

CHASHMA SUGAR MILLS LIMITED
Annual Reports 2003

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COMPANY INFORMATION

BOARD OF DIRECTORS	Khan Aziz Sarfaraz Khan Begum Zari Sarfaraz Begum Laila Sarfaraz Ms. Zarmine Sarfaraz Mr. Iskander M. Khan Begum Mehmooda Salim Khan Mr. Abdul Qadar Khattak	Chairman/Chief Executive
BOARD AUDIT COMMITTEE	Begum Zari Sarfaraz Begum Mehmooda Salim Khan Mr. Iskander M. Khan	
COMPANY SECRETARY/ CHIEF FINANCIAL OFFICER	Mujahid Bashir	
AUDITORS	Messers Hameed Chaudhri & Co. Chartered Accountants	
COST AUDITORS	Messers Munawar Associates Chartered Accountants	
TAX CONSULTANT	Messers Hameed Chaudhri & Co. Chartered Accountants	
LEGAL ADVISOR	Messers Khokhar Law Chambers Advocates & Corporate Counsel	
BANKERS	National Bank of Pakistan Habib Bank Limited	

Muslim Commercial Bank Limited
The Bank of Khyber
Bank Al-Falah Limited
Bank Al-Habib Limited
Standard Chartered Bank Limited

REGISTERED OFFICE

Banglow No 16, PSM Colony,
Nowshera Road, Mardan

HEAD OFFICE

20-A, Markaz F-7, Islamabad
Phone: 2650805-7
Fax: 2651285-6

FACTORY

Dera Ismail Khan
Phone: 750090, 750091
Fax: 750092

VISION STATEMENT

Efficient organization with professional competence of top order is engaged to remain a Market leader in the sugar industry in manufacturing and marketing of white sugar.

To ensure attractive returns to business associates and shareholders as per their expectations.

MISSION STATEMENT

Quality objectives are designed with a view to enhance customer satisfaction and operational efficiencies.
To be a good corporate citizen to fulfill the social responsibilities.
Commitment to building Safe, Healthy and Environment friendly atmosphere.

We, with our professional and dedicated team, ensure continual improvement in quality and productivity through effective implementation of Quality Management System. Be a responsible employer and reward employees according to their ability and performance.

We value the social and economic well being of our partners and strive for a harmonious environment conducive to team performance.

The quality policy also encompasses our long term Strategic Goals and Core Values, which are integral part of our business.

STRATEGIC GOALS

Providing Customer Satisfaction by serving with superior quality production of white sugar at lowest cost.

Ensuring Security and Accountability by creating an environment of security and accountability for employees, production facilities and products.

Expanding Customer Base by exploring new national and international markets and undertaking product research and development in sugar industry.

Ensuring Efficient Resource Management by managing human, financial, technical and infra-structural resources so as to support all over strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

Striving for continuous improvement and innovation with commitment and responsibility;
Treating stakeholders with respect, courtesy and competence;
Practising highest personal and professional integrity;
Maintaining teamwork, trust and support with open and candid communication;
Ensuring cost consciousness in all decisions and operations.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The articulation of this statement is based on the following points :-

Elimination of improper payments or use of the Company's assets.
Elimination of political contributions.
Elimination of reporting violations.
Accuracy of books and records of the Company and its safe custody.
Authentic and genuine payment of amounts due to customers, agents or suppliers.
Respect of employees, suppliers, agents, customers and shareholders.
Integrity and scrupulous dealings.
Health and safety environments.
Conflicts of interests.
Strict observance of the laws of the country.
Respect of basic human rights.

Teamwork, trust, determination and delegation of powers.

Our dealings with all stakeholders, especially with the government and financial institutions, are based on honesty and equality. Our accounting & finance policies are guided by prevailing corporate regulations, Companies Ordinance, 1984, and the Code of Corporate Governance. Further, we aim to fully comply with International Accounting Standards (IAS) • in the preparation of financial statements whereas any departure therefrom is adequately disclosed.

Chashma Sugar Mills Limited is committed to ensure that this Statement of Ethics & Business Practices is understood and implemented by all concerned individuals in letter and spirit.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the listing regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

1. The directors have confirmed that none of them is serving as a director in more than ten listed Companies including this Company.
2. 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 or an NBF1 or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
3. No casual vacancies were occurred in the Board during the year.
4. The Company has prepared a "Statement of Ethics and Business Practices", which has

been signed by all the directors and employees of the Company.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman when he was present, and the Board met at least once in every quarter. Written notices of the Board meetings along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. There were no new appointments of CFO / Company Secretary during the year.
9. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
10. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.
11. 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.
12. The Company has complied with all the corporate and financial reporting requirements of the Code.
13. The Board has formed an Audit Committee, which comprises of three members.
14. 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 formulated and advised to the Committee for compliance.
15. The Board has set-up an effective internal audit function.
16. 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 (ICAP), 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 ICAP.
17. 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.
18. We confirm that all other material principal information contained in the Code has been compiled with.

For and on behalf of the Board

Mardan

KHAN AZIZ SARFARAZ KHAN

December 8, 2003

CHIEF EXECUTIVE

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF
COMPLIANCE WITH BEST PRACTICES OF THE 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 Chashma Sugar Mills Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of Listing Regulations of Lahore Stock Exchange (Guarantee) Limited and chapter XI of listing regulations of the Islamabad 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's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

LAHORE;

HAMEED CHAUDHRI & CO.,

December 09, 2003

CHARTERED ACCOUNTANTS.

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS
AS AT 30 SEPTEMBER, 2003

Shareholders	Shareholding					Total Shares Held
167	From	1	to	100	Shares	16,675
1,082	From	101	to	500	Shares	498,637
178	From	501	to	1,000	Shares	173,522
262	From	1,001	to	5,000	Shares	712,966
68	From	5,001	to	10,000	Shares	513,000
19	From	10,001	to	15,000	Shares	241,900
13	From	15,001	to	20,000	Shares	240,700
14	From	20,001	to	25,000	Shares	318,000
8	From	25,001	to	30,000	Shares	221,800
5	From	30,001	to	35,000	Shares	163,200
5	From	35,001	to	40,000	Shares	188,400
2	From	40,001	to	45,000	Shares	85,200
3	From	45,001	to	50,000	Shares	143,500
1	From	50,001	to	55,000	Shares	52,000
1	From	55,001	to	60,000	Shares	59,800
1	From	60,001	to	65,000	Shares	60,500
1	From	75,001	to	80,000	Shares	76,500
1	From	80,001	to	85,000	Shares	81.8

1	From	85,001	to	90,000	Shares	88,500
4	From	90,001	to	100,000	Shares	488,600
2	From	100,001	to	110,000	Shares	208,000
3	From	110,001	to	200,000	Shares	514,600
1	From	200,001	to	210,000	Shares	205,000
1	From	245,001	to	250,000	Shares	250,000
1	From	280,001	to	290,000	Shares	290,000
2	From	400,001	to	450,000	Shares	880,000
1	From	900,001	to	910,000	Shares	908,400
1	From	1,910,001	to	1,915,000	Shares	1,912,800
1	From	1,915,001	to	Above	Shares	9,534,000
1,849						19,128.00

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Companies	3	10,174,500	53.19
NIT and ICP	-	-	-
Directors & Relatives	11	2,424,300	12.67
Executive	-	-	-
Public Sector Companies and Corporations	32	855,900	4.47
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Moderabas and Mutual Funds	4	1,997,900	10.44
Individuals	1,797	3,380,400	17.67
Charitable Trusts	2	295,000	1.54
	1,849	19,128,000	100

Categories of Shareholders	Numbers	Shares Held	Percentage	of Paid-up Capital
Associated Companies. Undertakings and Related Parties	3	10,174,500		53.19
Phipson & Co. (Pak) Limited		205,000	1.07	
Aztrak Enterprises (Pvt) Limited		435,500	2.28	
The Premier Sugar Mills Limited		9,534,000	49.84	
NIT and ICP	-	-	-	-
Directors and Relatives	11	2,424,300	12.67	
Executive	-	-	-	-
Public Sector Companies and Corporation	32	855,900	4.47	
Asif Mushtaq & Company		1,500	0.01	
Neelum Textile Mills (Pvt) Limited		25,000	0.13	
Paramount Spinning Mills Limited		21,100	0.11	
Shakil Express (Pvt) Limited		17,700	0.09	
Valika Properties (Pvt) Limited		4,500	0.02	
Khadam Ali Shah Bukhari & Co. Limited		90,000	0.47	
Moosa, Noor Muhammad, Shahzada & Co. (Pvt) Ltd.		12,000	0.06	
Rahat Securities Limited		500	0	
Invest Capital & Securities (Pvt) Limited		19,800	0.1	
Y. S. Securities & Services (Pvt) Limited		1,000	0.01	
Sapphire Agencies (Pvt) Limited		35,000	0.18	
Paramount Spinning Mills Limited		94,100	0.49	
Amer Cotton Mills (Pvt) Limited		59,800	0.31	
Molasses Export Co. (Pvt) Limited		275,000	1.44	
Bulk Management Pakistan (Pvt) Limited		24,500	0.13	
Shakoo (Pvt) Limited		37,600	0.2	
S. H. Bukhari Securities (Pvt) Limited		1,400	0.01	
Aqeel Karim Dhedhi Securities (Pvt) Limited		500	0	
Ace Securities (Pvt) Limited		1,000	0.01	

Salim Chamdia Securities (Pvt) Limited	3,000	0.02
Munaf Sattar Securities (Pvt) Limited	56,000	0.29
Memon Securities (Pvt) Limited	2,500	0.01
Fawad Yusuf Securities (Pvt) Limited	5,000	0.03
M. S. Securities (Pvt) Limited	2,500	0.01
Bawa Securities (Pvt) Limited	5,500	0.03
pillion Capital Securities (Pvt) Limited	1,000	0.01
Mazhar Hussain Securities (Pvt) Limited	1,000	0.01
A.H.K.D. Securities (Pvt) Limited	2,000	0.01
DJM Securities (Pvt) Limited	500	0
Ample Securities (Pvt) Limited	15,000	0.08
Irfan Mazhar Securities (Pvt) Limited	30,000	0.16
Villika Arts Fabrics Limited	9,900	0.05

Banks, Development Finance Institutions. Non Banking Financial Institutions. Insurance

Companies. Modarabas and Mutual Funds	4	1,997,900	10.44
Investment Corporation of Pakistan	3,200	0.02	
Bank of Punjab	100	-	
National Bank of Pakistan	1,912,800	10	
State Life Insurance Corporation of Pakistan	81,800	0.43	
Individuals	1,797	3,380,400	17.67
Charitable Trusts	2	295,000	1.54
Sarfaraz District Hospital	290,000	1.52	
Trustees Moosa Lawari Foundation	5,000	0.03	
	1,849	19,128,000	100
Shareholders holding 10% or more voting Interest in the Company			
The Premier Sugar Mills Limited	9,534,000	49.84	
National Bank of Pakistan	1,912,800	10	

TEN YEARS GROWTH AT A GLANCE

PARTICULARS	2003	2002	2001	2000	1999	1998	1997	1996	1995
			(RUPEES	IN	THOUSAND)				
Sales	576,598	1,286,688	712,165	1,181,589	1,111,550	811,335	538,518	626,719	598,079
Cost of sales	577,039	1,106,529	695,170	868,964	932,608	719,697	480,013	506,238	495,106
Operating (Loss) /Profit	-29,261	152,362	-4,886	290,320	160,631	73,059	43,233	105,903	89,481
(Loss) /Profit before tax	-42,646	124,183	-50,741	224,129	88,835	11,506	-8,846	53,054	44,376
(Loss)/Profit after tax	-43,348	103,470	-61,218	224,129	87,711	212	1,930	49,911	41,385
Share capital	191,280	191,280	191,280	191,280	191,280	191,280	191,280	191,280	191,280
Shareholders' equity	436,211	479,558	414,884	476,101	347,613	298,157	297,945	296,016	255,669
Fixed assets - net	355,405	365,272	392,576	424,009	436,765	472,557	522,826	557,099	552,543
Total assets	1,014,280	628,082	780,345	678,032	774,216	809,721	691,051	643,085	668,634
Long term liabilities	-	-	-	20,186	40,594	98,485	152,710	171,394	242,661
Dividend Cash dividend	30%		50%	20%			5%		
Ratios:									
Profitability (%)									
Operating (Loss) /Profit	-5.07	11.84	-0.69	24.57	14.45	9	8.03	16.9	14.96
(Loss) /%ofit before tax	-7.4	9.65	-7.12	18.97	7.99	1.42	-1.64	8.47	7.42
(Loss) /Profit after tax	-7.52	8.04	-8.6	18.97	7.89	0.03	0.36	7.96	6.92
Return to Shareholders									
ROE - Before tax	9.78	25.9	-12.23	47.08	25.56	3.86	-2.97	17.92	17.36
ROE - After tax	9.94	21.58	-14.76	47.08	25.23	0.07	0.65	16.86	16.19
Return on Capital Employed	9.78	21.55	-14.75	45.06	22.59	0.05	0.43	10.68	8.3

E.P.S. - After tax Activity	2.27	5.41	-3.2	11.72	4.59	0.01	0.1	2.61	2.16
Income to total assets	0.57	2.05	0.91	1.74	1.44	1	0.78	0.97	0.89
Income to fixed assets	1.62	3.52	1.81	2.79	2.54	1.72	1.03	1.12	1.08
Liquidity / Leverage									
Current ratio	1.09	1.63	1.03	1.29	-0.8	-0.78	-0.66	-0.42	-0.49
Break up value per share 22.80		25.03	21.69	24.89	18.17	15.59	15.58	15.48	13.37
Total Liabilities to equity (Times)	1.32	0.31	0.88	0.42	1.17	1.72	1.32	1.17	1.62

TEN YEAR'S REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
1994	436,302	8.41	36,701
1995	507,706	8.66	44,001
1996	495,543	8.02	38,884
1997	370,489	7.72	28,616
1998	744,391	8.47	63,025
1999	828,703	7.84	64,963
2000	668,578	8	53,495
2001	575,031	6.82	40,646
2002	845,048	8.07	68,185
2003	889,074	7.28	64,698

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 16th Annual General Meeting of the shareholders of Chashma Sugar Mills Limited, will be held on 31st December, 2003 at 10:00 A.M. at the Registered Office of the Company at Banglow No. 16, PSM Colony, Nowshera Road, Mardan for transacting the following business :-

1. To confirm the minutes of the last meeting held on 20 March, 2003.
2. To receive and consider the Audited Accounts of the Company together with the Directors' and Auditors' reports for the year ended 30 September, 2003.
3. To appoint Auditors for the year 2003-2004 and to fix their remuneration.
4. To transact any other business of the Company as may be permitted by the Chair.

The share transfer books of the Company will remain closed from 21 December, to 31 December, 2003 (both days inclusive).

BY ORDER OF THE BOARD

MARDAN,

(MUJAHID BASHIR)

08 December, 2003

Company Secretary

NOTE:

1. Member unable to attend in person may kindly send proxy form attached with the Balance Sheet signed and witnessed to the Company at least 48 hours before the time of the meeting. No person shall act as proxy unless he is entitled to be present and vote in his own

right.

2. Members are requested to notify any change in address immediately.
3. C.D.C shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and participants I.D numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report along with the Audited Accounts of the Company for the year ended 30 September, 2003.

FINANCIAL RESULTS

The Financial Results of the Company for the year under review are as under: -

	2003	2002
	Rupees	Rupees
(Loss) / Profit before taxation	-42,646,211	124, 183,162
Provision for taxation		
Current year	3,000,000	26,163,000
Prior year	-1,487,873	
Deferred	-810,000	-5,450,000
	702,127	20,713,000
(Loss) / Profit after taxation	-43,348,338	103,470,162
Prior years Excise Duty on sugar -Reversed	0	18,589,175
Un appropriated profit - Brought forward	278,887	603,550
(Loss) / Profit available for appropriation	-43,069,451	122,662,887
Appropriation:		
Transfer from / to General Reserve	44,000,000	65,000,000
Proposed Dividend - Nil (2002 @ 30%)	0	57,384,000
	44,000,000	122,384,000
Un-appropriated profit-Carried to Balance Sheet	930,549	278,887
(Loss) / Earning per share	-2.27	6.83

GENERAL

1. SUGARCANE SEASON 2002-2003

The sugarcane crushing season started on 18th November, 2002 and ended on 10th April, 2003. We crushed 889,074 tons of sugarcane and produced 64,698 tons of sugar at an average recovery of 7.28% as compared to last year's 845,043 tons, 68,185 tons and 8.07% respectively.

The efficiency of sugar mills primarily depends on the quality of sugarcane i.e. sucrose contents. Unfortunately, as the government policy for sugarcane support price based on the weight rather quality, therefore, as a result the growers cultivate Indian varieties having excessive weight and low sucrose contents, this adversely effects the sugar mills production efficiency. Beside this, the attack of Pyrilla (Pest) and disease of Redrot on sugarcane crop supplied during the crushing season also contributed towards the low recovery i.e. 7.28% as compared to the last year average recovery of 8.07%.

Furthermore, due to the record sugar production in the country during the year and the carry over stocks in the mills due to excessive imports in the previous years, there is a glut in the market, resulting in depressed selling prices and slow oil take of sugar. The high prices of raw material, low selling price of sugar and financial cost on borrowings from the

banks to pay to the growers and suppliers have adversely affected the profitability of the Company.

2. CURRENT SEASON 2003-2004

The current season started on 30th November, 2003, we anticipate to crush 950,000 tons of sugarcane during the season to produce approximately 76,000 tons of sugar and 47,000 tons of molasses. Due to record sugar production expected this year and the carry over stocks in the mills, we foresee the persistence of prevailing crises unless the Government ensures that the surplus sugar is exported out of country. We have informed the Government of Pakistan if the glut in the market continues then both industry and farmers would sustain major losses.

3. CHANGE OF SUGARCANE VARIETIES

We are concentrating on the development of superior sugarcane varieties, and our cane department is distributing variety sugarcane seed and has launched the awareness campaign amongst the growers to cultivate sugarcane having high yield and sucrose contents. We are confident that our efforts will further enhance the present prosperity brought by Chashma Sugar Mills to Dera Ismail Khan which was once one of the most underdeveloped areas in the Frontier Province.

4. DIVIDEND

The Directors do not recommend any dividend due to loss suffered by the Company.

5. GENERAL RESERVE

A sum of Rs. 44.00 million has been transferred from general reserve to appropriation account.

6. STAFF

The Labour and Management relations remained cordial during the year. All employees of the Company were paid bonus equivalent to 3 months salary in addition to other amenities and statutory benefits.

7. AUDITORS

The present Auditors Messrs Hameed Chaudhri & Co. Chartered Accountants Lahore and Messrs Munawar Associates Chartered Accountants Lahore retire and being eligible offer themselves for re-appointment for the financial year ending 30 September, 2004.

8. NOTES OF THE ACCOUNTS NO 10.3

On expiry of lease, the vehicle will be returned therefore, the lease amount has been changed to profit & loss account.

9. PATTERN OF SHAREHOLDING

The pattern of shareholding as required under section 236 (2) (d) of the Companies Ordinance 1984 is enclosed.

10. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The financial statements, prepared by the management of Chashma Sugar Mills

Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of account have been maintained.

International Accounting Standards, as applicable in Pakistan, have been followed in operation of the financial statements.

The system of internal controls is sound in design and has been effectively implemented and monitored.

There is no doubts upon Chashma Sugar Mills Limited's ability to continue as a 'going concern'

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key operating and financial data for the last decade in summarized form is annexed.

There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2003, except for those disclosed in the financial statements.

The Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year;

During the year five (5) meetings of the Board of Directors were held. Attendance by each Director is as follow:-

Name of Directors	No. of Meetings Attended
Khan Aziz Sarfaraz Khan	5
Begum Zari Sarfaraz	5
Begum Laila Sarfaraz	2
Ms. Zarmine Sarfaraz	1
Mr. Iskander M Khan	5
Begum Mehmooda Salim Khan	2
Mr. Abdul Qadar Khattak	5

Leave of absence was granted to Directors who could not attend some of the Board meetings.

11. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant to the year ended 30 September, 2003 have been duly complied with. A statement to this effect is annexed with the report.

12. ROLE OF SHAREHOLDERS

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of affairs. To achieve this objective, information is communicated to the shareholders through quarterly, half yearly and annual reports. The Board encourages the shareholder's participation at the annual general meeting to ensure high level of accountability.

13. ACKNOWLEDGEMENT

The Directors would like to express their gratitude for hard work and dedication displayed by Staff and Executives of the Organization and the invaluable continuing support of our Bankers.

Finally, the Board wishes to thank the valued shareholders for their patronage and confidence reposed in the Company and consistent support in the present challenging scenario.-

ON BEHALF OF THE BOARD

Mardan

KHAN AZIZ SARFARAZ KHAN

08 December, 2003

Chairman / Chief Executive

AUDITORS' REPORT TO THE MEMBERS OF CHASHMA SUGAR MILLS LIMITED

We have audited the annexed balance sheet of CHASHMA SUGAR MILLS LIMITED as at 30 September, 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 reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.5(b) with which we concur;

(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, except for IAS 17 (note 10.3), confirm 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 30 September, 2003 and of the loss, its cash flows and changes in equity for the year then 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.

LAHORE;

HAMEED CHAUDHRI & CO.,

December 09, 2003

CHARTERED ACCOUNTANTS.

BALANCE SHEET

	Note	2003 Rupees	2002 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
22,000,000 ordinary shares of Rs. 10 each		220,000,000	220,000,000
Issued, subscribed and paid-up capital			
19,128,000 ordinary shares of Rs. 10 each fully paid in cash	3	191,280,000	191,280,000
General reserve		244,000,000	288,000,000
Unappropriated profit		930,549	278,887
		436,210,549	479,558,887
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
DEFERRED TAXATION	5	0	550,000
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease	4	396,111	1,084,429
Short term finances	6	522,515,952	73,633
Creditors, accruals and other liabilities	7	28,748,215	37,162,812
Excise duty and sales tax payable	8	15,892,006	17,074,478
Provision for taxation	9	7,881,704	31,044,704
Workers' welfare fund		0	1,545,500
Unclaimed dividends		2,372,915	1,944,465
Proposed dividend		0	57,384,000
		577,806,903	147,314,021
CONTINGENCIES AND COMMITMENTS			
	10	-	-
		1,014,280,344	628,081,911

The annexed notes form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

	Note	2003 Rupees	2002 Rupees
-			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	11	355,405,451	365,272,281
Capital work-in-progress	12	11,134,044	8,192,427
Stores held for capital expenditure		17,364,517	14,648,165
		383,904,012	388,112,873

DEFERRED TAXATION	5	260,000	0
SECURITY DEPOSITS		159,940	105,765
CURRENT ASSETS			
Store and spares	13	55,887,688	50,421,308
Stock-in-trade	14	439,550,000	39,774,000
Trade debtors - unsecured - considered good		45,642,683	75,012,537
Advances, deposits, prepayments and other receivables	15	22,409,057	36,183,440
Cash and bank balances	16	16,466,964	38,471,988
		629,956,392	239,863,273
•		1,014,280,344	628,081,911

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

	Note	2003 Rupees	2002 Rupees
SALES - Net	17	576,598,119	1,286,688,113
COST OF SALES	18	577,038,705	1,106,528,525
GROSS (LOSS) / PROFIT		-440,586	180,159,588
ADMINISTRATIVE AND GENERAL EXPENSES	19	26,796,376	25,498,749
SELLING AND DISTRIBUTION EXPENSES	20	2,024,360	2,344,056
		28,820,736	27,842,805
OPERATING (LOSS) / PROFIT		-29,261,322	152,316,783
OTHER INCOME	21	2,730,527	4,867,005
		-26,530,795	157,183,788
FINANCIAL CHARGES	22	16,124,770	23,350,780
MISCELLANEOUS CHARGES	23	118,900	508,596
WORKERS' (PROFIT) PARTICIPATION FUND		0	7,595,750
WORKERS' WELFARE FUND		-128,254	1,545,500
		16,115,416	33,000,626
(LOSS) / PROFIT BEFORE TAXATION		-42,646,211	124,183,162
TAXATION			
Current year	9	3,000,000	26,163,000
Prior year	9	-1,487,873	0
Deferred	5	-810,000	-5,450,000
		702,127	20,713,000
(LOSS) / PROFIT AFTER TAXATION		-43,348,338	103,470,162
PRIOR YEARS' EXCISE DUTY ON SUGAR - Reversed	24	0	18,589,175
		-43,348,338	122,059,337
UNAPPROPRIATED PROFIT - Brought forward		278,887	603,550
(LOSS) / PROFIT AVAILABLE FOR APPROPRIATION		-43,069,451	122,662,887
APPROPRIATIONS:			
Transfer from / to genera] reserve		44,000,000	65,000,000
Proposed dividend Nil (2002: Rs. 3 per share)		0	57,384,000
		44,000,000	122,384,000
(ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT			
- Carried to balance Sheet		930,549	278,887
(LOSS) / EARNINGS PER SHARE	25	-2.27	. 6.38

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER. 2003

	2003 Rupees	2002 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit for the year before taxation and workers' welfare fund	-42,774,465	125,728,662
Adjustments for:		
Depreciation	39,004,413	40,266,967
Gain on disposal of vehicles	-362,630	0
Receivable balances written-off	0	146,651
Interest and profit on bank deposits	-1,123,261	-2,558,055
Payable balances written-back	0	-373,064
Financial charges	15,187,932	22,163,623
CASH INFLOW FROM OPERATING ACTIVITIES	9,931,989	185,374,784
- Before taxation capital changes		
(Increase) / decrease in the current assets:		
Stores and spares	-5,466,380	-8,345,274
Stock-in-trade	-449,776,000	128,735,177
Trade debtors	29,369,854	19,464,933
Advances, deposits, prepayments and other receivables	3,533,991	6,584,545
Increase / (decrease) in current liabilities		
Creditors, accruals and other liabilities	-9,115,682	15,846,860
Sales tax	-1,182,472	-8,957,567
	-432,636,689	153,328,674
CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		
- Before taxation	-422,704,700	338,703,458
Income tax paid	-15,978,673	-4,465,474
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES - After taxation	-438,683,373	334,237,984
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-35,182,922	-19,531,921
Sales proceeds of vehicles	750,000	0
Interest and profit on bank deposits	1,249,953	2,325,332
Security deposits	-54,175	0
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	-33,237,144	-17,206,589
	-471,920,517	317,031,395
CASH FLOW FROM FINANCING ACTIVITIES		
Lease finances - net	-1,084,429	656,028
Long term loan instalments repaid	0	-20,871,498
Financial charges paid	-14,486,847	-23,865,926
Short term finances	522,515,952	-262,207,849
Dividend paid	-56,955,550	-62,610
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	449,989,126	(306,351,855)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	-21,931,391	10,679,540
CASH AND CASH EQUIVALENTS - At the beginning of the year	38,398,355	27,718,815
CASH AND CASH EQUIVALENTS - At the end of the year	16,466,964	38,398,355
YEAR END CASH AND CASH EQUIVALENTS COMPRISED OF :		
Bank balances	16,466,964	38,471,988
Temporary bank overdraft	0	-73,633
	16,466,964	38,398,355

The annexed notes form an integral part of these financial statements.

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

Share Capital	General Reserve	Unappropriated Profit/ (accumulated loss)	Total
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	Rupees			
Balance as at 30 September, 2001	191,280,000	223,000,000	603,550	414,883,550
Profit for the year ended				
30 September, 2002	0	0	122,059,337	122,059,337
Transfer to general reserve	0	65,000,000	-65,000,000	0
Proposed dividend	0	0	-57,384,000	-57,384,000
Balance as at 30 September, 2002	191,280,000	288,000,000	278,887	479,558,887
Loss for the year ended				
30 September, 2003	0	0	-43,348,338	-43,348,338
Transfer from general reserve	0	-44,000,000	44,000,000	0
Balance as at				
30 September, 2003	191,280,000	244,000,000	930,549	436,210,549

The annexed notes form an integral part of these financial statements.

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

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on 5 May, 1988 as a Public Company and it commenced commercial production from 01 October, 1992. The Company is principally engaged in manufacture and sale of white sugar. Its shares are quoted on Stock Exchanges in Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements, except for International Accounting Standard (IAS) 17 (Leases), have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan 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 financial statements have been prepared under the historical cost convention modified by adjustments of exchange rate fluctuations on foreign currency loans as referred to in note 2.3.

2.3 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange ruling on the balance sheet date. Exchange differences in respect of foreign currency loans, obtained for acquisition of fixed assets, were incorporated in the cost of relevant assets. All other exchange differences are included in income currently.

2.4 Staff retirement benefits (defined contribution plan)

The Company operates a defined contribution provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.25 % of the basic salary are made to the fund both by the Company and employees.

2.5 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any. or minimum tax at the rate of 0.5% of turnover, whichever is higher.

(b) Deferred

During the current year, the Company has changed its accounting policy in respect of deferred taxation. The change has been made to comply with the requirements of the revised IAS 12 (Income Taxes) which became applicable for financial periods beginning on or after 01 January, 2002. Accordingly, deferred tax is now recognised using the balance sheet liability

method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

Until last year, the Company had accounted for deferred tax liability using the liability method on all major timing differences; however, no deferred tax debits were recognised. Had the policy not been changed, the loss for the year would have been higher by Rs. 260,000.

2.6 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.7 Tangible fixed assets and depreciation thereon

Owned:

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income applying reducing balance method to write-off the cost over estimated remaining useful life of assets. Rates of depreciation are stated in note 11.

No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase. Gains / losses on disposal of fixed assets are taken to profit and loss account.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any. other than those kept as standby are retired.

Leased:

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of lease are accounted for as

liabilities. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is taken to profit and loss account at the rates stated in note 11 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of asset at the end of the lease period.

Financial charges and depreciation on leased assets are charged to income currently.

2.8 Stores and spares

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date. Obsolete and used items are recorded at nil value.

2.9 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Finished goods	-At lower of cost and net realisable value.
Sugar-in-process	-At cost.
Molasses	-At net realisable value.

- Cost in relation to finished goods and sugar-in-process represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads.

- Net realisable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

2.10 Trade debtors

Trade debtors are carried at original invoice amount less an estimate for doubtful debtors based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

2.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash & bank balances and temporary bank overdraft.

2.12 Revenue recognition

- Sales are recorded on despatch of goods.

- Income on deposit/saving accounts is accounted for on 'accrual basis'.

2.13 Development expenditure

Expenditure incurred on development of sugar cane is expensed in the year of incurrence.

2.14 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalised upto the date of commissioning of the respective assets. All other borrowing costs are taken to profit and loss account.

2.15 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the 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.

All purchases and sales of financial assets are recognised on the trade date.

2.16 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.17 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the associated companies, which are on the actual basis.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Premier Sugar Mills and Distillery Co. Ltd., Azlak Enterprises (Pvt.) Ltd. and Phipson & Co. Pakistan (Pvt.) Ltd. (the associated companies) held 9,534,000, 435,500 and 205,000 ordinary shares respectively as at 30 September, 2003 and 30 September, 2002.

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Up to one year	From one year to five years	2003	2002
		R u p e e s		
Minimum lease payments	475,800	337,300	813,100	2,223,285
Less: Financial charges allocated to future periods	79,689	14,658	94,347	285,953
	396,111	322,642	718,753	1,947,332
Less: Security deposits adjustable on expiry "of lease terms	0	59,750	59,750	203,900
Present value of minimum lease payments	396,111	262,892	659,003	1,743,432
Less: Current portion grouped under current liabilities			396,111	1,084,429
			262,892	659,003

4.1 The Company has entered into a finance lease agreement with ORTX Leasing Pakistan Limited to acquire vehicle. The liabilities under the lease agreement are payable in monthly instalments by 30 April, 2005 and are subject to finance charge at the rate of 16.5% per annum. The liability is secured against demand promissory note. The Company intends to exercise its option to purchase the leased vehicle upon completion of the lease term.

	2003	2002
Note	Rupees	Rupees

5. DEFERRED TAXATION

The deferred taxation asset (2002: liability) comprises of temporary differences arising due to: (Debit) / credit balances arising in respect of:

- accelerated tax depreciation allowances		-217,000	876,000
- lease finances		-43,000	-326,000
		-260,000	550,000

6. SHORT TERM FINANCES

Cash, term and running finances - secured	6.1	522,515,952	0
Temporary bank overdraft - unsecured		0	73,633
		522,515,952	73,633

6.1 Short term finance facilities under mark-up arrangements available from National Bank of Pakistan, Habib Bank Ltd., Bank Alfalah Ltd., The Bank of Khyber and Bank Al Habib Ltd. aggregate Rs. 1 100 billion (2002: Rs. 525 million). These facilities, during the year, carried mark-up at the rates ranging from 2.75% to 9% per annum. Facilities available for opening letters of credit and guarantee aggregate Rs. 20 million (2002: Rs. 70 million).

These facilities are secured against hypothecation / pledge of stock-in-trade, personal guarantees of the directors and lien on import documents. The expiry dates of these facilities range between October, 2003 to January, 2004.

7. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Due to associated companies		649,028	1,268,613
Creditors		15,086,702	11,167,732
Bills payable		410,881	828,451
Accrued expenses		6,584,592	11,173,793
Retention money		232,414	232,414
Security deposits - interest free repayable on demand		317,851	353,577
Advance payments		566,007	52,815
Mark-up accrued on secured short term finances		4,582,248	3,881,163
Due to provident fund trust		111,975	0
Income tax deducted at source		206,517	299,977
Workers' (profit) participation fund	7. 1	0	7,904,277
		28,748,215	37,162,812

7. 1 Workers' (profit) participation fund

Opening balance		7,904,277	276,707
Add: Interest on funds utilised in the Company's business		196,569	31, '820
		8,100,846	308,527
Less:			
- Amount paid to the fund		6,334,681	0
- Amount deposited in the Government Treasury		1,766,165	0
		8,100,846	0
Add: Allocation for the year		0	7,595.75
		0	7,904,277

2003

2002

Note Rupees

Rupees

8. EXCISE DUTY AND SALES TAX PAYABLE

Excise duty on sugar	8.1	4,967,163	4,967,163
Sales tax payable		10,924,843	12,107,315
		15,892,006	17,074,478

8.1 Provision for excise duty has been shown net of adjustment of Rs. 1,041,868 representing current account balance.

8.2 The Additional Collector of Customs and Central Excise raised excise duty demand amounting Rs.6,009,031 on the mandatory quantity of sugar required to be exported by the Company under various SROs, but was not exported during prior years. The Company filed a writ petition with the Peshawar High Court against the said demand, which suspended the operations of the impugned notices. The Company has also filed an appeal with the Collector (Adjudication) Customs, Central Excise and Sales Tax, Rawalpindi against the said demand, which is pending adjudication. Provisions for excise duty amounting Rs. 6,009,031, however, exist in the books of account.

8.3 The Sales Tax Department, during the year ended 30 September, 1999, raised sales tax, additional tax and penalty demands aggregating Rs. 11,668,685 on in-house consumption of bagasse as fuel during the accounting year ended 30 September, 1997. The Company filed an appeal with the Collector of Sales Tax (Appeals), Rawalpindi against these levies, who dismissed the said appeal.

The Company afterwards filed an appeal with the Customs, Excise & Sales Tax Appellate Tribunal, Peshawar Bench, which also dismissed the Company's appeal vide its order dated 15 June, 2002; the Tribunal, however, remitted the penalty. The Company has filed an appeal with the Peshawar High Court against the Tribunal's order, which is pending adjudication.

The Company, however, paid full amount of the said demands during the accounting year ended 30 September, 2000.

9. PROVISION FOR TAXATION - Net

Opening balance	31,044,704	4,881,704
Add: Provision made during the year current year prior year	3,000,000	26,163,000
	(1,487,873)	0
	1,512,127	26,163,000
	32,556,831	31,044,704
Less: Payments / adjustments made against completed assessments	24,675,127	0
	7,881,704	31,044,704

9.1 Income tax assessments of the Company have been completed upto the Income Year ended 30 September, 1999 (Assessment Year 2000-01).

9.2 Provision made during the year represents minimum tax at the rate of 0.5% of the Company's turnover for the year payable under section 113 of the Income Tax Ordinance, 2001.

9.3 No numeric tax rate reconciliation is given in these financial statements as the Company is liable for minimum tax.

10. CONTINGENCIES AND COMMITMENTS

10.1 No commitments for irrevocable letters of credit were outstanding as at 30 September, 2003 (Commitments for irrevocable letters of credit outstanding as at 30 September, 2002 were for Rs.4.300 million).

Commitments for capital expenditure aggregating Rs. 2.642 million were outstanding as at 30 September, 2003 (2002: Rs. 3.030 million).

10.2 The Company entered into a lease agreement with Premier Sugar Mills & Distillery Company Limited (PSM) - an associated company during December, 1994 to acquire machinery, i.e. 4.000 K.W. Horizontal Multi Stage Turbo Alternator Set, complete with all equipment on lease at prime cost of Rs. 30 million at an annual lease rent of Rs. 6 million for a period of three years. PSM, during the year ended 30 September, 2001, extended the lease period of the said

machinery for further period of three years at annual lease rentals of Rs. 3.4 million. The Agreement is secured against demand promissory note of Rs. 18 million.

10.3 The Company, during the year, has acquired a vehicle from ORIX Leasing Pakistan Ltd. Under finance lease arrangements, which has been treated as operating lease in these financial statements contrary to the requirements of IAS 17 (Leases) and the provisions of the Companies Ordinance, 1984. Commitments for rentals under the lease agreement aggregate Rs. 1.081 million as at 30 September, 2003, which are payable as follows:

Financial Year	Rupees
2003-04	447,480
2004-05	447,480
2005-06	186,450
	1,081,410

11. OPERATING FTXED ASSETS-Tangible

PARTICULARS	COST			DEPRECIATION					
	As at 30 September, 2002	Additions during the year	(Disposals)/ transfers during the year	As at 30 September, 2003	Kate %	To 30 September, 2002	For the Year	On (disposals) / transfers	To 30 September, 2003
Owned:									
Freehold land	8,413,440	0	0	8,413,440	0	0	0	0	0
Buildings and loads	140,875,392	1,291,783	0	142,167,175	10	84,189,29	5,797,789	0	89,987,079
Plant and machinery	675,451,022	24,339,969	0	699,790,991	10	396,455,768	30,333,522	0	426,789,290
Electric installations	19,248,695	0	0	19,248,695	10	10,916,812	833,188	0	11,750,000
Office equipment	6,425,331	3,342,364	0	10,327,695	10	2,359,305	791,239	0	3,206,544
			560,000					560,000	
Furniture and fixtures	7,929,068	550,837	0	8,479,905	10	4,088,571	439,133	0	4,527,704
Vehicles	7,694,985	0	-1,317,400	8,7 00,585	20	5,431,442	613,110	-930,030	6,248,146
	866,037.93	29,524,953	-1,317,400	897,128,486		503.441,188	38,807,981	-930,030	524,508,763
Leased:			2,883,953					1,189.62	
Office equipment	, 560,000	0	-560,000	0	10	56,000	0	-560,000	0
Vehicles	3,550,700	0	-2,323,000	1,227,700	20	1,379,164	196,432	1,333,624)	441,972
	4,110,700	0	(7.883,000)	1,227,700		1,435,164	196,432	1,189,624)	441,972
2003 Rupees	870,148,633	29,524,953	-1,317,400	898,356,186		504,876,352	39,004,413	-930,030	542,950,735
			0					0	
2002 Rupees	857,185,043	12,963,590	0	870,110,633		464,609,385	40,266,967	0	504,876,352

11.1 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Made of disposal	Insurance claim received from / sold to:
Toyota land cruiser	340,730	209,388	131,342	450,000	318,658	Insurance claim	Royal & Sun Alliance Insurance Company Ltd., Lahore
Honda Civic	976,670	720,642	256,028	300,000	43,972	Negotiation	Major Mahboob Haq. House # 32, Street #18 Sector F-6/2, Islamabad
	1,317,400	930,030	387,370	750,000	362,630		

		2003	2002
		Rupees	Rupees
11.2	Depreciation for the year has been allocated as follow!		
	Cost of sales	36,964,498	38,223,694
	Administrative and general expenses	2,039,915	2,043,273
		39,004,413	40,266,967
		2003	2002
		Rupees	Rupees
12.	CAPITAL WORK-IN-PROGRESS		
	This comprised of:		
	Buildings on freehold land		
	Cost of materials	569,827	1,604,537
	Advance payments	5,000	5,000
		574,827	1,609,537
	Plant and machinery		
	Cost of materials	8,697,880	2,480,962
	Advance payments	896,310	4,063,708
	Electric installations	9,594,190	6,544,670
	Cost of materials	965,027	38,220
		11,134,044	8,192,427
13.	STORES AND SPARES		
	Stores including in transit valuing R? 256 , 673 (2002 :Rs. 1,294,610)	49,176,774	43,944,774
	Spares	6,710,914	6,476,534
		55,887,688	50,421,308
14.	STOCK-IN-TRADE		
	Finished goods	488,250,000	38,674,000
	Sugar-in-process	1,300,000	1,100,000
		489,550,000	39,774,000
14.1	These have been valued at net reliable value (2002: at cost).		
15.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Advance payments to		
	- employees	688,377	638,231
	- suppliers and contractors	12,903,440	16,808,987
		13,591,777	17,447,218
	Due from associated companies	1,224,803	704,753
	Letters of credit	0	16,096
	Tax deducted at source	9,866,728	9,606,862
	Prepayments	56,790	180,881
	Profit accrued on bank deposits	106,031	232,723
	Income tax-refundable	0	8,373,566
	Corporate assets tax-refundable	0	2,000,000
	Due from provident fund trust	0	58,413
		24,846,129	38,620,512
	Less: Provision for doubtful advances	2,437,072	2,437,072
		22,409,057	36,183,440
15.1	These are unsecured and considered good except for Rs. 2.437 million, which have been fully provided for in the books of account.		
		2003	2002
		Rupees	Rupees
15.2	Due from associated companies in respect of current account transactions:		
		Note	

The Frontier Sugar Mills & Distillery Ltd.	398,936	398,936
National Computers (Pvt.) Ltd.	235,050	0
Phipson and Co. Pakistan (Pvt.) Ltd.	590,817	305,817
	1,224,803	704,753

(a) Aggregate transactions with associated companies during the year were as follows:

- Purchase of goods and services	17,434,452	15,553,594
- Purchase of computers	2,932,000	0
- Machinery lease rentals	3,400,000	3,400,000
-Sale of goods	8,542,934	10,165,187

(b) Maximum aggregate debit balance of associated companies at any month-end during the year was Rs. 12,556,866(2002 : Rs. 10,045,594).

16. BANK BALANCES

Cash at banks on:

-current accounts	16.1	3,120,312	4,969,445
-PLS accounts		10,795,571	23,271,096
-deposit accounts		2,551,081	10,231,447
		16,466,964	38,471,988

16.1 These include dividend account balance of Rs. 687,063 (2002: Rs. 27,007).

17. SALES -Net

Turnover		682,002,356	1,522,820,284
Less:			
Commission		2,509,091	5,261,162
Sales tax		102,895,146	230,871,009
		105,404,237	236,132,171
		576,598,119	1,286,688,113

	Note	2003 Rupees	2002 Rupees
18. COST OF SALES			
Raw materials consumed		903,761,941	850,752,617
Chemicals and stores consumed		23,014,372	25,146,880
Salaries, wages and benefits	18.1	32,597,831	33,022,250
Power and fuel		5,229,899	5,116,666
Repair and maintenance		20,791,791	21,108,280
Insurance		1,054,373	1,022,961
Machinery lease rentals		3,400,000	3,400,000
Depreciation	10.2	36,964,498	38,223,694
		1,026,814,705	977,793,348
Adjustment of sugar -in-process			
Opening		1,100,000	1,450,000
Closing		(1,300,000)	-1,100,000
		-200,000	350,000
Cost of goods manufactured		1,026,614,705	978,143,348
Adjustment of finished goods			
Opening stock		38,674,000	167,059,177
Closing stock		-488,250,000	-38,674,000
		-449,576,000	128,385,177
		577,038,705	1,106,528,525

18.1 These include Rs. 480,388 (2002 : Rs. 433,332) in respect of staff retirement benefits.

19. ADMINISTRATIVE AND GENERAL EXPENSES

• Salaries and benefits	19.2	13,208,204	12,937,778
Travelling and conveyance:			
-directors		2,760,548	1,737,915
-others		479,473	738,381
Vehicles running and maintenance		2,123,970	2,681,690
Rent, rates and taxes		553,214	540,163
Communication		1,549,351	1,319,393
Printing and stationery		771,450	672,177
Insurance		310,807	352,848
Repair and maintenance		1,020,288	1,330,719
Fees and subscription		824,820	587,934
Depreciation		2,039,915	2,043,273
Auditors' remuneration	19.3	281,550	188,000
Legal and professional charges (other than Auditors')		614,407	137,062
General		258,469	231,416
		26,796,376	25,498,749

19.1 The Company, during the year, shared expenses aggregating Rs. 4,181,160 (2002: Rs.5,191,883) with its associated companies on account of combined office expenses. These expenses have been booked in the respective heads of account.

19.2 These include Rs. 150,411 (2002: Rs. 120,349) in respect of staff retirement benefits.

	Note	2003 Rupees	2002 Rupees
19.3 Auditors' remuneration:			
- Hameed Chaudhri & Co.			
statutory audit		75,000	75,000
half yearly review		40,000	0
consultancy, tax services and certification charges		82,500	25,000
out-of-pocket expenses		44,050	25,000
		241,550	125,000
- Munawar Associates			
cost audit fee - current year		30,000	30,000
- prior year		0	33,000
out-of-pocket expenses		10,000	0
		40,000	63,000
		281,550	188,000

20. SELLING AND DISTRIBUTION EXPENSES

Loading and stacking	20.1	1,710,963	2,029,510
Salaries and benefits		313,397	314,546
		2,024,360	2,344,056

20.1 These include Rs. 4,845 (2002 : Rs. 5,456) in respect of staff retirement benefits.

21. OTHER INCOME

Interest/profit on bank deposits		1,123,261	2,558,055
Sale of press mud - net of sales taxRs. 86,418 (2002: Rs. 82, 139)		480,101	456,326
Sale of scrap -net of sales tax Rs. 79,689 (2002: Rs. 23 1 ,836)		442,716	1,299,968
Payable balances written back		0	373,064
Gain on disposal of vehicles		362,630	0
Miscellaneous		321,819	179,592
		2,730,527	4,867,005

22. FINANCIAL CHARGES

Mark-up on short term finances		14,799,757	20,934,976
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Interest on:

	0	1,025,674
- lease finances	191,606	202,973
- workers' (profit) participation fund	196,569	31,820
Commission on bank guarantees	0	185,892
Bank charges	936,838	969,445
	16,124,770	23,350,780
23. MISCELLANEOUS CHARGES		
Donations (without directors' interest)	118,900	361,945
Receivable balances written-off	0	146,651
	118,900	508,596

24. PRIOR YEARS' EXCISE DUTY ON SUGAR

The Additional Collector, Customs & Central Excise, (the Additional Collector), Peshawar vide his judgment dated 13 February, 1998 ordered the Company to deposit an amount of Rs. 18,589,175 on the grounds that the Company on account of better production of sugar during the crushing season of 1994-95 availed concessionary rate of central excise duty stipulated under SRO 545(1)/94 dated 09 June, 1994; the incidence of concession, however, was not passed-over to the consumers.

The Company, against the said demand, made provision to the tune of Rs. 7,295,295 during the year ended 30 September, 1995 and the balance amounting Rs. 11,293,880 was provided for during the year ended 30 September, 1998.

The Company filed an appeal with the Collector of Customs, Central Excise and Sales Tax (Appeals) [the Collector (Appeals)], Northern Zone, Rawalpindi against the aforesaid orders of the Additional Collector. The Collector (Appeals) decided the appeal and upheld the orders of the Additional Collector. The Company, thereafter, filed an appeal with the Customs, Central Excise and Sales Tax Appellate Tribunal, Islamabad against the orders of the Collector (Appeals), which vide its order dated 19 March, 2002 accepted the Company's contention and allowed the Company's appeal. Consequently, excise duty provisions made in prior years aggregating Rs. 18,589,175 were reversed during the preceding year.

25. (LOSS) / EARNINGS PER SHARE	2003 Rupees	2002 Rupees
(Loss) / profit attributable to ordinary shareholders	-433,348,338	122,059,337
Weighted average number of shares outstanding during the year	No. of shares 19,128,000	19,128,000
	Rup	e e s
(Loss) / earnings per share	-2.27	6.38

25.1 There is no dilutive effect on the basic (loss) / earnings per share of the Company.

26. NUMBER OF EMPLOYEES	2003	2002
Total number of employees at the year-end	Numbers 479	486

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2003	2002	2003	2002	2003	2002
Managerial remuneration including bonus	1,500,000	1,700,000	187,500	462,500	3,779,239	4,093,356
Allowances and utilities	0	0	0	0	2,026,977	1,709,184
Contribution to						

provided fund	0	0	0	0	210,509	151,689
Medical expenses reimbursed	0	0	0	61,284	4,988	4,000
Rupees	1,500,000	1,700,000	187,500	523,784	4,021,713	5,958,229
No. of persons	1	1	1	2	12	12

27.1 Some of the directors have been provided with free use of Company maintained cars.

	2003 M. Tons	2002 t
28. CAPACITY AND PRODUCTION		
Rated crushing capacity (based on 150 working days)	900,000	900,000
Cane crushed	889,074	845,048
Raw sugar processed	0	2,000
Sugar produced	64,698	70,070
Days worked	144	141

29. FINANCIAL INSTRUMENTS

29.1 Financial assets and liabilities

	Interest / mark-up bearing				Non Interest/mark-up bearing			Total
	Interest / mark-up rates range %per annum	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Financial assets:								
Security deposits		0	0	0	0	159,940	159,940	159,940
Trade debtors		0	0	0	45,642,683	0	45,642,683	45,642,683
Profit on bank deposits		0	0	0	106,031	0	106,031	106,031
Bank balances	1.25% to 4%	13,346,352	0	13,546,652	3,120,312	0	3,120,312	16,466,964
2003	1	13,346,652	0	13,346,652	48,869,026	159,940	49,028,966	62,375,618
2002		33,500,790	0	33,500,790	80,216,458	105,765	80,322,223	113,823,013
Financial liabilities								
Liabilities against assets subject to finance lease	16.50%	396,111	262,892	659,003	0	0	0	659,003
Short term finances	2.75% to 9% 5	22,515,952	0	522,515,952	C	0	C	522,515,952
Creditors, accruals other liabilities		0	0	0	24,863,716	0	24,863,716	24,863,716
Unclaimed dividend		0	0	0	2,372,915	C	2,372,915	2,372,915
2003	55	12,912,063	262,892	523,174,955	27,236,631	0	27,236,631	550,411,586
2002		1,084,429	659,003	1,743,432	29,655,228	0	29,655,228	,31,398,660
Off balance sheet Commitments for	items:							
- capital expenditure		0	0	0	2,642,000	0	2,642,000	2,642,000
- machinery lease rentals		0	0	0	3,400,000	C	3,400,000	3,400,000
- vehicle lease rentals 10%		447,480	633,930	1,081,410	C	C	C	1,081,410
2003:		447,480	633,930	1,081,410	6,042,000	0	6,042,000	7,123,410
2002		0	0	0	10,730,042	0	10,730,042	10,730,042

29.2 Foreign exchange risk management

Foreign currency arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are not covered through any forward foreign exchange contracts or through hedging. No forward foreign exchange contracts were outstanding at the year-end.

29.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. All the Company's financial assets are subject to credit risk.

29.4 Fair values of financial assets and liabilities

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

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 08 December, 2003 by the Board of Directors of the Company.

31. FIGURES

- Figures in these financial statements have been rounded-off to the nearest Rupee.

- Corresponding figures have neither been rearranged nor reclassified.

DIRECTOR

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER