

Al - Noor Sugar Mills Limited
Annual Reports 2003

CONTENTS

Company-Information

Mission Statement
Statement of Ethics and Business Practices
Notice of Annual General Meeting
Directors' Report
Statement of Compliance with best Practice of Corporate Governance
Key Operation and Financial Data for Last Ten Years
Review of Report to the Members on Statement of Compliance with best Practices of code of Corporate Governance from Auditor
Auditors' Report to the Members
Balance Sheet
Profit & Loss Account
Statement of Changes in Equity
Cash Flow Statement
Notes to the Accounts
Pattern of Share Holding

COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ISMAIL H. ZAKARIA	Chairman & Managing Director
MR. SULEMAN AYOOB	Resident Director
MR. YUSUF AYOOB	
MR. A. AZIZ AYOOB	Marketing Director
MR. ABDUL KARIM LODHI	(NIT Nominee)
MR. SHAMIM AHMAD	(NIT Nominee)
MR. ZIA I. ZAKARIA	
MR. SALIM AYOOB	
MR. ZOHAER ZAKARIA	
MR. NOOR MOHAMMAD	

DIRECTOR FINANCE &
COMPANY SECRETARY
MR. M. YAKOOB ADMANEY
FCIS, FCMA

BOARD AUDIT COMMITTEE

MR. ZOHAIK ZAKARIA	Chairman
MR. ZIA I. ZAKARIA	Member
MR. SALIM AYOOB	Member

AUDITORS

DAUDALL Y LALANI & COMPANY
Chartered Accountants

LEGAL ADVISOR

ABDUL SATTAR PINGAR

REGISTERED OFFICE

96-A, SINDHI MUSLIM SOCIETY,
KARACHI-74400

FACTORY

SHAHPUR JAHANIA, P.O. NOOR JAHANIA,
TALUKA MORO, DISTRICT NAWABSHAH

To gain strength through industry leadership in the manufacturing and marketing of sugar and Lasani Wood and to have a strong presence in these product markets while retaining the options to diversify in other profitable venture.

To operate ethically while maximizing profits and satisfying customers needs and stake holder's interests.

To assist in the socio economic development of Pakistan especially in the rural areas through industrial expansion and development.

STATEMENT OF ETHICS & BUSINESS PRACTICES

Al-Noor Sugar Mills Limited will be guided by the following principles in its pursuit of excellence in all activities

for the attainment of the Company Objectives.

THE COMPANY

Fulfills all statutory requirements of the Regulatory Authorities and follows all applicable laws of the country together with compliance of accepted accounting principles, rules and procedures required. Deals with all stakeholders in objective and transparent manner so as to meet the expectations of those who rely on the Company.

Meets the expectations of the spectrum of society and Regulatory Authorities by implementing an effective and fair system of financial reporting and internal controls.

Uses all means to protect the environment and ensures health and safety of the employees.

Activities and involvement of directors and employees of the Company in no way conflict with the interest of the Company. All acts and decision of the management are motivated by the interest of the Company rather than their own.

Ensures efficient and effective utilization of its resources.

AS DIRECTORS

Promote and develop conducive environment through responsive policies and guidelines to facilitate viable and timely decisions.

Maintain organizational effectiveness for the achievement of the Company goals.

Support and adherence to compliance of legal and industry requirements.

Safeguard the interest and assets of the Company and to meet and honor all obligations of the Company.

Promote a culture that supports enterprise and innovation, with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively.

AS EXECUTIVE AND MANAGERS

Ensure cost effectiveness and profitability of operations.

Provide direction and leadership for the organization and take viable and timely decisions.

Develop and cultivate work ethics and harmony among colleagues and associates.

Encourage initiatives and self-realization in employees through meaningful empowerment.

Promote and develop culture of excellence, conservation and continuous improvement.

AS EMPLOYEES AND WORKERS

Observe Company policies, regulations and codes of Best Business Practices.

Exercise prudence in effective, efficient and economical utilization of resources of the Company.

Make concerted struggle for excellence and quality.

Devote productive time and continued efforts to strengthen the Company.

Protect and safeguard the interest of the Company and avoid conflict of interest. Ensure the primary interest in all respect is that of the Company.

Maintain financial integrity and must avoid making personal gain at the Company's expense by participating in or assisting activities which compete with the Company.

NOTICE OF MEETING

Notice is hereby given that 34th Annual General Meeting of AL-NOOR SUGAR MILLS LIMITED will be held at the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Thursday, 29th January, 2004 at 11.00 a.m. to transact the following business:

01. To read and confirm the Minutes of the 33rd Annual General Meeting of the Company held on March 31st, 2003
02. To read and consider the Accounts for the year ended September 30, 2003 and reports of Directors and Auditors thereon.
03. To appoint Auditors and to fix their remuneration. Existing Auditors M/s. Daudally Lalani and Company, Chartered Accountants have retired. In compliance with the code of Corporate Governance and based on the recommendations of the Audit Committee, the Board recommend the appointment of M/s. Yousuf Adil and Company, Chartered Accountants as Auditors in place of the retiring Auditors.
04. To transact any other business with permission of the chair.

The Share Transfer Book of the Company will remain closed from January 21st, 2004 to January 31st, 2004 (both days inclusive).

By Order of the Board

(M. YAKOOB ADMANEY)

Karachi: January 5th, 2004

DIRECTOR FINANCE & COMPANY SECRETARY

NOTE:

01. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

02. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued 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 person whose securities are in group account 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 requirements,

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC number 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 Directors' resolution/power of attorney with specimen signature of

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

Company.

03. Shareholders are requested to inform the Company of any change in their address immediately.

DIRECTORS' REPORT

To:

The Shareholders:

We hereby present the 34th Annual Report together with the Audited Accounts for the year ended 30th September 2003. The Company has incurred a loss of Rs.42.593 million from operation. After making provision for turn over tax and adjustment of Deferred Tax, total loss of the Company for the year worked out to Rs. 12.633 million. Last year's unappropriated loss of Rs. 144.226 million has thus increased the total accumulated loss carried forward to Balance Sheet to the extent of Rs. 156.859 million. After tax loss per share of the Company for the year worked out to Rs.0.68. Due to carry forward losses, no dividend has been recommended by the Board.

SUGAR MILL:

During the year under report, your Mill started crushing on 14th December 2002 and crushed 622,697 Metric Tons of sugarcane (2002: 554,560 Metric Tons), which was 12% higher as compared to last year. Sugar produced from sugarcane was to the extent of 52,508 Metric Tons (2002: 45,525 Metric Tons), which was 15% higher as compared to last year with an average recovery of 8.4% (2002: 8.25%). Your Mill also produced molasses to the extent of 34,823 Metric Tons (2002: 26,240 Metric Tons). Excess production of sugar in the country specially in Sindh kept sugar price under tremendous pressure throughout the year which resulted that Sugar Mills of Sindh could not sell production as the local demand was lesser than the production despite contract of 100,000 Jrfetric Tons of sugar by Trading Corporation of Pakistan, excess sugar available in the province could not be absorbed. Previously excess production was normally exported from Sindh to Punjab but due to higher production of sugar in Punjab, this excess production could not be sold which resulting in huge inventory carry over this year coupled with carrying charges. Although your Company had made gross profit, this was not enough to meet the financial and administrative cost, and accordingly, sugar unit has incurred loss during the year also which has not only wiped off the reserves created by the Company in last so many years but has also eroded the capital.

MEDIUM DENSITY FIBRE (MDF) BOARD PLANT:

During the year, 21,071 Metric Tons of Lasani Wood (2002: 19,686 Metric Tons) in various thicknesses were produced. The higher production was achieved by your Company to the extent of 7% during the year, which was only possible due to induction of a new Press in 2002. The introduction of new varieties helped the Company in contributing surplus returns. Your management has planned to introduce more value added products, which will result in reasonable contribution to the profitability of Lasani Wood. During the year, the Company has also imported a new Lamination Plant, erection of which has also started. It is expected that the Lamination Plant will be introduced in January 2004. It is also expected that, Insha Allah, with the introduction of this new product, idle capacity will be utilized.

CORPORATE GOVERNANCE:

We are pleased to inform you that the Company has complied with the statutory requirement of the Corporate Governance and are pleased to state that:

- a) Financial Statements prepared by the management of the Company, presents fairly its state of affairs, results of its operation, cash flow and the changes in the equity.
- b) Proper Books of Accounts have been maintained by the Company.
- c) Appropriate accounting policies have been applied in preparation of the financial statements and the policies are consistently applied except to the extent mentioned in the Financial Statements. Further, accounting estimates are based on the reasonable and prudent judgments.
- d) International Accounting Standard as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practice of Corporate Governance as detailed in the listing regulations.
- h) There are no outstanding statutory payment, however, there are some disputed cases, which are appearing in note No. 11 of the financial statements.

The key operating and financial data of last ten years is given on page No.11 while pattern of shareholding has been provided on page No. 45 and 46.

Value of investment of Provident Fund for the financial year ended 30th September 2003 was to the extent of Rs.28.546 million.

During the year four meeting of the Board of Directors were held, attendance of each Directors is as follow:

Name of Directors	No. of Meeting
01. Mr. Ismail H. Zakaria	4
02. Mr. Yusuf Ayoob	4
03. Mr. Suleman Ayoob	3
04. Mr. A. Aziz Ayoob	4
05. Mr. Zia I. Zakaria	2
06. Mr. Salim Ayoob	1
07. Mr. Zohair Zakaria	3
08. Mr. Abdul Karim Lodhi	-
09. Mr. Al-Malik Khoja	3
10. Mr. Rais Ahmed	2

No Director of the company or their spouse has acquired any shares since the change in the listing regulations of the Karachi Stock Exchange (Guarantee) Limited.

INDUSTRY CONCERN:

The country produced more sugar than the requirement during the year, which resulted that surplus sugar stocks put lot of pressure on selling prices especially in Sindh. In addition, discrimination in the sugarcane support price between Sindh and Punjab is of concern; accordingly, your Sugar Mill also incurred loss. It is expected that Sindh Government will realize the situation and will come up with the proposal which can help the Sindh Sugar Mills to revive themselves as the sugar industry is the backbone of the rural areas.

Import of MDFB is increasing due to lower value dollar, which is putting pressure on the product and giving tough competition, which is increasing with the passage of every day.

FUTURE PROSPECTS:

For the year 2003-2004, Government has declared the sugar support price in Sindh at Rs.41/= per 40 kg, as compared to Rs.40/= introduced in Punjab. The Sugar Mills of Sindh are not viable at this price. Efforts are being made to procure sugarcane at a price, which is economical keeping in mind the selling price of sugar. Due to high opening inventory of sugar in the country, season during the year has again been delayed by almost one month, accordingly, current crushing season started on 1st December 2003 and crushing upto 2nd January 2004 was to the extent of 189,083 Metric Tons with an average recovery of 8.42%. Sugar produced was to the extent of 15,282 Metric Tons. Based on standing crop, it is expected that more sugar will be produced by your Mill as compared to last year.

Production of Lasani Wood upto 2nd January 2004 was 4,265 Metric Tons. It is expected that with the introduction of Lamination Plant, the capacity of the plant will, Insha Allah, be achieved.

DIRECTORS:

During the year, Mr. Al-Malik Khoja (NIT Nominee) resigned. NIT nominated Mr. Shamim Ahmad in his place for rest of tenure. Board appreciated the services of Mr. Al-Malik Khoja for his valuable contributions during the tenure he was on the Board of your Mill. During the year, Mr. Rais Ahmed, ICP Nominee also resigned from the Board. The Board appreciated the valuable contributions during the tenure he was on the Board. Board has co-opted Mr. Noor Mohammad in his place for rest of tenure.

STAFF RELATIONS:

The total number of employees as on 30th September 2003 was 756. During the last year, handsome amount was paid towards the golden handshake to the employees, which resulted that during the year, wage bill has gone down drastically.

Relations remained cordial and supportive during the year with our staff and workers.

COST AUDITORS:

During the year, M/s. Hyder Bhimjee and Company, Chartered Accountants, conducted the cost audit of the Company, which is now the requirement of the law.

AUDITORS:

The present Auditors, M/s. Daudally Lalani and Company, Chartered Accountants have retired in compliance with the code of Corporate Governance and based on the recommendations of Audit Committee, the Board has recommended the appointment of M/s. Yousuf Adil and Company, as Auditors of the Company for the year 30th September 2004 in place of retiring Auditors.

By order of the Board •

ISMAIL H. ZAKARIA
MANAGING DIRECTOR

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH SEPTEMBER 2003

This Statement is being presented to comply with the Corporate Governance contained in Regulation No.37 and XIII of listing regulations of the 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:

01. The Board comprises of ten Directors including three executive Directors. The Company encourages representation of independent non-executive Directors on its Board. There are seven non-executive Directors, three of them represent NTT and ICP.
02. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this
03. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI/NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
04. No casual vacancy occurred in the Board during the current 3rd year.
05. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the Directors and employees of the Company.
06. The Board has developed a vision/mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies has been maintained and amended/updated from time to time.
07. 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.

08. The meetings of the Board were presided over by the Chairman. The Board met atleast once in every quarter. Written notices of the meetings, along with the working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

09. The members of the Board are well conversant with their duties and responsibilities.

10. The Chief Financial Officer/Company Secretary was appointed prior to the enforcement of the code of Corporate Governance/Appointment of Head of Internal Audit was approved by the Board including his remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and describe 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 members, whom are non-executive Directors including the Chairman of the Committee.

16. Meetings of the Audit Committee were held atleast once in every quarter prior to approval of interim and final results of the Company 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 an 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 IF AC guidelines in this regard.

20. We confirm that all pther material principles contained in the Code have been complied with.

Karachi: 5th January, 2004

ISMAIL H. ZAKARIA

CHAIRMAN

KEY OPERATION & FINANCIAL DATA FOR LAST TEN YEARS

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
BALANCE SHEET:										
Share Capital	185,703	185,703	185,703	185,703	185,703	185,703	185,703	168,820	153,473	139,521
Reserves	-3,042	9,341	137,285	163,866	162,618	159,060	175,114	193,833	190,679	184,620
Surplus on revaluation of fixed assets	447,548	-	-	-	-	-	-	-	-	-
Long Term Liabilities	182,742	249,705	281,871	70479	165,081	183,120	180,096	236,601	281,999	281,209
Deferred Liabilities	350,783	93,416	117,753	112,490	106,264	109,463	113,392	155,516	126,931	75,474
Current Liabilities	1,022,207	1,147,942	940,272	652,715	630,644	765,460	679,722	297,635	249,509	263,926
Operating Assets	1,521,749	848,609	853,830	789,788	808,888	811,346	796,018	784,105	735,806	609,263
Long Term Deposits	9,461	8,589	6,718	12,062	11,259	10,239	12,169	14,830	15,545	10,187
Long Term Investments	18,449	18,199	26,631	26,631	26,631	26,631	26,631	26,631	26,631	26,631
Deferred Cost	5,759	8,283	7,243	4,441	-	-	-	-	-	-
Current Assets	630,524	802,322	768,462	369,861	403,532	554,590	499,209	226,839	224,609	298,669
TRADING:										
Turnover	1,291,612	1,054,217	1,335,760	1,360,333	1,347,975	1,332,797	854,852	839,559	905,908	752,826
Gross Profit (Loss)	77,772	68,836	184,234	245,851	253,066	232,334	165,281	168,242	148,916	120,164
Operating Profit(Loss)	8,594	-4,840	94,690	169,470	146,606	125,747	100,031	100,505	80,820	62,998
Profit(Loss)before Tax	-104,461	-124,617	-19,563	49,292	32,598	-15,845	-1,837	21,263	21,546	7,183
Profit(Loss)after Tax	-74,502	-119,511	-26,581	19,818	17,486	-16,054	-1,837	18,501	20,011	7,183
Earning per share	-0.68	-6.44	-1.43	1.07	0.94	-0.86	-0.1	1.1	1.3	0.51
Cash dividend	NIL	NIL	NIL	10%	7.50%	NIL	NIL	NIL	NIL	NIL
Bonus shares	NIL	NIL	NIL	NIL	NIL	NIL	NIL	10%	10%	10%
SUGAR PRODUCTION										
a) From Cane	52,508	45,525	45,150	59,175	60,435	63,820	47,355	43,080	51,300	63,274

b) From Raw Sugar	-	3,370	26,754	-	-	-	-	-	-	-
Sugar Produced (M.Tons)	52,508	48,895	71,904	59,175	60,435	63,820	47,355	43,080	51,300	63,274
Cane crushed (M.Tons)	622,697	554,560	592,908	728,987	803,632	763,190	557,699	506,991	578,678	800,972
Recovery (%)	8.40%	8.25%	7.61%	8.13%	7.52%	8.35%	8.50%	8.50%	8.87%	7.90%

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-Noor Sugar Mills Limited to comply with the Listing Regulation No. 37 of the Karachi and Lahore Stock Exchanges 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, 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 system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal 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 for the year ended September 30, 2003.

Karachi

January 5, 2004.

DAUDALLY LALANI & COMPANY

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-NOOR 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:-

(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 is in agreement with the books of accounts and is further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in

accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 loss, its cash flows and changes in equity for the year then ended; and

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

Daudally Lalani & Company
Chartered Accountants

Karachi: January 5, 2004.

BALANCE SHEET AS AT 30TH SEPTEMBER, 2003

Note	2003 (Rupees in	2002 thousand)
SHAREHOLDERS' EQUITY AND NON CURRENT LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised Capital		
	200,000	200,000
	185,703	185,703
Reserves:		
	162,000	162,000
	-8,182	-8,432
	-156,859	-144,226
	-3,041	9,342
	182,662	195,045
	447,548	
	77,841	149,509
	104,901	100,196
	350,783	93,417
CURRENT LIABILITIES AND PROVISIONS		
	514,198	808,474
	211,383	137,225
	284,951	196,726
	11,675	5,517
	1,022,207	1,147,942
CONTINGENCIES AND COMMITMENTS		
	-	-
	2,185,942	1,686,109

The annexed notes 1 to 39 form an integral part of these accounts.

Note	2003 (Rupees in thousand)	2002
NON CURRENT ASSETS		
	1,468,909	836,309
	52,840	12,300
	1,521,749	848,609
	18,449	18,199
		107
	9,461	8,589
	5,759	8,283
CURRENT ASSETS		
	97,213	95,483
	306,256	487,074
	18,449	33,315
	173,608	139,038
	34,998	47,412
	630,524	802,322
	2,185,942	1,686,109

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

Note	2003 (Rupees in thousand)	2002
	1,291,612	1,054,217
	1,213,840	985,381
	77,772	68,836
	64,945	69,656
	4,233	4,020
	69,178	73,676
	8,594	-4,840
	115,956	148,003
	2,901	28,226
	113,055	119,777
	-104,461	-124,617
	-29,959	-5,106
	-74,502	-119,511
	-144,226	-24,715
	-218,728	-144,226

Transferred from surplus on revaluation of fixed assets during the year due to incremental depreciation on revalued fixed assets		61,869	
Unappropriated (loss) carried forward		-156,859	-144,226
Loss per share - Basic and diluted	30.1	-4.01	-6.44
	30.2	-0.68-	

The annexed notes 1 to 39 form an integral part of these accounts.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH SEPTEMBER, 2003

	Issued, subscribed & paid up capital	General reserves	Unrealized loss on revaluation of investment	Unappro- priated loss	Total
Balance as at September 30, 2001	185,703	162,000	-	-24,715	322,988
Deficit on revaluation of investment	-	-	-8,432	-	-8,432
Net loss for the year 2001-2002	-	-	-	-119,511	-119,511
Balance as at September 30, 2002	185,703	162,000	-8,432	-144,226	195,045
Deficit on revaluation of investment	-	-	-2,720	-	-2,720
Reversal of diminution in value of investmen	-	-	2,970	-	2,970
Net loss for the year 2002-2003	-	-	-	-74,502	-74,502
Amount of incremental depreciation arising due to surplus on revaluation of fixed assets	-	-	-	61,869	61,869
Balance as at September 30, 2003	185,703	162,000	-8,182	-156,859	182,662

The annexed notes 1 to 39 form an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH SEPTEMBER, 2003

	2003	2002
A. CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	31 452,022	48,579
Taxes paid	14,041	-3,290
Payment for staff retirement benefits	-3,390	-4,882
Financial charges paid	-138,585	-137,650
Long term loans and advances	107	-16
	-127,827	-145,838
Net cash flow from operating activities	324,195	-97,259
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-49,473	-35,040
Sale proceed of operating assets	842	645
Net cash flow from investing activities	-48,631	-34,395
C. CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable capital	94,500	50,000
Obligation under finance Tease	31,725	41,900
Long term deposits	-872	-1,962
Deferred cost	-	-3,563
Repayment of redeemable capital and finance lease	-119,028	-138,326
Short term running finance and borrowings	-294,276	182,143
Dividends	-27	-6
Net cash ifflow/(outflow) from financing activities	-287,978	130,186
Net (decrease) in cash and bank balances (A+B+C)	-12,414	-50,047
Cash and bank balance at the beginning of the year	47,412	48,880
Cash and bank balance at the end of year	34,998	-1,167

The annexed notes 1 to 39 form an integral part of these accounts

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

1. LEGAL STATUS AND OPERATIONS

The Company is a public company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984). Its shares are quoted on Karachi and Lahore Stock Exchange in Pakistan and is principally engaged in the production and sale of sugar and medium density fiber board.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation:

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards

comprise 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 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 Accounting convention:

These accounts have been prepared under historical cost convention except the following:

- Certain exchange differences have been included in fixed assets, referred to in note 2.16.
- Company's freehold land, factory and non factory building and plant and machinery are stated at revalued amount referred to in note 12.4.
- Investments available for sale are stated at fair values in accordance with requirements of IAS - 39 referred to in note 14.

2.3 Employees benefits:

Defined contribution plan: —.

The Company operates an approved provident fund scheme for all its employees eligible for benefit and contributions thereto are made in accordance with the terms of the scheme.

Defined benefit plan:

Effective October 1, 1990 company had introduced an unfunded gratuity scheme for those permanent employees who have completed qualifying period and are members of the aforesaid provident fund scheme. Provision is made annually based on employee's current basic salary plus cost of living allowance to cover current obligations under the scheme.

Employees compensated absences:

The company recognised the expected cost of these benefits in the accounting period in which the absences are earned.

As per the requirements of IAS - 19 "Employee Benefits", actuarial valuation has been carried out for the year ended September 30, 2003 using "Projected Unit Credit Actuarial Method". Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendation.

Actuarial gains and losses in excess of 10% of the present value of the defined benefit obligations are recognised and spread over expected average remaining service lives of employees.

2.4 Taxation:

Current:

Provision for current taxation for the year is based on taxable income at the current rate of taxation after taking into account tax credit available, if any, or based on 0.5 % of total turnover from all sources, whichever is higher.

Deferred:

The company accounts for deferred taxation using liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting and amounts used for taxation purpose. This is recognised on the basis of expected manner of the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only of deductible temporary differences and to the extent that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.5 Fixed assets:

OWNED:

Operating fixed assets except freehold land, factory building and plant and machinery are stated at cost less accumulated depreciation. Freehold land factory building and plant and machinery are stated at revalued amount. Cost in relation to certain fixed assets including capital work in progress signifies historical cost and exchange differences referred to in Note 2.16.

Till year ended September 30, 1999, depreciation was charged to income at normal tax rates based on diminishing balance method. Subsequently depreciation is charged to income based on diminishing balance method at the rates mentioned at note 11 of these accounts reflecting pattern of consumption of operating days of factory. Full year's depreciation is charged on all assets in the year of acquisition. No depreciation is charged on assets in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred, major renewals and improvements are capitalized and the assets to be replaced, if any, are retired.

Gain and loss on disposal of assets are taken to profit and loss account.

LEASED:

Assets held under finance leases are included in operating assets at present value of minimum lease payments.

The financial charge is calculated at the interest/mark up rate implicit in the lease and is charged to profit and loss account.

Depreciation is charged at the same rates as company owned assets. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the assets are depreciated over shorter of the lease term or its useful life.

Change in depreciation estimate:

The company, from the current year has charged the depreciation on plant and machinery for full year instead of actual number of production days. Moreover, the company has further decided to revise depreciation rate on plant and machinery from 10% (2002) to 5% in view of recent evaluation of the remaining useful life. However, the company charge for depreciation on plant and machinery of board division is at the rate of 10% per annum instead of actual number of days, as charged previously. Had the above change not been made, the profit for the year would have been higher by Rs. 21,677,095.

2.6 Capital work in progress

All cost expenditure connected with specific assets are carried under this head. The cost under this head is transferred on completion of the respective assets.

2.7 Capitalisation of borrowing costs:

Borrowing costs on assets which call for substantial period of time to get ready for their intended use are taken to fixed capital expenditure.

2.8 Investments:

The investments of the company are classified as available for sale. These are recognised on a trade date basis and are initially measured at cost.

Available for sale investments are measured at subsequent reporting dates at fair value. Surplus / deficit arising from remeasurement are taken to equity.

2.9 Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

2.10 Trade debts:

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 debt is made when collection of full amount is no longer probable. Bad debts are written-off as incurred.

2.11 Provisions:

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

2.12 Trade and other payables:

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the company.

2.13 Cash and cash equivalents:

Cash and cash equivalents include cash and bank balances. The cash and cash equivalents are subject to insignificant changes in value.

2.14 Stores and spares:

Stores and spares are valued at cost, using first-in-first-out method. Items in transit are valued at cost comprising invoice value and other charges paid thereon.

2.15 Stock-in-trade:

The basis of valuation has been specified against each :

Raw material:

In hand - At lower of average cost or net realizable value.

In transit - At cost incurred upto the balance sheet date.

Sugar in process and finished sugar :

These are valued at lower of average cost or net realizable value.

2.16 Foreign currencies:

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange approximately ruling at the balance sheet date. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of relevant assets. Another exchange differences are taken to income currently.

2.17 Deferred Cost:

Deferred pest is amortized aver a maximum period of five years beginning from the year of expenditure.

2.18 Financial Instruments

All the financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. All the financial ass^s are derecognised at the time when the company loses control of the contractual right that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account, currently.

2.19 Offsetting of financial assets and liabilities:

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 Mark-up bearing borrowings: , , , , o u

Mark - up bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark - up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the profit and loss account over the period of the borrowings on an effective mark-up basis.

2.21 Other receivables:

Other receivables are recognised at their original value.

2.22 Contingent asset:

A contingent asset is disclosed where an inflow of economic benefit is .probable

2.23 Contingent liability:

A contingent liability is disclosed in the financial statements unless the possibility of an out flow of resources embodying economic benefits is remote.

2.24 Segment reporting:

Primary segment reporting format: t

The company's primary format for reporting segment informatipn is business segment as the company s risks and rates of returns are affected predominantly by differences in the products it produces.

Segment accounting policies: . , • j

Segment information is being prepared in conformity with the accounting policies adopted tor preparing and presenting the financial statements of the consolidated group or enterprise.

2.25 Revenue recognition:

Sales are recorded on despatch of goods to customer.

2003 2002
(Rupees in thousand)

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL
3,617,635 Ordinary shares of Rs. 10.00 each fully paid up

in cash.	36,177	36,177
814,637 Ordinary shares of Rs. 10.00 each fully paid up issued to P.I.C.I.C in terms of loan agreement	8,146	8,146
40,000 Ordinary shares of Rs. 10.00 each fully paid up issued to I.C.P in terms of debenture trust deed	400	400
20,000 Ordinary shares of Rs. 10.00 each fully paid up issued to State Life Insurance Corporation of Pakistan in terms of debenture trust deed	200	200
10,000 Ordinary shares of Rs. 10.00 each fully fteid up issued to N.I.T in terms of debenture trust deed	100	100
14,067,980 Ordinary shares of Rs. 10.00 each fully paid up issued as bonus shares.	140,680	140,680
-	149,526	149,526
	185,703	185,703

4. SURPLUS ON REVALUATION OF FIXED ASSETS

This represent surplus over book value resulting from the revaluation of freehold land, factory buildings, non factory buildings and plant and machinery.

Particulars	Written down value	Revalued amount	Surplus on revaluation
Freehold land	3,786	23,248	19,462
Factory building	8,711	16,008	7,297
Non factory building	25,488	75,998	50,510
Plant and machinery	789,268	1,454,112	664,844
	827,253	1,569,366	742,113
Less: Effect of deferred tax due to revaluation			-232,696
			509,417
Less: Incremental depreciation arising due to surplus on revaluation of fixed assets			-61,869
			447,548

The revaluation has been carried out by Messrs Harvester Services (Pvt) Ltd on September 10,2003. The valuers has reported current assessed value as well as forced sale value. The management has opted for forced sale value and accordingly assets have been revalued at forced sale value and resulting surplus amounting to Rs. 742.113 million has been credited to surplus on revaluation of fixed assets.

5. REDEEMABLE CAPITAL
(NON PARTICIPATORY-SECURED)

(Rupees in thousand)

	SAUDI	PAK	Listed TFC	B.F PKIC	Security Investment ModarabaBank	I.B.L Modaraba	2003	2002
Balance	7,500	20,000	127,236	20,000	4,500	50,000	249,236	240,298
Less: f								
Current maturity shown under current liabilities								
Note No. 9	6,000	20,000	50,895	20,000	4,500	50,000	171,395	90,789
	1,500	-	76,341	-	-	-	77,841	149,509
Purpose	LCF	WCF	TFC	MF	MF	DF	MF	
Sanctioned/Sale price/ Disbursed Amount (Rs. in Million)	30	20	203.66	20	4.5	50	20	
Purchase price (Rs. in Million)	49.05	23.563	312.839	23.799	5.235	-	-	
Maximum prompt payment rebate (Rs. in Million)	-	-	13.234	1.833	-	-	-	
Effective rate of mark-up (per annum)	14.00% (ceiling rate)	11.50%	*	14.50%	14.00%	15.00%	13.00%	
Remaining Number of instalments	5	1	5	2	1	1	1	
Mode of payment	Equal quarterly	Lump sum payment	Equal half yearly	Equal quarterly	Lump sum payment	Lump sum payment	Lump sum payment	
Date of payment of last instalment	13.12.2004	09.03.2004	01.11.2005	20.04.2004	31.10.2004	31.10.2003	31.12.2003	

*Expected Profit Minimum of 16.50% and a maximum of 18.50% p.a to be paid semi-annually in arrears. The exact profit rate for each redemption will be decided as the State Bank of Pakistan Discount Rate + 2.50%. Rate will be set at the beginning of each semi-annual period for the profit due at the end of that semi-annual

period. The rate will be calculated on the basis of the prevailing SBP Discount Rate, two days before the commencement of the semi-annual period for which the profit rate is being computed.

SECURITIES:

SAUDI PAK-I First pari passu charge by way of equitable mortgage on the company's fixed assets.

SAUDI PAK-II Pledge of stock of sugar.

LISTED TEC First exclusive charge/mortgage over specified assets of ANSML viz. Medium Density

Fibre Board (Lasani wood) plant & machinery, land upon which the medium density fibre board is situated.

Ranking charge/mortgage over all other fixed assets of the company i.e. sugar mills, including land and building both present and future.

PKIC First pari passu charge on plant and machinery of sugar unit.

OTHER PARTICULARS:

• DP

SAUDI PAK-I Liquidated damages are applicable @ 71 paisas per day per thousand of the amount defaulted.

SAUDI PAK-II Liquidated damages are applicable @ 20% of the amount defaulted.

PKIC Liquidated damages are applicable @ 20% of the amount defaulted.

LISTED - TFC Orix Investment Bank Limited has been appointed as trustees on behalf of TFC holders.

Accordingly, a trust deed dated September 19,2000 has been executed.

Abbreviation denotes:

SAUDI PAK Saudi Pak Industrial and Agricultural Investment (Pvt) Ltd.

PKIC Pakistan Kuwait Investment Company (Private) Limited

WCF Working Capital Finance

LCF Local Currency Finance

TF Term Finance

MF Murabaha Finance

DF Demand Finance

6. OBLIGATIONS UNDER FINANCE LEASE

(I) The amount of futon payments and the period in which they will become due are:

	NDLC	SPLCL	OLPL	ULL	DLCL	FGM	PLL	AIBL	SLCL	BJ Modaraba	2003	2002
Year to Sept. 30, 2003	-	-	-	-	-	-	-	-	-	-	-	68,683
Year to Sept. 30, 2004	1,856	6,196	9,325	12,283	11,800	2,544	2,263	3,672	8,701	252	58,892	39,403
Year to Sept. 30, 2005	1,856	6,196	9,325	12,283	4,360	-	2,263	3,260	7,041	253	46,837	34,743
Year to Sept. 30, 2006	3,356	6,196	9,552	12,283	-	-	2,263	3,260	4,719	220	41,849	32,648
Year to Sept 30, 2007	-	6,196	-	12,283	-	-	594	3,377	448	-	22,898	17,273
Year to Sept. 30, 2008	-	7,445	-	8,641	-	-	-	-	-	-	16,086	8,927
	7,068	32,229	28,202	57,773	16,160	2,544	7,383	13,569	20,909	725	186,562	201,677
Less:												
Financial charges allocated to future period	1,068	7,200	5,920	15,748	2,314	125	1,576	3,310	4,299	84	41,673	55,045
	6,000	25,000	22,282	42,011	13,846	2,419	5,807	10,259	16,610	641	144,889	146,632
Less:												
Current maturity liabilities (Note 9)	1,361	3,912	6,164	6,714	9,637	2,419	1,455	2,170	5,954	202	39,988	46,436
	4,639	21,088	16,118	35,311	4,209	-	4,352	8,089	10,656	439	104,901	100,196
(ii) Purpose	LMM	LMM&IM	LMM&Vehicle	IM	LMM	LMM&Vehicle	IM	LMM	Vehicle	Vehicle		

(H) Terms and conditions of lease facilities

1) Number of leases availed	1	1	2	1		3		2	2	
2) Annual financing rate (monthly/quarterly/yearly) compounding basis) used as discounting factor ranging between	9.51%	9.50%	17.00% to 17.25%	16.76%	18.87%	20.50% to 21.00%	17.00%	15.75%	16.00% & 17.00%	9.04%
3) Remaining Number of instalment ranging between	12	10	10 to 6	9	6	1	37	15&16	11&14	31
4) Instalments intervals ranging between	Quarterly	Half Yearly	Quarterly	Half Yearly	Quarterly	Quarterly & Half yearly	Monthly	Quarterly	Quarterly	Monthly
5) Lease rental payable in each instalment except last one ranging between rupees	464,000	3,097.88	714,590 to 1,616,635	6,141,462	2,360,000	195,536 to 1,349,380	188,569	403,195 & 411,860	99,340 & 1,660,795	21,054
Last instalment ranging between rupees	1,964,000	4,347,880	1,214,590 to 2,773,100	8,641,462	4,360,000	257,436 to 1,897,380	593,569	693,195 & 1,061,860	249,340 & 2,660,795	93,566
6) Fine payable per month on over due rentals if any.	2%	2.50%	3%	3%	3%	2%	3%	3%	3%	Ri. 100 per day

Abbreviations denote:

NDLC	National Development Leasing Corporation Ltd
SPLCL	Saudi Pak Leasing Company Limited
OLPL	Orix Leasing Pakistan Limited
ULL	Union Leasing Limited
DLCL	Dawood Leasing Corporation Limited
FGM	First Grindlays Modaraba
PLL	Paramount Leasing Limited
AIBL	Atlas Investment Bank Limited
SLCL	Security Leasing Corporation Limited
LMM	Locally manufactured machinery
IM	Imported machinery

	Note	2003 (Rupees in thousand)	2002
7. DEFERRED LIABILITIES:			
Deferred Taxation	7.1	232,696	36,719
Excise duty including interest thereon	11.3	35,120	35,120
Disputed liability to creditors		67,958	-
Provision for staff gratuity	7.2	9,340	16,996
Employees compensated absences		4,299	3,212
Further sales tax	11.6	1,370	1,370
		350,783	93,417
7.1 Deferred taxation:			
Opening balance		36,719	47,342
Less: Reversal of liability refer (Note 29)		-36,719	-10,623
		-	36,719
Add: Deferred tax created due to revaluation of fixed assets		232,696	-
Closing balance		232,696	36,719

7.1.1 In accordance with the amendment introduced in section 235 of the Companies Ordinance, 1984 and subsequent notification of SECP, the related deferred tax due to revaluation of fixed assets have been transferred from surplus on revaluation of fixed assets, (refer Note - 4)

7.2 Provision for staff gratuity

The movement in provision for staff gratuity recognised in the balance sheet is as follows:

	2003 (Rupees in thousand)
Opening liability	16,996
Charge for the year	1,300
Benefits paid	-2,509
Benefits payable to ex-employees	-6,447
Liability recognised at the balance sheet date	9,340

	2003 (Rupees in thousand)
Present value of defined benefits obligation	8,959
Unrecognised actuarial gains	382
	9,341

The following costs are recognised

Current service cost	985
Interest cost	832
Transitional asset due to application of IAS- 19	-517
	1,300

The Projected Unit Credit Actuarial Method, in conjunction with the following significant assumptions was used for valuation of the scheme:

Discount rate	8	Perent per annum
Expected rate of increase in salaries	7	Perent per annum
Average expected remaining working life time of employees	9	Years

Since an actuarial valuation was not carried out at the beginning of the comparative period, it is impracticable to restate the comoaratives.

	Note	2003 (Rupees in thousand)	2002 (Rupees in thousand)
SHORT TERM RUNNING FINANCE AND BORROWINGS:			
Secured:			
Commercial Banks	8.1	449,198	616,904
Finance under musharika/murabaha arrangement	8.2	35,000	77,775
Export refinance	8.3	-	25,000
Investment banks	8.4	30,000	88,723
Unsecured:			
Due to directors	8.5	-	72
		514,198	808,474

8.1 Running finance facilities available are upto Rs. 855.000 million (2002: Rs. 790.000 million). Markup applicable is ranging between Re. 0.2192 to Re. 0.3561 per thousand per day (2002: Re. 0.4109 to Re. 0.4932 per thousand per day). The markup or repurchase price is to be repaid between October 31, 2003 to September 07, 2004.

8.2 The musharika/murabaha facilities available are upto Rs. 35 million (2002: Rs 84 million). The effective rates of profit per thousand per day is Re. 0.2192 (2002: between Re. 0.43835 to Re. 0.5068). The markup or repurchase price is to be repaid on March 1, 2004.

8.3 The above refinance has been repaid during the year.

8.4 The sanctioned amount against various financial arrangements aggregated Rs. 30 million (2002:Rs. 100 million). The effective rates of profit/mark-up, per thousand per diem, are ranging between Re. 0.2192 to Re. 0.3836 (2002: Re. 0.4109 to Re.0.465). The two (2002: four) settlement/repayment dates are falling on September 30, 2003 and January 8, 2004 (2002: between November 1, 2002 to June, 30, 2003).

Securities :

Hypothecation/Pledge on stock of refined sugar, board and raw material, molasses, stores, spares, receivable, other current assets and second charge on fixed assets.

8.5 Maximum balance due at the end of any month during the year was Rs. 71,547 (2002: Rs. 71,547).

	Note	2003 (Rupees in thousand)	2002 (Rupees in thousand)
9. CURRENT MATURITY			
Redeemable capital	5	171,395	90,789
Finance lease	6	39,988	46,436
		211,383	137,225
10. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		203,943	82,914
Accrued expenses		24,848	27,079
Payable to financial Institutions		-	32
Mark up/Interest accrued on secured loans :-			
Redeemable Capital		12,199	14,322
Finance lease		3,860	4,399
Short term finance		13,803	33,770
		29,862	52,491
Custom duty	11.4	199	199
Sales Tax		17,928	6,148
Worker's profit participation fund	10.1	424	377
Due to associated undertakings (unsecured and interest free)	10.2	4,694	4,693
Deposit against contract		-	17,429
Deposits and retentions		1,346	1,515
Brokerage and commission on sugar		378	780
Unclaimed dividends		591	591
Due to provident fund		87	1,751

Apprenticeship money	10.3	32	32
Others		619	695
		284,951	196,726
10.1 WORKER'S PROFIT PARTICIPATION FUND			
Balance October 1,		377	330
Add:			
Interest due on fund utilized in the company's business shown under financial charges	27	47	47
		424	377

(a) The amount utilized by the company during the year was Rs. 0.377 million (2002:Rs. 0.330 million).

10.2 Due to associated undertakings

The above balances are unsecured and interest free. Maximum balance due at the end of any month during the year was Rs. 7.693 million (2002: Rs. 4.693 million).

10.3 The apprenticeship money has been deposited in a separate bank account (Note - 22) as required by section 227 of the Companies Ordinance, 1984.

11. CONTINGENCIES AND COMMITMENTS

11.1 The Company has issued continuing guarantee to bank aggregating Rs. 100 million (2002: Rs. 800.000 million) in consideration of the banks making loans to cane growers for the purchase of seeds and fertilizers.

11.2 The company's commitments as on September 30, 2003 are as follows:

	2003	2002
	(Rupee	s in million)
Letters of credit	120	1.7

11.3 The guarantee amounting to Rs. 19.045 million was issued to Collector, Central Excise and Land Customs, Hyderabad in respect of payment of 50% central excise duty against clearance of sugar stocks of 17,799.50 metric tons. The issue is related to denial of excise duty exemption by declaring full crushing season at minimum of 180 days vide notification of December 23, 1992. The Company has disputed against the denial of exemption and has filed a constitutional petition before the Honourable High Court of Sindh. However, the excise duty liability has been fully provided for including compounding interest @ 14% per annum thereon. The guarantees have been encashed by the Collector, Central Excise and Land Customs, Hyderabad for the full principal amount of Rs. 19.045 million.

11.4 The Company had applied to the Government of Pakistan for declaring Medium Density Fibre Board Industry as "Key Industry" under SRO 458(1)788 dated June 26, 1988 as the project is using 100% local raw material. Pending the declaration as Key Industry, the Central Board of Revenue has allowed the Company to get the consignments of plant and machinery cleared against bank guarantees. The Collector of Customs has presented Bank guarantees for encashment and the company accordingly filed a writ in the High Court of Sindh there against. The High Court in its order has allowed the Collector of Customs to get the bank guarantees encashed with the conditions that in case bank guarantees are encashed and the decision goes in favour of the Company. The amount of bank guarantees encashed will be refunded alongwith 14% markup. Total amount of duties involved is Rs. 8.893 million which had been fully provided for in the accounts in the relevant prior year, out of which Rs. 8.694 million has been paid upto September 30, 1999.

11.5 A demand of Rs. 6.216 million in respect of sales tax on in house use of baggasse as fuel was raised by the Collectorate of Sales Tax, Hyderabad. The Company has disputed the liability and has filed an appeal before the Sales Tax Appellate Tribunal, Karachi, the outcome of which is pending. However, to avail a relief from further levy of additional tax and penalties, as facilitated through SRO 1349(1)799 dated 17th December, 1999, the company has paid total tax due of Rs. 11.795 million, including an additional tax of Rs. 5.577 million which has been shown as advances at Note 20 of these accounts.

11.6 The Company has filed petition before Honorable High Court of Sindh challenging the levy of further tax against taxable supplies made to persons other than registered person under section 3(1 A) of the Sales Tax Act, 1990. However, the entire liability till November 30, 2000 against such further tax has been paid by the company including additional tax and penalties. During December, 2000 a judgment in favour of Company was awarded by the Honorable High Court of Sindh. Accordingly, Company has filed claim for refund of such further tax amounting to Rs.48.99 million. Management feels that refund will take substantial time to be realized, on realization, this will be recognized accordingly.

Further, through the Finance Act, 2000-2001 the definition of unregistered persons for the purpose of sales tax was amended. Accordingly, Sales Tax department has raised a demand for further tax @ 3% in respect of sales made to unregistered persons, which has been contested by the Company before the Sales Tax Tribunal in the light of Sindh High Court Judgment. However, the Company has deposited Rs. 1.370 million against the said demand upto September 30, 2001.

12. OPERATING ASSETS - TANGIBLE

Cost

Depreciation

PARTICULARS	Cost at 01-10-2002	Addition/ (Sales)/ Transfer*	Revaluation	Cost at 30-9-2003	Accumulated Depreciation 01-10-2002	Depreciation Charge for the year/ (on disposal)	Accumulated Depreciation 30-09-2003	Book Value as at 30-9-2003	Normal Annual Rate%
OWNED:									
Freehold land	3,786	-	19,462	23,248	-	-	-	23,248	-
Factory building: on free hold land	27,316	-	7,297	34,613	18,605	1,601	20,206	14,407	10
Non factory building: on free hold land	50,206	-	50,509	100,715	24,718	4,454	29,172	71,543	5-10
on leasehold land	9,675	-	-	9,675	5,547	206	5,753	3,922	5
Plant and machinery	1,104,008	7,411 26.00%	468,428	1,605,943	474,481	78,753 8,729	561, %3	1,043,980	5-10
Furniture, fixture and fitting	10,392	14	-	10,406	7,453	295	7,748	2,658	10
Office equipment	25,773	628	-	26,401	21,153	1,732	22,885	3,516	33
Vehicles	1,5,756	880 -994 775	-	16,417	13,174	545 -488 1,008	14,239	2,178	20
	1,246,912	8,933 -994 26,871	545,6%	1,827,418	565,131	87,586 (488) 9,737	661,966	1,165,452	
LEASED:									
Plant and machinery	178,059	-26.00%	1%,417	348,380	25,729	29,868 -8,729	46,868	301,512	5-10
Vehicles	4,238	-775	-	3,453	2,040	486 -1,008	1,518	1,945	20
	182,297	-26,871	1%,417	351,843	27,769	30,354 -9,737	48,386	303,457	
2003	1,429,209	8,933 -994	742,113	2,179,261	592,900	117,940 -488	710,352	1,468,909	
2002	1,313,203	116,655 -649	.	1,429,209	553,288	40,015 -403	592,900	836,309	

12.1 The depreciation has been allocated as follows:

	2003	2002
	(Rupees in thousand)	
Manufacturing	110,222	34,453
Administration and Selling	7,718	5,562
Total	117,940	40,015

12.2 Depreciation on Sugar plant and machinery has been charged @ 5% (2002: on the basis of number of production days i.e 115 days @ 10%) (refer Note 2.5).

12.3 Depreciation on MDFB plant and machinery has been charged @ 10% per annum (2002: on the basis of number of production days i.e 300 days) (refer Note 2.5).

12.4 The company has revalued freehold land, factory building, non factory building and plant & machinery during the year (Note 4).

12.5 Statement of disposals of operating assets is as follows:

ST. No.	Description	Original Cost	Accumulated Depreciation	Written down value	Sale proceeds	Gains	Particulars of purchasers .	Mod of Disposal
1.	Motorcycle Honda CD-70 Registration No. KCV-3659	51	40	11	51		40Muhammad Saleem	By Negotiation
2.	Motorcycle Honda CD-70 / Registration No. KCK-3657	51	40	11	51		40Badruddin Channa Outsider:	By Negotiation
3.	Suzuki Baleno Registration No. KCQ-257	649	317	332	480		148Reliance Insurance Co. Ltd Insurance claim A-181, S.M.C.H.S Karachi.	
4.	Suzuki Hi-roof Registration No. CB-1215	143	67	76	110		34Mehmooda Begum	By Negotiation
5.	Suzuki Jeep Registration No. BA-3118	100	24	76	150		74Reliance Insurance Co. Ltd Insurance claim A-181, S.M.C.H.S Karachi.	
2005*		-994	488	506	842	336		
2002		649	403	246	645	399		

Note
(Rupees in thousand)

13. CAPITAL WORK-IN-PROGRESS
Opening balances

Plant and Machinery	12,300	88,032
Building	-	4,433
Advance for capital expenditure	-	1,450
	12,300	93,915
Expenditure incurred during the year		
Plant and Machinery	47,951	-
Building	-	-
Advance for capital expenditure	-	-
-	47,951	-
	60,251	93,915
Capitised during the year		
Plant and Machinery	7,411	75,732
Building	-	4,433
Advance for capital expenditure	-	1,450
	7,411	81,615
Closing balance	52,840	12,300

		2003	2002
	Note	(Rupees in thousand)	
14. INVESTMENTS			
In associated companies:			
Shahmurad Sugar Mills Limited - listed company	14.1	21,631	21,631
Al-Noor Modaraba Management (Pvt) Ltd	14.2	5,000	5,000
		26,631	26,631
Less: Unrealized loss on revaluation of investment	14.3	-8,182	-8,432
		18,449	18,199

14.1 3,299,784 (2002:3,299,784) ordinary shares of Rs. 10.00 each

Equity held 15.625% (2002:15.625%)

Market value Rs. 16.169 million (2002:Rs. 13.199 million)

14.2 500,000 (2002: 500,000) ordinary shares of Rs. 10.00 each

Equity held 14.285% (2002:14.285%)

Break-up value Rs.2.280 (2002: Rs. 1.680) million

Based on audited accounts for the year ended June 30, 2003

Chief Executive: Mr. Azam Sakrani

14.3 Net unrealized loss on revaluation of investment -

Opening balance

-8,432 -

Add: Decline in break up value of non listed company

-2,720 -

-11,152 -

Reversal of diminution in value due to increase in market

value of listed company

2,970 -8,432

Closing balance

-8,182 -8,432

15. LONG TERM LOANS AND ADVANCES

(Considered good)

Due from executives

21 45 185

Less: Receivable within one year

45 140

- 45

Due from other employees

21 636 650

Less: Receivable within one year

636 588

- 62

- 107

Outstanding for period exceeding three years

- 11

Others

- 96

- 107

Loans to executives are generally granted for purchase of house, car and for domestic needs and are repayable over a period of 10 years. All the loans are granted to the employees of the company in accordance with the terms of employment.

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.045 million

(2002:Rs. 0.248 million).

		2003	2002
		(Rupees in thousand)	
16. LONG TERM DEPOSITS			
Leasing companies		8,914	7,871
Central depository company		150	300
Others		397	418
		9,461	8,589
17. DEFERRED COST			
Advisory, placement fee and commission		5,770	5,770
Rating fee		617	617
Listing fee		100	100
Other charges		2,567	2,567
	17.1	9,054	9,054
Golden handshake scheme	17.2	3,564	3,564
		12,618	12,618
Less: Amortization	17.3	-6,859	-4,335

5,759 8,283

17.1 This represent expenses incurred in relation to the issue of term finance certificates.

17.2 This represent golden handshake scheme offered by management during the year ended September 30, 2002.

17.3 The expenses are being amortized over a period of five years Beginning from the year of expenditure.

	2003 (Rupees in thousand)	2002
18. STORES AND SPARES		
Stores	14,794	15,666
Spares	86,615	84,307
Stores and spares in transit	804	510
	102,213	100,483
Less: Provision for obsolete spare items	5,000	5,000
	97,213	95,483
19. STOCK IN TRADE		
Work-in-process		
Sugar	2,206	5,880
Raw Material	4,282	4,665
Finished goods		
Sugar	263,887	444,937
MDF Sheets	35,881	31,592
	299,768	476,529
	306,256	487,074
20. TRADE DEBTS		
Unsecured, considered good	18,449	33,315

	Note	2003 (Rupees in thousand)	2002
21. LOANS, ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES			
Loan (considered good)			
Due from - Executives	15	45	140
- Other employees	15	636	588
		681	728
Advances (considered good)			
Employees		651	524
Financial institutions		-	300
For purchase and services		3,565	2,064
Growers		143,496	93,946
Sales tax on bagasse	11.5	11,791	11,791
Others		8	8
Deposit		159,511	108,633
Prepayments		548	3,048
Other Receivables		459	773
Associated undertakings	21.1	1	74
Guarantee margin		1,250	-
Transportation contractors		3,200	3,517
Advance Income Tax		3,238	17,881
Financial institutions		351	10
Letter of credit margin		-	1,916
Asstt. Collector of custom		1	1
Others		4,368	2,457
		12,409	25,856
		173,608	139,038

21.1 The maximum aggregate amount due from associated undertakings, Messrs Reliance Insurance Company Limited, at the end of any month during the year was Rs. 1.356 million (2002:Rs. 2.909 million).

22. BANK AND CASH BALANCES

With banks:			
In call deposits (interest bearing)		1,905	1,905
In profit and loss saving account (Apprenticeship)	10.3	32	32
In current accounts		32,739	45,117
		34,676	47,054
Cash hi hand		322	358
		34,998	47,412

		2003 (Rupees in thousand)	2002
23. SALES			
Sales			
Local		1,429,033	1,201,141
Export		51,848	10,107

	1,480,881	1,211,248
Sales tax	189,131	156,671
Brokerage and commission	138	360
	189,269	157,031
Net Sales	1,291,612	1,054,217
23. 1 Export sales have been contracted/made in Pak rupees.		
24. COST OF GOODS SOLD		
Opening stock of finished goods	476,529	447,532
Manufacturing cost:		
Opening stock of woilt in progress	5,880	9,031
Raw material consumed	780,525	810,518
Salaries, wages and benefits	47,355	57,959
Stores and spares consumed	32,270	31,132
Packing materials	8,577	7,670
Fuel and oil	31,115	36,279
Power and water	49,749	47,258
Repair and maintenance	11,935	11,417
Insurance	6,927	7,581
Other manufacturing expenses	9,970	11,522
Cane development cess and surcharge	3,892	3,466
Education cess	2	47
Depreciation	110,222	34,453
	1,098,419	1,068,333
Less: Closing stock of work in process	2,206	5,880
	1,096,213	1,062,453
Less:		
Molasses sale	57,696	46,791
Sander dust sale	1,438	1,284
	59,134	48,075
	1,037,079	1,014,378
	1,513,608	1,461,910
Less: Closing stock of finished goods	299,768	476,529
	1,213,840	985,381

24.1 Includes Rs. 0.189 million (2002: Rs. 1.454 million) in respect of contribution towards staff provident fund.

	Note	2002 (Rupees in thousand)	2001
25. ADMINISTRATION AND SELLING EXPENSES			
Salaries, wages and benefits	25.1	20,901	22,059
Chief executive and director's remuneration and perquisites		2,902	2,902
Staff welfare		2,800	4,620
Rent, rates and taxes		641	1,185
Electricity and gas charges		1,119	1,353
Repair and maintenance		2,309	2,677
Legal and professional		929	1,199
Vehicle running		4,297	5,487
Insurance		1,181	1,484
Communication		2,006	2,693
Sales promotion & advertisement		1,043	1,132
Export sale		4,591	3,054
Despatch and stacking		1,994	2,214
Entertainment		625	1,055
Printing and stationary		391	978
Fees and subscription		492	1,027
Depreciation		7,718	5,562
Others		9,006	8,975
		64,945	69,656

25.1 Includes Rs. 0.312 million (2002: Rs. 0.563 million) in respect of contribution towards staff provident fund.

26. OTHER CHARGES			
Sales tax penalties		803	43
Amortization of deferred cost		2,524	2,524
Charity and donations	26.1	578	1,279
Auditors' remuneration	26.2	320	161
Director's meeting fee	33	8	13
		4,233	4,020

26. 1 No director or his spouse had any interest in the above donee funds.

26.2 Auditors' remuneration			
Daudaily Lalani & Co:			
Annual audit fee		100	100
Half yearly review fee		50	
Certification and special audit		15	5
Provident fund		5	5
		170	110
Hyder Bhimjee & Co:			
Cost audit fee		75	-

		75	51
		320	161
		2003	2002
	Note	(Rupees in thousand)	
27. FINANCIAL CHARGES			
Mark up on:			
Redeemable capital		37,391	40,526
Short term running finance		52,773	84,018
		90,164	124,544
Interest on:			
Workers' profit participation fund	10.1	47	47
Finance charges on leased assets		20,957	18,891
Bank charges		1,817	2,434
Others		2,971	2,220
		25,745	23,545
		115,956	148,136
Less: Interest/profit earned on:			
Commercial bank deposits		-	133
		115,956	148,003
28. OTHER INCOME			
Insurance claim		1,167	-
Sale of scrap		1,010	561
Profit on disposal of fixed assets-net		337	399
Rent		387	426
Other Income		-	9,201
Liabilities written back	23.4	-	17,639
		2,901	28,226
29. TAXATION			
Turnover tax - current	29.1	6,760	5,517
Deferred taxation reversal- prior year	29.3	-36,719	-10,623
		-29,959	-5,106

29.1 In view of available tax losses, the provision for current taxation represents minimum tax being the turn over tax under Section 113 of the Income Tax Ordinance, 2001.

29.2 The company's income tax assessments have been finalised including and upto assessment year 2001- 2002

(accounting year 1999- 2000).

29.3 The tax losses available for carry forward as at September 30,2003, are Rs. 529 million.

The company has not recognised deferred tax assets due to the reasons that it is not probable that sufficient taxable temporary differences or sufficient taxable profit will be available against which the unused tax losses can be utilized by the company.

In view of available tax losses, the provision of deferred taxation created in previous years have been reversed.

		2003	2002
		(Rupees in thousand)	
30. (LOSS) PER SHARE - BASIC			
30.1 Loss after taxation before the effect of reversal of incremental depreciation due to revalued fixed assets.		-74,502	-119,511
Weighted average number of ordinary shares			
18,570,252 (2002: 18,570,252) ordinary shares			
Loss per share		-4.01	-6.44
30.2 Loss after taxation after the effect of reversal of incremental depreciation due to revalued fixed assets.		-12,633	-
Weighted average number of ordinary shares			
18,570,252 (2002: 18,570,252) ordinary shares			
Loss per share		-0.68	-
There is no dilutive effect on the basic (loss) per share.			
31. CASH GENERATED FROM OPERATION			
Loss before taxation		-104,462	-124,617
Adjustment for non cash charges and other items:			
Depreciation	TM	117,940	40,015
Profit on disposal of operating assets		-337	-399
Amortization of deferred cost		2,524	2,524
Provision for staff gratuity		-5,147	2,204
Provision for employees compensated absences		1,968	1,693
Other deferred liabilities (excluding interest)		67,958	-12,728
Financial charges		115,956	148,003
		300,862	181,312
Cash generated before working capital changes		196,400	56,695
(Increase) / decrease in current assets			
Stores and spares		-1,731	6,637
Stock in trade		180,818	32,113

Trade debts	14,867	-32,744
Loans, advances, deposits, prepayments and other receivables	-49,213	-38,044
	144,741	-32,038
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities (excluding financial charges & unclaimed dividend)	110,881	23,922
Cash generated from operations	452,022	48,579
32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Insurance premium paid	8,739	9,664
Rent received	36	36
Insurance claim received	1,365	2,123

The company enter into transactions with related parties in the ordinary course of business at commercial terms and conditions.

33. CAPACITY AND PRODUCTION IN METRIC TONS

		Capacity	Days	Production	Days
SUGAR UNIT	2003	71,400	120	52,508	132
	2002	71,400	120	48,895	115
BOARD UNIT	2003	22,500	300	21,071	300
	2002	22,500	300	19,686	300

Reasons for under utilisation of Board Unit capacity:

- Due to dumping of imported medium density fiber board sheets in the market,

34. CHIEF EXECUTIVE, DIRECTORS, AND EXECUTIVES REMUNERATION

The aggregate amount charged in the accounts of the year for remuneration including all benefits to Chief Executive, Directors and Executives of the company were as follows:

	Chief Executive		Directors		Executives		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Meeting fee	-	-	8	as	-	-	8	13
Remuneration	720	720	1,152	1,152	4,637	4,412	6,509	6,284
Provident fund	-	-	-	-	194	252	194	252
Perquisite (including house rent and bonus)	396	396	634	634	3,639	4,132	4,669	5,162
Reimbursable expenses including travelling expenses	78	87	1,036	231	529	648	1,643	966
	1,194	1,203	2,830	2,030	8,999	9,444	13,023	12,677
Number of persons	1	1	2	2	21	35		

- i) The Chief Executive, certain Directors and Executives are provided with free use of company's cars,
 ii) Meeting fee paid to 6 Directors was Rs.7,500 (2002: 6 Directors Rs. 13,000).
 iii) Reimbursable expenses paid to non-salaried director amounting to Rs. 0.736 million (2002:Rs 0.175 million).

35. NUMBER OF EMPLOYEES

Total average number of employees (including permanent, seasonal and temporary) for the years are 756 (2002: 608).

36. FINANCIAL INSTRUMENTS

36.1 Interest rate risk

(Rupees in thousand)

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are as follows:

	Total	September, 2003		Total	Non-Interest Bearing		Total	
		Less than one year	Interest/Mark-up Bearing One to five years More than five years		Less than one year	More than one year		
FINANCIAL ASSETS								
Long term investment	18,449	-	-	-	-	18,449	18,449	
Long term deposit	9,461	-	-	-	-	9,461	9,461	
Trade debts	18,449	-	-	-	18,449	-	18,449	
Deposits and other receivables	156,826	-	-	-	156,326	-	156,826	
Bank and cash balance	34,998	32	1,905	1,937	33,061	-	33,061	
Total	238,183	32	1,905	1,937	208,336	27,910	236,246	
FINANCIAL LIABILITIES								
Redeemable Capital	249,236	171,395	77,841	249,236	-	-	-	
Obligation under finance lease	144,889	39,988	104,901	144,889	-	-	-	
Short term running finance	514,198	514,198	-	514,198	-	-	-	

	September, 2002					September, 2002		
	Total	Less than one year	Interest/Mark-up One to five years	Bearing More than five years	Total	Non-Interest Less than one year	Bearing More than one year	Total
Creditors accrued and other liabilities	284,951	-	-	-	-	284,951	-	284,951
Total	1,193,274	725,581	182,742	-	908,323	284,951	-	284,951
FINANCIAL ASSETS								
Long term investment	18,199	-	-	-	-	-	18,199	18,199
Long term deposit	8,589	-	-	-	-	-	8,589	8,589
Trade debts	33,315	-	-	-	-	33,315	-	33,315
Deposits and other receivables	106,678	-	-	-	-	106,678	-	106,678
Bank and cash balance	47,412	32	1,905	-	1,937	45,475	-	45,475
Total	214,193	32	1,905	-	1,937	185,468	26,788	212,256
FINANCIAL LIABILITIES								
Redeemable Capital	240,298	90,789	149,509	-	240,298	-	-	-
Obligation under finance lease	146,632	46,436	91,269	8,927	146,632	-	-	-
Short term running finance	808,474	808,474	-	-	808,474	-	-	-
Creditors accrued and other liabilities	196,726	-	-	-	-	196,726	-	196,726
Total	1,392,130	945,699	240,778	8,927	1,195,404	196,726	-	196,726

Effective interest rates for the monetary financial liabilities are mentioned in the respective notes to the accounts.

36.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures and limiting transactions with specific counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the company performance to developments affecting a particular industry of geographic location.

The company is not materially exposed to credit risk.

36.3 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern with out any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values except investment which have been revalued to fair value as shown in these financial statements.

Fair value of financial assets and liabilities are as follows:-

	Rupees in thousand			
	2003 Book value	2003 Fair value	2002 Book value	2002 Fair value
Financial assets				
Investment	-	18,449	18,449	18,199
Long term advance	-	-	-	107
Long term deposit	-	9,461	9,461	8,589
Trade debts	-	18,449	18,449	33,315
Deposits & other receivables	-	156,826	156,826	106,678
Bank and cash balances	-	34,998	34,998	47,412
Financial liabilities				
Redeemable Capital	-	249,237	249,237	240,298
Obligation under finance lease	-	144,889	144,889	146,632
Short term running finance and	-	514,198	514,198	808,474
Creditors, accrued and other liabilities	-	270,196	270,196	196,726

36A Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company is not exposed to foreign currency risk.

36.5 Maturities of assets and liabilities

Liquidity risk is the risk that an institution will be unable to meet its funding requirements.

The table below summarises the maturity profile of the company's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the

contractual maturities. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled based on the past history of the company.

	Total	Rupees in thousand		
		September, 2003 Upto one Year	One year to five years	Over five years
Assets:				
Operating fixed assets	1,468,909	-	-	1,468,909
Capital work in progress	52,840	-	52,840	-
Investment	18,449	-	-	18,449
Long term deposits	9,461	-	-	9,461
Deferred cost	5,759	-	5,759	-
Stores and spares	97,213	97,213	-	-
Stock in trade	306,256	306,256	-	-
Trade debts	18,449	18,449	-	-
Loans, advances, deposits, prepayments and other receivables	173,608	173,608	-	-
Bank and cash balances	34,998	34,998	-	-
	2,185,942	630,524	58,599	1,496,819
Liabilities:				
Redeemable capital	249,237	171,395	77,842	-
Obligation under finance lease	144,888	39,988	104,900	-
Deferred liabilities	350,783	-	-	350,783
Short term running finance	514,198	514,198	-	-
Creditors, accrued & other liabilities	284,951	284,951	-	-
	1,555,732	1,022,207	182,742	350,783
Net assets	630,210	-391,683	-124,143	1,146,036
Represented by :				
Issued, subscribed & paid up capital	185,703			
General reserve	162,000			
Unrealized loss on revaluation of investment	-8,182			
Unappropriated loss	-156,859			
Surplus on revaluation of fixed assets	447,548			
	630,210			
	42			

	Total	Rupees in thousand		
		September, 2002 Upto one Year	One year to five years	Over five years
Assets:				
Operating fixed assets	836,309	-	-	836,309
Capital work in progress	12,300	-	12,300	-
Investment	18,199	-	-	18,199
Long term loans and advances	107	-	107	-
Long term deposits	8,589	-	-	8,589
Deferred cost	8,283	-	8,283	-
Stores and spares	95,482	95,482	-	-
Stock in trade	487,074	487,074	-	-
Trade debts	33,315	33,315	-	-
Loans, advances, deposits, prepayments and other receivables	139,038	139,038	-	-
Bank and cash balances	47,412	47,412	-	-
	1,686,108	202,321	20,690	863,097
Liabilities:				
Redeemable capital	240,298	90,789	149,509	-
Obligation under finance lease	146,632	46,436	100,196	-
Deferred liabilities	93,416	-	-	93,416
Short term running finance	808,474	808,474	-	-
Creditors, accrued & other liabilities	196,726	196,726	-	-
Provision for taxation	5,517	5,517	-	-
	1,491,063	1,147,942	249,705	93,416
Net assets	195,045	-345,621	-229,015	769,681
Represented by :				
Issued, subscribed & paid up capital	185,703			
General reserve	162,000			
Unrealized loss on revaluation of investment	-8,432			
Unappropriated loss	-144,226			
	195,045			

37. SEGMENT DISCLOSURES

SUGAR	BOARD	TOTAL
2003	2003	2003
2002	2002	2002

37.1 Segment assets	1,149,134	1,299,457	336,919	356,969	1,486,053	1,656,426
37.2 Segment liabilities	275,431	308,796	42,247	44,247	317,678	353,043
37.3 Segment revenue						
Sales						
Local	1,039,444	843,609	389,589	357,532	1,429,033	1,201,141
Export	51,289	7,770	559	2,337	51,848	10,107
	1,090,733	851,379	390,148	359,869	1,480,881	1,211,248
Sales tax	135,580	110,036	53,551	46,635	189,131	156,671
Brokerage and commission	138	360	-	-	138	360
	135,718	110,396	53,551	46,635	189,269	157,031
Net Sales,	955,015	740,983	336,597	313,234	1,291,612	1,054,217
Other income	2,901	27,816	-	411	2,901	28,227
	957,916	768,799	336,597	313,645	1,294,513	1,082,444
37.4 Segment expenses						
Cost of sales	925,070	757,479	288,770	227,903	1,213,840	985,382
Administration and selling expenses	41,716	49,773	23,229	19,883	64,945	69,656
Other charges	3,853	3,669	380	351	4,233	4,020
	970,639	810,921	312,379	248,137	1,283,018	1,059,058
37.5 Segment result						
Segment revenue	957,916	768,799	336,597	313,645	1,294,513	1,082,444
Segment expenses	970,639	810,921	312,379	248,137	1,283,018	1,059,058
	-12,723	-42,122	24,218	65,508	11,495	23,386
37.6 Fixed capital expenditure	36,454	36,454	13,019	105,672	49,473	142,126
37.7 Depreciation	43,134	21,883	74,807	18,132	117,941	40,015
37.8 Amortization	2,523	1,811	-	-	2,523	1,811
37.9 Non-cash items (excluding deoreciation)	95.12	93,226	87,803	48,071	182,923	141,297

37.10 Inter-segment pricing

Transactions between business segments are recorded at fair value.

Geographical segments

Since the revenue earning assets of the company are registered in Pakistan, therefore, the disclosure about geographical segment of the cost of property, plant and equipment, is not applicable.

38. DATE OF AUTHORIZATION OF ISSUE

These financial statements have been authorized for issue by the board of directors of the company on January 5, 2004

39. FIGURES

• Comparative figures have been rearranged, wherever necessary, for the purpose of comparison.

- Figures have been rounded off to the nearest rupees in thousand.

PATTERN OF SHARE HOLDING AS AT SEPTEMBER 30, 2003

NOSOF SHAREHOLDERS		HOLDINGS		TOTAL SHARES HELD	
364	FROM	1	TO	100	SHARES 11526
443	FROM	101	TO	500	SHARES 123035
108	FROM	501	TO	1000	SHARES 78963
251	FROM	1001	TO	5000	SHARES 640897
99	FROM	5001	TO	10000	SHARES 620589
6	FROM	10001	TO	15000	SHARES 74802
10	FROM	15001	TO	20000	SHARES 176654
3	FROM	20001	TO	25000	SHARES 70312
2	FROM	25001	TO	30000	SHARES 55385
2	FROM	40001	TO	45000	SHARES 43000
1	FROM	45001	TO	50000	SHARES 48187
1	FROM	50001	TO	55000	SHARES 54486
1	FROM	60001	TO	65000	SHARES 60871
2	FROM	80001	TO	85000	SHARES 168082
1	FROM	95001	TO	100000	SHARES 95726
3	FROM	105001	TO	110000	SHARES 324789
1	FROM	115001	TO	120000	SHARES 116947
1	FROM	140001	TO	145000	SHARES 142350
2	FROM	150001	TO	155000	SHARES 306239
3	FROM	165001	TO	170000	SHARES 504186
2	FROM	170001	TO	175000	SHARES 345536
2	FROM	175001	TO	180000	SHARES 355088
2	FROM	185001	TO	190000	SHARES 374563
1	FROM	190001	TO	-195000	SHARES 191739
2	FROM	210001	TO	215000	SHARES 424380

1	FROM	240001	TO	245000	SHARES	244081
1	FROM	245001	TO	250000	SHARES	245264
3	FROM	250001	TO	255000	SHARES	762291
1	FROM	260001	TO	265000	SHARES	261573
1	FROM	265001	TO	270000	SHARES	269518
1	FROM	275001	TO	280000	SHARES	275844
1	FROM	290001	TO	295000	SHARES	293329
1	FROM	295001	TO	300000	SHARES	299696
2	FROM	320001	TO	325000	SHARES	645669
2	FROM	335001	TO	340000	SHARES	675534
2	FROM	375001	TO	380000	SHARES	757276
1	FROM	385001	TO	390000	SHARES	385423
1	FROM	415001	TO	420000	SHARES	415438
1	FROM	425001	TO	430000	SHARES	425976
1	FROM	510001	TO	515000	SHARES	513757
1	FROM	640001	TO	645000	SHARES	644821
1	FROM	680001	TO	685000	SHARES	680398
1	FROM	700001	TO	705000	SHARES	703629
1	FROM	4660001	TO	4665000	SHARES	4662403
1337						18570252

CATEGORIES OF SHAREHOLDING AS AT SEPTEMBER 30, 2003

CATEGORIES OF SHAREHOLDER'S	NUMBERS	SHARES HELD	PERCENTAGE	
1	INDIVIDUALS	1299	11591176	62.42%
2	JOINT STOCK COMPANIES	20	436657	2.35%
3	INSURANCE COMPANIES	4	639420	3.44%
4	FINANCIAL INSTITUTIONS	5	5340809	28.76%
5	INVESTMENT COMPANIES	4	127633	0.69%
6	MODARABA COMPANIES	1	110000	0.59%
7	MUTUAL FUNDS	2	296741	1.60%
8	OTHERS	2	27816	0.15%
TOTAL		1337	18570252	100.00%

CATEGORIES OF SHARE HOLDING AS AT SEPTEMBER 30, 2003

Categories of Share Holders	Numbers	Shares Held	Percentage
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES			
First Al-Noor Modaraba	1	110,000	0.59%
Noori Trading Corp. (Pvt.) Ltd.	1	385,423	2.08%
NIT & ICP			
National Bank of Pakistan Trustee Deptt	1	4,662,403	25.11%
Investment Corporation of Pakistan	1	6,486	0.03%
National Investment Trust Limited	1	18,940	0.10%
DIRECTORS , CEO & THEIR SPOUSES AND MINOR CHILDREN	25	4,977,203	26.80%
EXECUTIVE	1	19,000	0.10%
PUBLIC SECTOR COMPANIES AND CORP.			
State Life Insurance Corporation of Pakistan	1	513,757	2.77%
P.I.C.I.C	1	299,696	1.61%
BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	8	801,114	4.31%
JOINT STOCK COMPANIES	19	51,234	0.28%
INVESTMENT COMPANIES	2	102,207	0.55%
INDIVIDUALS	1273	6,594,973	35.51%
OTHERS	2	27,816	0.15%
TOTAL:-	1337	18,570,252	100%

SHARE HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

National Bank of Pakistan Trustee Deptt	-	4,662,403
---	---	-----------