



18th ANNUAL REPORT 2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Muhammad Iqbal Usman	Chairman
Shunaid Qureshi	Chief Executive
Asim Ghani	Director
Duraid Qureshi	Director
Mudassir Iqbal	Director
Munaf Ibrahim	Director
Munawar A. Siddiqui	Director

COMPANY SECRETARY

Khursheed Anwer

CHIEF FINANCIAL OFFICER

Zuhair Abbas

AUDIT COMMITTEE

Muhammad Iqbal Usman	Chairman
Asim Ghani	Member
Duraid Qureshi	Member
Syed Muhammad Talha	Secretary

AUDITORS

Hyder Bhimji & Co. Chartered Accountant

LEGAL ADVISOR

Usmani & Iqbal Advocate & Solicitors

BANKERS

Al-Baraka Islamic Bank
Allied Bank Limited
Bank Al-Falah Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
Saudi Pak Commercial Bank Limited
Standard Chartered Bank Limited
United Bank Limited

REGISTERED OFFICE

2nd Floor, Pardesi House, Survey No. 2/1,
R.Y. 16, Old Queens Road, Karachi - 74000
Tel : 92-21-111-111-224
Fax : 92-21-2470090
Website : www.aasml.com

SHARE REGISTRAR OFFICE

Technology Trade (Pvt.) Ltd.
Dagja House, 241-C, Block-2,
P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi.

FACTORY LOCATIONS

- 1) Mirwah Gorchani, Distt. Mirpurkhas, Sindh
- 2) Main National Highway, Dhabeji, Sindh



VISION & MISSION STATEMENT

VISION

AL-ABBAS SUGAR MILLS LIMITED is committed to earn reputation of a reliable manufacturer and supplier of good quality white refined sugar, industrial alcohol, medium density fiber board, calcium carbide and ferro-alloys in local and international markets.

MISSION

- ❖ To be a profitable organization and to meet the expectations of our stakeholders.
- ❖ To become competitive in local and international markets by concentrating on quality of core products.
- ❖ To promote best use and development of human resources in a safe environment, as an equal opportunity employer.
- ❖ To use advance technology for efficient and cost effective operations.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of Al-Abbas Sugar Mills Limited will be held at **Head Office of the Company, Pardesi House, Survey No. 2/1, R.Y.16, Old Queens Road, Karachi** on **Saturday, January 31, 2009** at **2:00 p.m.** to transact the following business:

A. Ordinary Business

1. To confirm the minutes of the last Extra-ordinary General Meeting of the shareholders of the Company held on July 2, 2008.
2. To receive, consider and adopt Annual Audited Financial Statements for the year ended September 30, 2008, together with the reports of the Auditors' and Directors' thereon.
3. To declare and approve a final cash dividend of Rs 1.5 per share (15%) for the year ended September 30, 2008.
4. To appoint auditors for the ensuing year, and to fix their remuneration. Messers Hyder Bhimji & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
5. To transact any other business with the permission of the chair.

B. Special Business

To apprise the shareholders regarding the status of the investment in associates yet to be made, the approval of which was obtained under the authority of special resolution passed under section 208 of the Companies Ordinance, 1984 in the extra-ordinary general meeting held on July 2, 2008. Statement under 160(1) as required by S.R.O 865(I)/2000 is also being sent to the shareholders along with this notice.

By Order of the Board

Khursheed Anwer
Company Secretary

Karachi: January 6, 2009

Notes:

1. Share Transfer Books will be closed from January 24, 2009 to January 31, 2009 (both days inclusive).
2. All Members are entitled to attend and vote at the meeting. A Member may appoint a proxy who needs to be a Member of the Company.
3. The instrument appointing the proxy and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office or Share Registrar Office at least 48 hours before the time of the meeting.



4. Any change of address of Members should be notified immediately to the Company's Share Department.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirement by the Company.
- ii. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

Statement under Section 160(1) (b) of the Companies Ordinance, 1984

In pursuance of SRO 865(I)/2000, dated: December 6, 2000. The following is the information required by the said SRO regarding investment the approval of which has been obtained under the authority of a special resolution in the extra ordinary general meeting held on July 2, 2008 but the decision to make investment is not yet done.

a) Reason for not having made investment so far

The local stock markets have been under tremendous selling pressure since the approval for investment under the authority of special resolution has been taken as the key local and foreign investors have deserted the market in disappointment amid increasing political tension and continuous decline in value of Pak Rupees against US Dollar. In the prevailing situation the Company acted as prudent and held the further investment till the stock market and economy condition is stabilized.



b) Major changes in financial position of Investee Company since date of last resolution.

i Break up value

S. No	Investee Company Name	As on Quarter Ended March 31, 2008	As on Quarter Ended September 30, 2008
1	Al-Abbas Cement Industries Limited	Rs. 9.18	Rs. 8.76
2	Attock Petroleum Limited	Rs. 94.99	Rs. 131.69
3	JS Value Fund Limited	Rs. 25.28	Rs. 16.98
4	Jahangir Siddiqui & Company Limited	Rs. 109.24	Rs. 131.19
5	JS Investments Limited	Rs. 7.75	4.38

ii. Market price of the shares

S. No	Investee Company Name	As on Quarter Ended March 31, 2008	As on Quarter Ended September 30, 2008	As on half year Ended December 31, 2008
1	Al-Abbas Cement Industries Limited	Rs. 14.00	Rs. 6.55	Rs. 3.85
2	Attock Petroleum Limited	Rs. 548.00	Rs. 267.99	Rs. 144.35
3	JS Value Fund Limited	Rs. 18.40	Rs. 10.75	Rs. 4.49
4	Jahangir Siddiqui & Company Limited	Rs. 715.35	Rs. 332.32	Rs. 52.28
5	JS Investments Limited	Rs. 105.00	Rs. 57.00	Rs. 43.34

iii. Earnings per share of Investee Company

S. No	Investee Company Name	As on Quarter Ended March 31, 2008	As on Quarter Ended September 30, 2008
1	Al-Abbas Cement Industries Limited	Rs.(0.14)	Rs. 0.03
2	Attock Petroleum Limited	Rs. 34.69	Rs. 16.36
3	JS Value Fund Limited	Rs. 10.13	Rs. (5.41)
4	Jahangir Siddiqui & Company Limited	Rs. 67.75	Rs. 3.17
5	JS Investments Limited	Rs. 3.99	Rs. (0.11)



DIRECTORS' REPORT

Your Board is pleased to submit the Annual Report along with the audited financial statements for the year ended September 30, 2008.

FINANCIAL RESULTS

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Profit before taxation	96,427	104,333
Taxation	<u>(21,382)</u>	<u>45,188</u>
Profit after taxation	75,045	149,521
Un-appropriated profit brought forward	<u>170,305</u>	<u>20,784</u>
Un-appropriated profit carried forward	<u>245,350</u>	<u>170,305</u>
Basic earnings per share (Rupees)	<u>4.32</u>	<u>8.61</u>

DIVIDEND

Your Board of Directors' of the Company is pleased to recommend final cash Dividend of Rs 1.5 per equity share of Rs.10 each (15%) dividend for the year ended September 30, 2008.

OPERATING RESULTS

During the year under review, despite the heavy net loss of Rs. 149.332 million on account of cross currency and interest rate swap transaction due to depreciation of Pak Rupee against US Dollar, your Company earned a pre tax profit of Rs. 96.427 million as compared to last year of Rs. 104.333 million. If the loss due to cross currency and interest rate swap was not occurred then the earnings of the Company before tax would be Rs. 245.759 million and accordingly EPS of the Company would be Rs. 10.33. Details of operation in respect of Sugar, Distillery, Chemicals Division and Medium Density Fiber Board Divisions are given as under:

SUGAR DIVISION

OPERATING PERFORMANCE:

Season	2007-08	2006-07
Crushing (M. Tons)	615,690	442,394
Recovery (%)	10.06	9.73
Sugar production (M. Tons)	61,965	42,954
Molasses production (M. Tons)	31,880	22,660
Number of days worked	146	140

FINANCIAL PERFORMANCE:

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Sales - Net	1,020,636	1,071,861
Cost of sales	<u>(745,678)</u>	<u>(1,029,835)</u>
Gross profit	274,958	42,026
Distribution cost	<u>(48,734)</u>	<u>(1,699)</u>
Segment result	<u>226,224</u>	<u>40,327</u>

The Sugarcane crushing season started on November 15, 2007 and the Company crushed 615,690 M.T. sugarcane up to April 8, 2008 compared to 442,394 M.T. sugarcane in the corresponding period of last year showing an increase of 39.17%. During the current season, the recovery percentage also improved to 10.06% as against last season recovery percentage of 9.73%. The Company also



registered an increase in the production of white bagged sugar by 19,012 M.T. from 42,953 M.T. of last year to the corresponding period of this year of 61,965 M.T. The Company produced 1,239,300 bags of 50 k.g. each this year. It is the second time since the inception of your Company that Company has achieved such phenomenal production. Due to surplus production in the country during the year under review, your Company has exported 15,475 M.T. of Sugar. Although sugar prices remained depressed almost throughout the year compared to the prices prevailing in last year, the surge in international prices and lower expected production in the crushing season 2008-09, the domestic prices have shown upward trend and are expected to remain the same. Despite various constraints confronting the sugar industry as a whole including increase in fuel prices, mandatory increase in minimum wages to the workers, upward surge in mark up rate by the financial institutions, your Company managed to earn segment profit of Rs. 226.224 million as compared to last year of Rs. 40.327 million in sugar segment of the Company. This achievement was possible due to operational efficiencies and procurement of high quality sugar cane.

During the year under review, the Company has embarked to increase its sugarcane crushing capacity by 2,500 M.T. per day. The Management is fully confident that this enhanced capacity will come into operation in the crushing season 2008-09.

DISTILLERY DIVISION:

OPERATING PERFORMANCE:	UNIT 1	2008 UNIT 2	TOTAL
Production (M.T.)	22,989	23,943	46,932
Percentage of capacity attained	98	99	99
	UNIT 1	2007 UNIT 2	TOTAL
Production (M.T.)	18,641	20,419	39,060
Percentage of capacity attained	91	92	92
FINANCIAL PERFORMANCE:		2008 (Rupees in thousand)	2007
Sales - Net		1,541,322	1,508,045
Cost of sales		1,130,024	1,249,799
Gross profit		411,298	258,246
Distribution cost		79,804	79,245
Segment result		<u>331,494</u>	<u>179,001</u>

During the year under review, the distillery division of your Company performed very well and achieved capacity utilization of 99% far exceeding the performance achieved last year. Your Company faced challenges due to scarce availability and increasing prices of molasses on account of manifold increase in number of distilleries in the Country and there being no restriction on export of molasses. The procurement of export orders at reasonable price remained a difficult task, however, the Company was well aware of these bottlenecks and had been focusing to overcome these problems with strenuous efforts. As a result, the production increased by 20.15% as compared to the corresponding period of last year. Such par excellence performance of the distillery division has resulted in overall profit of the Company.

Medium Density Fibre Division

During the year under review, the plant operated intermittently due to various constraints including short sanding facility and short supply of wood. During the year, the plant produced 104,446 sheets



and including stock in hand, sold 142,081 sheets. Our product enjoys wider acceptability in the market and has created a niche in the market. However, your Company remained constrained mainly due to short supply of wood.

CHEMICAL DIVISION

This division produces calcium carbide, ferroalloys and allied product to cater to the needs of entire country in general and in particular Pakistan Steel and other steel manufacturing units in Pakistan. This division is first of its kind in Pakistan to commercially produce various ferroalloys using mostly local raw materials and captive electric power. During the year under review, this division has produced 4,596 M.T. and sold 3,258 M.T. of calcium carbide and ferroalloys. Our products fully conform to the international standards and are well accepted by the market. However, due to unbridled import of Calcium Carbide from China at reduced rate of custom duty from 25% to 15% announced by the Government during last Federal Budget 2007-08, its production capacity is not fully utilized. The Management has been making vigorous efforts with the Government to restore the custom duty to its pre-budget rate of 25% so this indigenous industry is protected and put back on track.

MERGER OF AL-ABBAS INDUSTRIES LIMITED WITH AND INTO THE COMPANY

In pursuance of the Court Order dated: January 14, 2008, the Al-Abbas Industries Limited - (wholly owned subsidiary company) merged with and into the Al-Abbas Sugar Mills Limited with effect from April 1, 2007. As the individual financial statements of the Al-Abbas Sugar Mills Limited for the year ended September 30, 2007 had been issued before the Court Order, therefore, the merged financial statements had been presented in the Board of Directors Meeting held on May 30, 2008 wherein the Board has approved the merged financial statements for the year ended September 30, 2007. The merged financial statements has duly been approved by the Board of Directors of the Company and audited by the statutory auditors of the Company.

FUTURE OUTLOOK

Sugar and Distillery Divisions

The future outlook of your Company entirely depends on continuous availability of raw materials for its sugar division and distillery. The procurement of raw materials for both Sugar and Ethanol remained a difficult task throughout the year under review and calls for immediate supportive measures by the Government to make it possible to procure sugarcane from the growers at notified prices rather leave it on whimsical and arbitrary prices demanded by the growers. The Government on its part should restrict export of molasses to ensure that sufficient quantity is available to the local distilleries to produce value added product ethanol for export. Importance of sugar industry in Pakistan's economy cannot be understated. It is the driver of rural economy and offers enormous potential to earn as well as save foreign exchange. The industry has the potential to become a dependable source of low cost electricity and biofuel. However, all these potentials can only be exploited if a comprehensive sugar policy has been formulated by the Government.

MDFB Division

The Management foresees a tough year for MDFB Division because of high raw material prices.

Chemical Division

Our chemical division producing calcium carbide and ferroalloys has moderate future ahead because of lower cost of import from China and increased price of electricity, gas and hard coke (the basic raw material used in our products). It has opened a floodgate of imports in the Country to the detrimental effect to our indigenous industry and thwarted our concerted efforts to compete with the Chinese suppliers and to substantially achieve import substitution. The Government has further reduced Custom Duty on Calcium Carbide from 15% to 5% in the last Budget for the year 2008-09 serving a fatal blow to our Carbide Industry.



As a whole, your Company is well aware of the challenges being faced and would do its best to take all necessary measures to increase the production of all its divisions and overall profitability of the Company despite a daunting situation ahead.

BOARD OF DIRECTORS

The Board of Directors is comprised of two executive and five non-executive directors. The current members of the Board of Directors have been listed in the Company's Corporate Information.

During the year ended September 30, 2008, four meetings of Board of Directors were held and were attended as follows:

Name of Directors	Number of meetings attended
Mr. Muhammad Iqbal Usman - Chairman	4
Mr. Shunaid Qureshi - Chief Executive	3
Mr. Asim Ghani - Director	4
Mr. Duraid Qureshi - Director	3
Mr. Munawar A. Siddiqui - Director	3
Mr. Munaf Ibrahim - Director	2
Mr. Shahid Anwar - Director	4
(Resigned and Mr. Muddasir Iqbal appointed in his place)	

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

AUDITORS

The retiring auditors, Messers Hyder Bhimji & Co. Chartered Accountants being eligible, offer themselves for re-appointment. The Board of Directors, on recommendation of Audit Committee, has proposed appointment of M/s. Hyder Bhimji & Co., Chartered Accountants for the year 2008-2009.

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance with the following members:

Mr. Muhammad Iqbal Usman	Chairman	Non-Executive Director
Mr. Asim Ghani	Member	Executive Director
Mr. Duraid Qureshi	Member	Non-Executive Director

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. The Audit Committee also reviewed internal auditor's findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on September 30, 2008 according to the requirements of the Code of Corporate Governance and a statement reflecting distribution of shareholding is annexed to this report.

CORPORATE GOVERNANCE

The Directors are pleased to state that your Company has complied with the provisions of the Code of Corporate Governance as required by SECP which formed part of stock exchanges listing regulations.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.



- b) The Company has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) The Key financial data for the last six years is annexed with this report.
- h) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- i) The Company has not made payment against market committee fee since inception as it has been challenged in Honorable High Court of Sindh. However full provision has been made in the accounts for such liability.
- j) The Company maintains Gratuity Fund for its employees. The value of fund is Rs. 26.120 million in the shape of investment as on September 30, 2008.

In order to effectuate the Order of the Honorable High Court of Sindh dated January 14, 2008 in pursuance of scheme of merger of Al-Abbas Industries Limited with and into the Company, the Company prepared merged financial statements on acquisition method as provided in the International Financial Reporting Standard (IFRS) 3. The auditors of the Company made observation with respect to application of that method. The Company has adopted acquisition method for merger since with the abolition of IAS 22, there has been no method provided for accounting of merger.

ACKNOWLEDGEMENT

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every staff member of the Al-Abbas Sugar Mills Limited for significant contribution in delivering such a strong performance. We would also like to express our thanks to the customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks and financial institution for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the coming years. May Allah bless us in our efforts. A'meen!

Karachi: January 6, 2009

IQBAL USMAN
Chairman



PATTERN OF SHAREHOLDING

AS ON SEPTEMBER 30, 2008

Number of Shareholders	Shareholding		Total Number of Shares Held
	From	To	
90	1	100	8,635
616	101	500	293,165
56	501	1,000	53,800
41	1,001	5,000	101,200
9	5,001	10,000	70,900
3	10,001	15,000	33,900
1	15,001	20,000	20,000
3	20,001	25,000	69,000
5	25,001	30,000	144,000
1	30,001	45,000	42,400
1	45,001	65,000	62,000
1	65,001	85,000	82,500
3	85,001	100,000	197,100
1	100,001	175,000	171,500
1	175,001	585,000	581,800
1	585,001	800,000	786,182
1	800,001	850,000	847,000
1	850,001	1,400,000	1,399,668
1	1,400,001	1,415,000	1,414,500
1	1,415,001	1,850,000	1,847,168
1	1,850,001	2,500,000	1,873,250
1	2,500,001	2,897,300	2,897,300
1	2,897,301	4,370,000	4,365,332
840			17,362,300

CATEGORIES OF SHAREHOLDERS

AS ON SEPTEMBER 30, 2008

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	821	12,160,500	70.0397
Joint Stock Companies	11	300,300	1.7296
Financial Institutions	1	200	0.0012
Mutual Fund	4	2,901,000	16.7086
Others	3	2,000,300	11.5209
Total	840	17,362,300	100



Information on Shareholding required under reporting framework is as follows:

Associated Companies , Undertakings and Related Parties

Mavesh & Jehangir Siddiqui Foundation	1,414,500
Jahangir Siddiqui Securities Services Ltd	82,500
Trustee Al-Abbas Sugar Mills Ltd	4,000
Haji Abdul Ghani	4,365,332
Muhammad Ayub Younus Adhi	1,873,250
Ali Jehangir Siddiqui	1,847,168
Jehangir Siddiqui	786,182
Noor Jahan Hajjani	847,000
Aves Cochinwala	1,000

NIT and ICP

Investment Corporation of Pakistan	500
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Directors, Chief Financial Officer, their spouses and minor children

Muhammad Iqbal Usman	500
Shunaid Qureshi	1,399,668
Munawar A.Siddiqui	1,000
Munaf Ibrahim	500
Duraid Qureshi	1,000
Asim Ghani	62,500

Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas, Mutual Fund

National Bank of Pakistan, Trustee Deptt	2,897,300
Bank of Khyber	200
Prodenial Stocks Fund Limited	600
CDC-Trustee UTP Large Cap. Fund	2,600

Public Sector Companies & Corporations

DJM Securities (Pvt) Limited	500
Haseeb Waqas Engineering Ltd	500
Value Stock Securities (Pvt) Limited	2,000
Time Securities (Pvt) Limited	500
Ismail Iqbal Securities (Pvt) Limited	8,600
Valika Art Fabrics Ltd	8,000
Cliktrade Limited	1,000
Y.S. Securities & Services (Pvt) Ltd	200
Bulk Management Pakistan (Pvt) Ltd	171,500
Amer Cotton Mills (Pvt) Limited	25,000

Shareholder holding 10% or more voting interest in the Company

Haji Abdul Ghani	4,365,332	25.14%
Muhammad Ayoub Younus Adhi	1,873,250	10.79%
National Bank of Pakistan-Trustee Department	2,897,300	16.69%
Ali Jehangir Siddiqui	1,847,168	10.64%


KEY FINANCIAL DATA

		2008	2007	2006	2005	2004	2003
Investment Measure							
Ordinary Share Capital	Rs in '000'	173,623	173,623	173,623	173,623	173,623	173,623
Reserves	Rs in '000'	696,167	628,305	478,784	526,007	462,576	289,826
Ordinary Shareholder's Equity	Rs in '000'	869,790	801,928	652,407	699,630	636,199	463,449
Dividend on Ordinary Shares	Rs in '000'	26,043	-	-	52,087	60,768	31,252
Dividend per Ordinary Share	Rs	1.50	-	-	3.00	3.50	1.80
Profit Before Taxation	Rs in '000'	96,427	104,333	31,655	70,492	211,390	86,074
Profit After Taxation	Rs in '000'	75,045	149,521	4,864	63,431	233,518	69,815
Earnings per share of Rs. 10	Rs	4.32	8.61	0.28	3.65	13.45	4.02
Measure of Financial Status							
Current Ratio	x : 1	1.18	0.92	1.09	1.16	1.08	1.04
Debt Equity Ratio	x : 1	1.35	0.97	0.26	0.32	0.46	0.76
Total Debt Ratio	x : 1	0.46	0.39	0.37	0.18	0.16	0.44
Number of Days Stock	in days	120	72	100	130	175	145
Measure of Performance							
Sales	Rs in '000'	2,757,639	2,726,337	2,338,670	1,723,522	1,308,263	1,205,394
Cost of Goods Sold as % of Sales	%	78.07	92.28	91.40	88.70	74.50	83.90
Profit Before Taxation as % of Sales	%	3.50	3.83	1.35	4.09	16.16	7.14
Profit After Taxation as % of Sales	%	2.72	5.48	0.21	3.68	17.85	5.79



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance (Code) prepared by the Board of Directors of **AL-ABBAS SUGAR MILLS LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code effective for the year ended September 30, 2008.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Karachi: January 06, 2009



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

1. The Board comprises of seven Directors including two Executive Directors. The Company encourages the representation of independent non-executive Directors on its Board. There are five non-executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Al-Abbas Sugar Mills Limited.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFIs or being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. Causal vacancy arose in the Board of Directors which was duly filled within 30 days.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company has also distributed to the Board Members copies of "Guidelines for Directors on Strengthening Corporate Governance" received from International Finance Corporation (IFC).
10. The Board has approved appointment of Company Secretary, Chief Financial Officer, and Head of Internal Auditors including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.



13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors. Chairman is an independent non- executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective Internal Audit function. This function is being performed by Head of Internal Audit and M/s. Shekha & Mufti, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: January 06, 2009

SHUNAIQ QURESHI
Chief Executive



AUDITORS REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **AL-ABBAS SUGAR MILLS LIMITED** as at September 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw your attention to our report dated May 30, 2008 on merged financial statements of Al-Abbas Sugar Mills Limited for the year ended September 30, 2007 with the former Al-Abbas Industries Limited in order to effectuate the Order of the Honorable High Court of Sindh dated January 14, 2008 as stated in note number 1.2 of the annexed financial statements as per Scheme of Merger which contains our observation with respect to application of the acquisition method followed by the Company for preparation of aforesaid merged financial statements.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Karachi: January 06, 2009


BALANCE SHEET
AS AT SEPTEMBER 30, 2008

	Note	2008 (Rupees in thousand)	2007
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,082,835	1,855,830
Long term loans and advances	5	3,103	5,326
Long term deposits		11,026	10,018
Long term investments	6	29,182	-
		<u>2,126,146</u>	<u>1,871,174</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	7	209,401	176,048
Stock-in-trade	8	1,036,195	384,071
Trade debts - unsecured (considered good)		37,997	143,969
Loans and advances	9	201,315	102,029
Trade deposits and short term prepayments	10	5,448	4,848
Short term investment	11	17,250	-
Accrued mark up		128	96
Tax refund due from Government		86,415	7,243
Cash and bank balances	12	48,417	39,142
		<u>1,642,566</u>	<u>857,446</u>
		<u>3,768,712</u>	<u>2,728,620</u>
SHARE CAPITAL AND RESERVES			
Authorized capital 17,500,000 Ordinary shares of Rs. 10 each		<u>175,000</u>	<u>175,000</u>
Issued, subscribed and paid-up capital	13	173,623	173,623
Reserves	14	696,167	628,305
Shareholders' equity		<u>869,790</u>	<u>801,928</u>
NON-CURRENT LIABILITIES			
Long term financing	15	1,075,000	582,546
Long term loans from related parties	16	395,070	379,825
Liabilities against assets subject to finance lease	17	3,295	-
Deferred liabilities	18	38,186	35,107
CURRENT LIABILITIES			
Trade and other payables	19	656,959	413,159
Accrued mark-up	20	63,958	30,013
Short term borrowings	21	558,526	279,004
Current maturity of non-current liabilities	22	95,077	193,897
Provision for taxation		12,851	13,141
		<u>1,387,371</u>	<u>929,214</u>
CONTINGENCIES AND COMMITMENTS	23	<u>3,768,712</u>	<u>2,728,620</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Note	2008 (Rupees in thousand)	2007
Turnover	24	2,757,639	2,726,337
Cost of sales	25	<u>(2,152,783)</u>	<u>(2,515,961)</u>
Gross profit		604,856	210,376
Distribution cost	26	<u>(129,488)</u>	<u>(81,221)</u>
Administrative expenses	27	<u>(79,116)</u>	<u>(58,119)</u>
Other operating expenses	28	<u>(159,458)</u>	<u>(22,786)</u>
		(368,062)	(162,126)
Operating profit		236,794	48,250
Finance cost	29	<u>(180,697)</u>	<u>(104,951)</u>
Other operating income	30	<u>40,330</u>	<u>7,185</u>
Excess of acquirer interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		-	153,849
Profit before taxation		96,427	104,333
Taxation	31	<u>(21,382)</u>	<u>45,188</u>
Profit after taxation		75,045	149,521
Earnings per share - Basic and diluted (Rupees)	32	4.32	8.61

The annexed notes from 1 to 43 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive**Asim Ghani**
Director


CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Note	2008 (Rupees in thousand)	2007
Cash flow from operating activities			
Cash (used in)/ generated from operations	39	(125,112)	366,945
Finance cost paid		(146,752)	(121,610)
Taxes paid		(32,852)	(12,229)
Net cash (used in)/ from operating activities		<u>(304,716)</u>	<u>233,106</u>
Cash flow from investing activities			
Capital expenditure on property, plant and equipment		(342,759)	(32,262)
Proceeds from disposal of fixed assets		1,210	176
Interest received		4,339	399
Long term Investments		(36,365)	(30,750)
Net increase/ (decrease) in long term loans and advances		2,223	(5,745)
Net (decrease)/ increase in long term deposits		(1,008)	142
Net cash used in investing activities		<u>(372,360)</u>	<u>(68,040)</u>
Cash flow from financing activities			
Repayment of long term loans		(757,807)	(74,545)
Proceeds from long term loans		1,150,000	-
Repayment of lease liabilities		(599)	-
Short term financing		279,522	(182,841)
Net proceeds from long term loans from related parties		15,245	115,714
Dividend paid		(10)	-
Net cash from/ (used in) financing activities		<u>686,351</u>	<u>(141,672)</u>
Net increase in cash and cash equivalents		9,275	23,394
Cash and cash equivalents at the beginning of the year		39,142	15,748
Cash and cash equivalents at the end of the year	12	<u><u>48,417</u></u>	<u><u>39,142</u></u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Share capital	RESERVES					Total Reserve	Total Equity
	Revenue			Fair value on remeasurement on available for sale investment	Total Reserve		
	General	Unappropriated profit	Total Revenue Reserves				

(Rupees in thousand)

Balance as at September 30, 2006	173,623	458,000	20,784	478,784	-	478,784	652,407
Profit after taxation	-	-	149,521	149,521	-	149,521	149,521
Balance as at September 30, 2007	173,623	458,000	170,305	628,305	-	628,305	801,928
Loss on change in fair value of available for sale investment	-	-	-	-	(7,183)	(7,183)	(7,183)
Profit after taxation	-	-	75,045	75,045	-	75,045	75,045
Balance as at September 30, 2008	<u>173,623</u>	<u>458,000</u>	<u>245,350</u>	<u>703,350</u>	<u>(7,183)</u>	<u>696,167</u>	<u>869,790</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

1 THE COMPANY AND ITS OPERATIONS

1.1 Al-Abbas Sugar Mills Limited (AASML) was incorporated in Pakistan on May 2, 1991 as a public limited company. The Company's shares are quoted on the Karachi Stock Exchange. The registered office of the Company is situated at Pardesi House, Survey No. 2/1, R.Y.16. Old Queens Road, Karachi. The Company carry out the business of following divisions.

S. No	Division	Principal Activities	Location of undertaking	Commencement of commercial production
1	Sugar	Manufacturing and sale of sugar	Mirwah Gorchani, Mirpurkhas	December 15, 1993
2	Distillery	Processing and sale of industrial alcohol	Mirwah Gorchani, Mirpurkhas	Unit I: August 20, 2000 Unit II: January 23, 2004
3	Calcium Carbide and allied products	Manufacturing and sales of Calcium Carbide and allied products	Dhabeji, Thatta.	November 1, 2006
4	Medium Density Fiber Board	Manufacturing and sales of Medium Density Fiber Board.	Dhabeji, Thatta.	April, 1st 2007

1.2 In pursuance of the Court Order dated January 14, 2008, the then Al-Abbas Industries Limited - (wholly owned subsidiary company) stand merged with and into the Al-Abbas Sugar Mills Limited with effect from April 1, 2007. As the individual financial statements of the Al-Abbas Sugar Mills Limited were issued before the Court Order, therefore, the merged financial statements were presented in the Board of Directors Meeting held on May 30, 2008 wherein the Board has approved the merged financial statements for the year ended September 30, 2007. The comparative corresponding year are based on the merged financial statements duly approved by the Board of Directors of the Company and audited by the statutory auditors of the Company.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for financial assets and liabilities which are carried at their fair values, certain employee benefits are based on actuarial



valuation, impairment of assets, capitalization of borrowing cost, stock in trade which is valued at net realizable value, if it is less than the cost and property, plant and equipment of former Al-Abbas Industries Limited at fair value.

2.3 Standards, Interpretations and amendments to published approved accounting standards effective in 2007

Amendments to International Accounting Standard (IAS 1) 'Presentation of Financial Statements - Capital Disclosure', introduces certain new disclosures about the level of the Company's capital and how the Company manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in the relevant note to these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting period beginning on or after October 1, 2007 are not considered relevant or do not have any significant effect on the Company's operations.

2.4 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning from the dates specified below are either not relevant to Company or are not expected to have significant impact on Company's financial statements other than increased disclosures in certain cases.

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised September 2007)	January 01, 2009
IAS 23 - Borrowing Cost (Revised March 2007)	January 01, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	July 01, 2009
IFRS 2 (Amendment) Share Based Payment	January 01, 2009
IFRS 3 (Revised) - Business Combinations	July 01, 2009
IFRS 7 - Financial Instruments :Disclosures	April 28, 2008
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 12 - Service concession arrangements	January 01, 2008
IFRIC 13 - Customer loyalty programmes	January 01, 2008
IFRIC 14 - IAS 19 - The limit on a Defined Benefit Assets, minimum funding requirements and their interactions.	January 01, 2008
IFRIC 15 - Accounting for agreements for the construction of real estate	January 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	October 01, 2008

2.5 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Property, plant and equipment Note -3.1
- Estimation of Net Realizable value for stock in trade Note -3.4
- Income taxes Note -3.7
- Staff retirement benefit Note -3.8



3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Operating fixed assets - owned

These are stated at cost less accumulated depreciation and accumulated impairment except for land, which is stated at cost.

Depreciation is charged, on a systematic basis over the useful life of the asset, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in the relevant note. Assets residual value and useful lives are reviewed and adjusted appropriately at each financial year end. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains or losses on disposals, if any, are included in income currently.

b) Accounting for leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased assets, are capitalized at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Depreciation is charged at rates and method used for similar assets, so as to depreciate the assets over their estimated useful life in view of ownership of the assets at the end of the lease term.

c) Capital work-in-progress - owned

Capital work-in-progress represents expenditures on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work-in-progress is stated at cost.

3.2 Investments

a) Long term investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

b) Investments in equity instruments of associated companies - Available for sale

Investments which the management intends to hold for an indefinite period, but may be sold in response to the need for liquidity are classified as available for sale.



All investments in equity instruments of associated companies are initially recognized at cost, being the fair value of the consideration given including transaction cost associated with the investments. After initial recognition, investment classified as available for sale are remeasured at fair value.

Gain or losses on devaluation of available for sale investment are recognized in equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

c) At fair value through profit or loss

Investments are stated at fair value through profit or loss which are designated as such upon initial recognition. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account in the period in which these arise.

3.3 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at moving average cost. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Value of items is reviewed at each balance sheet date to record any provision for slow moving items and obsolescence.

3.4 Stock-in-trade

These are stated at the lower of weighted average cost and net realizable value.

Cost in relation to semi finished and finished goods represents cost of raw material and an appropriate portion of manufacturing overheads. Cost in respect of semi finished goods is adjusted to an appropriate stage of completion of process whereas cost of baggasse is taken equivalent to net realizable value.

Cost in relation to stock of molasses held by distillery acquired from outside sugar mills is valued at weighted average cost whereas the molasses transferred by the sugar division to distillery division are valued on the basis mentioned in the relevant note.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

3.5 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off as incurred.

3.6 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and bank balances. The cash and cash equivalents are subject to insignificant risk of changes in value.

3.7 Taxation

a) Current

The Company falls under the presumptive tax regime under Sections 154 and 169 of the Income Tax Ordinance, 2001, to the extent of direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any.

**b) Deferred**

Deferred tax is provided by using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future profit will be available against which the assets can be utilized.

3.8 Staff retirement benefits**a) Defined benefit gratuity scheme**

The company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who have completed the qualifying period under the scheme. Contributions are made to the fund in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at September 30, 2008, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains/ losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets, at the beginning of the year, are amortized over average future service of the employees.

b) Employees compensated absences

The Company accounts for liability in respect of un-availed compensated absences for all its permanent employees, in the period of absence. Provision for liabilities towards compensated absences is made on the basis of last drawn basic salary.

3.9 Foreign currency transaction

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3.10 Financial instruments**a) Recognition**

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on derecognizing of the financial assets and financial liabilities is taken to profit and loss account.

b) Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

c) Derivative financial instruments

The Company use derivative financial instruments such as interest rate swap and cross currency swap to hedge its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.



Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

3.11 Borrowing costs

Borrowing costs incurred on finances obtained for the construction of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.12 Provisions

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

3.13 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses such as electricity, gas, water, repair and maintenance relating to the head office, shared with associated companies, which are based on the advices received. The related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees.

3.14 Inter segment pricing

Transfer between business segment are recorded at net realizable value.

3.15 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria must be met before revenue is recognized.

- a) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.
- b) Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.
- c) Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.

3.16 Dividend and appropriation to reserves:

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.



3.17 Segment reporting

A business segment is a distinguishable component within a Company that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company's primary format for segment reporting is based on business segments. In order to comply with the requirements of International Accounting Standard 14 "Segment Reporting" the activities of Company have been grouped into four segments of related products and services.

3.18 Impairment

The carrying amounts of the assets are reviewed at each financial year end to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

	Note	2008	2007
(Rupees in thousand)			
4 PROPERTY PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,756,340	1,836,157
Capital work in progress	4.2	326,495	19,673
		<u>2,082,835</u>	<u>1,855,830</u>

4.1 Operating fixed assets

	C O S T			Rate of depreciation %	ACCUMULATED DEPRECIATION			Written down value as at 30-09-08
	As at 01-10-2007	Additions / (Deletions)	As at 30-09-2008		As at 01-10-2007	Charge for the year	As at 30-09-2008	
(Rupees in thousand)								
Owned								
Free-hold land	27,129	(572)	26,557	-	-	-	-	26,557
Lease-hold land	51,000	-	51,000	-	-	-	-	51,000
Main factory building on free-hold land	336,208	10,044	346,252	10	90,483	24,929	115,412	230,840
Non-factory building	152,959	257	153,216	10	55,554	6,014	61,568	91,648
Plant and machinery	1,845,880	13,952	1,859,832	5 to 10	470,950	82,508	553,458	1,306,374
Furniture and fittings	6,191	424	6,615	10	2,697	378	3,075	3,540
Motor vehicles	38,464	6,103	44,567	20	19,879	4,299	24,178	20,389
Office equipment	24,548	4,321	28,869	10	9,611	1,563	11,174	17,695
Computers	1,420	766	2,186	10	170	135	305	1,881
Tools and tackles	4,268	-	4,268	20	2,566	340	2,906	1,362
Leased								
Vehicles	-	5,405	5,405	20	-	351	351	5,054
2008	<u>2,488,067</u>	<u>41,272</u> <u>(572)</u>	<u>2,528,767</u>		<u>651,910</u>	<u>120,517</u>	<u>772,427</u>	<u>1,756,340</u>



	C O S T					ACCUMULATED DEPRECIATION			Written down value as at 30-09-2007
	As at 01-10-2006	Transfer from AAIL as at April 1, 2007	Additions / (Deletions)	As at 30-09-2007	Rate of depreciation %	As at 01-10-2006	Charge for the year/ (disposal)	As at 30-09-2007	
(Rupees in thousand)									
Free-hold land	27,129	-	-	27,129	-	-	-	-	27,129
Lease-hold land	-	51,000	-	51,000	-	-	-	-	51,000
Main factory building on free-hold land	160,196	158,273	17,739	336,208	10	78,789	11,694	90,483	245,725
Non-factory building	103,757	48,867	335	152,959	10	49,103	6,451	55,554	97,405
Plant and machinery	1,036,457	801,538	7,885	1,845,880	5 to 10	406,397	64,553	470,950	1,374,930
Furniture and fittings	5,436	336	419	6,191	10	2,375	322	2,697	3,494
Motor vehicles	33,739	3,414	1,696	38,464	20	16,671	3,562	19,879	18,585
			(385)			-	(354)		
Office equipment	18,582	3,581	2,385	24,548	10	8,354	1,257	9,611	14,937
Computers	-	740	680	1,420	10	-	170	170	1,250
Tools and tackles	3,301	967	-	4,268	20	2,345	221	2,566	1,702
2007	1,388,597	1,068,716	31,139	2,488,067		564,034	88,230	651,910	1,836,157
			(385)				(354)		

4.1.1 Reconciliation of carrying amount of operating fixed assets

	Opening net book value	Additions/ Transferred	Deletion	Depreciation charge	Closing book value
(Rupees in thousand)					
Owned					
Free-hold land	27,129	-	572	-	26,557
Lease-hold land	51,000	-	-	-	51,000
Main factory building on free-hold land	245,725	10,044	-	24,929	230,840
Non-factory building	97,405	257	-	6,014	91,648
Plant and machinery	1,374,930	13,952	-	82,508	1,306,374
Furniture and fittings	3,494	424	-	378	3,540
Motor vehicles	18,585	6,103	-	4,299	20,389
Office equipment	14,937	4,321	-	1,563	17,695
Computers	1,250	766	-	135	1,881
Tools and tackles	1,702	-	-	340	1,362
Leased					
Vehicles	-	5,405	-	351	5,054
	1,836,157	41,272	572	120,517	1,756,340

4.1.2 Depreciation charge for the year has been allocated as follows:

	Note	2008	2007
(Rupees in thousand)			
Cost of sales	25	95,450	69,732
Water, fuel and power	25 & 25.1	18,565	13,141
Administrative expenses	27	6,502	5,358
		120,517	88,231


4.1.3 Details of disposal of fixed assets are as follows:

Description	Cost	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousands)				
Piece of land	572	1,210	Negotiations	Mehran Khan (Grower)

4.2 Capital work -in- progress

Description	2008			2007				
	Balance as on 01.10.2007	Addition during the year	Transfer / Capitalized	Balance as on 30.09.2008	Balance as on 01.10.2006	Addition during the year	Transfer / Capitalized	Balance as on 30.09.2007
(Rupees in thousand)								
Civil works								
Under construction	6,472	45,037	(10,044)	41,465	16,173	6,438	16,139	6,472
Borrowing cost capitalized	1,646	1,109	-	2,755	1,600	1,646	1,600	1,646
	<u>8,118</u>	<u>46,146</u>	<u>(10,044)</u>	<u>44,220</u>	<u>17,773</u>	<u>8,084</u>	<u>17,739</u>	<u>8,118</u>
Plant and machinery								
Process house	8,355	112,777	-	121,132	764	7,591	-	8,355
Mill House	639	8,506	-	9,145	-	639	639	-
Chemical Department	-	5,286	-	5,286	-	-	-	-
Economizer	925	-	-	925	-	925	925	-
Advances to Suppliers	-	136,517	-	136,517	-	-	-	-
Borrowing cost capitalized	1,636	7,634	-	9,270	12	1,624	-	1,636
	<u>11,555</u>	<u>270,720</u>	<u>-</u>	<u>282,275</u>	<u>776</u>	<u>10,779</u>	<u>-</u>	<u>11,555</u>
Total	<u>19,673</u>	<u>316,866</u>	<u>(10,044)</u>	<u>326,495</u>	<u>18,549</u>	<u>18,863</u>	<u>17,739</u>	<u>19,673</u>

4.2.1 Average annualized rate of 9% of borrowing has been used for capitalization of borrowing cost.

Note 2008 2007
(Rupees in thousand)

5 LONG TERM LOANS AND ADVANCES - Considered good

Secured - Employees - Other than Directors and Chief Executive		3,688	1,749
Unsecured - Executives being key management personnel		2,600	5,000
	5.1	6,288	6,749
Recoverable within one year shown under current assets	9	(3,185)	(1,423)
		<u>3,103</u>	<u>5,326</u>
5.1 Balance at beginning		6,749	1,004
Add: Loan disbursed during the year		2,689	6,348
		9,438	7,352
Less: Recovery during the year		(3,150)	(603)
		<u>6,288</u>	<u>6,749</u>

5.2 The above loans and advances are interest free and are given for purchase of vehicles and personal use. These loans and advances are secured against the retirement benefits and vehicles (in case of vehicle loan) of the respective employees and are within the limits of such securities.

5.3 The maximum aggregate amount of loans outstanding during the year is Rs. 4.8 million (2007: Rs. 5 million)



	Note	2008 (Rupees in thousand)	2007
6 LONG TERM INVESTMENTS			
Related parties (associated companies) - available for sale (at fair value)			
Al-Abbas Cement Industries Limited (Holding 1.09%) 2,000,000 (2007: Nil) ordinary shares of Rs. 10 each		13,100	-
Eye Television Network Limited (Holding 0.81%) 405,000 (2007: Nil) ordinary shares of Rs. 10 each		16,082	-
		<u>29,182</u>	<u>-</u>
7 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		94,151	139,452
Spare parts		132,721	52,265
Loose tools		529	331
		<u>227,401</u>	<u>192,048</u>
Provision for slow moving items and obsolescence	7.1	<u>(18,000)</u>	<u>(16,000)</u>
		<u>209,401</u>	<u>176,048</u>
7.1 Opening balance		16,000	3,000
Provision for the year		2,000	13,000
Closing balance		<u>18,000</u>	<u>16,000</u>
8 STOCK-IN-TRADE			
Raw material			
Molasses		78,446	110,738
Calcium carbide		33,386	4,136
Ferro alloys	8.1	100,865	7,485
MDFB		4,820	14,076
		<u>217,517</u>	<u>136,435</u>
Work-in-process			
Sugar		1,600	2,024
Calcium Carbide		-	807
MDFB		-	9,754
		<u>1,600</u>	<u>12,585</u>
Finished goods			
Sugar		540,888	147,229
Rectified spirit		143,564	40,764
Calcium carbide	8.2	11,461	11,009
Ferro Silicon	8.2	97,959	-
MDFB	8.2	6,936	35,851
		<u>800,808</u>	<u>234,853</u>
Others - Baggasse		16,270	198
		<u>1,036,195</u>	<u>384,071</u>

8.1 It includes stock-in-transit amounting to Rs. 79.213 million (2007: Nil).

8.2 It represents finished goods valued at net realizable value aggregating Rs. 116.356 million (2007: Rs. 46.860 million) thus resulting in writing off finished goods by Rs. 36.914 million (2007: Rs. 15 million).

8.3 Value of stock pledged as on the balance sheet date amounts to Rs. 278 million (2007:Rs.182 million).



	Note	2008 (Rupees in thousand)	2007
9 LOANS AND ADVANCES			
Current portion of long term loans and advances to employees and executive being the key management personnel other than Directors and Chief Executive.	5	3,185	1,423
Loans to growers - Unsecured			
Considered good		25,023	3,335
Considered doubtful		10,245	13,465
		35,268	16,800
Provision for loans considered doubtful	9.1	(10,245)	(13,465)
		25,023	3,335
Advances - Unsecured (considered good)			
To employees against salary - interest free		201	160
To employees against expense		1,066	1,639
To suppliers and contractors		131,529	71,447
Against letter of credit		5,106	-
Against capital expenditure		20,900	20,900
Income tax paid less provision		14,305	3,125
		173,107	97,271
		201,315	102,029
9.1 Opening balance		13,465	9,965
Reversal / charged for the year		(3,220)	3,500
Closing balance		10,245	13,465
9.2 The rate of mark-up on such loans ranges up to 15% subject to final settlement with the respective grower.			
10 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposit against letter of credit		3,782	-
Prepayments		1,666	4,848
		5,448	4,848
11 SHORT TERM INVESTMENT			
Other than related parties - At fair value through profit or loss			
Fauji Cement Company Limited 2,500,000 (2007: Nil) ordinary shares of Rs. 10 each		17,250	-
12 CASH AND BANK BALANCES			
Cash in hand		1,566	1,664
Cash at banks			
Current accounts		1,623	21,183
Saving accounts	12.1	45,228	16,295
		46,851	37,478
		48,417	39,142
12.1 It carries mark up at the rate of 0.5% to 5% (2007: 0.5% to 1.5%).			
13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
17,362,300 (2007: 17,362,300) ordinary shares of Rs. 10 each allotted for consideration paid in cash		173,623	173,623



13.1 Number of shares held by the associates as on the balance sheet date are 1,501,000 (2007: 2,061,800).

14 RESERVES

It includes General Reserve amounting to Rs. 458 million (2007: Rs. 458 million) which represents accumulation made out of profits in past years and is kept in order to meet future exigencies.

15 LONG TERM FINANCING - Secured

		2008	2007
		(Rupees in thousand)	
From banking companies			
MCB - Demand finance	15.1	18,636	93,182
MCB - Demand finance	15.2	200,000	-
Standard Chartered Bank - Term finance	15.3	-	191,739
Standard Chartered Bank - Term finance	15.4	-	156,522
MCB - Term finance	15.5	-	135,000
Saudi Pak Bank Limited - Term finance	15.6	-	200,000
KASB - Term finance	15.7	200,000	-
		418,636	776,443
Privately placed term finance certificates			
From banking companies and financial institutions	15.8	325,000	-
Others		425,000	-
		750,000	-
		1,168,636	776,443
Current maturity shown under current liabilities	22	(93,636)	(193,897)
		1,075,000	582,546

15.1 This represents the Demand Finance from MCB Bank Limited against sanctioned limit of Rs. 205 million. It is secured against pari passu charge ranking with others over all present and future fixed assets of the company. It is repayable in 11 quarterly installments of Rs. 18.636 million each commencing from April 2006. It carries mark-up at the rate of three month's KIBOR plus 1.1% (2007: 1.1%) per annum chargeable and payable quarterly.

15.2 This represents the Demand Finance from MCB Bank Limited against sanction limit of Rs 200 million. It is secured against pari passu charge over fixed assets for Rs. 274 million. It is repayable in 22 quarterly installments of Rs. 9.090 million each commencing from June 2010. It carries mark-up at the rate of three month's KIBOR plus 1.65% (2007: Nil) per annum chargeable and payable quarterly.

15.3 This has been paid off out of proceeds of Term Finance Certificate pre-mature. It was secured against first registered pari passu charge over the fixed assets of the company and personal guarantee of the sponsors directors. It was repayable in 23 quarterly installments of Rs. 8.696 million each commencing from March 31, 2005. It carried mark up at the rate of 6 months T-Bill rate + 3% per annum subject to floor and cap rate of 5 percent and 13 percent respectively. Mark up was chargeable and payable quarterly.

15.4 This has been paid off out of proceeds of Term Finance Certificate pre-mature. It was secured against first registered pari passu charge over the fixed assets of the company and personal guarantee of sponsors directors. It was repayable in 23 quarterly installments of Rs. 9.130 million each commencing from December 31, 2005. It carried mark up at the rate of 6 months KIBOR + 1.5% per annum subject to floor and cap rate of 5 percent and 13 percent respectively. Mark up was chargeable and payable quarterly.

15.5 This has been paid off out of proceeds of Term Finance Certificate pre-mature. It was secured against registered charge over the fixed assets of the company and was repayable in 28 quarterly installments of Rs. 5 million each commencing from February 2006. It carried mark up at the rate of 3 months KIBOR + 2.5% per annum. Mark up was chargeable and payable quarterly.



- 15.6** This has been paid off out of proceeds of Term Finance Certificate pre-mature. It was secured against registered charge over the fixed assets of the company and was payable in 19 quarterly installments of Rs. 10.526 million each commencing from March 2008 . It carried mark up at the rate of 3 months KIBOR + 2.75% per annum. Mark up was chargeable and payable quarterly.
- 15.7** This represents the term finance from KASB Bank Limited against the sanctioned limit of Rs. 200 million for the purpose of enhancement of crushing capacity. It carries mark up at the rate of 3 months "KIBOR" plus 1.5% chargeable and payable on quarterly basis. The finance is repayable in 24 equal installments each of Rs. 8.33 million commencing from October 2009 latest by July 2015. It is secured against first pari - passu charge over the company's' fixed assets (including land, building and plant and machinery).
- 15.8** This represents 150,000 privately placed Term Finance Certificates (TFCs) having a face value of Rs. 5,000 each issued by the Company through Allied Bank of Pakistan, the arranger. It carries mark up at the rate of base rate 6 months KIBOR plus 1.75%. It is secured by way of first pari passu hypothecation charge over all present and future fixed assets of the Company. TFCs will be redeemed in 10 equal bi-annually installments of 75 million each commencing from May 2009. The Company is entitled to exercise a call option by redeeming all or any part of outstanding TFCs before the maturity at least after two years of the issue date.

The Company has entered into cross currency and interest rate swap agreement against the TFCs with bank for notional amount of Rs. 750 million (2007: Nil) maturing in March 2011. Under the swap arrangement the principal payable amount of Rs. 750 million is swapped with US \$ component at Rs. 62.7 making the loan amount to US \$ 11.962 million which will be exchanged semi-annually at each reset date. Besides foreign currency component, the Company would receive 6 months KIBOR rates and pay 6 months LIBOR plus spread of 2.45%, which will be settled semi-annually. As at the balance sheet date, the net fair value of interest rate and cross currency swap were Rs. 73.920 million (2007: Nil) payable to bank. The Company has the option of unwinding the agreement at any settlement date falling due after every six months.

	2008	2007
	(Rupees in thousand)	
16 LONG TERM LOANS FROM RELATED PARTIES (UN SECURED)	395,070	379,825
This represents interest free and un-secured loan obtained from related parties. The terms of repayment are to be decided mutually upon convenience of the Company.		
17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments		
Not later than one year	1,966	-
Later than one year but not later than five years	3,647	-
	5,613	-
Mark -up		
Not later than one year	525	-
Later than one year but not later than five years	352	-
	877	-
Present value of minimum lease payments		
Not later than one year	1,441	-
Later than one year but not later than five years	3,295	-
	4,736	-
Less: Current maturity shown under current liabilities	22	-
	3,295	-



17.1 The Company has entered into lease finance arrangement from a leasing Company. The rate of 14.75% (2007: Nil) has been used as discounting factor being the rate implicit in the lease. The amount of future payments includes the amounts at which the Company has the option to purchase the assets. The Company intends to exercise its option to purchase the leased assets at their residual value upon completion of the lease periods.

	Note	2008 (Rupees in thousand)	2007
18 DEFERRED LIABILITIES			
Market Committee fee	18.1	<u>38,186</u>	<u>35,107</u>

18.1 The Company has challenged the levy of market committee fee in the Honorable High Court of Sindh and filed a constitutional petition and has also obtained a stay order from the Honorable High Court. Pending the outcome of the petition, the Company has accounted for the levy as a matter of prudence.

19 TRADE AND OTHER PAYABLES

Creditors		310,630	322,751
Accrued liabilities		21,865	27,004
Advances from customers		222,876	35,868
Payable to employees gratuity fund	19.1	16,018	4,821
Workers' profit participation fund	19.2	3,805	4,555
Workers' welfare fund		1,446	2,377
Unclaimed dividend		1,068	1,078
Retention money		1,845	7,454
Payable on cross currency and interest rate swap agreement	15.8	73,920	-
Others		3,486	7,251
		<u>656,959</u>	<u>413,159</u>

19.1 Employees benefit - staff gratuity

a) Movements in the (assets) / liabilities recognized in the balance sheet:

Balance at the beginning of year	4,821	5,362
Charge for the year	12,697	8,116
Contributions made by the company during the year	(1,500)	(8,657)
Balance at the end of year	<u>16,018</u>	<u>4,821</u>

b) The following amounts have been charged to profit and loss account during the year in respect of the scheme

Current service cost	6,756	7,674
Interest cost	5,000	4,320
Expected return on plan assets	(4,775)	(3,878)
Past service cost	5,716	-
	<u>12,697</u>	<u>8,116</u>

c) The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation	66,138	57,876
Fair value of plan assets	(47,915)	(53,055)
Unrecognized actuarial loss	(2,205)	-
	<u>16,018</u>	<u>4,821</u>



	Note	2008 (Rupees in thousand)	2007
d) Actual return on plan assets			
Expected return on plan assets		4,775	3,878
Actuarial loss on plan assets		<u>(1,646)</u>	<u>-</u>
Actual return on plan assets		<u>3,129</u>	<u>3,878</u>
e) Actuarial valuation of these plans was carried out as of September 30, 2008 using the Projected Unit Credit method. Principal actuarial assumptions used were as follows:			
Expected rate of salary increase in future years		<u>13%</u>	<u>9%</u>
Discount rate		<u>14%</u>	<u>9%</u>
Expected rate of return on plan assets during the year		<u>14%</u>	<u>9%</u>
Average expected remaining working life of employee		<u>7 years</u>	<u>7 years</u>
f) Charge for the year has been allocated as under:			
Cost of sales	25	11,356	7,642
Administrative expense	27	<u>1,341</u>	<u>474</u>
		<u>12,697</u>	<u>8,116</u>
g) Expected charge for the year 2008-09 is Rs. 13.429 million.			
h) Present value of defined benefit obligations and fair value of plan assets.			

	2008	2007	2006	2005	2004
	----- (Rupees in thousand) -----				
Present value of defined obligations at year end	66,138	55,558	47,995	37,506	28,462
Fair value of plan assets at year end	47,915	53,055	43,094	29,529	26,356
Net deficit	<u>18,223</u>	<u>2,503</u>	<u>4,901</u>	<u>7,977</u>	<u>2,106</u>
i) Experience adjustments:					
	----- (Rupees in thousand) -----				
Experience adjustments arising on plan liabilities (gains) / losses.	558	N/A	3,156	3,904	5,042
Experience adjustments arising on plan assets (gains) / losses.	(1,646)	N/A	5,123	1,381	(1,439)

	Note	2008 (Rupees in thousand)	2007
19.2 Workers' profit participation fund			
Opening balance		4,555	1,700
Interest for the year	29	240	102
Contribution made during the year		<u>3,805</u>	<u>4,555</u>
		<u>4,045</u>	<u>4,657</u>
		<u>8,600</u>	<u>6,357</u>
Paid during the year		<u>(4,795)</u>	<u>(1,802)</u>
		<u>3,805</u>	<u>4,555</u>



	Note	2008 (Rupees in thousand)	2007
20 ACCRUED MARK-UP			
Mark-up on			
Long term financing		42,848	23,417
Short term borrowing		21,110	6,596
		<u>63,958</u>	<u>30,013</u>
21 SHORT TERM BORROWINGS			
From banking companies			
Secured - Finances utilized under the mark-up arrangements			
Cash / Running finances	21.1	558,526	82,365
Export finance	21.2	-	196,633
		<u>558,526</u>	<u>279,998</u>
Unsecured - Book overdraft	21.3	-	6
		<u>558,526</u>	<u>279,004</u>

21.1 The aggregate finance facilities amounted Rs. 1.545 billion (2007: Rs. 1.070 billion) which have been arranged from various commercial banks. These are secured against hypothecation of current assets, pledged of stock and present and future fixed assets of the Company. These carry mark-up ranging from 1 to 3 months KIBOR plus 0.5% to 1.50% per annum (2007: 1 to 3 months KIBOR plus 1% to 1.25% per annum) payable and chargeable quarterly in arrears. At the year end, facilities amounting to Rs. 986 million (2007: Rs. 988 million) remained unutilized.

21.2 The Company has arranged foreign currency finance facility amounting to US\$ 6.076 million (2007: US\$ 8.196 million) which remained unutilized as at the balance sheet date. The facility is secured against first registered pari passu charge on fixed assets of the Company, hypothecation of current assets and pledged of stock (value of stock pledge as on the balance sheet date amounts to Nil (2007: Nil).The above facility has been obtained at the rate of 1 month LIBOR plus 3% (2007: 1 month LIBOR plus 1% to 1.25%) chargeable and payable quarterly.

21.3 This was due to issuance of cheques in excess of balance at bank.

	Note	2008 (Rupees in thousand)	2007
22 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current portion of long term financing	15	93,636	193,897
Current portion of lease liabilities	17	1,441	-
		<u>95,077</u>	<u>193,897</u>

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

a) The Company has entered into an agreement dated June 19, 2003 with M/s. Karachi Tanks Terminal (Pvt) Limited (KTTL) for purchase of a plot along with construction, tanks and installation for a consideration of Rs. 50 million. As per agreement, the Company has deposited in the Honourable High Court of Sindh an amount of Rs. 20.9 million and KTTT besides other acts was required to obtain release of all attachment of the Honourable High Court of Sindh and



satisfaction of the Decree in Execution Application. In case the Court not vacating the attachment or permitting sale, the amount paid will be refunded along with 10% per annum as financial charges due to blockage of fund and the agreement shall stand cancelled. In response to public notice, Company received objection from two parties. The matter is pending before the Honourable High Court of Sindh for decision. Pending the outcome of the decision, the Company as a matter of prudence and uncertainty involved has not recorded interest income.

- b) The Income Tax department has filed appeals before the Honorable Income Tax Appellate Tribunal for the accounting year 1999 and 2001 involving reduction of unabsorbed losses amounting to Rs. 33.350 million whereas departmental appeal in respect of accounting year 2000 has been decided in favor of the Company involving tax loss of Rs. 9.748 million against which the department is in appeal before the Supreme Court of Pakistan. Further the issue of payment of tax u/s 12 (9A) of the repealed Income Tax Ordinance, 1979 for the accounting year 2001 amounting to Rs. 12.846 million has been set aside by the ITAT for denovo proceeding. However, as a matter of prudence, the company has accounted for all liabilities arising from such assessments involving tax impact of Rs. 27.936 million.

23.2 Commitments

Commitments in respect of capital expenditure amounting to Rs. 130 million (2007:Rs. 16 million) which includes letters of credit amounting to Rs. 122.170 million (2007: Rs. 12 million).

24	TURNOVER	Note	2008 (Rupees in thousand)	2007
	Gross sales			
	Local		1,045,352	1,476,625
	Export		1,863,650	1,452,871
			2,909,002	2,929,496
	Less:			
	Sales tax		(151,363)	(203,159)
			<u>2,757,639</u>	<u>2,726,337</u>
25	COST OF SALES			
	Cost of raw materials consumed		2,292,484	1,925,779
	Stores and spare parts consumed		89,282	89,676
	Salaries, wages and other benefits	19.1.f	119,496	109,994
	Water, fuel and power	25.1	236,084	104,340
	Packing materials		26,243	24,608
	Other manufacturing expenses	25.2	33,700	24,243
	Repairs and maintenance		15,204	18,136
	Depreciation	4.1.2	95,450	69,732
			2,907,943	2,366,508
	Work-in-process			
	Opening		12,585	16,507
	Closing		(1,600)	(12,585)
			10,985	3,922
			2,918,928	2,370,430
	Less:			
	Transfer price of molasses		(143,460)	(90,640)
	Transfer price of baggasse		(50,886)	(25,768)
	Sale of baggasse		(5,844)	(6,950)
			(200,190)	(123,358)
	Cost of goods manufactured		2,718,738	2,247,072
	Finished goods			
	Opening		234,853	503,742
	Closing		(800,808)	(234,853)
			(565,955)	268,889
			<u>2,152,783</u>	<u>2,515,961</u>



25.1 It includes depreciation amounting to Rs. 18.565 million (2007: Rs. 13.141 million).

	Note	2008 (Rupees in thousand)	2007
25.2 Other manufacturing expenses			
Security services		8,221	5,273
Printing and stationery		514	325
Vehicle running expenses		4,336	4,023
Insurance expenses		11,338	6,996
Traveling and conveyance		3,684	2,047
Communication charges		902	829
Fees and subscription		1,070	907
Newspaper and periodicals		51	30
Entertainment		2,513	2,572
Legal and professional charges		397	130
Miscellaneous expenses		674	1,111
		<u>33,700</u>	<u>24,243</u>
26 DISTRIBUTION COST			
Sugar bags handling expenses		2,723	1,734
Export expenses		123,853	79,487
Sales promotion expenses		2,912	-
		<u>129,488</u>	<u>81,221</u>
27 ADMINISTRATIVE EXPENSIVE			
Salaries, allowances and other benefits	19.1.f	36,125	30,690
Rent, rates and taxes		1,971	1,525
Communication charges		2,952	1,941
Traveling and conveyance		2,922	2,187
Printing and stationery		2,413	1,005
Entertainment		1,953	1,177
Consultancy charges		1,232	1,687
Vehicle running expenses		9,461	4,108
Repairs and maintenance		1,671	1,534
Insurance		338	75
Fees and subscription		1,928	721
Legal and professional charges		3,081	1,855
Auditors' remuneration	27.1	425	462
Charity and donations	27.2	1,311	135
Newspaper and periodicals		65	40
Utilities		2,831	1,988
Depreciation	4.1.2	6,502	5,358
Amortization of intangible assets		-	100
Miscellaneous expenses		1,935	1,531
		<u>79,116</u>	<u>58,119</u>



	2008 (Rupees in thousand)	2007
27.1 Auditors' remuneration		
Hyder Bhimji and Co. - Statutory Auditors		
Annual audit fee	250	180
Half yearly review fee	40	40
Audit fee for merged financial statements	-	50
Other certification charges	50	90
Out of pocket expenses	10	32
	350	392
Haroon, Zakaria and Co. - Cost Auditors		
Audit fee	70	70
Out of pocket expenses	5	-
	75	70
	425	462
27.2 None of the directors or their spouses have any interest in any donee's fund.		
28 OTHER OPERATING EXPENSES		
Net loss on interest rate and cross currency swap		
Net exchange differences on cross currency swap	174,904	-
Net gain on interest rate swap	(25,572)	-
	149,332	-
Workers' profit participation fund	3,805	4,555
Workers' welfare fund	1,446	1,731
Provision for slow moving items and obsolescence	2,000	13,000
Provision for loans to growers	-	3,500
Net loss on remeasurement of fair value of investments	2,875	-
	159,458	22,786
29 FINANCE COST		
Mark up / interest on long term financing	107,856	52,857
Short term borrowings		
Cash / Running finance	50,061	30,144
Export finance	13,399	15,753
	63,460	45,897
Liabilities against assets subject to finance leases	220	-
	171,536	98,754
Workers' Profit Participation Fund	19.2 240	102
Bank charges and guarantee commission	8,921	6,095
	180,697	104,951



	Note	2008 (Rupees in thousand)	2007
30 OTHER OPERATING INCOME			
Income from financial assets			
Interest income on loans to growers		244	248
Income on saving accounts		107	151
Income from TDR		4,020	-
		4,371	399
Income from assets other than financial assets			
Gain on disposal of fixed assets		638	144
Scrap sales		4,524	3,425
Exchange gain		25,936	1,655
Sale of fusel oil		208	480
Income from Farm - net	30.1	491	812
Others		942	270
		32,739	6,786
Reversal of provision for loans to growers		3,220	-
		<u>40,330</u>	<u>7,185</u>
30.1 Income from Farm- net			
Income from Farm		1,860	1,727
Farm expenses		(1,369)	(915)
		<u>491</u>	<u>812</u>

30.2 Farm operation is a distinguishable business segment as per criteria mentioned in International Accounting Standard - 14, but it is a substantially below the threshold mentioned for reportable segment in International Accounting Standard - 14, therefore, farm operation is not classified as reportable segment.

	Note	2008 (Rupees in thousand)	2007
31 TAXATION			
Current			
For the year		20,991	13,661
For prior year		391	3,723
		21,382	17,384
Deferred		-	(62,572)
		<u>21,382</u>	<u>(45,188)</u>

31.1 Relationship between tax expense and accounting profit

Tax on income	35.00%	35.00%
Adjustment due to:		
- Effect of final tax regime of export sales	-89.70%	-52.00%
- Derecognition of tax losses	77.28%	-9.62%
- Applicability of minimum taxation	-	-13.09%
- Effect of prior year taxation	-0.41%	-3.60%
Average effective tax rate charged to profit and loss account	<u>22.17%</u>	<u>-43.31%</u>



	Note	2008 (Rupees in thousand)	2007
31.2 Deferred taxation			
Taxable temporary differences			
Accelerated tax depreciation		204,305	185,614
Lease liabilities		111	-
		<u>204,416</u>	<u>185,614</u>
Deductible temporary differences			
Provision for growers		(3,586)	(4,713)
Provision for obsolete stock		(6,300)	(5,600)
Available tax losses		(211,055)	(197,395)
		<u>(220,941)</u>	<u>(207,708)</u>
		<u>(16,525)</u>	<u>(22,094)</u>
Less: Deferred tax assets not recognized		16,525	22,094
		<u>-</u>	<u>-</u>
		2008	2007
32 EARNINGS PER SHARE - BASIC AND DILUTED			
Net profit after taxation - Rupees in thousand		<u>75,045</u>	<u>149,521</u>
Number of ordinary shares		<u>17,362,300</u>	<u>17,362,300</u>
Basic earnings per share - Rupees		<u>4.32</u>	<u>8.61</u>

There is no dilutive effect on the basic earnings per share of the Company as the Company has no commitments in respect of share capital.

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Managerial remuneration	5,832	4,364	1,944	1,408	14,876	7,404	22,652	13,176
Other allowances	1,368	2,400	456	774	1,488	4,490	3,312	7,664
Telephone	159	54	-	8	142	-	301	62
Retirement benefits	600	600	200	200	1,364	915	2,164	1,715
Total	<u>7,959</u>	<u>7,418</u>	<u>2,600</u>	<u>2,390</u>	<u>17,870</u>	<u>12,809</u>	<u>28,429</u>	<u>22,617</u>
No. of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>10</u>	<u>5</u>	<u>12</u>	<u>7</u>

33.1 Chief Executive and a director are provided with company maintained cars for the business and personal use and are also provided with mobile phone facility for the business and personal use.

33.2 Seven executives of the company are also provided with company maintained cars for the business and personal use.



34 FINANCIAL ASSETS AND LIABILITIES

	Mark-up/Interest Bearing			Non Mark-up/Interest Bearing			Total	
	Less than one year	Over one year	Total	Less than one year	Over one year	Total	2008	2007
(Rupees in thousand)								
Financial assets								
Trade debts	-	-	-	37,997	-	37,997	37,997	143,969
Loan and advances	25,023	-	25,023	137,902	3,103	141,005	166,028	76,691
Trade deposits	-	-	-	3,782	11,026	14,808	14,808	10,018
Investments	-	-	-	17,250	29,182	46,432	46,432	-
Accrued mark-up	-	-	-	128	-	128	128	96
Cash and bank balances	45,228	-	45,228	3,189	-	3,189	48,417	39,142
Sub total	70,251	-	70,251	200,248	43,311	243,559	313,810	269,916
Financial liabilities								
Long term financing	93,636	1,075,000	1,168,636	-	395,070	395,070	1,563,706	1,156,268
Liabilities against assets subject to finance leases	1,441	3,295	4,736	-	-	-	4,736	-
Trade and other payables	-	-	-	412,814	-	412,814	412,814	365,538
Accrued mark-up	-	-	-	63,958	-	63,958	63,958	30,013
Short term borrowings	558,526	-	558,526	-	-	-	558,526	279,004
Sub total	653,603	1,078,295	1,731,898	476,772	395,070	871,842	2,603,740	1,830,823
Net financial assets/ (liabilities)	(583,352)	(1,078,295)	(1,661,647)	(276,524)	(351,759)	(628,283)	(2,289,930)	(1,560,907)
Effective mark up/ interest rates have been disclosed in the relevant notes to the financial statements.								
Off balance sheet items								
Financial commitments								
Letter of credits	-	-	-	-	-	-	122,170	12,000

35 FINANCIAL RISK MANAGEMENT, OBJECTIVE AND POLICIES

35.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out under policies and principals approved by the Management. All treasury related transactions are carried out within the parameters of these policies and principals.

35.2 Market risk

a) Foreign exchange risk management

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transaction or receivables or payables that exist due to transactions in foreign exchange.

The Company is exposed to foreign exchange risk arising from currency value fluctuations primarily with respect to the United States Dollar (USD) and Euro, currently, the Company's foreign exchange risk exposure in relation to foreign trade transaction and cross currency swap agreement.

b) Price risk

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.



The Company is exposed to price risk with respect to equity investment. Investment in associates is a strategic investment whereas other investments are monitored through continuous trend prevailing in the market.

c) Interest/ Mark up rate risk management

Yield/ mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield/ mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. However as at year end the company is exposed to yield/ mark up rate risk with respect to interest rate swap agreement and borrowings linked with Kibor and Libor.

d) Credit risk and concentration on credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits. Also the company doesn't have significant exposure in relation to individual customer. Consequently the company believes that it is not exposed to any major concentration of credit risk.

e) Liquidity risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At September 30, 2008, the Company has Rs. 1.545 billion available borrowing limit from financial institution. Unutilized borrowing facilities of Rs. 986 million and also has 48.417 million being balances at banks. Based on the above, management believes the Company is not exposed to liquidity risk.

35.3 Fair value of financial instruments

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

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except investment in associates which are carried at cost.

35.4 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity and sponsors loan plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and bank balances. The Company's strategy was to maintain leveraged gearing. The gearing ratios as at the balance sheet are as follows:



	Note	2008 (Rupees in thousand)	2007
Long term financing		1,075,000	582,546
Liabilities against assets subject to finance lease		3,295	-
Accrued mark-up		63,958	30,013
Short term borrowings		558,526	279,004
Current maturity of non-current liabilities		95,077	193,897
Total debt		1,795,856	1,085,460
Cash and bank balances		48,417	39,142
Net debt		1,747,439	1,046,318
Shareholders' equity		869,790	801,928
Long term loans from related parties		395,070	379,825
Total capital and reserves		1,264,860	1,181,753
Capital and net debt		3,012,299	2,228,071
Gearing ratio		58.01%	46.96%
36 PLANT CAPACITY AND ACTUAL PRODUCTION		2008	2007
Sugar Unit			
Capacity in M. Tons		80,702	74,921
Days		146	140
Production in M. Tons		61,965	42,954
Days		146	140
Distillery Unit			
Unit - I			
Capacity in M. Tons		23,450	20,440
Days		335	292
Production in M. Tons		22,989	18,641
Days		335	292
Unit - II			
Capacity in M. Tons		24,080	22,190
Days		344	317
Production in M. Tons		23,943	20,419
Days		344	317
Calcium Carbide and Ferro Alloys			
Capacity in M. Tons based on 320 days		27,220	27,220
Production in M. Tons		4,595	5,744
MDFB Unit			
Capacity in Sheets based on 320 days		960,000	960,000
Production in Sheets		106,446	176,834
36.1 Reasons for shortfall in capacity utilization			
a) Sugar			
Lesser availability of sugarcane is the main reason of shortfall in production of sugar.			
b) Distillery			
Lesser availability of molasses is the main reason of shortfall in production of rectified spirit.			


c) Calcium Carbide and Ferro Alloys

Due to reduction in import duty on calcium carbide as well as seasonal nature of the calcium carbide, the plant remained un-operated with effect from December 2007. The plant started production of silico maganesse with effect from January 2008 till April 2008 and production of ferro silicon with effect from May 2008 to June 2008 and thereafter restarted production in September 2008. Closure of plant is attributed to demand of respective products.

d) MDFB

Due to high input cost the plant remained in operation till June 2008. Furthermore, the demand of the product has been the other factor for lower production.

37 SEGMENT REPORTING

	2008				Total	2007
	Sugar	Distillery	Calcium Carbide & Ferro Alloys	MDFB		
	(Rupees in thousand)					
Sales	1,020,636	1,541,322	111,199	84,482	2,757,639	2,726,337
Segment results	226,224	331,494	(43,993)	(38,357)	475,368	129,155
Unallocated Corporate Expenses:						
Administration cost					(79,116)	(58,119)
Finance Cost					(180,697)	(104,951)
Other operating expenses					(159,458)	(22,786)
Other Operating income					40,330	7,185
Excess of acquirer interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost					-	153,849
Taxation					(21,382)	45,188
					75,045	149,521
Other Information						
37.1 Segment assets	1,199,616	527,207	702,750	373,778	2,803,351	2,340,333
Unallocated segment assets					965,361	388,287
					3,768,712	2,728,620
37.2 Segment liabilities	1,375,617	190,288	384,434	387,838	2,338,177	1,585,992
Unallocated segment liabilities					560,745	318,963
					2,898,922	1,904,955
37.3 Capital expenditure	-	309,866	1,968	18,629	330,463	28,071
Unallocated capital expenditure					17,631	4,192
					348,094	32,263
37.4 Depreciation	24,690	34,127	36,446	25,254	120,517	88,231
37.5 Non cash expenses other than depreciation	2,000	-	-	-	2,000	13,000



38 RELATED PARTY TRANSACTION

The related parties comprise associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to related parties are shown in under respective note to the financial statement. Remuneration of directors, chief executive and executives being the key management personnel are disclosed in relevant note. Transactions with related parties are as follows:

	2008	2007
Note	(Rupees in thousand)	
Purchase of cement	4,134	1,546
Sale of baggasse	208	-
Common sharing expenses incurred and reimbursed	2,400	600
Contribution paid to Employees Gratuity Fund	1,500	-
Purchase of shares through related party brokerage house	20,125	-

38.1 There were no transactions with the key management personnel other than under their terms of employment, which are disclosed in relevant note to the financial statements.

39 CASH GENERATED FROM OPERATIONS

Profit before taxation	96,427	104,329
Adjustment for:		
Depreciation	4.1.2 120,517	88,231
Amortization of intangible assets	-	100
Excess of acquirer interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost	-	(153,849)
Reversal of provision / Loan considered doubtful written back	30 (3,220)	3,500
Provision for slow moving items and obsolescence	28 -	13,000
Finance cost	29 180,697	104,951
Income from financial assets	(4,371)	(399)
Diminution in fair value of investment	28 2,875	-
Loss / (Gain) on disposal of fixed assets	30 (638)	(144)
Deferred liabilities - Market Committee Fee	3,079	2,212
	298,939	57,602
Operating profit before working capital changes	395,366	161,931
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(33,353)	615
Stock-in-trade	(652,124)	341,986
Trade debts	105,972	(92,594)
Loans and advances	(84,886)	(13,505)
Trade deposits and short term prepayments	(600)	10,491
Short term investment	(20,125)	-
Tax refund due from Government	(79,172)	(6,270)
	(764,288)	240,723
Increase/ (decrease) in trade and other payables	243,810	(35,709)
Cash generated from/(used in) operations	(125,112)	366,945



40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 6, 2009 by the Board of Directors of the Company.

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. During the year following significant rearrangements have been made in the corresponding figures for more appropriate presentation:

	Note	(Rupees in thousand)
Portion of depreciation on power plant from cost of sales is classified into the same note under the nomenclature of water, fuel and power	25.1	13,141
Loading and unloading expenses from distribution expenses have been classified as sugar bag handling expenses.	26	177
Transportation expenses from distribution cost is classified into the same note under the nomenclature of export expenses	26	100
Exchange gain from sales is classified into other operating income	30	1,655

42 EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on January 6, 2009 has proposed a final cash dividend of Rs. 1.5 per share i.e. 15% for the year ended September 30, 2008.

43 GENERAL

Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director