate risk arises from the possibility that changes in interest/markup rates will effect the value of financial instruments. Since the Company borrows funds usually at fixed rate of interest/markup the risk arising is minimal.

28.4 Credit Risk and 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. To reduce exposure to credit risk the management continuously monitors the credit exposure and makes provision against those balances considered doubtful of recovery.

	2003 Rupees	2002 Rupees
Trade Debts	1,482,977	1,482,977
Advances and Other Receivables	94,549,538	87,045,196

28.5 Fair value of Financial Instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

29. Capacity and Production

	2003			2002		
	Metric Tons	Days	(%)	Metric Tons	Days	(%)
Capacity	28,800	160	-	28,800	160	-
Production from Sugar Cane	26,126	147	-	10,880	128	-
Production from Raw Sugar	-	-	-	1,471	-	-
Capacity utilized	-	-	90.72	-	-	37.8

The production capacity was utilized to the extent of availability of sugar cane during the season.

31. Date Of Authorization For Issue

These financial statements were authorized for issue on December 31,2003 by the Board of Director of the Company.

32. General

Previous year's figures have been rearranged, wherever necessary for the purpose of comparison.

Figures have been rounded off to the nearest rupee.

Cheif Executive Director