

COST AUDITORS' REPORT

We, M/s. Haroon Zakaria & Company, Chartered Accountants, having been appointed to conduct an audit of cost accounts of M/s Al Abbas Sugar Mills Limited, have examined the books of account and the statements prescribed under clause (e) of sub section (1) of section 230 of the Companies Ordinance, 1984 and the other relevant record for the year ended September 30, 2008 and report that:

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of this audit.

In our opinion:

- a) Proper cost accounting records as required by clause (e) of sub-section (1) of Section 230 of the Companies Ordinance, 1984 (XLVII of 1984), and as required by these rules have been kept by the Company:
- b) The said books and records give the information required by the rules in the manner so required, and

In our opinion and, subject to best of our information-

- a) The annexed statement of capacity utilisation and stock-in-trade are in agreement with the books of account of the Company and exhibit a true and fair view of the company's affairs; and
- b) Cost accounting records have been properly kept so as to give a true and fair view of the cost of production, processing, manufacturing and marketing of Sugar.

The matter contained in the ANNEXURE forms part of this report.

Dated: *January 28, 2009*
Place : Karachi

Haroon Zakaria
HAROON ZAKARIA & COMPANY
CHARTERED ACCOUNTANTS

1. Capacity

- a) The following table shows the installed capacity, crushing capacity based on number of days actually worked and the actual cane crushed:

Particulars	2008	2007	2006
Licensed Capacity	N/A	N/A	N/A
Installed capacity based on cane crushed	80,782	74,921	67,980
Crushing capacity per 24 hrs.	5,500	5,500	5,500
No. of days worked	146	140	120
Crushing capacity based on number of days worked (M.tons)	803,000	770,000	660,000
Cane crushed (M.tons)	615,690	442,394	431,259

- b) In addition to manufacturing of white refined sugar, the company is engaged in the production of industrial alcohol, calcium carbide and ferro alloys and MDFB.

2. Cost Accounting System

The actual cost incurred by the company is charged to various cost centers/units on actual basis and the cost of service department is allocated on the basis considered appropriate under the circumstances. The net realizable value of molasses transferred for the distillery unit and Baggase consumed in Boiler House or sold is deducted from the cost of sugar manufactured as a reduction in overall cost of production.

The company is using a tailor made software for sugar industry, whereby the cost accounts are integrated with financial accounting records allowing all the accounting entries for cost of production, at various levels, to be incorporated in the financial books of accounts. Company's weightment bridge is fully computerized which facilitates the incorporation of cane purchased in the books of accounts at the time of weightment. The software was assessed as adequate to determine correctly the cost of the product of the Company.

3. Production

- a) Production of sugar is as under:

Particulars	2008	2007	2006
	M. Tons		
Sugar from sugarcane	61,965	42,954	44,462
Sugar from raw sugar	-	-	2,293
Total	61,965	42,954	46,755

b) Installed capacity

Particulars	2008	2007	2006
Installed capacity (M.Tons) (based on cane crushing of 5500 M.Tons per day and actual recovery percentage)	80,782	74,921	67,980
Actual recovery percentage	10.06%	9.73%	10.30%
Actual production (M.tons)	61,965	42,954	46,755
Capacity utilization	76.71%	57.33%	68.78%

Reason for increase in production since prior years

The production of sugar has considerably increased due to high recovery percentage, more sugarcane crushing due to more availability because of favourable climatic conditions.

Reason for reduced production as compared with installed

This is due to shortage of sugarcane.

c) Addition to production capacity

There has been additions of Rs.13.952 millions to plant and machinery during the year which relates to replacement and modification of plant. Whereby there is no change in the installed capacity of production facilities.

4. Raw materials

a) Detail of raw materials and its cost components is given hereunder:

S.No.	Particulars	2008		
		Quantity M.tons	Rate Rs / M.Ton	Amount (Rs. 000's)
1	Sugarcane purchased	615,690	1,622.61	999,024
2	Quality premium	-	170.00	104,667
3	Transport subsidy	-	20.22	12,448

S.No.	Particulars	2007		
		Quantity M.tons	Rate Rs. / M.Ton	Amount (Rs. 000's)
1	Sugarcane purchased	442,394	1,741.47	770,415
2	Quality premium	-	128.75	56,958
3	Transport subsidy	-	59.87	26,485

S.No.	Particulars	2006		
		Quantity M.tons	Rate Rs. / M.Ton	Amount (Rs. 000's)
1	Sugarcane purchased	431,259	1,931.86	833,130
2	Raw sugar - Import	2,293	95,031.40	217,907
3	Quality premium	-	200.00	86,252
4	Transport subsidy	-	60.76	26,205

- b) Comparison of consumption of major raw material per metric ton of production with standard consumption is produced as under:

Particulars	2008	2007	2006
Actual raw material consumed per M.Ton of production	9.936	10.299	9.224
Standard raw material consumed per M.Ton of production	N/A	N/A	N/A

There are certain limitations attached with sugar industry due to which standard could not be maintained. These limitations include, quality of sugarcane from different areas gives different yield, recovery from fresh sugarcane is more than old sugar cane, timing of cane crushing, distance between the cane field and mill.

- c) The variances are due to difference in recovery of juice from sugarcane, in different periods. These ratios correspond with the yield ratio or recovery of sugar from raw material as given in section 3 (b) of our report, i.e. lower the raw material consumed per M.Ton of sugar produced, higher the recovery of sugar per M.ton of raw material consumed.
- d) Since the company is buying sugarcane only for the production of sugar and the sugarcane acquired is directly put to consumption / crushing, therefore all the purchases are being treated as issues and no separate receipt or issue documents are being prepared for consumption. However, proper records are being maintained for purchases of sugarcane.

5. Wages and Salaries

- a) Total wages and salaries paid to employees are as follows:

S.No.	Category	2008	2007	2006
		Rupees in thousands		
i	Direct labour cost on production	22,122	13,614	10,731
ii	Indirect employees' cost on production	37,027	33,942	27,798
iii	Employees' cost on Administration	21,886	16,297	13,053
iv	Employees cost on selling and distribution	-	-	-
v	Bonus to workers and employees	9,941	6,296	5,539
vi	Other Employees cost	3,843	13,480	11,233
vii	Total employees cost	94,819	83,629	68,354

- b) Salaries and perquisites of chief executive officer and directors amounting to Rs.7.959 (2007: Rs.7.418) million which has been charged to administrative expenses.
- c) The direct labor man-days are 146 (2007: 140) days.
- d) The average number of workers employed for the year 2008 were 717 (2007: 681) .
- e) Direct labour cost per metric ton of output is Rs.357.01 (2007: Rs.316.94) ; (2006: 229.51).
- f) Variance in item (e) above is as under:

the direct labour cost has increased due to increase in average number of employees as compared to last year, increase in minimum wage rates by the Government and normal annual increments.

g) Comments on incentive scheme

The company has paid eight bonuses during the year. Its contribution towards production could not be determined because utilization of production capacity is dependent on the availability of sugarcane.

6. Stores and spare parts

a) Expenditure per unit of output on stores:

Particulars	2008	2007	2006
Consumable stores expenses for the year (Rs.000's)	47,346	30,302	18,790
Total production (M.tons)	61,965	42,954	46,755
Expenses per M.ton of sugar (Rs.)	764	705	402

- b) The company operates a computerized system for receipt and issuance of stores & spares items. All receipts are being recorded through stores receipt report (SRR), which is being prepared only after acceptance of stores items through material inspection report (MIR) by the department initiating purchase of that item. Whereas all issues are being recorded on duly approved store issue receipt (SIR) and charged to respective departments in accordance with the accounting policy i.e. moving average cost. Almost all purchases except in case of emergency or minor items are being carried out by the head office on receipt of store purchase requisition (SPR) duly signed by authorized officer of concerned department. All inventory items are being valued at moving average cost and the same is being adopted consistently. Thus the company is maintaining proper record for receipt and issuance of stores items and valuation of stores items.
- c) The computerized record maintained by the company enables it to calculate value of stores and spares items in hand at the closing date in which there is no movement for over 24 months period. The value of such items of stores and spares as on September 30, 2008 amounts to Rs. 18.00 (2007: 16.00) million.

7. Depreciation

- a) Depreciation is charged on a systematic basis over the useful life of the asset by applying the reducing balance method at the rates ranging from 5% to 20%. Depreciation on additions is charged from the month in which the assets is put to use while no depreciation is charged in the month in which the assets disposed off. Depreciation rates are as follows:

S. No.	Assets	Depreciation Rate %
1	Freehold land	-
2	Lease hold Land	-
3	Main factory building on free hold land	10
4	Non Factory Building	10
5	Plant, machinery and equipment	5 to 10
6	Furniture and fittings	10
7	Motor Vehicles (Owned and leased)	20
8	Office equipments	10
9	Computers	10
10	Tools and Tackles	10 to 20

- b) Depreciation of common assets is allocated to cost of sales and administrative expenses on the basis of location and use of assets.
- c) The depreciation is charged to the cost of various products to the extent that they relate to their manufacturing. Breakup of depreciation charged to cost of sugar is as follows:

Particular	Amount	
	2008	2007
Building on free hold land	3,199	2,031
Plant, machinery and equipment	16,054	21,624
Tools and tackles	156	175
Total	19,409	23,830

8. Overheads:

- a. Total amounts of overheads and their head-wise break-up, other than those mentioned separately elsewhere, are as follows:

i) **Factory overheads:**

Description	2008	2007	Variance
	Rupees in thousand		
Repair & Maintenance	10,866	11,468	(602)
Utilities	21,988	20,799	1,189
Security Services	3,186	2,170	1,016
Printing & Stationery	347	202	145
Vehicle Running Expenses	3,056	2,891	165
Insurance Expenses	4,453	3,928	525
Conveyance & Traveling	2,641	1,941	700
Tel. Telex & Fax charges	701	686	15
Fees & Subscription	324	266	58
Newspapers & Periodicals	40	29	11
Entertainment	1,561	1,238	323
Legal & Professional	22	130	(108)
Misc. Expenses	225	294	(69)
Total	49,410	46,042	3,368

Basis of Allocation:

Factory overheads have been allocated to departments on actual basis .

ii) **Administration overheads:**

Description	2008	2007	Variance
	Rupees in thousand		
Salaries, Wages and Benefits	21,886	20,818	1,068
Rent, Rates and Taxes	981	664	317
Postage, Telegrams and Telephones	1,619	1,065	554
Conveyance and Traveling	1,289	1,257	32
Printing and Stationery	1,201	465	736
Entertainment	874	778	96
Consultancy Charges	568	625	(57)
Vehicles Expenses	4,285	2,093	2,192
Repair and Maintenance	795	748	47
Insurance	132	55	77
Fees & Subscription	741	420	321
Legal and Professional Charges	1,131	897	234
Auditors Remuneration	339	242	97
Charity and Donation	643	68	575
Newspapers and Periodicals	31	13	18
Utilities	1,466	1,029	437
Depreciation	5,281	4,547	734
Amortization of intangible assets	-	50	(50)
Miscellaneous Expenses	1,270	398	872
Total	44,532	36,232	8,300

iii) Distribution cost

Description	2008	2007	Variance
	Rupees in thousand		
Sugar Bag Handling	2,165	1,634	531
Export Expenses	45,309	-	45,309
Commission	1,260	64	1,196
Total	48,734	1,698	47,036

iv) Financial charges:

87,554	39,191	48,363
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b. Reasons for significant variances:

i) Factory overheads

Reasons for significant variance in each individual head of account is as under:

(a) Utilities

The increase is due to the increase in production and fuel rates during the year.

(b) Security Services

The contract with the security company has revised the contract with increased rates of wages.

ii) Administrative expenses

The significant variances in following heads are as follows:

(a) Salaries wages and other benefits

The unfavourable variance arised due to normal annual increments.

(b) Postage, Telegrams and Telephones

The unfavourable variance is due to increase in ordering costs for purchase of stores and spares and raw materials.

(c) Printing and Stationery

The unfavourable variance is due to increase in business activities and printing of consolidated accounts, merger accounts, scheme of merger.

(d) Vehicles Expenses

The increase is due to inflated fuel price.

(e) Depreciation

Depreciation charge is increased due to addition in furniture and fittings, motor vehicles and office equipment.

iii) Selling and distribution overhead:

Significant variances in the following heads are as follows:

(a) Export expense and commission:

These figures relates with export of sugar during current year.

iv) Financial Charges:

Company's borrowings have been increased, further borrowing rate has also been increased causing increase in financial charges.

c. Basis of Allocation

The basis of allocation is given above in the table of factory overheads.

Comparison of current year with 2006

i) Factory overheads:

Description	2008	2006	Variance
	(Rs. 000's)		
Repair & Maintenance	10,866	3,941	6,925
Utilities	21,988	21,860	128
Security Services	3,186	2,875	311
Printing & Stationery	347	430	(83)
Vehicle Running Expenses	3,056	2,814	242
Insurance Expenses	4,453	3,698	755
Conveyance & Traveling	2,641	1,703	938
Tel. Telex & Fax charges	701	728	(27)
Fees & Subscription	324	255	69
Newspapers & Periodicals	40	33	7
Entertainment	1,561	1,236	325
Legal & Professional	22	171	(149)
Misc. Expenses	225	194	31
Total	49,410	39,938	9,472

Basis of Allocation:

Factory overheads have been allocated to departments on actual basis .

ii) Administration overheads:

Description	2,008	2006	Variance
	(Rs. 000's)		
Salaries, Wages and Benefits	21,886	13,053	8,833
Rent, Rates and Taxes	981	667	314
Postage, Telegrams and Telephones	1,619	800	819
Conveyance and Traveling	1,289	354	935
Printing and Stationery	1,201	386	815
Entertainment	874	338	536
Consultancy Charges	568	133	435
Vehicles Expenses	4,285	1,675	2,610
Repair and Maintenance	795	3068	(2,273)
Insurance	132	177	(45)
Fees & Subscription	741	347	394
Legal and Professional Charges	1,131	659	472
Auditors Remuneration	339	226	113
Charity and Donation	643	723	(80)
Newspapers and Periodicals	31	11	20
Utilities	1,466	251	1,215
Depreciation	5,281	4,215	1,066
Amortization of intangible assets	0	200	(200)
Miscellaneous Expenses	1,270	125	1,145
Total	44,532	27,408	17,124

iii) Distribution cost:

Description	2,008	2006	Variance
	(Rs. 000's)		
Sugar Bag Handling	2,165	2,299	(134)
Export Expenses	45,309	532	44,777
Commission	1,260	276	984
Total	48,734	3,107	45,627

iv) Financial Charges:

87,554	49,113	38,441
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Reasons for significant variances:**i) Factory overheads:**

Reasons for increase in each individual head of account is as under::

(a) Repairs and Maintenance

During the year repairs and maintenance has increased due to the fact that replacement and repairs work carried out at inflated rates compared with year 2006. Furthermore, reshelling of rollers shafts during the period alongwith the increase in steel rates and other materials also cause increase in repair and maintenance expenses.

(b) Insurance Expense

Insurance charges increased due to political conditions and increase in insurance premium.

(c) Conveyance & Traveling

The increase is due to inflated fuel prices.

ii) Administrative expenses:

Reasons for significant variance in each account head is described as below.

(a) Salaries wages and other benefits

The unfavourable variance arised due to normal annual increments and increase in number of employees.

(b) Postage, Telegrams and Telephones

The unfavourable variance is due to increase in ordering costs for purchase of stores and spares and raw materials.

(c) Conveyance and Traveling

The increase is due to inflated fuel prices.

(d) Printing and Stationery

The unfavourable variance is due to increase in business activities and printing of consolidated accounts, merger accounts, scheme of merger.

(e) Vehicles Expenses

The increase is due to inflated fuel price.

(f) Repair and Maintenance

The renovation work was carried at head office in the year 2006, whereas no such expense has been incurred during the current year hence these expense have been reduced.

(g) Utilities

The increase is due to the increase in production and fuel rates during the year.

(h) Depreciation

Depreciation charge is increased due to addition in furniture and fittings, motor vehicles and office equipment.

(i) Miscellaneous Expenses

These include various petty expenses which varies according to departmental needs.

iii) Selling and distribution overhead:

Significant variances in the following heads are as follows:

(a) Export Expenses and commission:

These is due to increase in export during the year.

iv) Financial Charges:

Company's borrowing has been increased, further borrowing rate has also been increased causing increase in financial charges.

Basis of Allocation:

The basis of allocation is given above in the table of factory overheads.

(d) Packing material cost:

Particulars	Cost (Rs. In '000)	Quantity of Packing	Cost / M. Ton Rs.
Packing material			
Year - September 30, 2008	18,742	61,965	302.46
- September 30, 2007	9,653	42,954	224.73

9. Royalty/technical aid payment:

Royalty/technical aid fees payable for the year:

N/A

Amount chargeable per unit of the product:

N/A

10. Abnormal non-recurring features:

- a) There were no abnormal features affecting production/cost of production during the year, e.g., strikes, lock-outs, major breakdowns in the plant, substantial power cuts, serious accidents, etc.

11. Cost of Production:

The cost per unit of white sugar is as under:	2008	2007	Variance
Cost of goods manufactured (Rs. 000's) (Refer Annexure - 1)	1,139,337	925,971	213,366
Production including raw material remelting in (M.tons)	61,965	42,954	19,011
Cost per M.ton (Rupees per M. Ton)	18,387	21,557	(3,170)

Comments: In the current year decrease in production cost per ton was due to increase in cane crushing and reduced rates of cane which result in greater economies of scale.

12. Sales:**Product: White Refined Sugar****2008****2007****a) Local - White sugar**

Quantity sold in (M.tons)

30,337

45,957

Net sales realisation:

Gross sales value

762,342

1,242,669

Less: Sales tax

(103,753)

(170,808)

Special Excise Duty

(4,684)

-

Net sales realisation (Rs. 000's)

653,905

1,071,861

Net realisation per M.ton (Rupees per M. Ton)

21,555

23,323

b) Export - White sugar

Quantity sold in (M.tons)

15,475

-

Gross sales value (Rs. 000's)

366,731

-

Less: Commission (Rs. 000's)

-

-

Net sales realisation (Rs. 000's)

366,731

-

Net realisation per M.ton (Rupees per M. Ton)

23,698

-

White sugar is exported in the current year to the following countries :

Name of Country**2008****2007****Bangladesh**

Quantity in M.Ton

15,475

-

Rupees in thousand

366,731

-

Profitability on export:**Rupees**

Profitability per M.Ton before deducting export expenses

1,662

-

Less: Export expenses per M.ton

3,009

-

Loss per M.ton of export

(1,347)

-

13. Profitability :**Sugar**

Profit / (loss) is Rs.645 (2007 : (Rs.428)) per M.ton .

14. Cost auditors observations and conclusions:

To the best of our knowledge and belief there are no:

- a) Matters, which appears to be clearly wrong in principle or apparently unjustifiable.
- b) Cases where the company's funds have been used in a negligent or inefficient manner.
- c) Factors that could have been controlled, but have not been done resulting in increase in the cost of production.
- i) We state that the company has maintained budgetary control system.
- ii) We also state that the company has setup an effective internal audit function with suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.
- d) Suggestions for improvements in performance:
 - i) Though the company has significantly improved its crushing per day yet there is space to the gap between installed cane crushing capacity and the capacity achieved.
 - ii) The major component of cost is sugarcane, which should be controlled by the efficient field staff for procurement of cane. Further scientific means should be adopted to determine quality of cane, so as to avoid purchase of low quality of cane which will ultimately enhance recovery rate and overall profitability. Apart from cost reduction in purchase of raw material, saving in other manufacturing expenses still required and if possible, numbers of employees may be relocated according to their skills and experience. Apart from non availability of sugarcane there are no bottlenecks limiting production, further inventory system is adequate, efficient and energy being utilized at maximum level.
 - iii) Since company has installed brand new machinery in year 1992-93, therefore the technology is reasonably modern one.

15. Reconciliation with financial statements:

The figures shown in this report are subject to reconciliations with financial statements. These reconciliations are annexed herewith.

16. Cost Statements:

Cost statements on the formats prescribed by Securities and Exchange Commission under clause (e) of subsection (1) of section 230 of the Companies Ordinance 1984, duly authenticated by the Chief Executive Officer and Chief Financial Officer and verified by the auditors are enclosed with this report.

17. General

Corresponding figures have been rearranged wherever necessary to facilitate comparison.

GENERAL INFORMATION

A COMPANY INFORMATION:

1	Name of the company	AL-ABBAS SUGAR MILLS LIMITED
2	Date of incorporation	2nd MAY, 1991
3	Location of registered office	Pardesi House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi-74000
4	Location of factory/factories	Mirwah Gorchani, Distt. Mirpurkhas, Sindh
5	Products other than sugar being manufactured	Industrial Alcohol
6	Installed cane crushing capacity in tonnes	5500 Metric tons per day

B PRODUCTION DATA

S. No.	Particulars	Current Year	Previous Year
1 (a) CANE CRUSHED:			
	Date started.	15-Nov-07	12-Nov-06
	Date finished	8-Apr-08	31-Mar-07
	Duration of run days.	146	140
	Total number of hours in duration.	3,479	3,330
	Total numbers of hours of actual crushing.	3,108	2,448
	Total numbers of hours lost.	371	882
	Total cane milled (tonnes).	615,690	442,394
	Converted maunds.	15,392,250	11,059,850
	Total mixed juice obtained (tonnes).	673,949	486,236
(b) GUR MELTED:		N/A	N/A
2 JUICE & ADDED WATER:			
	Average mixed juice % cane.	109.462	109.910
	Average added water % cane.	40.522	40.373
3 SUGAR MADE:			
	Total sugar bagged of all		
	Grade (100 kg).	-	-
	Grade (50 Kg). (Including bagged from raw sugar)	1,239,300	859,070
	Sugar bagged (tonnes).	61,965	42,954
	Sugar in process (tonnes).	88.21	115
4 MOLASSES EXTRACTED:			
	Total molasses sent out (tonnes).	31,880	22,660
	Molasses in process (tonnes).	14.9	16.8
5 RECOVERY PERCENT:			
	Laboratory test percentage recovery of sugar cane.	10.060%	9.730%
	Average recovery of marketable white sugar % cane.	10.060%	9.730%
	Average production of final molasses % cane.	5.178%	5.124%
6 BY PRODUCTS:			
	Bagasse % cane		
	(Calculated) (tonnes).	31.060%	30.463%
	V.F.Cake % cane (tonnes).	3.0%	3.6%
7 CLARIFICATION PROCESS:			
	Specify the process used by the mill.	Defecation melt phosphation	Defecation-melt phosphation



Chief Financial Officer



Chief Executive

AL-ABBAS SUGAR MILLS LIMITED

STATEMENT SHOWING COST OF PRODUCTION AND SALE OF WHITE BAGGED SUGAR

Annexure 1

For the year ended 30th September 2008

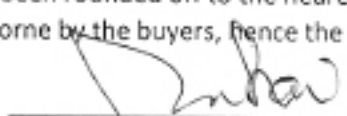
Quantitative Data – Bagged Sugar

	Current Year		Previous Year
Opening Stock	(M.Ton)	8,331	(M.Ton) 11,334
Production	(M.Ton)	61,965	(M.Ton) 42,954
Closing Stock	(M.Ton)	24,484	(M.Ton) 8,331
Sales	(M.Ton)	45,812	(M.Ton) 45,957

S.No.	Particulars	Current Year		Previous Year	
		Amount (Rs. in '000)	Cost per ton of sugar (Rs.)	Amount (Rs. in '000)	Cost per ton of sugar (Rs.)
1	2	3	4	5	6
1	Raw Materials:				
(a)	Sugar Cane (Annex 3).	1,146,101	18,495.95	873,617	20,338.43
(b)	Beet (Annex 4).	-	-	-	-
(c)	Gur.	-	-	-	-
(d)	Raw Sugar.	-	-	-	-
(e)	Process Material (Annex 5).	34,646	559.12	17,511	407.67
2	Salaries/Wages and benefits (Annex 6).	46,954	757.75	46,199	1,075.55
3	Consumable Stores.	3,897	62.89	20,562	478.70
4	Repairs and maintenance.	10,464	168.87	11,241	261.70
5	Utilities:				
	Steam (Annex 7).	34,914	563.44	39,985	930.88
6	Electric Power (Annex 8).	17,671	285.18	7,881	183.48
7	Water & Gas.	499	8.05	248	5.77
8	Insurance.	-	-	-	-
9	Depreciation.	10,093	162.88	12,392	288.49
10	Other Factory Overheads (Annex 9).	15,122	244.04	11,565	269.24
11	Total Cost.	1,320,361	21,308.17	1,041,201	24,239.91
12	Add: Opening Stock of W.I.P.	2,024	32.66	499	11.62
13	Less: Closing Stock of W.I.P.	(1,600)	(25.82)	(2,024)	(47.12)
14	Total Cost of goods manufacturing.	1,320,785	21,315.01	1,039,676	24,204.40
15	Less: Realisable value of By-Products:				
	Molasses.	(143,460)	(2,315.18)	(90,640)	(2,110.16)
	Bagasse.	(50,886)	(821.21)	(25,768)	(599.90)
	Others.	(5,844)	(94.31)	(6,950)	(161.80)
16	Net Cost of goods Manufacturing:	1,120,595	18,084.32	916,318	21,332.54
17	Add: Packing Material and Handling.	18,742	302.46	9,653	224.72
18	Net Cost of Bagged Sugar.	1,139,337	18,386.78	925,971	21,557.26
19	Add: Excise Duty / sales tax.	-	-	-	-
20	Total Cost of Bagged Sugar:	1,139,337	18,386.78	925,971	21,557.26
21	Add: Opening Stock of Sugar.	147,229	2,376.00	251,093	5,845.63
22	Less: Closing Stock of Sugar.	(540,888)	(8,728.93)	(147,229)	(3,427.60)
24	Cost of Sales.	745,678	16,276.91	1,029,835	22,408.66
25	Administrative Expenses (Annex 10).	44,532	972.06	36,232	788.39
26	Selling and Distribution Expenses (Annex 11).	48,734	1,063.79	1,698	36.95
27	Financial Expenses.	87,554	1,911.16	39,191	852.78
28	Other Charges - net	73,186	1,597.53	11,552	251.37
	Total Cost to Make and Sell.	999,684	21,821	1,118,508	24,338

1. Figures have been rounded off to the nearest thousands.

2. Sales Tax is borne by the buyers, hence the same is not included in the cost.


 Chief Financial Officer


 Chief Executive

AL-ABBAS SUGAR MILLS LIMITED
STATEMENT SHOWING COST OF SUGARCANE PRODUCED
For the year ended 30th September 2008

Annexure 2

S.No	Particulars	Current year		Previous year	
		Quantity	Amount	Quantity	Amount
1	2	3	4	5	6
1	Seeds and Other inputs:				
	Seed.				
	Fertilizers, herbicides, etc.				
	Insecticides.				
	Abiana/Water Charges.				
	Total Cost of Inputs.				
2	Labor Cost:				
	Land preparation.				
	Plantation.				
	Maintenance of cane crop/rations.				
	Operation of Tractors.				
	Harvesting.				
	Total Labor Cost.				
3	Other Cost				
	Fuel for Tractors operation.				
	Maintenance and overhaul of Tractors.				
	Insurance.				
	Interest expenses.				
	Depreciation of equipments.				
	Rent of agriculture equipments (if any).				
	Total Other Cost.				
	Total Cost of own production (1+2+3).				
	Sales value at controlled price.				
	Profit/Loss on own production.				

N.A.

Note:

- No sugarcane is cultivated by the company on there own farm therefore the above annexure is not applicable.


Chief Financial Officer


Chief Executive

AL-ABBAS SUGAR MILLS LIMITED
STATEMENT SHOWING COST OF SUGARCANE CRUSHED
For the year ended 30th September 2008

Annexure 3

S.No	Particulars	Current year			Previous year		
		Quantity	Rate	Amount	Quantity	Rate	Amount
		M.Tons	Rs/M.Ton	(Rs. In '000)	M.Tons	Rs/M.Ton	(Rs. In '000)
1	2	3	4	5	6	7	8
1	Total sugarcane purchased	615,690	1,622.61	999,024	442,394	1,741.47	770,415
	Sugarcane produced from own farm (Annex 2)	-	-	-	-	-	-
	Less: Loss in transit	-	-	-	-	-	-
	Sugarcane received at factory gate	615,690	1,622.61	999,024	442,394	1,741.47	770,415.00
2	Commission	-	10.73	6,609	-	-	-
3	Quality premium	-	170.00	104,667	-	128.75	56,958.00
4	Loading/unloading charges	-	1.27	783	-	1.60	710.00
5	Cane development expenses:	-	-	-	-	-	-
(a)	Salaries and Wages of Supply and Development Staff	-	-	-	-	-	-
(b)	Sugarcane Development Research	-	0.64	392	-	1.50	664.00
(c)	Supply staff and transportation expenses	-	-	-	-	-	-
(d)	Other expenditure.(Sector Office Expense)	-	0.67	414	-	0.87	383.00
6	Taxes and Levies:	-	-	-	-	-	-
(a)	Cane cess/ purchase tax	-	-	-	-	-	-
(b)	Market committee fee	-	5.00	3,078	-	5.00	2,212.00
(c)	Road cess	-	6.25	3,848	-	6.25	2,765.00
(d)	Octroi	-	-	-	-	-	-
(e)	Other levies	-	-	-	-	-	-
7	Transportation Charges:	-	-	-	-	-	-
(a)	Delivery expenses	-	-	-	-	-	-
(b)	Transport subsidy	-	20.22	12,448	-	59.87	26,485.00
(c)	Others	-	-	-	-	-	-
8	Other Expenditures at Cane Collection Centers:	-	-	-	-	-	-
(a)	Salaries and Wages. (Annex 6)	-	22.18	13,654	-	26.11	11,553.00
(b)	Stores	-	-	-	-	0.15	65.00
(c)	Repairs and Maintenance	-	-	-	-	0.02	7.00
(d)	Others. (Annex 9)	-	1.92	1,184	-	3.16	1,400.00
	Total cost of "SUGARCANE" Transferred to production processes (Annex 1)	615,690	1,861.49	1,146,101	442,394	1,974.75	873,617


Chief Financial Officer


Chief Executive

For the year ended 30th September 2008

S.No.	Particulars	Current Year		Previous Year	
		Amount (Rs. in '000)	Cost per ton of sugar (Rs.)	Amount (Rs. in '000)	Cost per ton of sugar (Rs.)
1	2	3	4	5	6
	Total Sugar Produced (M-Tons).		61,965		42,954
1	Bleaching Powder.	291	4.70	429	9.99
2	Formaline.	28	0.45	86	2.00
3	Phosphoric Acid.	4,216	68.04	2,224	51.78
4	Rock Salt	263	4.24	320	7.45
5	Soda Ash.	1	0.02	3	0.07
6	Unslaked Lime.	1,640	26.47	1,094	25.47
7	Caustic Soda.	766	12.36	411	9.57
8	Lead Sub Acetate	165	2.66	150	3.49
9	Softno Treat 3000 Regular	163	2.63	102	2.37
10	Softno Treat 135 PH Shoot	113	1.82	53	1.23
11	Tri sodium Phosphate.	2	0.03	6	0.14
12	Talofloc Wax 7DRAMSX175KG	2,741	44.23	1,957	45.56
13	Anti foam	2,822	45.54	2,515	58.55
14	Sulphuric acid	8,981	144.94	2,961	68.93
15	Filter Cloth.	4	0.06	2	0.05
16	Sewing Thread.	291	4.70	182	4.24
17	Cleaning Brushes.	579	9.34	113	2.63
18	Oil Lubricants and Grease.	6,975	112.56	2,690	62.63
19	Other	7,541	121.70	3,579	83.32
	Total	37,582	606.50	18,877	439.47
	Less allocated to:				
	a. Steam Generation.(Annex 7)	304	4.91	647	15.06
	b. Electricity Generation.(Annex 8)	2,632	42.48	719	16.74
	c. Raw Material.	-	-	-	-
	d. Admin Expenses.	-	-	-	-
	Total	2,936	47.38	1,366	31.80
	Balance transferred to production process Annexure 1.	34,646	559.12	17,511	407.67

Note:

- 1 It is impracticable to further specify the itemized break up of others.


 Chief Financial Officer


 Chief Executive

AL-ABBAS SUGAR MILLS LIMITED

STATEMENT SHOWING COST OF SALARIES, WAGES AND BENEFITS

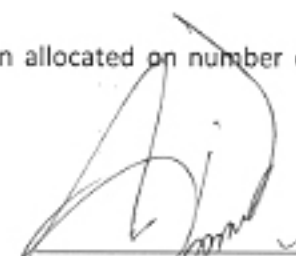
Annexure 6

For the year ended 30th September 2008

S.No	Particulars	Current Year		Previous Year	
		Amount (Rs. in '000)	Cost per ton of sugar (Rs.)	Amount (Rs. in '000)	Cost per ton of sugar (Rs.)
1	2	3	4	5	6
	Total Sugar Produced (M-Tons):		61,965		42,954
	Cost:				
1	Salaries/Wages:				
(i)	Officers and Permanent Staff.	51,974	838.76	54,536	1,269.64
(ii)	Seasonal Staff.Rated	1,007	16.25	2,390	55.64
(iii)	Daily & Contract Labour.	21,162	341.52	14,330	333.61
(iv)	Bonuses.	9,941	160.43	6,296	146.58
		84,084	1,356.96	77,552	1,805.47
2	Benefits:				
(i)	Medical Expenses.	396	6.39	403	9.38
(ii)	Canteen Expenses.	259	4.18	222	5.17
(iii)	Welfare, Recreation.	134	2.16	587	13.67
(iv)	Education Cess/Expenses.	36	0.58	86	2.00
(v)	Group Insurance/Workmen.	1,293	20.87	2,040	47.49
(vi)	Comp. Insurance.	-	-	-	-
(vii)	Provident Fund (Employer's contribution)	-	-	-	-
(viii)	Gratuity/Pension.	5,878	94.86	5,085	118.38
(ix)	Other Benefits (EOBI)	2,739	44.20	2,176	50.66
	Total	94,819	1,530.20	88,151	2,052.22
	Less allocated to:				
	Raw Material. (Annex-3)	13,654	220.35	11,553	268.96
	Steam Generation. (Annex-7)	4,163	67.18	3,341	77.78
	Electricity Generation. (Annex-8)	8,162	131.72	6,240	145.27
	Admin Expenses. (Annex-10)	21,886	353.20	20,818	484.66
	Selling & Distribution Expenses.	-	-	-	-
		47,865	772.45	41,952	976.67
	Balance transferred to production process Annexure 1.	46,954	757.75	46,199	1,075.55

Note: Salaries have been taken on actual whereas benefits have been allocated on number of permanent employees.


Chief Financial Officer


Chief Executive

AL-ABBAS SUGAR MILLS LIMITED

STATEMENT SHOWING COST OF STEAM/GENERATED CONSUMED

For the year ended 30th September 2008

Annexure 7


S.No.	Particulars	Unit	Current year	Previous year	Variance
1	2	3	4	5	6
1	Types of steam boilers used (Water Tube)	Number	3	3	-
2	No. of days worked. (Boiler 1)	Days	146	110	36
	No. of days worked. (Boiler 2)	Days	150	120	30
	No. of days worked. (Boiler 3)	Days	352	365	(13)
3	Installed Capacity (steam in tonnes).	Tons	1,449,360	1,445,400	3,960
4	Utilised capacity (steam in tonnes).	Tons	511,819	417,906	93,913
5	Production:				
	(a) High pressure steam.	Tons	-	-	-
	(b) Medium pressure steam.	Tons	511,819	417,906	93,913
	(c) Low pressure steam.	Tons	-	-	-
	(d) Less: transit losses.	Tons	-	-	-
	(e) Total.	Tons	511,819	417,906	93,913
	Percentage of capacity utilization (4/3 * 100).		35.31%	28.91%	6.40%

S.No.	Particulars	Current Year			Previous Year		
		Quantity M. Ton	Rate per unit	Amount	Quantity M. Ton	Rate per unit	Amount
			Rs.	(Rs. In '000)		Rs.	(Rs. In '000)
1	2	3	4	5	6	7	8
1	Water	-	-	-	-	-	-
2	Fuels:						
	(a) Bagasse:						
	(i) Own. (Tons)	173,080	67.63	34,616	-	57.52	24,038
	(ii) Purchased. (Tons)	-	-	-	-	-	-
	(b) Pith.	-	-	-	-	-	-
	(c) Coal purchased.	-	-	-	-	-	-
	(d) Furnace Oil. (tons)	-	-	-	-	4.27	1,785
	(e) Fire Wood. (tons)	-	0.38	197	-	0.47	195
	(f) Bio Gas. (cu/mtrs)	-	-	-	-	3.30	1,380
	(g) Other fuels, if any (to be specified)	-	-	-	-	-	-
3	Quantity of waste heat from the plant, if any.	-	-	-	-	-	-
	Stores and spares	-	13.60	6,962	-	5.78	2,417
4	Consumable stores. (Annex 5)	-	0.59	304	-	1.55	647
5	Direct salaries, Wages and benefits. (Annex 6)	-	8.13	4,163	-	7.99	3,341
6	Repairs and Maintenance.	-	0.30	156	-	0.32	133
7	Oil & Lubricants	-	-	-	-	-	-
8	Other direct expenses. (Annex 9)	-	0.05	25	-	0.64	269
9	Bagasse handling	-	0.74	378	-	4.36	1,821
10	Depreciation.	-	14.03	7,181	-	21.10	8,817
11	Total Cost of Steam Raised.	-	105.47	53,982	-	107.30	44,843
12	Less: Outside sale.	-	-	-	-	-	-
13	Total Cost of Steam for Self Consumption.	-	105.47	53,982	-	107.30	44,843
	Add: Cost of steam purchased.	-	-	-	-	-	-
	Total Cost of Steam Consumed.	-	105.47	53,982	-	107.30	44,843
	ALLOCATION						
	Total of item 13 allocated to:						
	(i) White bagged sugar. Annex-1	331,027		34,914	371,690		39,985
	(ii) Electric powerhouse. Annex-8	11,651		1,229	14,294		1,537
	(iii) Distillery	169,141		17,839	31,922		3,465
	Total	511,819		53,982	417,906		44,987

Notes:

- Cost allocated on the basis of estimated consumption by cost centres, which is determined by their requirement of steam on different levels of operation.
- Transfer price of bagasse is calculated on the basis market price less cost of freight.


 Chief Financial Officer


 Chief Executive

For the year ended 30th September 2008

S. No	Particulars	Current Year	Previous Year	Variance
1	Installed Capacity (KWH)	65,880,000	65,700,000	180,000
2	No. of units generated (KWH)	20,380,260	17,259,200	3,121,060
3	No. of units purchased (KWH)	142,544	33,042	109,502
4	Total (2+3)	20,522,804	17,292,242	3,230,562
5	Consumption in Power House including other losses	359,148	302,614	56,534
6	Net units consumed (4-5)	20,163,656	16,989,628	3,174,028
7	Percentage of Consumption and losses to total units Available = $5/4 \times 100$	1.75%	1.75%	0.00%
8	Percentage of power generated to installed capacity $2/1 \times 100$	30.94%	26.27%	0.04666

S.No	Particulars	Current Year			Previous Year		
		Quantity	Rate	Amount	Quantity	Rate	Amount
			Rs./Kwh	(Rs. In '000)		Rs./Kwh	(Rs. In '000)
1	2	3	4	5	6	7	8
1	Steam (Annex 7).	-	0.06	1,229	-	0.09	1,537
2	Consumable Stores (Annex 5)	-	0.13	2,632	-	0.04	719
3	Stores and Spares	-	0.56	11,246	-	0.09	1,475
4	Oil & Lubricants	-	-	-	-	-	-
5	Salaries and Wages. (Annex 6)	-	0.40	8,162	-	0.37	6,240
6	Other direct expenses. (Annex 9)	-	0.01	225	-	0.03	541
7	Repairs and maintenance.	-	0.01	246	-	0.01	87
8	Duty on electricity and inspection fee	-	0.01	216	-	0.01	176
9	Depreciation.	-	0.11	2,135	-	0.15	2,621
	Total	-	1.29	26,091	-	0.79	13,396
10	Less: (a) Credit for exhaust steam used in process etc.	-	-	-	-	-	-
11	(b) Other credits, if any.	-	-	-	-	-	-
12	Cost of power generated	-	1.29	26,091	-	0.79	13,396
13	Less: Cost of power sold	-	-	-	-	-	-
14	Add: Cost of power purchased	-	0.03	539	-	-	315
15	Total net cost of power consumed	20,163,656		26,630	16,989,628		13,711
16	Cost per unit average			1.32			0.81
	Total at Item 15 allocated to:						
	(i) White bagged sugar.	13,380,096		17,671	9,539,162		7,881
	(ii) Distillery	6,783,560		8,959	7,450,466		5,832
	(iii) Others:	-		-	-		-
	Total	20,163,656		26,630	16,989,628		13,713

Notes:

1

Cost allocated on the basis of estimated consumption by cost centres, which is determined by their requirement of power on different levels of operation.



 Chief Financial Officer



 Chief Executive

AL-ABBAS SUGAR MILLS LIMITED
STATEMENT SHOWING OTHER FACTORY OVERHEADS
For the year ended 30th September 2008

Annexure - 9

S.No.	Particulars	Current Year		Previous Year	
		Amount (Rs. in '000)	Cost per ton of sugar (Rs.)	Amount (Rs. in '000)	Cost per ton of sugar (Rs.)
1	2	3	4	5	6
	Total Sugar Produced (M-Tons):		61,965		42,954
	Cost:				
1	Security Services	3,186	51.42	2,170	50.52
2	Printing and Stationery	347	5.60	202	4.70
3	Vehicle Running Expenses	3,056	49.32	2,891	67.30
4	Insurance Expenses	4,453	71.86	3,928	91.45
5	Wastage Removal Expenses		-	-	-
6	Travelling and Conveyance	2,641	42.62	1,941	45.19
7	Tel. Telex & Fax charges	701	11.31	686	15.97
8	Fees and Subscription	324	5.23	266	6.19
9	Newspapers & Periodicals	40	0.65	29	0.68
10	Entertainment	1,561	25.19	1,238	28.82
11	Legal & Professional	22	0.36	130	3.03
12	Misc. Expenses	225	3.63	294	6.84
13	Total	16,556	267.18	13,775	320.69
	Allocated to:				
	(i) White bagged sugar. Annex-1	15,122		11,565	
	(ii) Cane Field Annex- 3	1,184		1,400	
	(iii) Steam Generation. Annex-7	25		269	
	(iv) Electric Power House. Annex-8	225		541	
	Total as per item 13 above	16,556		13,775	


Chief Financial Officer


Chief Executive

AL-ABBAS SUGAR MILLS LIMITED

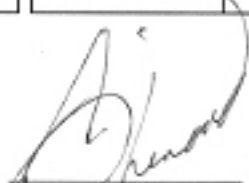
STATEMENT SHOWING ADMINISTRATIVE EXPENSES

Annexure 10

For the year ended 30th September 2008

S.No.	Particulars	Current Year		Previous Year	
		Amount (Rs. in '000)	Cost per ton of sugar (Rs.)	Amount (Rs. in '000)	Cost per ton of sugar (Rs.)
1	2	3	4	5	6
1	Total Sugar Sold (M-Tons).		45,812		45,957
	Cost:				
2	Salaries, Wages and Benefits (Annex 6).	21,886	477.74	20,818	452.99
3	Rent, Rates and Taxes	981	21.41	664	14.45
4	Postage, Telegrams and Telephones	1,619	35.34	1,065	23.17
5	Conveyance and Travelling	1,289	28.14	1,257	27.35
6	Printing and Stationery	1,201	26.22	465	10.12
7	Entertainment	874	19.08	778	16.93
8	Consultancy Charges	568	12.40	625	13.60
9	Vehicles Expenses	4,285	93.53	2,093	45.54
10	Repair and Maintenance	795	17.35	748	16.28
11	Insurance	132	2.88	55	1.20
12	Fees & Subscription	741	16.17	420	9.14
13	Legal and Professional Charges	1,131	24.69	897	19.52
14	Auditors Remuneration	339	7.40	242	5.27
15	Charity and Donation	643	14.04	68	1.48
16	Newspapers and Periodicals	31	0.68	13	0.28
17	Utilities	1,466	32.00	1,029	22.39
18	Depreciation	5,281	115.28	4,547	98.94
19	Amortization of intangible assets		-	50	1.09
20	Miscellaneous Expenses	1,270	27.72	398	8.66
	Total of "Administrative expenses" Transferred to production processes (Annex 1).	44,532	972.06	36,232	788.39


 Chief Financial Officer


 Chief Executive

Annexure 11

Chief Financial Officer

Chief-Executive

AL-ABBAS SUGAR MILLS LIMITED
 STATEMENT SHOWING PRODUCTION CAPACITY OF THE PLANT
 For the year ended 30th September 2008

	2008	2007
	Machine Hours	Machine Hours
Total Capacity (Based on duration of crushing period)	3,479	3,330
Actual Utilization of Machine Hours	3,108	2,448
Hours Lost	371	882
	Production Units M.tons	Production Units M.tons
Total Capacity (Based on duration of crushing period)	80,782	74,921
Actual Production tonnes	61,965	42,954
Under utilization (Production units)	18,817	31,967

Notes:

1. Non utilization of machine hours is due to shortage of cane and hours lost due to stoppage for various reasons.
2. The total capacity in production unit is based on 10.06% (2007:9.73%) recovery which is actual recovery for the crushing season.

The total production of sugarcane crushing is 61,965 (2007: 42,954) M.tons.

The under utilization of installed capacity in relation to production unit is due to non availability of sugarcane for crushing.


 Chief Financial Officer


 Chief Executive

AL-ABBAS SUGAR MILLS LIMITED

**RECONCILIATION OF COST OF GOODS MANUFACTURED AND COST OF
GOODS SOLD BETWEEN FINANCIAL ACCOUNTS AND COST ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

	2008 Rupees in '000'
Total cost of goods manufactured as per (Annexure 1)	1,320,785
Add: Packing material consumed charged to manufacturing cost as per financial accounts (Annexure 1)	
Cost of goods manufactured of	
- Distillery	1,232,824
- Calcium Carbide & Ferro Alloys and MDFB	365,319
	1,598,143
Less: Consumption of own bagasse charged to (Annexure 7)	(34,616)
Transfer price of molasses, stock and sale of bagasse	(165,574)
Total cost of goods manufactured as per financial accounts	2,718,738
Total cost of sales as per (Annexure 1)	745,678
Cost of sales of	
- Distillery	1,130,024
- Calcium Carbide & Ferro Alloys and MDFB	277,081
	1,407,105
Total cost of goods sold as per financial accounts	2,152,783

AL-ABBAS SUGAR MILLS LIMITED
STATEMENT SHOWING STOCK IN TRADE
For the year ended 30th September 2008

	2008		2007		Remarks
	Qty	Cost	Qty	Cost	
W.I.P	84	1,600	115	2,024	work in process is adjusted to an appropriate stage of completion of process.
Finished Stock	24,484	540,888	8,331	147,229	finished goods are valued at lower of cost of net realizable value
Bagasse	12,691	16,270	988	198	cost of bagasse is taken equivalent to net realizable value.



Chief Financial Officer



Chief Executive