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**AL-ABBAS SUGAR MILLS LIMITED**

**Cost Audit Report  
For the year ended September 30, 2010**

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## **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, 2010 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) Proper returns, statements and schedules for the purpose of audit of cost accounts relating to branches were not required as the Company has no branches in or outside Pakistan.
- c) 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 utilization 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 **ANNEXURES** forms part of this report.

  
**Haroon Zakaria & Company**  
**Chartered Accountants**

**Place: Karachi**

**Dated: 04 FEB 2011**

**Engagement Partner:**  
**Zakaria**

## PARTICULARS TO BE INCLUDED IN COST AUDITOR'S REPORT

### 1. CAPACITY

- a) The following table shows the installed capacity per day and normal capacity calculated on the basis of number of working days and actual recovery percentage: -

Particulars	2010	2009	2008
Installed capacity per day for 72 days (M.Tons)	-	5,500	-
Installed capacity per day for 43 days (M.Tons)	-	7,500	-
Installed capacity per day (M.Tons)	7,500	-	5,500
No. of days worked	123	115	146
Total capacity based on the number of days worked (M.Tons.)	922,500	718,500	803,000
Cane milled (M. Tons.)	549,630	513,887	615,690
Capacity utilized by the mill per day (M. Tons.)	4,469	4,469	4,217

- b) The price of sugarcane is fixed at **Rs.102.00** (2009 : Rs.81.00) (2008 : Rs.64.96 Average) per 40 kg by the Government, but the company has paid over and above the fixed rate including premium.

c) **Other activities**

In addition to manufacturing of white refined sugar and its by-product i.e. molasses and baggase, the company is also engaged in the production of industrial alcohol, calcium carbide and ferro alloys and power generation.

### 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 to distillery unit and bagasse 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 an ERP Oracle Financials 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.

The Company kept adequate records to ascertain the cost of sugar produced and sold. The records have been transformed according to the format prescribed in the Sugar Industry (Cost Accounting Records) Order, 2001. All the cost components are recorded department-wise / cost centre-wise.

### 3. PRODUCTION

a) Production of each type of product is as under:

Particulars	(M.Tons)		
	2010	2009	2008
Sugar from sugarcane	57,130	52,850	61,965
Molasses - by product	26,720	26,390	31,880
Bagasse - by product	170,396	160,327	191,440

b) Installed capacity

Particulars	2010	2009	2008
Installed capacity (M.Tons) (based on cane crushed per day and actual recovery percentage)	95,940	73,862	80,782
Actual recovery percentage	10.40%	10.28%	10.06%
Actual production (M.tons)	57,130	52,850	61,965
Capacity utilization (%age)	59.55%	71.55%	76.71%

Reason for decrease in production compared to the install capacity

The production of sugar has decreased due to the non-availability of sugarcane.

c) Addition to production capacity

There has been no addition in plant and machinery during the year. Addition in the year 2009 was Rs.590.598 million and in 2008 was Rs. 13.952 million. During the year there is no change in production capacity however in 2009 crushing capacity of the plant has been increased from 5,500 M.Tons to 7,500 M.Tons per day.

### 4. RAW MATERIAL

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

S.No	Particulars	2010		
		Quantity M.tons	Rate M.Ton	Amount (Rs. 000's)
1	Sugarcane purchased	549,630	2,550.00	1,401,555
2	Quality premium	-	212.50	116,796
3	Additional price to growers (excess of Government fixed price)	-	1,960.73	1,077,676
4	Other cost	-	317.60	174,562
	<b>Total as per cost of sales</b>	<b>549,630</b>	<b>5,040.83</b>	<b>2,770,589</b>



S.No	Particulars	2009		
		Quantity M.tons	Rate M.Ton	Amount (Rs. 000's)
1	Sugarcane purchased	513,887	2,025.00	1,040,621
2	Quality premium	-	197.50	101,493
3	Additional price to growers (excess of Government fixed price)	-	603.93	310,350
4	Other cost	-	151.76	77,986
	<b>Total as per cost of sales</b>	<b>513,887</b>	<b>2,978.18</b>	<b>1,530,450</b>

S.No	Particulars	2008		
		Quantity M.tons	Rate M.Ton	Amount (Rs. 000's)
1	Sugarcane purchased	615,690	1,622.61	999,024
2	Quality premium	-	170.00	104,667
3	Other cost	-	34.05	20,963
	<b>Total as per cost of sales</b>	<b>-</b>	<b>2,188.52</b>	<b>1,124,654</b>

- b) Comparison of consumption of major raw material per M.Ton of production with standard consumption is produced as under:

Particulars	2010	2009	2008
Actual recovery percentage	10.40%	10.28%	10.06%
Actual raw material consumed per M.Ton of production	9.621	9.724	9.936
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 give different yield, recovery from fresh sugarcane is more than old sugar cane, timing of cane crushing, distance between the cane field and mill.

- c) Variances in percentage

	Compared current with	
	2009	2008
Actual raw material consumed per M. Ton of production. (Favourable)	(1.06%)	(3.17%)

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. higher the recovery of sugar, lower the raw material consumed per M.Ton of sugar produced.

- d) The company prepares a purchase indent after weighing the quantities of sugarcane received which are instantly recorded in Cane Purchase Receipts (CPRs). These CPRs constitute the record of sugarcane based for computation of cost of sugarcane consumed. The quantities of sugarcane received are issued to production floor.

## 5. SALARIES, WAGES AND OTHER BENEFITS

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

S.No.	Category	Rupees in thousands		
		2010	2009	2008
i	Direct labour cost on production	39,537	33,432	22,122
ii	Indirect employees' cost on production	65,984	54,849	37,027
iii	Bonus to workers and employees	13,324	10,777	9,941
iv	Other Employees cost	4,879	4,093	3,843
	<b>Total as per cost of sales</b>	<b>123,724</b>	<b>103,151</b>	<b>72,933</b>
v	Employees' cost on Administration	23,551	21,599	21,886
	<b>Total employees cost</b>	<b>147,275</b>	<b>124,750</b>	<b>94,819</b>

- b) Remuneration of Chief Executive Officer and Directors amounting to **Rs.4.818 million** (2009 : Rs.3.600 million) (2008 : Rs. 3.980 million) has been charged to administrative expenses.

- c) Total mans days of direct labour available and actually worked: -

Particulars	2010	2009	2008
Days available	98,892	90,160	104,682
Days worked	82,008	79,184	93,210

- d) The number of workers employed for the year 2010 were **804** (2009 : 784) (2008 : 717).
- e) Direct labour cost per M.Ton of output is **Rs.925.28** (2009 : Rs.836.50) (2008 : Rs.514.44) which has been worked out as follows: -

Particulars	Rupees in thousands		
	2010	2009	2008
Direct labour cost on production.	39,537	33,432	22,122
Bonus to workers and employees.	13,324	10,777	9,941
<b>Total direct labour cost</b>	<b>52,861</b>	<b>44,209</b>	<b>32,063</b>
Sugar produced from sugarcane - (M.Tons)	57,130	52,850	61,965
<b>Labour cost (Rupees per M.Ton)</b>	<b>925.28</b>	<b>836.50</b>	<b>517.44</b>

- f) Variance in item (e) above is as under:

Increase in per ton direct labour cost as compared to 2009 and 2008 is due to increase in minimum wages rate, annual increment, increase in production based bonuses and labour incentives.

- g) Comments on incentive scheme:

The company has paid 8 bonuses (2009 : 7 bonuses) (2008 : 8 bouns) during the year. It is the policy of the company to pay first bonus on production of **10,000 M.Ton**. Thereafter bonuses is paid after attaining define level of productions.

Its contribution towards production could not be determined because utilization of production capacity is dependent on the availability of sugarcane.

Bonus to workers has increased cost of production by **Rs.13.324 million** (2009 : Rs.10.777 million) (2008 : Rs.9.941 million).

## 6. STORES, SPARES AND LOOSE TOOLS

### a) Expenditure per unit of output on stores:

Particulars	2010	2009	2008
Stores and spares (Rs.000's)	48,427	35,403	23,953
Process material as per annexure - 5 (Rs.000's)	14,495	14,870	23,393
<b>Stores and spares as per financials (Rs.000's)</b>	<b>62,922</b>	<b>50,273</b>	<b>47,346</b>
Total production (M.Tons)	57,130	52,850	61,965
<b>Expense per M.Ton of sugar (Rs.)</b>	<b>1,101.38</b>	<b>951.24</b>	<b>764.08</b>

Increase in expense per M.Ton is due to general price inflation in stores and spares.

- b) The company operates an ERP Oracle Financials for receipt and issuance of stores and 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. The value of stores having no movement in preceeding twenty four months as on September 30, 2010 amounts to **Rs.19.987** (2009 : Rs.19.987) (2008 : Rs.18.00) 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 30%. 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 are disposed off.
- b) Depreciation of common assets is allocated to cost of sales and administrative expenses on the basis of 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: -

Description	Amount	
	2010	2009
Building on free hold land	8,362	8,219
Plant, machinery and equipment	41,965	41,248
Tools and tackles	408	401
<b>Total</b>	<b>50,735</b>	<b>49,868</b>

## 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:

COST CENTRE	2010	2009	2008	Increase / (Decrease)			
				Compared with 2009		Compared with 2008	
				%	Amount in '000	%	Amount in '000
	Rupees in thousand						
Repairs and maintenance	9,795	8,429	10,866	16%	1,366	(10%)	(1,071)
Water, fuel and power	33,581	36,702	21,988	(9%)	(3,121)	53%	11,593
Security services	2,840	2,589	3,186	10%	251	(11%)	(346)
Printing and stationery	210	111	347	89%	99	(39%)	(137)
Vehicle running expenses	4,815	2,221	3,056	117%	2,594	58%	1,759
Insurance expenses	9,097	8,055	4,453	13%	1,042	104%	4,644
Traveling and conveyance	4,309	2,074	2,641	108%	2,235	63%	1,668
Communication charges	443	799	701	(45%)	(356)	(37%)	(258)
Fees and subscription	356	312	324	14%	44	10%	32
Newspaper and periodicals	47	43	40	9%	4	18%	7
Entertainment	2,260	1,659	1,561	36%	601	45%	699
Legal and professional charges	-	-	22	0%	-	(100%)	(22)
Miscellaneous expenses	582	878	225	(34%)	(296)	159%	357
Total	68,335	63,872	49,410		4,463		18,925

### Basis of allocation:

Actual attributable cost except insurance which is actual premium attributable to the year.

### (b) Reasons for significant variances in factory overheads: (compared with 2009):

- Printing and stationary expense:** Increase in printing and stationary expense is due to periodical printing of items like cane indent, stores issuance reports and other documents related to cane procurement.
- Vehicle running expenses:** Increase in vehicle running expense is due to increase in number of vehicles, fuel prices and maintenance cost.
- Traveling and conveyance:** Increase is due increase in inter city fare and number of visits of factory staff to head staff for Oracle training .
- Communication charges:** Decrease in communication charges is due to general decrease in telecommunication rates.

(e) **Entertainment:** Increase in entertainment expense is due to inflationary impact.

(f) **Miscellaneous expenses:** The favorable variance is due to strong management control during the year.

**Reasons for significant variances in factory overheads (compared with 2008):**

(a) **Water, fuel and power:** Increase in expense is due to increase in fuel and power tariff.

(b) **Printing and stationery:** Decrease in printing and stationery expense is due to more favourable rates of printing available to the Company as compare with year 2008.

(c) **Vehicle running expense:** Increase in vehicle running expense was due to increase in fuel prices and maintenance cost.

(d) **Insurance expenses:** Increase in insurance expense is due to increase in sum insured of plant and machinery (addition due to BMR in 2009), building and stock of sugar.

(e) **Traveling and conveyance:** Increase is due increase in inter city fare and number of visits of factory staff to head staff for Oracle training .

(f) **Communication charges:** Decrease in communication charges is due to general decrease in telecommunication rates.

(g) **Entertainment:** Increase in entertainment expense is due to inflationary impact.

(h) **Miscellaneous expenses:** The adverse variance observed was due to increase in cost of various removal expenses such as bagasse, mud and cleaning of plant.

**ii) Administration overheads:**

COST CENTRE	2010	2009	2008	Increase / (Decrease)			
				Compared with 2009		Compared with 2008	
				%	Amount in '000	%	Amount in '000
	Rupees in thousand						
Salaries, allowances and other benefits	23,551	21,599	21,886	9%	1,952	8%	1,665
Rent, rates and taxes	2,066	1,371	981	51%	695	111%	1,085
Communication charges	1,591	1,583	1,619	1%	8	(2%)	(28)
Traveling and conveyance	1,964	2,032	1,289	(3%)	(68)	52%	675
Printing and stationery	584	434	1,201	35%	150	(51%)	(617)
Entertainment	808	859	874	(6%)	(51)	(8%)	(66)
Consultancy charges	-	-	568	(100%)	-	(100%)	(568)
Vehicle running expenses	4,827	5,824	4,285	(17%)	(997)	13%	542
Repairs and maintenance	3,067	747	795	311%	2,320	286%	2,272
Insurance	1,525	51	132	2,890%	1,474	1,055%	1,393
Fees and subscription	678	1,545	741	(56%)	(867)	(9%)	(63)
Legal and professional charges	1,855	2,418	1,131	(23%)	(563)	64%	724
Auditors' remuneration	407	340	339	20%	67	20%	68
Charity and donations	220	207	643	6%	13	(66%)	(423)
Newspaper and periodicals	31	39	31	(21%)	(8)	-	-
Utilities	2,665	2,047	1,466	30%	618	82%	1,199
Depreciation	7,175	8,482	5,281	(15%)	(1,307)	36%	1,894
Amortization expense	3,714	2,045	-	82%	1,669	100%	3,714
Miscellaneous expenses	1,588	659	1,270	141%	929	25%	318
Total	58,316	52,282	44,532		6,034		13,784

**Reasons for significant variances in administrative overheads (compared with 2009):**

- (a) **Rent rates and taxes:** The unfavorable variance arise on account of full utilisation of rented premises by the Company due to shifting of associated Companies to other place. Further, increase is also due to revised rates in rent agreement.
- (b) **Printing and stationery:** Increase was due to increase in rates of hired photocopier machine.
- (c) **Repair and maintenance:** Increase is due to full utilisation of maintenance cost due to shift of associated offices to other premises.
- (d) **Insurance expense:** Increase is due to coverage of additional item like electric items, cash in transit limit and others.
- (e) **Legal and professional charges:** Decrease in legal and professional charges is due to the fact that company has paid revaluation charges in respect of plant and machinery and land in 2009.
- (f) **Utilities:** Increase in expense is due to increase in gas and electricity tariff and also due to increase in consumption of diesel generator.
- (g) **Amortization expense:** Increase in amortization expense is due to increase in amortization rates from 20 % to 33.33 %. Furthermore there has been addition of Rs. 0.918 million during the year.
- (h) **Miscellaneous expenses:** The unfavorable variance arises due to non sharing of maintenance and security expense among associated companies.

Auditor remuneration for the year ended September 30, 2009 has been revised from Rs.0.395 million to Rs.0.340 million due to proper segment reporting in the current year financial statements.

**Reasons for significant variances in administrative overheads (compared with 2008):**

- (a) **Rent rates and taxes:** The unfavorable variance arise on account of full utilisation of rented premises by the Company due to shifting of associated Companies to other place. Further, increase is also due to revised rates in rent agreement.
- (b) **Traveling and conveyance:** Increase in traveling and conveyance expense is due to regular foreign trips of directors regarding business promotions.
- (c) **Printing and stationery:** Decrease in printing and stationery expense is due to more favourable rates of printing available to the Company as compared with year 2008.
- (d) **Repair and maintenance:** Increase is due to full utilisation of maintenance cost due to shift of associated offices to other premises.
- (e) **Insurance expense:** Increase is due to coverage of additional item like electric items, cash in transit limit and others.
- (f) **Legal and professional charges:** Increase in legal and professional expense is due to general increase in retainer fee of advocates and also due to increase in number of cases compared with 2008.
- (g) **Utilities:** Increase in expense is due to increase in gas and electricity tariff and also due to increase in consumption of diesel generator.

- (h) **Depreciation:** Increase in depreciation expense is due to addition in vehicle, furniture and fixtures and computers.
- (i) **Amortization expense:** Increase in amortization expense is due to increase in amortization rates from 20 % to 33.33 %. Furthermore there has been addition of Rs. 0.918 million during the year.
- (j) **Miscellaneous expenses:** The unfavorable variance arise due to normal inflationary impact as compared with 2008.

## iii) Distribution cost

PARTICULAR	2010	2009	2008	Increase / (Decrease)			
				Compared with 2009		Compared with 2008	
				%	Amount in '000	%	Amount in '000
	Rupees in thousand						
Sugar bags handling expenses	2,382	2,338	2,165	2%	44	10%	217
Export expenses	-	-	45,309	-	-	(100%)	(45,309)
Sales promotion	300	- 251	-	20%	49	100%	300
Marking fees	3,401	14,644	-	(77%)	(11,243)	100%	3,401
Others	1,552	-	1,260	100%	1,552	23%	292
Total	7,635	17,233	48,734		(9,598)		(41,099)

## Reasons for significant variances in distribution cost (compared with 2009):

- (a) **Marking fees:** During the year Pakistan Standard Quality Control Authority (PSQCA) has reduced the marking fee rate on ex factory price of sugar.
- (b) **Others:** During the year the company has sold sugar including transportation cost.

## Reasons for significant variances in distribution cost (compared with 2008):

- (a) **Export expense:** This represents no export of sugar during the year 2010 as compared to 2008.
- (b) **Sales promotion:** In the year 2008, no expenses were incurred by the company for its sales promotion.
- (c) **Marking fees:** Increase in expense is due to the fact that marking fees was not applicable in the year 2008.
- (d) **Others:** During the year the company has sold sugar including transportation cost.

## iv) Financial charges

PARTICULAR	2010	2009	2008	Increase / (Decrease)			
				Compared with 2009		Compared with 2008	
				%	Amount in '000	%	Amount in '000
	Rupees in thousand						
Financial charges	147,338	159,820	87,554	(7.81%)	(12,482)	68.28%	59,784

Financial charges for the year ended September 30, 2009 has been revised from Rs.133.481 million to Rs.159.820 million due to proper segment reporting in the current year financial statements.

**Reasons for significant variances in financial charges (compared with 2009):**

The favorable variance arises due to reduction in long term liability.

**Reasons for significant variances in financial charges (compared with 2008):**

Increase in charges was due to the fact that company has obtain higher amount of short term loans towards increased working capital requirements as compared with 2008.

**(d) Packing material cost:**

Packing material	Cost (Rs. In 000)	Production (M.Tons)	Cost / M. Ton Rs.
Year - September 30, 2010	18,215	57,130	318.83
- September 30, 2009	14,134	52,850	267.44

**9. ROYALTY / TECHNICAL AID PAYMENTS**

Royalty/technical aid fees payable for the year: N/A  
Amount chargeable per unit of the product: N/A

**10. ABNORMAL NON-RECURRING FEATURES**

- 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.
- All expenses allocated to the white sugar are in ordinary course of business and no special expenses are directly allocated to it.

**11. COST OF PRODUCTION:**

Particulars	2010	2009
Cost of goods manufactured (Rs. 000's) (Refer Annexure - 1)	2,851,712	1,555,762
Production in (M.Tons)	57,130	52,850
Cost per M.Ton (Rupees per M.Tons)	49,916	29,437

**Comments:** In the current year increase in production cost per ton was due to increased in purchase price of sugarcane.



**12. SALES:**

**(a) Local sales**

Particulars	2010		
	Quantity in M.Ton	Average selling rate Rs./M.Ton	Amount in Rs. (000's)
<b>Sales of bagged sugar</b>			
Local	63,227	53,785.28	3,400,682
<b>Total</b>	<b>63,227</b>	<b>53,785.28</b>	<b>3,400,682</b>
<b>Less:</b>			
Sales tax	-	(2,365.45)	(149,560)
Special excise duty	-	(369.05)	(23,334)
	-	(2,734)	(172,894)
<b>Net Sales</b>	<b>63,227</b>	<b>51,050.79</b>	<b>3,227,788</b>

Particulars	2009		
	Quantity in M.Ton	Average selling rate Rs./M.Ton	Amount in Rs. (000's)
<b>Sales of bagged sugar</b>			
Local	64,091	37,061.68	2,375,320
<b>Total</b>	<b>64,091</b>	<b>37,061.68</b>	<b>2,375,320</b>
<b>Less:</b>			
Sales tax		(4,297.11)	(275,406)
Special excise duty		(324.34)	(20,787)
		(4,621.44)	(296,193)
<b>Net Sales</b>	<b>64,091</b>	<b>32,440.23</b>	<b>2,079,127</b>

**(b) Export sales**

There is no export sale of sugar during the year 2010 and 2009. Therefore the disclosure relating to export sales is not applicable in this case.

**13. PROFITABILITY :**

Profitability of sugar is determined as follows;

Particulars	2010	2009
Total revenue (Rupees in thousand)	3,227,788	2,079,127
Total cost as per annexure - 1 (Rupees in thousand)	(3,037,688)	(1,973,880)
<b>Profit after taxation (Rupees in thousand)</b>	<b>190,100</b>	<b>105,247</b>
Quantity sold in (M.Tons)	63,227	64,091
<b>Profit after taxation per M.Ton (Rupees)</b>	<b>3,006.63</b>	<b>1,642.15</b>

### Comments on profitability

The Company is principally producing only one product sugar from sugarcane. Profit during current year is increased by Rs.1,364.48 per M.Ton. This is mainly due to increase in selling price of sugar from Rs.32,440 per M.Ton to Rs.51,051. Further closing stock of prior year of 13,243 M. Ton was valued at last year cost which is sold at increased selling price in the current year.

### Profitability per machine hour

Particulars	2010	2009
Profit after taxation (Rupees in thousand)	190,100	105,247
Productive machine hours	2,445	2,427
<b>Profit after taxation per machine hour (Rupees)</b>	<b>77,748.92</b>	<b>43,365.08</b>

### Profit maximization of products

Company is principally producing only one product from sugarcane. Had the sugarcane been used to manufacture more than one product than profit maximisation of different products would have determined so that disclosure is not applicable in case of company.

## 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. "None "
- b) Cases where the company's funds have been used in a negligent or inefficient manner. "None "
- 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. However, standards for recovery of cane could not be maintained due to the fact that cane from different sectors give different yield and yield may also changed due to delivery timing and consumption timing.
  - 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) **Rectification of general imbalance in production facilities**  
No imbalance is noted as production facilities are located closely.
  - ii) **Fuller utilization of installed capacity**  
Fuller utilization of installed capacity is dependent on adequate supply of sugar cane.

**iii) Cost reduction, increased productivity, key limiting factors, improved inventory policies and energy conservancy:**

**- Cost reduction**

The Companies measures for cost reduction were reviewed and found satisfactory.

**- Increase productivity**

Productivity may be increased by procurement of more sugarcane and processing of raw sugar.

**- Key Limiting factors , improved inventory policies and energy conservancy.**

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.

**iv) State of technology and status of plant:**

The company has "Defecation melt phosphation" clarification process which the latest technology used by the industry

The company has installed new machinery resulting in increase in capacity from 5,500 to 7,500 M.Tons per day in the year 2009. Therefore the technology is 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 STATEMENT**

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**

Certain figures in annexures have been rearranged as mention in Annexure 1 note - 2.

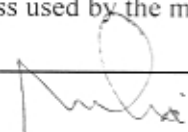
Figures have been rounded off to the nearest thousands rupees.

**GENERAL INFORMATION****A COMPANY INFORMATION:**

- 1 **Name of the company:** Al-Abbas Sugar Mills Limited
- 2 **Date of incorporation:** May 2, 1991
- 3 **Location of registered office:** Pardesi House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi-74000
- 4 **Location of factory:** Mirwah Gorchani, Distt. Mirpurkhas, Sindh
- 5 **Products other than sugar being manufactured:** Industrial Alcohol , Calcium Carbide , Chemical alloys and power.
- 6 **Installed cane crushing capacity in tonnes:** 7,500 Metric tons per day

**B PRODUCTION DATA**

S No	Particulars	Current Year	Previous Year
1 (a)	<b>CANE CRUSHED:</b>		
	Date started	11-Nov-09	19-Nov-08
	Date finished	13-Mar-10	15-Mar-09
	Duration of run days	123	115
	Total number of hours in duration	2,913.15	2,768.00
	Total numbers of hours of actual crushing	2,445.05	2,427.00
	Total numbers of hours lost	468.10	341.00
	Total cane milled (tonnes)	549,630.00	513,887.00
	Converted maunds	13,740,750.00	12,847,175.00
	Total mixed juice obtained (tonnes)	638,446.00	574,545.00
(b)	<b>GUR MELTED:</b>	N/A	N/A
2	<b>JUICE &amp; ADDED WATER:</b>		
	Average mixed juice % cane.	116.15	111.804
	Average added water % cane.	47.161	43.012
3	<b>SUGAR MADE:</b>		
	Total sugar bagged of all		
	Grade (100 kg)		
	Grade (50 Kg)	1,142,600.00	1,057,000.00
	Sugar bagged (tonnes)	57,130.00	52,850.00
	Sugar in process (tonnes)	97.45	65.97
4	<b>MOLASSES EXTRACTED:</b>		
	Total molasses sent out (tonnes)	26,720.00	26,390.00
	Molasses in process (tonnes)	17.12	8.47
5	<b>RECOVERY PERCENT:</b>		
	Laboratory test % recovery of sugar cane	10.400%	10.280%
	Average recovery of marketable white sugar % cane	10.400%	10.280%
	Average production of final molasses % cane	4.863%	5.134%
6	<b>BY PRODUCTS:</b>		
	Bagasse % cane		
	(Calculated) (tonnes)	31.002%	31.208%
	V.F.Cake % cane (tonnes)	3.0%	3.0%
7	<b>CLARIFICATION PROCESS:</b>		
	Specify the process used by the mill	Defecation melt phosphatation	Defecation melt phosphatation

  
 Chief Financial Officer

  
 Chief Executive Officer

## AL-ABBAS SUGAR MILLS LIMITED

STATEMENT SHOWING COST OF PRODUCTION AND SALE OF WHITE BAGGED SUGAR  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

## Quantitative Data – Bagged Sugar (M. Tons)

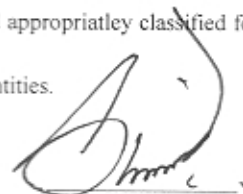
	Current year	Previous year
Opening Stock	13,243	24,484
Production	57,130	52,850
Closing Stock	(7,146)	(13,243)
Sales	63,227	64,091

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)	2,790,170	48,838.96	1,545,859	29,249.93
(b)	Beet (Annex 4)	-	-	-	-
(c)	Gur	-	-	-	-
(d)	Raw sugar	-	-	-	-
(e)	Process material (Annex 5)	12,809	224.21	13,182	249.42
2	Salaries/wages and benefits (Annex 6)	81,415	1,425.08	76,953	1,456.06
3	Consumable stores	44,024	770.59	28,296	535.40
4	Repairs and maintenance	7,994	139.93	7,796	147.51
5	Utilities:				
	Steam (Annex 7)	69,354	1,213.97	62,905	1,190.26
6	Electric power (Annex 8)	19,336	338.46	19,046	360.38
7	Water and gas	421	7.37	527	9.97
8	Insurance	-	-	-	-
9	Depreciation	26,383	461.81	25,931	490.65
10	Other factory overheads (Annex 9)	24,399	427.08	17,118	323.90
11	<b>Total Cost</b>	<b>3,076,305</b>	<b>53,847.46</b>	<b>1,797,613</b>	<b>34,013.49</b>
12	Add: Opening Stock of W.I.P.	1,717	30.05	1,600	30.27
13	Less: Closing Stock of W.I.P.	(4,444)	(621.89)	(1,717)	129.65
14	<b>Total Cost of goods manufacturing</b>	<b>3,073,578</b>	<b>53,799.72</b>	<b>1,797,496</b>	<b>34,011.28</b>
15	Less: Realisable value of by-products:				
	Transfer price of molasses	(193,906)	(3,394.12)	(197,250)	(3,732.26)
	Consumption of own bagasse	(32,661)	(571.70)	(30,701)	(580.91)
	Sale of bagasse	(13,514)	(236.55)	(27,917)	(528.23)
16	<b>Net Cost of goods manufacturing:</b>	<b>2,833,497</b>	<b>49,597.36</b>	<b>1,541,628</b>	<b>29,169.88</b>
17	Add: Packing material and handling	18,215	318.83	14,134	267.44
18	<b>Net Cost of bagged sugar</b>	<b>2,851,712</b>	<b>49,916.19</b>	<b>1,555,762</b>	<b>29,437.31</b>
19	Add: Excise duty / sales tax	-	-	-	-
20	<b>Total cost of bagged sugar:</b>	<b>2,851,712</b>	<b>49,916.19</b>	<b>1,555,762</b>	<b>29,437.31</b>
21	Add: Opening stock of sugar	389,841	29,437.51	540,888	22,091.49
22	Less: Closing stock of sugar	(392,960)	(54,990.20)	(389,841)	(29,437.51)
24	<b>Cost of sales</b>	<b>2,848,593</b>	<b>45,053.43</b>	<b>1,706,809</b>	<b>26,631.02</b>
25	Administrative expenses (Annex 10)	58,316	922.33	52,282	815.75
26	Selling and distribution expenses (Annex 11)	7,635	120.76	17,233	268.88
27	Financial expenses	147,338	2,330.30	159,820	2,493.64
28	Other charges - net	(24,194)	(382.65)	37,736	588.79
	<b>Total cost to make and sell</b>	<b>3,037,688</b>	<b>48,044.16</b>	<b>1,973,880</b>	<b>30,798.08</b>

## Note

- Sales Tax is borne by the buyers, hence the same is not included in the cost.
- Stores and spares consumed in Annexure 5 and 8 in the year 2009 has been rearranged and appropriately classified for better classification which has reflected in no 1(e), 3 and 6 figures.
- Cost per M.Tons of opening and closing stock has been calculated with their respective quantities.


  
Chief Financial Officer



  
Chief Executive


**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING COST OF SUGARCANE PRODUCED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

**Note:**

- 1 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 SEPTEMBER 30, 2010**

S.No	Particulars	Current year			Previous year		
		Quantity M.Tons	Rate Rs/M.Ton	Amount (Rs. In ' 000)	Quantity M.Tons	Rate Rs/M.Ton	Amount (Rs. In ' 000)
1	2	3	4	5	6	7	8
1	Total sugarcane purchased at Government fixed rate	549,630	2,550.00	1,401,555	513,887	2,025.00	1,040,621
	Sugarcane produced from own farm (Annex 2)	-	-	-	-	-	-
	Less: Loss in transit	-	-	-	-	-	-
	Sugarcane received at factory gate	549,630	2,550.00	1,401,555	513,887	2,025.00	1,040,621
2	Commission		-	-		-	-
3	Quality premium		212.50	116,796		197.50	101,493
4	Additional price to growers (excess of government fixed rate).		1,960.73	1,077,676		603.93	310,350
5	Loading/unloading charges		1.72	947		1.55	797
6	Cane development expenses:		-	-		-	-
(a)	Salaries and Wages of Supply and Development Staff		-	-		-	-
(b)	Sugarcane Development Research		0.49	271		0.40	204
(c)	Supply staff and transportation expenses		-	-		-	-
(d)	Other expenditure.(Sector Office Expense)		1.44	794		1.33	683
7	Taxes and Levies:		-	-		-	-
(a)	Cane cess/ purchase tax		-	-		-	-
(b)	Market committee fee		5.00	2,748		5.00	2,569
(c)	Road cess		6.25	3,435		6.25	3,212
(d)	Octroi		-	-		-	-
(e)	Other levies		-	-		-	-
8	Transportation Charges:		-	-		-	-
(a)	Delivery expenses		-	-		-	-
(b)	Transport cost		302.69	166,367		137.23	70,521
(c)	Others		-	-		-	-
9	Other Expenditures at Cane Collection Centers:		-	-		-	-
(a)	Salaries and Wages. (Annex 6)		35.07	19,274		27.38	14,069
(b)	Stores		-	-		-	-
(c)	Repairs and Maintenance		-	-		-	-
(d)	Others. (Annex 9)		0.56	307		2.61	1,340
	<b>Total cost of "SUGARCANE" Transferred to production processes (Annex 1)</b>	<b>549,630</b>	<b>5,076.45</b>	<b>2,790,170</b>	<b>513,887</b>	<b>3,008.17</b>	<b>1,545,859</b>

  
 Chief Financial Officer


  
 Chief Executive

**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING COST OF BEET CONSUMED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

S.No	Particulars	Current year			Previous year		
		Quantity M.Tons	Rate Rs/M.Ton	Amount (Rs. In ' 000)	Quantity M.Tons	Rate Rs/M.Ton	Amount (Rs. In ' 000)
1	2	3	4	5	6	7	8
1	Total beet purchased at Government fixed rate						
	Less: Loss in transit						
	Beet received at factory gate						
2	Commission paid						
3	Loading / unloading						
4	Beet development expenses:						
(a)	Salaries and Wages of Supply and Development Staff						
(b)	Sugar Development Research						
(c)	Supply staff and transportation expenses						
(d)	Other expenditure						
5	Taxes and Levies (if any):						
(a)	Purchase tax						
(b)	Market committee fee						
(c)	Road cess						
(d)	Octroi						
(e)	Other levies						
6	Transportation Charges:						
(a)	Delivery expenses / travelling from purchases centre to mill gate						
(b)	Transport subsidy						
(c)	Others						
7	Other Expenditures at Beet Collection Centers:						
(a)	Salaries and Wages						
(b)	Stores						
(c)	Repairs and Maintenance						
(d)	Others						
	<b>Total cost of "BEET" Transferred to production processes (Annex 1).</b>						

**Note:**

1. No Beet was produced by the entity.
2. No beet was used for production of White sugar.

  
 Chief Financial Officer

  
 Chief Executive



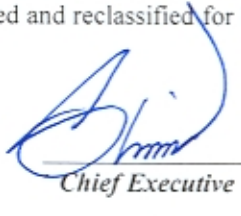
**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING COST OF PROCESS MATERIAL CONSUMED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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
	<b>Total Sugar Produced (M-Tons)</b>		<b>57,130</b>		<b>52,850</b>
1	Bleaching Powder	400	7.00	312	5.90
2	Formaline	6	0.11	7	0.13
3	Phosphoric Acid	1,322	23.14	2,619	49.56
4	Rock Salt	402	7.04	107	2.02
5	Soda Ash	3	0.05	1	0.02
6	Unslaked Lime	1,993	34.89	1,753	33.17
7	Caustic Soda	841	14.72	1,040	19.68
8	Lead Sub Accatate	177	3.10	106	2.01
9	Softno Treat 3000 Regular	143	2.50	133	2.52
10	Softno Treat 135 PH Shoot	74	1.30	100	1.89
11	Tri sodium Phosphate	1	0.02	3	0.06
12	Talofloc Wax	3,071	53.75	3,497	66.17
13	Anti foam	86	1.51	219	4.14
15	Filter Cloth	2	0.04	4	0.08
16	Sewing Thread	283	4.95	254	4.81
17	Cleaning Brushes	210	3.68	216	4.09
18	Oil Lubricants and Grease	3,952	69.18	3,241	61.32
19	Other	1,529	26.76	1,258	23.80
	<b>Total</b>	<b>14,495</b>	<b>253.74</b>	<b>14,870</b>	<b>281.36</b>
	<b>Less allocated to:</b>				
	a. Steam Generation.(Annex 7)	708	12.39	175	3.31
	b. Electricity Generation.(Annex 8)	978	17.12	1,513	28.63
	<b>Total</b>	<b>1,686</b>	<b>29.51</b>	<b>1,688</b>	<b>31.94</b>
	<b>Balance transferred to production process Annexure 1.</b>	<b>12,809</b>	<b>224.21</b>	<b>13,182</b>	<b>249.42</b>

Note:

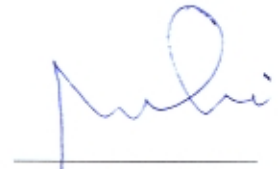
- 1 It is impracticable to further specify the itemized break up of others.
- 2 Process materials (Others) consumed during the year 2009 has been rearranged and reclassified for better presentation.


  
 Chief Financial Officer

  
 Chief Executive

**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING COST OF SALARIES, WAGES AND BENEFITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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
	<b>Total Sugar Produced (M-Tons):</b>		<b>57,130</b>		<b>52,850</b>
	<b>Cost</b>				
1	<b>Salaries/Wages:</b>				
(i)	Officers and permanent staff	77,711	1,360.25	70,894	1,341.42
(ii)	Seasonal staff	3,213	56.24	1,554	29.40
(iii)	Daily rated and contract labour	28,202	493.65	32,266	610.52
(iv)	Bonuses	13,324	233.22	10,777	203.92
		<b>122,450</b>	<b>2,143.36</b>	<b>115,491</b>	<b>2,185.26</b>
2	<b>Benefits</b>				
(i)	Medical expenses	130	2.28	393	7.44
(ii)	Canteen expenses	325	5.69	227	4.30
(iii)	Welfare, recreation	-	-	11	0.21
(iv)	Education cess / expenses	41	0.72	35	0.66
(v)	Group insurance / workmen	-	-	-	-
(viii)	Gratuity / pension	17,743	310.57	5,083	96.18
(ix)	Other benefits	6,586	115.28	3,510	66.41
	<b>Total</b>	<b>147,275</b>	<b>2,577.90</b>	<b>124,750</b>	<b>2,360.45</b>
	<b>Less allocated to:</b>				
	Raw material (Annex-3)	19,274	337.37	14,069	266.21
	Steam generation (Annex-7)	9,604	168.11	5,057	95.69
	Electricity generation (Annex-8)	13,431	235.10	7,072	133.81
	Admin expenses (Annex-10)	23,551	412.24	21,599	408.68
		<b>65,860</b>	<b>1,152.82</b>	<b>47,797</b>	<b>904.39</b>
	<b>Balance transferred to production process Annexure 1.</b>	<b>81,415</b>	<b>1,425.08</b>	<b>76,953</b>	<b>1,456.06</b>

  
 Chief Financial Officer

  
 Chief Executive

**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING COST OF STEAM/GENERATED CONSUMED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	120	113	7
	No. of days worked. (Boiler 2)	Days	125	168	(43)
	No. of days worked. (Boiler 3)	Days	308	360	(52)
3	Installed Capacity (steam in tonnes).	Tons	1,445,400	1,445,400	-
4	Utilised capacity (steam in tonnes).	Tons	441,440	429,039	12,401
5	Production:				
	(a) High pressure steam.	Tons	-	-	-
	(b) Medium pressure steam.	Tons	441,440	429,039	12,401
	(c) Low pressure steam.	Tons	-	-	-
	(d) Less: transit losses.	Tons	-	-	-
	(e) Total.	Tons	441,440	429,039	12,401
	Percentage of capacity utilization (4/3 * 100)		30.54%	29.68%	0.86%

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's)		Rs.	(Rs. In 000's)
1	2	3	4	5	6	7	8
1	Water						
2	Fuels:						
	(a) Bagasse:						
	(i) Own. (Tons)	160,694	226.14	36,339	153,503	343.33	52,702
	(ii) Purchased. (Tons)		-	-		-	-
	(b) Pith.		-	-		-	-
	(c) Coal purchased.		-	-		-	-
	(d) Furnace Oil. (tons)		-	-		-	-
	(e) Fire Wood. (tons)		0.47	209		0.26	113
	(f) Bio Gas. (cu/mtrs)		-	-		-	-
	(g) Other fuels, if any (to be specified)		-	-		-	-
3	Quantity of waste heat from the plant, if any.		-	-		-	-
	Stores and spares		16.18	7,141		20.36	8,735
4	Consumable stores. (Annex 5)		1.60	708		0.41	175
5	Direct salaries, Wages and benefits. (Annex 6)		21.76	9,604		11.79	5,057
6	Repairs and Maintenance.		0.70	309		0.47	203
7	Oil & Lubricants		0.35	153		0.55	238
8	Other direct expenses. (Annex 9)		0.57	253		0.07	28
9	Bagasse handling		6.20	2,737		7.23	3,103
10	Depreciation.		42.52	18,772		43.01	18,451
11	Total Cost of Steam Raised.		172.67	76,225		206.99	88,805
12	Less: Outside sale.		-	-		-	-
13	Total Cost of Steam for Self Consumption.		172.67	76,225		206.99	88,805
	Add: Cost of steam purchased.		-	-		-	-
	Total Cost of Steam Consumed.		172.67	76,225		206.99	88,805
	<b>ALLOCATION</b>						
	Total of item 13 allocated to:						
	(i) White bagged sugar. Annex-1			69,354			62,905
	(ii) Electric powerhouse. Annex-8			2,215			23,339
	(iii) Distillery			4,657			2,561
	<b>Total</b>			<b>76,225</b>			<b>88,805</b>

## 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*



## AL-ABBAS SUGAR MILLS LIMITED

STATEMENT OF COST OF ELECTRIC POWER PURCHASED / GENERATED AND CONSUMED  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

S. No	Particulars	Current Year	Previous Year	Variance
1	Installed Capacity (KWH)	65,880,000	65,880,000	-
2	No. of units generated (KWH)	19,117,000	17,034,120	2,082,880
3	No. of units purchased (KWH)	100,600	172,427	(71,827)
4	Total (2+3).	19,217,600	17,206,547	2,011,053
5	Consumption in Power House including other losses	336,308	301,114	35,194
6	Net units consumed (4-5)	18,881,292	16,905,433	1,975,859
7	Percentage of Consumption and losses to total units Available = $5/4 * 100$	1.75%	1.75%	0.00%
8	Percentage of power generated to installed capacity $2/1 * 100$	29.02%	25.86%	3.16%

S.No	Particulars	Current year			Previous year		
		Quantity	Rate Rs. / Kwh	Amount (Rs. In)	Quantity	Rate Rs. / Kwh	Amount (Rs. In)
1	2	3	4	5	6	7	8
1	Steam (Annex 7).	-	0.12	2,214	-	1.38	23,339
2	Consumable Stores.(Annex 5)	-	0.05	978	-	0.09	1,513
3	Stores and Spares	-	0.05	1,005	-	0.10	1,628
4	Oil & Lubricants	-	0.01	141	-	0.01	134
5	Salaries and Wages. (Annex 6)	-	0.71	13,431	-	0.42	7,072
6	Other direct expenses.(Annex 9)	-	-	-	-	0.02	255
7	Repairs and maintenance.	-	0.08	1,492	-	0.03	430
8	Duty on electricity and inspection fee	-	-	-	-	0.03	442
9	Depreciation.	-	0.30	5,580	-	0.32	5,485
	<b>Total</b>	-	1.32	24,841	-	2.38	40,298
10	Less:						
	(a) Credit for exhaust steam used in process etc.	-	-	-	-	-	-
	(b) Other credits, if any.	-	-	-	-	-	-
11	<b>Cost of power generated</b>	-	1.32	24,841	-	2.38	40,298
12	Less: Cost of power sold	-	-	-	-	-	-
13	Add: Cost of power purchased	-	17.57	1,768	-	12.19	2,102
14	<b>Total net cost of power consumed</b>	18,881,292		26,609	16,905,433		42,400
15	<b>Average cost per unit average</b>			1.41			2.51
	<b>Total at item 15 allocated to:</b>						
	(i) White bagged sugar (Annexure-1)			19,336			19,046
	(ii) Distillery			6,831			23,050
	(iii) Others:			442			304
	<b>Total</b>			26,609			42,400

## Notes:

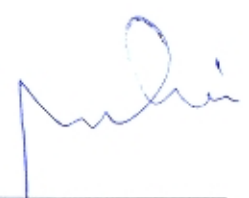
- Cost allocated on the basis of estimated consumption by cost centres, which is determined by their requirement of power on different levels of operation.
- Stores and spares consumed during the year 2009 has been rearranged and reclassified for better presentation.

  
 Chief Financial Officer

  
 Chief Executive

**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING OTHER FACTORY OVERHEADS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

S.No.	Particulars	Current Year		Previous Year	
		Rupees in '000	Cost per M/Ton of Sugar	Rupees in '000	Cost per M/Ton of Sugar
1	2	3	4	3	4
	<b>Total Sugar Produced (M.Tons):</b>		57,130		52,850.00
	<b>Cost:</b>				
1	Security services	2,840	49.71	2,589	48.99
2	Printing and stationery	210	3.68	111	2.10
3	Vehicle running expenses	4,815	84.28	2,221	42.02
4	Insurance expenses	9,097	159.23	8,055	152.41
5	Traveling and conveyance	4,309	75.42	2,074	39.24
6	Communication charges	443	7.75	799	15.12
7	Fees and subscription	356	6.23	312	5.90
8	Newspaper and periodicals	47	0.82	43	0.81
9	Entertainment	2,260	39.56	1,659	31.39
10	Legal and professional charges	-	-	-	-
11	Miscellaneous expenses	582	10.19	878	16.61
12	<b>Total</b>	<b>24,959</b>	<b>436.88</b>	<b>18,741</b>	<b>354.61</b>
	<b>Allocated to:</b>				
	(i) White bagged sugar. Annex-1	24,399	427.08	17,118	323.90
	(ii) Cane field Annex-3	307	5.37	1,340	25.35
	(iii) Steam generation. Annex-7	253	4.43	28	0.53
	(iv) Electric power house. Annex-8	-	-	255	4.82
	<b>Total as per item 12 above</b>	<b>24,959</b>	<b>436.88</b>	<b>18,741</b>	<b>354.61</b>

  
 Chief Financial Officer

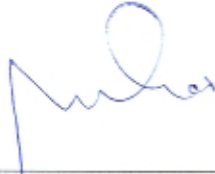
  
 Chief Executive


**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

S.No.	Particulars	Current Year		Previous Year	
		Rupees in '000	Cost per M/Ton of Sugar	Rupees in '000	Cost per M/Ton of Sugar
1	2	3	4	3	4
1	Total Sugar Sold (M-Tons).		63,227		64,091
	Cost:				
2	Salaries, Wages and Benefits (Annex 6)	23,551	372.48	21,599	337.01
3	Rent, rates and taxes	2,066	32.68	1,371	21.39
4	Communication charges	1,591	25.16	1,583	24.70
5	Traveling and conveyance	1,964	31.06	2,032	31.70
6	Printing and stationery	584	9.24	434	6.77
7	Entertainment	808	12.78	859	13.40
8	Consultancy charges	-	-	-	-
9	Vehicle running expenses	4,827	76.34	5,824	90.87
10	Repairs and maintenance	3,067	48.51	747	11.66
11	Insurance	1,525	24.12	51	0.80
12	Fees and subscription	678	10.72	1,545	24.11
13	Legal and professional charges	1,855	29.34	2,418	37.73
14	Auditors' remuneration	407	6.44	340	5.30
15	Charity and donations	220	3.48	207	3.23
16	Newspaper and periodicals	31	0.49	39	0.61
17	Utilities	2,665	42.15	2,047	31.94
18	Depreciation	7,175	113.48	8,482	132.34
19	Amortization expense	3,714	58.74	2,045	31.91
20	Miscellaneous expenses	1,588	25.12	659	10.28
	Total of "Administrative expenses". Transferred to production processes (Annex I).	58,316	922.33	52,282	815.75

**Note**

- 1 Auditor remuneration for the year ended September 30, 2009 has been revised from Rs.0.395 million to Rs.0.340 million due to proper segment reporting in the current year financial statements.

  
 Chief Financial Officer

  
 Chief Executive

AL-ABBAS SUGAR MILLS LIMITED  
STATEMENT SHOWING SELLING EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

S.No.	Particulars	Current Year		Previous Year	
		Rupees in '000	Cost per M/Ton of	Rupees in '000	Cost per M/Ton of
1	2	3	4	3	4
1	Total sugar sold (M-Tons).		63,227		64,091
2	Cost:				
	Sugar bags handling expenses	2,382	37.67	2,338	36.48
	Export expenses	-	-	-	-
	Marking fees	3,401	53.79	14,644	228.49
	Sales promotion	300	4.74	251	3.92
	Others	1,552	24.55	-	-
	<b>Total</b>	<b>7,635</b>	<b>120.76</b>	<b>17,233</b>	<b>268.88</b>



Chief Financial Officer



Chief Executive



**AL-ABBAS SUGAR MILLS LIMITED**  
**STATEMENT SHOWING PRODUCTION CAPACITY OF THE PLANT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Machine hours	
	2010	2009
Total capacity (based on duration of crushing period)	2,913	2,768
Actual utilization of machine hours	2,445	2,427
Hours lost	468	341

	Production units M.Tons	
	2010	2009
Total capacity (based on duration of crushing period)	95,848	73,862
Actual Production tonnes	57,130	52,850
Under utilization	38,718	21,012

**Notes:**

1. Non utilization of machine hours is due to shortage of cane and stoppage for various reasons as described in RT-4.
2. The total capacity in production unit is based on **10.40%** (2009: 10.28%) recovery which is actual recovery for the crushing season. 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**

**Head Office**

Pardesi House

Survey No. 2/1, R.Y. 16

Old Queens Road

Karachi-74000

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Purchase Fax: (92-21) 32470096

E-mail: sugar@cyber.net.pk

Web: www.aasml.com

NTN No. : 0709482-5

**Factory**

Mirwah Gorchani,

District Mirpurkhas, Sindh

Ph: (0233) 896235-6, 896101

Fax: (0233) 896234



**AL-ABBAS SUGAR MILLS LIMITED  
STATEMENT SHOWING STOCK IN TRADE  
AS AT YEAR ENDED SEPTEMBER 30, 2010**

	2010		2009		2008	
	Quantity (M.Tons)	Amount (in 000's)	Quantity (M.Tons)	Amount (in 000's)	Quantity (M.Tons)	Amount (in 000's)
Work in process	97	4,444	63	1,717	84	1,600
Finished Stock	7,146	392,960	13,243	389,841	24,484	540,888

Work in process is adjusted to an appropriate stage of completion of process.

Finished goods are valued at lower of cost and net realizable value.

  
 \_\_\_\_\_  
**Chief Financial Officer**
  
 \_\_\_\_\_  
**Chief Executive**

**Head Office**

Pardesi House  
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**AL-ABBAS SUGAR MILLS LIMITED****RECONCILIATION OF COST OF GOODS MANUFACTURED AND COST OF GOODS SOLD  
BETWEEN FINANCIAL ACCOUNTS AND COST ACCOUNTS**

	2010	2009
	Rupees in '000'	
Total cost of goods manufactured as per (Annexure 1)	3,073,578	1,797,496
Add: Packing material consumed charged to manufacturing cost as per financial accounts (Annexure 1)	18,215	14,134
Less: Transfer price of bagassee	(32,661)	(30,701)
Transfer price of molasses, stock and sale of bagasse	(207,420)	(225,167)
Total cost of goods manufactured as per financial accounts	<u>2,851,712</u>	<u>1,555,762</u>
Total cost of sales as per (Annexure 1)	<u>2,848,593</u>	<u>1,706,809</u>
Total cost of goods sold as per financial accounts	<u>2,848,593</u>	<u>1,706,809</u>