

BABA FARID SUGAR MILLS LIMITED

Annual Reports 2003

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BABA FARID

SUGAR MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

CHIEF EXECUTIVE
MR. GHULAM MOHAMMED A. FECTO
DIRECTORS
MR. MUNAWAR ALI FECTO
MR. KAISER MAHMOOD FECTO
MST. ABEDA BANG
MR. YAHYA AHMED BAWANY
MR. MOIN A. HAROON
MR. JAMES R. RICHARDS
MR. FAZLUR REHMAN
MR. IMRAN AZIM

AUDIT COMMITTEE

MR. MOIN A. HAROON - CHAIRMAN
MR. KAISER MAHMOOD FECTO - MEMBER
MR. JAMES R. RICHARDS - MEMBER

COMPANY SECRETARY

MR. ABDUL SAMAD

AUDITORS

M/S. HYDER BHIMJI & CO.
(Chartered Accountants)

BANKERS

MUSLIM COMMERCIAL BANK LTD.
HABIB BANK LTD.

REGISTERED OFFICE

1ST FLOOR, PANORAMA CENTRE,
RAJA GHAZANFAR ALI KHAN ROAD,
KARACHI-75530

ISLAMABAD OFFICE

14-1ST FLOOR, BEVERLY CENTRE,
56-G, JINNAH AVENUE BLUE AREA,
ISLAMABAD.

ZONAL OFFICE

1ST FLOOR. NAWA-E-WAQT HOUSE,
4-SHAHRAH-E-FATIMA JINNAH
LAHORE.

MILLS

OKARA (Distt. OKARA)

NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fifth Annual General Meeting of the members of the Company will be held on Wednesday the December 31, 2003 at 6:30 p.m. at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim-Gymkhana, Gate # 1, Aiwan-e-Saddar Road, Karachi to transact the following business.

ORDINARY BUSINESS

- (1) To receive and adopt the Annual Audited Accounts of the Company for the year ended September 30, 2003 together with the Directors' & Auditor's Report thereon.
- (2) To appoint Auditors for the year 2003-2004 and fix their remuneration. The present auditors Messrs Hyder Bhimji & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment.
- (3) To elect Seven Directors, as fixed by the Board of Directors, in accordance with the provisions of Section 178 of the Companies Ordinance 1984 for a period of three years. The retiring Directors are Messrs Ghulam Mohammad A. Fecto, Munawar Ali Fecto, Kaiser Mahmood Fecto, Abeda Bano, Yahya Ahmed Bawany, Moin A. Haroon, James R. Richards, Fazlur Rehman and Imran Azim.
- (4) To transact any other business with the permission of the Chair.

By order of the Board
(GHULAM MOHAMMED A FECTO)

Chief Executive
Karachi: the 8th December, 2003.

NOTES:

- (1) The Share "ransfor Books of the Company will remain closed from December 24, 2003 to December 31, 2003 (both days inclusive).
- (2) Ail the members should bring their original National Identity Cards at the time of the meeting.
- (3) A member entitled to attend and vote at this Meeting, may appoint another member as his/her Proxy to attend, sp<-3k ~nd vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which 'c/ is signed or a notarially attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting"
- (4) Shareholders are requested to notify any change in their address immediately.
- (5) Any member who seeks to contest election to the office of director, shall whether he/she is retiring director or otherwise, file with the Company, not later than fourteen days before the date of the meeting at which elections are to be held, a notice of his/her intention to offer himself/herself for election as a Director in terms of Section 178 (3) of the Compares Ordinance, 1984 alongwith consent to act as a Director under Section 184 of the Companies Ordinance 1984. He/She should also furnish the declaration as required under Clause I to V of the Code of Corporate Governance.
- (6) In compliance with the requirement of Form-A (Annual Return), all shareholders of the Company are requested to intimate their NIC number for local shareholders and passport number for foreign shareholders alongwith folio number to the Company.

CDC Account Holders:

A. For Attending the Meeting:

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

ii) In case o 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 numbers shall be mentioned on the form.

iii) Attested copies of NIC o-r the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her 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 shall be submitted ('unless it has been provided earlier) alongwith proxy form to the Company

DIRECTORS' REPORT

The Members,

SABA FARID SUGAR MILLS LIMITED

KARACHI.

Assalam-o-Alaikum

Your directors are pleased to present the Twenty Fifth Annual Report and Audited Accounts for the year ended September 30, 2003

Overview

During the last three years the industry has suffered on account of glut created in the year 2000-2001, when during the shortfall at the end of year 2000, traders were allowed to import over 1.0 million tons of subsidized sugar resulting in a surplus of 621,000 on September 30, 2001. At the end of the year under review the ending stock was about 860,000 tons and industry is faced with its disposal.

The situation warranted serious consideration as the prices were alarmingly on the slide. The industry approached the Government to supportive measures one of them was to export the surplus stock either on self financing basis or through Trading Corporation of Pakistan (TCP). TCP however purchased only 100,000 MT from sugar mills, as against the assurance of the Government that the surplus sugar will be

purchased and exported by TCP.

Recently the Government has shown its interest by approving purchase of another 100,000 tonnes of sugar from the mills for a buffer stock.

The Government regulates the sugar industry. The price of sugarcane and start of crushing season all are determined by the Government. Therefore it should ensure a minimum price for sale of sugar also so that both the stakeholders are protected.

Further in order to Keep the industry viable the Government has to

- Link sugarcane price to recovery, so the incentive should be given to the farmers to cultivate good quality varieties! cane having high recovery percentages.
- Rationalize the rate of Sales tax. At present Sugar and Ghee are the only two food items which are charged sales tax @ 15% Sugar however, is charged with further tax of 3% while Ghee is exempted from such restriction. The additional cost of extra 3% is approximately Rs. 19.5 million.

If the industry is not revived than we have to spend precious foreign exchange on imports when our production is low and have no market when production is surplus.

OPERATING PERFORMANCE

	2003	2002
Date of Commencement of Season	22-11-2002	30-11-2001

Date of Cessation		21-4-2003	29-4-2002
Crushing Duration	Days	149	151
Cane crushed	M.Tons	468,868	460,552
Sugar Production	M.Tons	37,517	38,187
Average Recovery	%	8.01	8.28 i

FINANCIAL PERFORMANCE

The company has made gross profit of Rs. 67,881,036 as compared to Gross profit of Rs. 110,884,142. The reduction in gross profit and net loss is attributable to various factors that include substandard sugarcane crop and depressed market conditions which has been discussed as below.

Production of sugar during the year under review almost remained same even though crushing of sugarcane was little bit higher. The cost of procurement increased due to the such reason.

The sale price of sugar remained depressed for the last three years due to over supply. The situation warranted serious consideration as the prices are alarmingly on the slide. The price of sugar fell from Rs. 26 in January 2001 to Rs. 20 in September 2003 in the retail market.

The factors discussed above that are faced by the industry resulted in loss this year.

The management has taken measures to induce growers towards high recovery varietal cane. For this purpose the company has extended seed and pesticide loans to a number of growers.

In order to honour company's current liabilities, enough liquid funds being maintained in the shape of short term investments.

FUTURE OUT LOOK

Nature has been very kind this year, and water supply in most areas of the country including our natural zone has been in abundance, which resulted in high sugarcane production, whereas the yield is expected to show a boost in sugarcane crop much higher than the expectation.

STATEMENTS ON CORPORATE GOVERNANCE

In compliance with the code of corporate governance, the directors are pleased to state that;

- 1) The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, the cash flow and the changes in equity.
- 2) Proper books of account of the Company have been maintained.
- 3) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements and departure, if any, there from has been adequately disclosed.
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
- 7) The Pattern of Shareholding and additional information is annexed.
- 8) No Trading in shares of the company were carried out by CEO, Directors, CFO & Company secretary and their spouses and minor children.

10) NUMBER OF BOARD MEETINGS:

Sr. #:	Name of Directors	Total of Board Meetings held	No. of Meeting Attended
01)	Mr. Ghulam Muhammad A. Fecto	4	2

02)	Mr. Munawar AN Fecto	4	3
03)	Mr. Kaiser Mahmood Fecto	4	3
04)	Mst. Abeda Bano	4	2
05)	Mr. Yahya Ahmed Bawany	4	1
06)	Mr. Moin A. Haroon	4	3
07)	Mr. James R. Richards	4	1
08)	Mr. Fazlur Rehman	4	0
09)	Mr. Imran Azim	4	3

11) Key operating and financial data of last six year is annexed.

12) The Auditors Messrs. Hyder Bhimji & Co. Chartered Accountants retire and being eligible have offered themselves for reappointment.

13) The Value of Investments made by the Provident Fund based on latest audited accounts amounts to Rs. 6.981 million.

14) Dividend for the year is passed over as the company is carrying accumulated losses.

THE BOARD OF DIRECTORS

The Board has reduced the term of directors by three months consequently the term of present directors shall expire on December 31, 2003. The election of Board of Directors shall be held in annual general meeting of the company to be held on December 31, 2003. The Board of Directors has fixed the number of elected directors as seven.

Acknowledgement

Your directors wish to place on record their appreciation for the honest and dedicated work of the staff and workers of all categories and have pleasure to mention here that during the year under review the Management Employees relations continued to remain quite cora'iai.

Your Directors express their thanks to the officials of the Ministry of Food and Agriculture, other Government Agencies and Pakistan Sugar Mills Association for the support and encouragement they have extended to the sugar industry and which we hope will be continued in future too. We would also like to express our sincere thanks to all the financial institutions for their continued support and co-operation.

By Order of the Board

Ghuam Mohammed A. Fecto

(Chief Executive)

Karachi- the 8th December, 2003.

SIX YEARS' REVIEW AT GLANCE

		2002	2001	2000	1999	1998	1997
Production	M. Tons	38,187	29,750	24,100	30,923	40,242	25,234
Crushing	M. Tons	460,552	318,018	335,992	466,326	511,189	341,287
Recovery	%age	8.28	7	7.17	6.63	7.87	7.39
Support Price	Rs.	40	35	35	35	35	24
Operating results							
Sales		604,042,910	571,712,788	466,574,137	555,184,707	512,478,402	479,137,300
Gross Profit		110,884,142	44,252,407	54,148,089	5,105,680	50,973,042	39,152,238
Net Profit /(Loss) after Taxation		52,167,864	-33,459,348	-5,697,758	-77,141,246	-27,652,468	-17,589,566
Assets Employed							
Operating assets		223,200,359	234,726,165	251,172,032	253,266,629	254,053,180	271,786,748
Current assets		204,699,133	196,918,086	134,437,378	78,582,565	186,785,782	56,088,717
Others		11,937,555	12,326,967	13,326,867	12,865,917	13,770,917	16,853,000
Ratios							
Gross Profit percentage		18.36	7.74	11.66	0.92	9.95	8.25

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The Statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner :-

- 1) Company encourages the representation of non-executive directors on its Board. At present the Board of Directors includes five independent non-executive directors.
- 2) The members of the Board have confirmed that none of them is serving as a Director in more than ten listed companies including the Company.
- 3) All members of the Board are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or a NBFIs. None of the director is a member of any stock exchange.
- 4) No casual vacancy occurred in the Board.
- 5) The meetings of the Board is presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board has met at least once in every quarter. Written notices of the Board meeting, along with agenda, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
- 6) The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities. The course was conducted by Mr, Hyder Ali Bhimji, LIB., FCA, and its duration was three and a half hours.
- 7) The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by the directors and employees of the Company.
- 8) The Company has developed a vision/mission statement, overall corporate strategy and significant policies of the Company duly approved by the Board. A complete record of particulars of significant policies, along with the dates on which they were approved or amended has been maintained.
- 9) 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.
- 10) The Board has set up an effective internal audit function.
- 11) The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
- 12) The Directors report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
- 13) The directors, CEO and executive 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) All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors.
- 16) The Board has constituted an audit committee. It comprises 3 members, out of whom two are non-executive directors.
- 17) 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.
- 18) The statutory auditors 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 the code of ethics as adopted by the 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 material principles contained in the Code have been complied with.

(On Behalf of the Board)

Karachi : the 8th December, 2003

GHULAM MOHAMMED A. FECTO

(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 Baba Farid Sugar Mills Limited (the company) to comply with the Listing Regulation No. 37 - Part XI of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange 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 to develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

HYDER BHIMJI & CO.

Karachi: the 8th December, 2003

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of M/S BABA FARID SUGAR MILLS LIMITED as at 30th September, 2003 and 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 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 are in agreement with the books of accounts 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 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 30th September, 2003 and of the loss, its cash flow and changes in equity for the year ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

HYDER BHIMJI & CO.

Karachi: the 8th December, 2003

Chartered Accountants

BALANCE SHEET AS AT SEPTEMBER 30, 2003

	NOTE	2003 RUPEES	2002 RUPEES
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorized			
10,000,000 Ordinary Shares of			
Rs. 10/= each			
		100,000,000	100,000,000
Issued Subscribed & Paid up	3	94,500,000	94,500,000
Accumulated Loss		-70,884,494	-69,683,964
		23,615,506	24,816,036
SUB-ORDINATED LOAN	4	60,000,000	60,000,000
REDEEMABLE CAPITAL	5	24,446,058	29,415,236
MORABAHA FINANCE	6	38,291,596	46,826,286
OBLIGATIONS UNDER FINANCE LEASE	7	82,158,604	40,435,029
CURRENT LIABILITIES			
Current Portion of Long Term Liabilities	8	52,903,223	66,360,046
Short Term Running Finance			
(Utilized under Mark-up Arrangements)	9	43,744,468	89,452,348
Creditors, accrued and other liabilities	10	55,036,842	64,531,392
Provision For Taxation		5,355,359	6,188,174
Proposed dividend		-	11,812,500
			238,344,460
CONTINGENCIES AND COMMITMENTS	11	-	-
TOTAL		385,551,656	439,837,047

The annexed notes form an integral part of these accounts

NOTE	2003 RUPEES	2002 RUPEES
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FIXED ASSETS			
Operating Assets	12	221,928,390	220,351,846
Capital Work-in-Progress		-	2,848,513
		221,928,390	223,200,359
LONG TERM DEPOSITS	13	19,383,450	11,937,555
DEFERRED TAXATION	29	2,785,076	-
CURRENT ASSETS			
Stores, Spares and Loose Tools	14	33,240,856	30,323,258
Stock-in-Trade	15	37,827,753	74,534,422
Trade Debts-unsecured (considered oood)	16	45,979	576,424
Short term investment	17	51,000,000	84,258,953
Loans and Advances	18	7,253,103	11,505,648
Prepayments and Other Receivables	19	1,491,191	1,654,778
Cash and Bank Balances	20	10,595,858	1,845,650
		141,454,740	204,699,133
-----		TOTAL	385,551,656
			439,837,047

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

	NOTE	2003 RUPEES	2002 RUPEES
Sales	21	629,919,935	604,042,910
Cost of Sales	22	562,038,899	493,158,768
Gross Profit		67,881,036	110,884,142
Administrative Expenses	23	31,521,722	29,043,599
Selling & Distribution Expenses	24	2,467,232	2,075,434
		33,988,954	31,119,033
Operating Profit		33,892,082	79,765,109
Other Income	26	8,384,332	12,322,643
		42,276,414	92,087,752
Financial Expenses	27	43,227,110	63,217,700
Other Charges	28	320,330	456,110
W.P.P.F		-	1,420,697
		43,547,440	65,094,507
Net (Loss) /Profit Befoio Taxation		-1,271,026	26,993,245
Taxation	29	70,496	25,174,619
Net (Loss) /Profit After Taxation		-1,200,530	52,167,864
Proposed final dividend		-	11,812,500
		-1,200,530	40,355,364
Accumulated Loss Brought Forward		-69,683,964	-110,039,328
Accumulated Loss carried forward		-70,884,494	-69,683,964
Earnirtg per Share-Basic	30	-0.13	5.52

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT**FOR THE YEAR ENDED 30TH SEPTEMBER, 2003**

	NOTE	2003 RUPEES	2002 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	A	118,276,492	62,202,448
Financial charges paid		-43,489,452	-65,019,978
Taxes paid		-3,598,865	-2,679,847
Dividend paid		-9,397,949	-
Net cash in flow /(out flow) from operating activities		61,790,226	-5,497,377
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-14,700,595	-4,299,523
(Increase) /Decrease in long term deposits		-7,445,895	389,412
		-22,146,490	-3,910,111
CASH FLOW FROM FINANCING ACTIVITIES			

(Decrease) /ncrease in short term finance	-45,707,880	38,505,547
Net Proceeds /(Repayment) of obligations under finance lease	29,362,260	-32,903,380
Proceeds of Morabaha finance	-	46,826,286
Net (Repayment) of Redeemable Capital	-14,547,908	-78,820,758
	-30,893,528	-26,392,305
Net increase /(decrease) in cash and Cash equivalents	8,750,208	-35,799,793
Cash and Cash Equivalent in the beginning of the year	1,845,650	37,645,443
Cash" anrcash equivalents at trie end of year	10,595,858	1,845,650

The annexed notes form an integral part of these accounts.

	2003	2002
	RUPEES	RUPEES
A. CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) /Profit before taxation	-1,271,026	26,993,244
Add/(less) adjustment for non cash charges and other items		
Depreciation	15,972,563	15,825,329
Financial charges	43,227,110	63,217,700
	59,199,673	79,043,029
Profit before working capital changes	57,928,647	106,036,273
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Stores and spares	-2,917,598	-2,038,195
Stock-in-trade	36,706,669	-15,142,032
Trade debts	530,445	-526,834
Short term investment	33,258,953	-22,758,953
Loans and advances	4,252,545	-2,545,112
Prepayments & Receivables	163,587	-569,714
	71,994,601	-43,580,840
increase/(deerease) m current liabilities		
Creditors and accrued liabilities	-11,646,756	-252,985
Cash generated from operations	118,276,492	62,202,448

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Share Capital	Accumulated	Total
	Rupees	Profit / (Loss)	Rupees
		Rupees	
Balance as on Sept. 30, 2001	94,500,000	-110,039,328	-15,539,328
Net Profit for the Year	-	52,167,864	52,167,864
Proposed dividend	-	-11,812,500	-11,812,500
Balance as on Oct. 01, 2002	94,500,000	-69,683,964	24,816,036
Net (Loss) for the Year	-	-1,200,530	-1,200,530
Balance as on Sept. 30, 2003	94,500,000	-70,884,494	23,615,506

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

1. THE COMPANY AND ITS OPERATIONS

Baba Farid Sugar Mills Limited was incorporated in Pakistan in 1978 as a Public Limited company and its shares are quoted on the Karachi and Lahore Stock Exchanges. The company is principally engaged in the production and sale of sugar.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

Theses accounts are prepared under the historical cost convention.

In the current year the following International Accounting Standards (IASs) became applicable to the company.

- I AS 12 (Revised 2000) Income Taxes
- IAS 40 Investment Property

The applicability of above IASs did not have any material impact on the finance statements of the company.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with the approved International Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise such Accounting Standards as are notified under the provisions of Companies Ordinance 1984 Whenever the requirements* of the Companies Ordinance 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance 1984 or the requirements of the said directives takes precedence.

2.3 Tangible Fixed Assets

Owned

These are stated at cost less accumulated depreciation except lease hold land and capital work-in-progress which are stated at cost.

Depreciation is computed by applying reducing balance method whereby the cost of an asset will be written off over its estimated useful life.

Full year depreciation is charged on the assets acquired during the year. While no depreciation is charged in the year of their disposal.

Maintenance and normal repairs are charged to Profit & Loss Account as and when incurred. Major renewals and improvements are capitalized.

Profit or Loss on disposal of fixed assets is included in income currently.
Leased

The Company account for plant and machinery under financial lease by recording the assets and related liability. The amounts are determined on the basis of discount value of total minimum lease payment and residual value of the assets at the end of lease period to be paid by the company. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rate specified in the related note to write off the assets over its estimated useful life.

2.4 Investments-Held to Maturity

These represent investments with fixed maturity in respect of which the company has the positive intent and ability to hold till maturity. These investments are initially recorded at cost being fair value of the consideration given and are subsequently carried at amortised cost using the effective interest rate method.

2.5 Stores, Spares and Loose Tools

These are valued at cost on the basis of First-in-Firsi out method except those in transit which are valued at cost.

2.6 Stock-in-Trade

Stock-in-Process-Stock-in-Process is valued at average raw material cost.

Finished Goods - These are valued at the lower of average cost or net realizable value.

Molasses-Valued at net realizable price

- Cost in relation to finished goods consists of average material cost, direct labour and factory overhead

- Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales.

2.7 Trade debts

Known bad debts are written off and provision is made for the amounts considered doubtful, when collection of the full amount is no longer probable.

2.8 Staff Retirement Benefits

The Company operates a Contributory Provident Fund Scheme for all permanent employees eligible to the benefit.

2.9 Borrowing cost

Interest, Markup and other charges on long term liabilities are capitalized upto the date of commissioning of respective fixed assets acquired out of proceeds of such long term liabilities. All other interest, markup and other charges are charged to income.

2.10 Taxation

Current

The charge for the current taxation is based on taxable income at the current rates of taxation after considering admissible tax credit and rebates and exemptions available, if any, or half percent of turnover under the Income Tax Ordinance 2001 which ever is higher in accordance with the provisions of income tax laws.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences arising at the balance sheet date between tax base of assets and liabilities and their carrying amounts.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, unused tax credits if any, to the extent that it is probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Tax rates enacted at the balance sheet date are used to determine deferred income tax.

2.11 Obligation Under Finance Lease

Liabilities against assets subject to finance lease are accounted for at net present value of minimum payments under the lease arrangements. Finance charges under the lease arrangements are allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the outstanding balance of the principal liability of each period.

2.12 Provisions

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

2.13 Impairment

The carrying amount of company's assets except for inventories and deferred tax assets are reviewed at each balance sheet to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and impairment loss if any is recognized in profit and loss account.

2.14 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be measured reliably.

Sale of goods

Revenue is recognized upon dispatch of goods to customers.

Interest

Income from bank deposits, COIs, loans and advances is recognized on accrual basis.

2.15 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes party to the contractual provisions of the instruments. They are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period, in which it arises.

2.16 Offsetting of Financial Assets and Financial Liabilities

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

2.17 Cash and cash equivalents

For the purposes of cashflow statements, cash and oash equivalent comprise of cheques in hand, cash in hand, cash and bank balances.

2.18 Related Party Transactions

Transactions in relation to sales, purchases and technical services with related parties are made at arm's length prices determined in accordance with the comparable un-controlled price method except for the allocation of expenses such as utilities relating to the company shared with associated companies, which are on actual basis.

	2003 RUPEES	2002 RUPEES
3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL		
6,400,000 (2001: 6,400,000) Ordinary Shares of Rs. 107- each fully paid issued for cash.	64,000,000	64,000,000
3,050,000 (2001: 3,050,000) Ordinary-Shares of Rs. 107- each issued as fully paid Bonus Shares	30,500,000	30,500,000
	94,500,000	94,500,000
	2003 RUPEES	2002 RUPEES
4. SUB-ORDINATED LOAN-UNSECURED From Associated Undertakings	60,000,000	60,000,000

The above loan is interest free and repayable at the convenience of the company.

5. REDEEMABLE CAPITAL-SECURED (NON-PARTICIPATORY)

Long Term Finance utilized under mark-up arrangement			
Industrial Development Bank of Pakistan	5.1	9,761,500	24,508,001
Finances under Musharika arrangements			
First Providence Modaraba	5.2	7,200,000	9,600,000
Guardian Leasing Modaraba	5.3	18,054,412	22,157,235
Guardian Leasing Modaraba	5.4	2,864,853	-

Guardian Leasing Modaraba	5.5	2,864,853	-
Less: Current Portion-shown under current liabilities	8	-16,299,560	-26,850,000
		24,446,058	29,415,236

5.1 Loan is secured by way of first charge on assets of the company. The loan is repayable in 37 monthly installments starting from January 01, 2001. The rate of markup is 50 paisas per day per 1000/-.

5.2 Musharika finance is secured by way of demand promissory note and personal guarantees of two sponsoring directors. The rate of profit is 18.75% p.a. payable in 10 equal semi-annual installments commenced from 28th February 2002.

5.3 Musharika finance is secured by way of demand promissory note and personal guarantees of two sponsoring directors and payable in 5 years. The rate of profit is 18.75% p.a. payable in 55 equal monthly installments commenced from April 2002.

5.4' Musharika finance is secured by way of demand promissory note and personal guarantees of two sponsoring directors and payable in 5 years. The rate of profit is 10.30% p.a. payable in 60 monthly installments commenced from October 2003.

5.5 Musharika finance is secured by way of demand promissory note and personal guarantees of two sponsoring directors and payable in 5 years. The rate of profit is 10.30% p.a. payable in 60 monthly installments commenced from October 2003.

	2003 RUPEES	2002 RUPEES
6. MORABAHA FINANCE-Secured		
BRR International Modarba	19,145,798	23,413,143
BRR International Modarba	19,145,798	23,413,143
	38,291,596	46,826,286

Morabaha financing is secured by way of charge on stores & spares of the company, demand promissory note, and personal guarantees of sponsoring directors. The financing is payable by December 2006.

7. OBLIGATIONS UNDER FINANCE LEASE

	RUPEES 2003		RUPEES 2002	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
Within one year	40,966,044	33,900,729	39,510,046	24,921,962
After one year but not more than Five years	107,235,269	84,861,538	60,052,102	55,023,113
Total minimum lease payments	148,201,313	118,762,267	99,562,148	79,945,075
Less: amount representing financial charges	-29,439,046	-	-19,617,073	-
Present value of minimum lease payments	118,762,267	118,762,267	79,945,075	79,945,075
Less: Current portion shown				
under Current liabilities	8	36,603,663	-39,510,046	-39,510,046
		82,158,604	40,435,029	40,435,029

Discounting factor implicit in the lease ranges between 1.66% to 1.83% per month. The company intends to exercise its option to purchase the leased plant and machinery upon completion of the leased period at residual value. The payment of lease rentals are secured by way of demand promissory note and personal guarantees of sponsoring directors. The cost of operating and maintaining leased assets are to be borne by the Company. There are no financial restrictions imposed by the lease agreement.

	2003 RUPEES	2002 RUPEES
Future rentals and periods during which they fall due are as under		
2002-2003	-	32,757,547
2003-2004	40,966,044	31,000,628
2004-2005	48,259,029	32,952,473
2005-2006	24,817,440	2,851,500
2006-2007	24,817,440	-
2007-2008	9,341,360	-
Minimum lease payments	148,201,313	99,562,148
Less: Financial charges	-29,439,046	-19,617,073
Present value	118,762,267	79,945,075

8. CURRENT PORTION OF LONG TERM LIABILITIES			
Redeemable Capital	5	16,299,560	26,850,000
Finance Lease	7	36,603,663	39,510,046
		52,903,223	66,360,046
9. SHORT TERM RUNNING FINANCE (UTILIZED UNDER MARK-UP ARRANGEMENTS)			
From Banking Companies		43,744,468	89,452,348
		43,744,468	89,452,348

Security

Secured against hypothecation / Pledge of Sugar, Stores & Spares and personal guarantee of sponsoring directors.

Mark-up

24.658 paisas per thousand per day on daily product basis, payable quarterly.

Repayment

Renewable annually.

Extent of Financing

Aggregate Credit facility available to the company is Rs. 200 million (2002: 125 million).

		2003	2002
		RUPEES	RUPEES
10. CREDITORS, ACCRUED & OTHER LIABILITIES			
CREDITORS			
Associated Undertakings		-	292,445
Others		27,771,470	7,516,499
		27,771,470	7,808,944
Accrued Liabilities			
Accrued Expenses		11,825,511	8,533,275
Accrued Interest on short term finance-secured		3,722,747	3,985,089
Accrued interest on custom debenture-unsecured		-	3,853,672
		15,548,258	16,372,036
Other Liabilities			
Advance from Customers		-	23,405,090
Deferred Custom Duty		-	3,634,501
Sales Tax Payable		9,032,263	11,412,490
Others	10.01	2,684,851	1,898,331
		11,717,114	40,350,412
		55,036,842	64,531,392
10.01 Others			
Staff Income Tax Payable		16,760	9,130
Suppliers & Contractors Tax Payable		9,873	1,099
BFSM Staff Provident Fund Trust		-	218,409
Workers Profit Participation Fund	10.01 (a)	49,561	1,420,697
Unclaimed Dividend		2,608,657	194,106
Education Facility		-	54,890
		2,684,851	1,898,331
		2003	2002
		RUPEES	RUPEES
10. 01 (a) Workers Profit Participation Fund			
Balance at 1st October 2002		1,420,697	-
Less: Paid during the Year		1,371,136	-
		49,561	-
Provision for the year		-	1,420,697
		49,561	1,420,697

11. CONTINGENCIES AND COMMITMENTS

11.1 The department has preferred a reference before ITAT in the assessment year 1996-1997.

11.2 The department has filed Civil petition for leave to appeal before the Honourable Supreme Court of the assessment year 1999-2000 against the order in favour of the Company by the Honourable High Court of Sindh.

11.3 The company has filed reference application before the Honourable High Court of Sindh against the decision of ITAT in respect of assessment year 2000-2001. The reference application is pending before the Honourable High Court.

11.4 The department has filed an appeal before the ITAT for the assessment year 2001-2002 against the decision of CIT (Appeals).

11.5 The Company has filed the appeal before the Commissioner of Income Tax (Appeals) against additions made by the assessing officer for the assessment year 2002-2003 which is pending for adjudication.

In view of the favourable decision of the higher appellate forums on the like issues in prior years the management is hopeful about favourable outcome in above matters.

12. OPERATING ASSETS

PARTICULARS	AS AT 01/10/2002	COST		AS AT 30/09/2003	RATE	DEPRECIATION			WRITTEN DOWN VALUE AS AT 30/09/2003	
		ADDITIONS DURING THE YEAR	SALES AND ADJUSTMENT			UPTO 01/10/2002	ON SALES & ADJUSTMENT	FOR THE YEAR UPTO 30/09/2003		
	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	Rs.
OWNED										
Land (Leased Hold)	11,477,905	-	-	11,477,905		-	-	-	-	11,477,905
Building (On Lease hold land)	75,350,295	-	-	75,350,295	5-10	47,337,389	-	1,647,403	48,984,792	26,365,503
Plant and Machinery	288,442,743	16,184,468	27,780,000	276,847,211	7	247,487,406	5,833,800	2,463,552	244,117,158	32,730,053
Electric Installation	9,576,080	-	-	9,576,080	10	7,056,160	-	251,992	7,308,152	2,267,928
Tools and Equipment	2,765,472	17,177	-	2,782,648	10	1,962,721	-	81,993	2,044,714	737,934
Vehicles	14,149,675	386,241	-	14,535,916	20	12,975,164	-	312,150	13,287,314	1,248,602
Furniture & Fixtures	4,892,406	54,825	-	4,947,231	10	3,743,429	-	120,380	3,863,809	1,083,423
Equipments	6,359,433	906,397	-	7,265,830	10	4,024,381	-	324,145	4,348,526	2,917,304
TOTAL	413,014,009	17,549,108	27,780,000	402,783,116		324,586,650	5,833,800	5,201,615	323,954,465	78,828,652
LEASED:										
Leased Machinery	188,490,620	27,780,000	-	216,270,620	7	56,566,134	5,833,800	10,770,948	73,170,882	143,099,738
Total Rupees 2003	601,504,629	45,329,108	27,780,000	619,053,736		381,152,784	11,667,600	15,972,563	397,125,347	221,928,3<0
Total Rupees 2002	699,670,181	1,834,447	-	601,504,628		365,327,452	-	15,825,330	381,152,782	220,351,846

12.1 The cost of completion of 5th crushing mill of Rs. 16,184,468 has been capitalised during the year on its completion.

12.2 The addition in leased assets represents sale and lease back transaction of plant and machinery at carrying value hence no gain or loss resulted from such transaction.

	Note	2003 Rupees	2002 Rupees
12.3 Depreciation charged for the year has been allocated as follows:			
Raw material procurement Expenses	22.01	177,222	207,226
Manufacturing Expenses	22.02	13,954,111	13,812,533
Administrative Expenses	23	1,702,150	1,659,171
Selling Expenses	24	139,080	146,400
		15,972,563	15,825,330
		2003 RUPEES	2002 RUPEES
13. LONG TERM DEPOSITS			
Security Deposit - Lease assets		18,998,395	11,562,500
- Utilities and Others		385,055	375,055
		19,383,450	11,937,555

14. STORES, SPARES & LOOSE TOOLS			
Stores		16,200,650	13,573,833
Spares & Accessories		17,867,436	17,612,552
Loose Tools		323,470	287,573
		34,391,556	31,473,958
Provision for Obsolete Stores		-1,150,700	-1,150,700
		33,240,856	30,323,258
15. STOCK-IN-TRADE			
Work-in-process-Suaar		1,120,288	592,084
Finished goods - Sugar		36,658,576	73,868,451
- Molasses		48,889	73,887
		37,827,753	74,534,422
16. TRADE DEBTS-Unsecured			
Local debts-Considered Good		45,979	576,424
		45,979	576,424
17. SHORT TERM INVESTMENT-Held to Maturity			
- Musharaka Investment			
Guardian Leasing Modaraba		51,000,000	34,258,953
First General Leasing Modaraba		-	50,000,000
		51,000,000	84,258,953

2003 **2002**
RUPEES **RUPEES**

18. LOANS & ADVANCES			
Loans to Cane Growers	18.1		
- Considered Good		1,748,925	1,753,148
- Considered doubtful		1,915,259	1,927,624
- Provision there against		-1,915,259	-1,927,624
		1,748,925	1,753,148
Loans to Staff-Considered Good	18.2	558,906	718,786
Advance against supplies		1,705,791	4,069,962
Advance against expenses		3,239,481	4,963,752
		7,253,103	11,505,648

18.1 Represents loan given to cane growers for the procurement of seed and pesticide in order to enable them to protect the crop from damages and for sowing variety sugarcane.

18.2 Represents interest free loan as per company policy for personal reasons. The loan is repayable/adjustable in one year against salary and/or bonus.

18.3 No balance was due from associated undertakings at any month end during the year (2002: Nil)

13. PREPAYMENTS AND OTHER RECEIVABLES			
Prepaid Expenses		532,622	696,209
Income tax refundable - Determined		884,769	884,769
Other Receivables		73,800	73,800
		1,491,191	1,654,778
20. CASH AND BANK BALANCES			
Cash in hand		96,500	30,493
Balances with Banks			
- In Deposit Accounts		13,786	14,316
		10,595,858	1,845,650
21. SALES			
Gross sales		743,993,800	712,876,750
Less : Sales tax		-114,073,865	-108,833.84
Net Sales		629,919,935	604,042,910

2003 **2002**
RUPEES **RUPEES**

22. COST OF SALES			
Raw Materials & Expenses thereon	22.01	483,490,050	467,775,879
Manufacturing Expenses	22.02	72,106,760	74,049,755
		555,596,810	541,825,634
Work-in-Process			

Opening		592,084	982,234
Closing		-1,120,288	-592,084
		-528,204	390,150
		555,068,606	542,215,784
Sale of By - Products			
Molasses		-30,144,390	-33,412,514
V.F. Cake		(120,190)!	-112,320
		-30,264,580	-33,524,834
Cost of Goods Manufactured		524,804,026	508,690,950
Finished stock - Opening		73,942,338	58,410,156
- Closing		-36,707,465	-73,942,338
		37,234,873	-15,532,182
Cost of Goods Sold		562,038,899	493,158,768
22.01 RAW MATERIAL & EXPENSES THEREON			
Raw material purchases			
(including procurement and other expenses)		475,817,851	460,368,197
Salaries, Wages, Bonuses and			
Staff Benefits		4,199,318	4,387,051
Rent, Rates and Taxes		251,929	306,734
Establishment & Other Expenses	25	2,947,092	2,380,941
Depreciation	12.3	177,222	207,226
Insurance		96,638	125,730
		483,490,050	467,775,879
		2003	2002
		RUPEES	RUPEES
22.02 MANUFACTURING EXPENSES			
Processing and Packing Materials		8,621,817	9,067,752
Fuel and Power consumed		17,105,040	8,317,716
Salaries, Wages, Bonuses			
& Staff Benefits		20,863,621	20,207,233
Stores and Spares consumed		10,769,776	21,339,759
Rates and Taxes		30,450	155,304
Establishment & Other Expenses	25	252,977	264,561
Insurance		508,969	884,897
Depreciation	12.3	13,954,111	13,812,533
		72,106,760	74,049,755
23. ADMINISTRATIVE EXPENSES			
Salaries, Bonuses & Staff Benefits		18,625,129	16,818,670
Directors' Fee		18,000	18,000
Rent, Rates and Taxes		487,378	656,880
Establishment & Other Expenses	25	9,838,637	8,923,829
insurance		850,428	967,049
Depreciation	12.3	1,702,150	1,659,171
		31,521,722	29,043,599
24. SELLING AND DISTRIBUTION EXPENSES			
Salaries, Bonuses and Staff Benefits		571,734	539,832
Establishment & Other Expenses	25	7,315	34,236
Depreciation	12.3	139,080	146,400
Handling and Stacking Expenses		1,062,849	1,009,265
insurance		686,254	345,701
		2,467,232	2,075,434
25. ESTABLISHMENT AND OTHER EXPENSES			
Advertisement Expenses		425,477	394,590
Annual General Meeting Expenses		62,300	60,225
Conveyance Expenses		63,751	59,777
Computer Stationary		17,765	4,910
Diesel Charges		575,248	450,065
Diesel Charges - Generator		13,963	12,091
Effluent water disposal Expenses		99,448	66,000
Electricity		802,931	704,591
Entertainment Expenses		320,903	301,284
Fees and Subscriptions		693,659	556,607
Freight and Cartage		41,214	43,902
Gardening Expenses		3,508	945
Gas Charges		84,816	37,811

		2003	2002
		RUPEES	RUPEES
Guest House Expenses		260,095	105,847
internet charges		17,190	5,600
Lease Rent Expenses		-	-
Legal Fees and Expenses		281,640	796,230
Messing Expenses		11,035	12,125
Mobile Telephone Charges		14,308	15,737
Packing and Forwarding		1,303	800
Papers and Periodicals		45,471	40,070
Postage and Telegram		157,022	115,086
Printing and Stationary		1,227,743	839,838
Professional Tax		100,000	200,000
Repair and Maintenance		482,157	671,537
Security Service Charges		26,321	41,382
Sundry Expenses		23,232	17,265
Telephone & Telefax Charges		980,370	1,069,881
Travelling Expenses		492,266	289,336
Vehicle Expenses		5,538,146	4,584,824
Water Charges		52,872	52,111
Weighbridge repair		129,520	53,100
ZaKat		346	-
		13,046,021	11,603,567
Above expenses are allocated as follows:			
Raw Material	22.01	2,947,092	2,380,94
Manufacturing Expenses	22.02	252,977	264,561
Administrative Expenses	23	9,838.64	8,923,829
Selling and Distribution Expenses	24	7,315	34,236
		13,046,021	11,603,567
26. OTHER INCOME			
Profit on C.O.I. & Short Notice Time Deposits		-	4,505.85
Miscellaneous Receipts		68,859	75,676
Profit on musharaka investment		-	6,276,030
Liaolities written back		8,082,348	1,439,493
Rent Income		233,125	25,590
		8,384,332	12,322,643
27. FINANCIAL EXPENSES			
Finance Charges on Redeemable Capital		11,792,207	28,282,865
Finance Charges on Finance Leases		18,158,535	13,768,558
Mark up on running & cash finance		12,692,026	15,476,270
Mark up on accrued WPPF Balance		163,373	
Loan documentatiion & processing charges		18,000	455,920
Bank Charges		262,587	137,686
Commission on Bank Guarantee		140,382	96,401
		43,227,110	63,217,700
		2003 RUPEES	2002 RUPEES
28. OTHER CHARGES			
Charity & Donation	28.1	150,000	250,000
Auditors' Remuneration	28.2	170,330	206,110
		320,330	456,110
28.1	Recipients of donation do not include anybody in whom any director or his spouse had any interest.		
28.2	Auditors Remuneration		
Annual Audit		80,000	80,000
Certification Charges		-	40,000
		80,000	120,000
Cost Audit fee (M/s. Yousuf & Co.)		50,000	50,000
Travelling & Reimbursement of Expenses		40,330	36,110
		170,330	206,110
29. TAXATION			
Current		-3,342,844	-3,250,762
Prior year		628,264	-274,619
Deferred		2,785,076	28,700.00
		70,496	25,174,619

CURRENT

In view of brought forward assessed losses the liability of current taxation is calculated at

0.5% as minimum tax liability.

DEFERRED

Deferred (Debit) arising in respect of:

Unabsorbed depreciation

-14,519,006

Deferred Credit arising' in respect of:

i c-a&ed ae&ete-

851,815

Accelerated tax depreciation

3,215,815

-2,785,076

- The tax losses available for carry forward as at September 30, 2003 are Rs. 162,340,387 out of which Rs. 41,482,875 relates to unabsorbed depreciation upto assessment year 2002-2003.

- The company has not recognised deferred tax assets other than unabsorbed tax depreciation 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 utilised by the company.

	2003	2002
	RUPEES	RUPEES
30. EARNING PER SHARE-BASIC		
Net (Loss) / Profit after tax	-1,200,530	52,167,864
No. of Ordinary Shares	9,450,000	9,450,000
Earning per Share Basic	-0.13	5.52
31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sale of Molasses	9,400,000	8,499,898

- The transactions were carried out at an arm's length basis, in accordance with the accounting policy as stated in Note 2.18.

- No buying or selling'commission has been paid to any associated undertaking.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

PARTICULARS	2003			2002		
	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES
Managerial Remuneration	-	455,400	3,586,074	-	455,400	2,306,000
Allowances	-	209,436	1,380,620	-	209,436	931,356
Medical	-	27,324	202,430	-	27,324	137,820
Contribution to Provident Fund	-	45,636	-	-	45,636	-
Perquisites in Kind						
Car Expenses	60,741	-	-	53,344	102,070	-
Utilities	-	-	-	-	-	-
Telephone at Residence	4,460	-	-	4,580	115,465	97,590
TOTAL	65,201	737,796	5,169,124	57,924	955,331	3,472,766
Number of Persons	1	1	12	1	1	6

The aggregate amount charged for directors fees in the accounts is Rs. 18,000 (2002: Rs. 18,000) for 6 Directors.

Certain executive have been provided with free use of company maintained cars.

33. FINANCIAL ASSETS & LIABILITIES

FINANCIAL ASSETS	INTEREST BEARING		S. Total	2003 NON INTEREST BEARING		S.Total	TOTAL
	Within One Year	Above One Year		Within One Year	Above One Year		
Deposit				-	19,383,450	19,383,450	19,383,450
Short term investments	51,000,000		51,000,000	-	-	-	51,000,000

Loans & Advances	-	-	7,253,103	-	7,253,103	7,253,103
Other receivables			958,569	-	958,569	958,569
Cash & Bank Balances	13,786	-	13,786	-	10,582,073	13,595,858
	51,013,786	-	51,013,786	19,383,450	38,177,195	39, -90,980
FINANCIAL LIABILITIES						
Subordinated Loans			-	60,000,000	60,000,000	500,000,001
Redeemable Capital	16,299,560	24,446,058	40,745,518	-	-	40,745,618
Morabaha Finance		38,291,595	38,291,596	-	-	38,291,596
Liaiiities against Lease	36,603,663	62,158,604	118,762,267	-	-	118,762,267
Short term financing	43,744,468	-	43,744,468	-	-	43,744,468
Creditors & Accrued Liabilities	-	-	-	55,036,842	-	55,036,842
	96,647,691	144,896,257	241,543,949	55,036,842	60,000,000	115,036,842
	-45,633,905	-144,896,258	-190,530,163	-35,710,475	-40,616,550	-76,327,025
						-266,857,189

FINANCIAL ASSETS	INTEREST BEARING			2002 NON INTEREST BEARING			TOTAL
	Within	Above	S. Total	Within	Above	S.Total	
	One Year	One Year		One Year	One Year		
Deposit		-	-	-	11,937,555	11,937.56	11,937,555
Short term investments	84,258,953	-	84,258,953	-	-	-	84,258,953
1 cans & Advances	-	-	-	11,505,648	-	11,505,648	11,505,648
Prepayments & Other receivables		-	-	1,654,778	-	1,654,778	1,654,778
Cash & Bank Balances	14,316	-	14,316	1,831,334	-	1,831,334	1,845,650
	84,273,269	-	84,273,269	1,499,060	11,937,555	26,929,315	111,202,584
FINANCIAL LIABILITIES							
Subordinated Loans	-	-	-	-	60,000,000	60,000,000	60,000.00
Redeemable Capital	26,850,000	29,415,236	56,265,236	-	-	-	56,265,236
Morabaha Finance	-	46,826,29	46,826,286	-	-	-	46,826,286
Liaiiities against Lease	39,510.05	60,052,102	99,562,148	-	-	-	99,562.1 48
-Shor term financmo	89,452,348	-	89,452,348	-	-	-	39,452,348
Creditors & Accrued LiaDiities		-	-	64,531,392	-	64,531,392	64,531, 392
	155,812,394	136,293,624	292,106,018	64,531,392	60,000,000	124,531,392	416,637,410
	-71,539,125	-136,293,624	-207,832,749	-49,539,632	-48,062,445	-97,602,077	-305,434,826

RATE DISCLOSURE

Effective interest rate for the moneta"/ financial assets and liabilities are mentioned in the respective notes to the accounts.

FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The company issues financial instruments mainly to finance its operations, in addition to financial instruments, trade debts and trade creditors arise directly from the company's operation.

The company finances its operation primarily by a mixture of issued share capital long & short term finances and loans, while it borrows funds usually at fixed raies of interest / mark-up.

a. Interest rate risk management

Since the company borrows fund usually at fixed interest / mark-up rates, thus the risk arising is minimal.

b. Liquidity risk management

Liquidity risk is the risk that an institution will be unable to meet its requirements, To guard against the risk, the company has diversified funding sources. The maturity profile is monitored to ensure that adequate liquidity is maintained.

c. Concentration of credit risk

The company considers that it is not exposed to major concentration of credit risk. The company, however is exposed to credit related losses in the event of non performance by

counter parties to financial instruments but does not expect any counter parties to fail to meet the obligation.

d Fair value of financial instruments

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

34. CAPACITY AND PRODUCTION

	CAPACITY		ACTUAL	
	As determined under production		PRODUCTION	
	Capacity (Sugar) rules 1972			
	M.TONS	DAYS	M.TONS	DAYS
2003	27,200	160	37,517	149
2002	27,200	160	38,187	151

35. NUMBER OF EMPLOYEES

Total average number of employees (including permanent, seasonal and temporary) for the year 2003 were 498 (2002: 494).

36. DATE OF AUTHORIZATION

These financial statements were authorized for issue on December 05, 2003 by the Board of Director of the Company.

37. FIGURES

a) Previous year's figure⁰ have been re-grouped and re-arranged wherever necessary for the purpose of comparison. However, there was no material reclassification.

b) Figures have been rounded off to the nearest Rupees.

PATTERN OF SHAREHOLDINGS AS AT SEPTEMBER 30, 2003

NO. of Shareholders	Shareholdings				Total share Held
599	From	1	to	100	Shares 28,707
589	From	101	to	500	Shares 108,464
76	From	501	to	1,000	Shares 58,067
95	From	1,001	to	5,000	Shares 211,133
15	From	5,001	to	10,000	Shares 98,127
1	From	10,001	to	15,000	Shares 12,402
2	From	15,001	to	20,000	Shares 35,999
1	From	25,001	to	30,000	Shares 26,429
1	From	35,001	to	40,000	Shares 37,668
2	From	80,001	to	85,000	Shares 166,163
2	From	115,001	to	120,000	Shares 237,176
2	From	305,001	to	310,000	Shares 618,382
2	From	655,001	to	660,000	Shares 1,317,346
1	From	985,001	to	990,000	Shares 987,277
1	From	1,475,001	to	1,480,000	Shares 1,476,562
1	From	1,630,001	to	1,635,000	Shares 1,633,211
1	From	2,395,001	to	2,400,000	Shares 2,396,887
1391					TOTAL 9,450,000

Categories of Shareholders	Number	Shares held	Percentage
INDIVIDUALS	1378	7,954,943	84.18%
INVESTMENT COMPANIES	2	5.53	0.06%
JOINT STOCK COMPANIES	9	1,486,475	15.73%
FINANCIAL INSTITUTIONS	2	3,052	0.03%
MODARABA COMPANIES	-	-	-
FEDERAL GOVERNMENT	-	-	-
ABANDONED PROPERTY	-	-	-
CORPORATE LAW AUTHORITY	-	-	-

CHARITABLE INSTITUTIONS	-	-	-
TRUST	-	-	-
TOTAL	1391	9,450,000	100%

**PATTERN OF SHAREHOLDING
AS AT 30-09-2003**

ADDITIONAL INFORMATION

SHAREHOLDERS CATAGORY	NO. OF SHARE HONDERS	SHARES HELD
ASSOCIATED COMPANIES		
Fecto Sugar Mills Limited.	1	1,476,562
N.I.T./ICP		
N.I.T	1	219
I.C.P	1	5,311
DIRECTORS		
Mr. Ghulam Mohammed A. Fecto (CEO)	1	309,191
Mr. Munawar Ali Fecto	1	2,396,887
Mr. Kaiser Mahmood Fecto	1	1,633,211
Mst. Abeda Bano	1	987,277
Mr. Yahya Ahmed Bawany	1	3,690
Mr. Moin A. Haroon	1	2,669
Mr. James R. Richards	1	3,690
Mr. Fazlur Rehman	1	2,500
Mr. Imran Azim	1	2,500
DIRECTORS' / CEO'S SPOUSES		
Mrs. Zubaida Bai	1	309,191
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS.		
	10	12,965