NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

1 REPORTING ENTITY

Haseeb Waqas Sugar Mills Limited ("the Company") was incorporated on 13 January 1992 as a Public Limited Company under the Companies Ordinance, 1984. The Company's registered office is situated at 103 B-1 M.M. Alam Road, Gulberg III, Lahore. The mill is situated at Merajabad, Nankana Sahib, District Sheikhupura. The Company is listed on Lahore and Karachi Stock Exchanges. The principal activity of the Company is manufacture and sale of refined sugar and its by-products.

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 and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amount, certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

The crushing season 2007-08 of the Company commenced on 23 October 2007 and ended on 05 April 2008.

2.3 Appropriateness of the going concern assumption

The Company has accumulated losses of Rs.127,159,451 as at 30 September 2008. This is in accordance with general trends in the sugar sector. The management expects the situation to improve viz a viz the new Government and its policies with resultant profitable trends in the future. Over the past six months, sugar prices in the market have increased substantially, which has already facilitated a profitable scenario. The management expects that this trend will continue in the ensuing year. In view of the above these financial statements have been prepared on going concern basis.

2.4 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.4.2 Recoverable amount of assets/cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.4.3 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts are determined by reference to local market value and current depreciated replacement values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

2.4.4 Employees retirement benefits

The present value of defined benefit obligation is based on actuarial valuation done by independent actuaries every year. The valuation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation.

2.4.5 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.4.6 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.5 Functional currency

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses with the exception of freehold land measured at revalued amount, and plant and machinery and building measured at revalued amount less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using the rates specified in note 16 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

De-recognition

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

3.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to property, plant and equipment as and when assets are available for use.

3.3 Stores, spares and loose tools

These are generally held for internal use and are valued at lower of cost and net realizable value. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items identified as slow moving, a provision is made for excess of carrying amount over estimated net realizable value which signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

3.4 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined using the following basis:

Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
By-products	Net realizable value, where costs are not ascertainable.

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

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

3.5 Non-derivative financial instruments

Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged, cancelled or transferred to another party without retaining any obligation. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in the profit or loss.

Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

Off-setting

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

3.6 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as deduction from equity.

3.7 Borrowings

These are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowings on an effective interest basis.

3.8 Leased assets

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated by applying the reducing balance method using rates specified in note 16 to the financial statements.

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

3.9 Surplus / deficit on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited directly to equity after reversing deficit relating to the same item previously recognised in profit or loss, if any. Deficit arising on revaluation is recognised in profit or loss after reversing the surplus relating to the same item previously recognised in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, is transferred to accumulated losses every year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

3.10 Employees retirement benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed ten percent of the present value of the Company's defined benefit obligations are amortized over the average expected remaining working lives of employees.

Details of scheme are referred to in the note 9 to the financial statements.

3.11 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

3.12 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

3.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risk and rewards incidental to the ownership of goods are transferred.

Interest on saving accounts is recognized as and when accrued on time proportion basis.

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the profit or loss as incurred.

3.15 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.16 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.17 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and in current accounts with various banks after deducting balances under lien, if any. Cash and cash equivalents are carried at cost.

3.18 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value was determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of transaction. Gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

3.19 Impairment

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.20 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions, with the exception of purchase of components, is determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Components purchased by the Company from related party are priced at cost plus margin.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

3.21 Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that 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.

3.22 Dividend to shareholders

Dividend paid to shareholders is recognized in the year in which it is declared.

3.23 New Standards, interpretations and amendments to published approved international financial reporting standards not yet effective

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective and have not been applied in preparing these financial statements.

IFRS 8 - Operating Segments

This standard introduces the "management approach" to segment reporting. IFRS 8 is effective for periods beginning on or after 01 January 2009, however, it is not expected to have any impact on the Company's financial statements.

IAS 23 - Borrowing Costs (Revised 2007)

The revised standard removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The revised IAS 23 is effective for periods beginning on or after 01 January 2009, However, it is not expected to have any impact on the Company's financial statements, since the Company already has the policy of capitalizing such borrowing costs under the allowed alternative treatment of superseded standard.

IAS 1 - Presentation of Financial Statements (Revised 2007)

The revised standard introduces the term "Total Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The revised standard is effective for periods beginning on or after 01 January 2009. The standard will have a significant impact on the presentation of Company's financial statements.

Amendments to IAS 32 - Financial Instruments: *Presentation* and IAS - Presentation of Financial Statements, regarding Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application required. However these are not expected to have any impact on the Company's Financial Statements.

Amendments to IFRS 2 - Share Based Payments regarding vesting conditions and cancellations.

These amendments clarify the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application. No impact is expected on the financial statements of the Company.

IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions*

This interpretation requires share-based payment arrangements in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

IFRIC 12 *Service Concession Arrangements*

This interpretation provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

IFRIC 13 Customer Loyalty Programmes

This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for the periods beginning on or after 01 January 2009. However, it is not expected to have any impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*

This interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

IFRS 3 - Business Combinations (Revised 2008) and Amendments IAS 27 - Consolidated and Separate Financial Statements.

The revised standards and amendments are not relevant to the Company's operations since the Company does hold investments in or control of any other Company.

3.24 Adoption of new standards, interpretations and amendments to published approved accounting standards

The Company has adopted during the year the amendments to IAS 1 - Presentation of Financial Statements regarding "Capital Disclosures" issued in August 2005 which require an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. These amendments were effective for periods beginning on or after 01 January 2007.

The Company has not adopted IFRS 7 - Financial Instruments *Disclosures* which is effective for the current period, since as per circular 08 of 2008 of the Institute of Chartered Accountants of Pakistan the standard will be effective for accounting periods beginning on or after the date of relevant notification (i.e. 28 April 2008) of the Securities and Exchange Commission of Pakistan vide which the IFRS 7 was adopted. The adoption of this standard would impact the financial statements of the Company to the extent of disclosures only.

IAS 29 - Financial Reporting in Hyperinflationary Economies has been notified by the Securities and Exchange Commission of Pakistan under Section 234(3) of the Companies Ordinance, 1984, but the standard would not have any impact on the Company's financial statements in view of the fact that the primary economic environment in which the Company operates is not hyperinflationary.

4 CAPITAL MANAGEMENT

The Company's policy is to maintain an appropriate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall in capital requirements is met through interest free loans from associates including Directors. The Board of Directors expects to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by an appropriate capital position by conversion of loans from associates into equity. There were no changes in the Company's approach to capital management during the year. Further the Company is not subject to externally imposed capital requirements.

	30 September 2008 *Rupees*	30 September 2007 *Rupees*
5 SHARE CAPITAL		
Authorized capital		
35,000,000 (2007: 35,000,000) ordinary shares of Rs. 10 each.	**350,000,000**	350,000,000
Issued, subscribed and paid-up capital		
Ordinary shares of Rs. 10 each:		
27,000,000 (2007: 27,000,000) shares issued for cash.	**270,000,000**	270,000,000
5,400,000 (2007: 5,400,000) shares issued as fully paid bonus shares.	**54,000,000**	54,000,000
	324,000,000	324,000,000
6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
As at beginning of the year	**207,660,213**	228,312,632
Surplus arising during the year	**144,129,473**	-
Deferred taxation on surplus arising during the year	**(47,850,424)**	-
	96,279,049	-
Incremental depreciation transferred to accumulated losses	**(12,520,059)**	(20,652,419)
As at end of the year	**291,419,203**	207,660,213

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

7 LOAN FROM DIRECTORS - UNSECURED

This loan has been obtained from Directors of the Company, and is interest free. There is no fixed tenor or schedule for repayment of this loan. According to the loan agreement, the lenders shall not demand repayment and the same is entirely at the Company's option. The Company may repay the loan in cash or may issue shares in lieu of the outstanding amount in form of right shares or otherwise subject to approval as required under the Companies Ordinance, 1984.

8 LONG TERM FINANCES - SECURED

These represent long term finances utilized under mark up arrangements from banking companies:

	Note	30 September 2008 Rupees	30 September 2007 Rupees
Demand Finance	8.1	**37,139,714**	-
Demand Finance	8.2	**-**	16,290,000
Term Finance	8.2	**-**	16,712,615
		37,139,714	33,002,615
Current portion shown under current liabilities		**(16,800,000)**	(33,002,615)
		20,339,714	-

8.1 The finance has been obtained from National Bank of Pakistan under a swap arrangement whereby the balance outstanding against a short term credit facility has been converted into a long term finance. (see note 14.3). The finance is secured by first equitable mortgage charge of Rs. 80 million on all present and future fixed assets, comprising land, building, plant and machinery, of the Company, pari passu hypothecation charge of Rs. 50 million on current assets of the Company and personal guarantees of Directors of the Company. Mark up is payable at three months KIBOR plus 2.25% per annum. The finance is repayable in twelve equal quarterly installments with first installment falling due on January 2008.

8.2 These finance were obtained from National Bank of Pakistan and were secured by first charge of Rs. 150 million over fixed assets comprising land, building, plant anf machinery of the Company and personal guarantees of the Directors of the Company. These have been completely repaid during the year.

9 EMPLOYEES RETIREMENT BENEFITS

The amounts recognized in the balance sheet are as follows

	Note	30 September 2008 Rupees	30 September 2007 Rupees
Present value of defined benefit obligation	9.1	**6,528,135**	4,861,144
Unrecognized actuarial gains	9.2	**77,590**	462,408
		6,605,725	5,323,552

9.1 Movement in present value of defined benefit obligation

	Note	30 September 2008 Rupees	30 September 2007 Rupees
As at beginning of the year		**4,861,144**	4,417,745
Charged to profit or loss during the year	9.3	**1,552,648**	1,514,494
Benefits paid during the year		**(270,475)**	(1,020,149)
Actuarial loss/(gain) arising during the year		**384,818**	(50,946)
As at end of the year		**6,528,135**	4,861,144

9.2 Movement in the unrecognized actuarial gains

	30 September 2008 Rupees	30 September 2007 Rupees
As at beginning of the year	**462,408**	411,462
Actuarial (loss)/gain arising during the year	**(384,818)**	50,946
As at end of the year	**77,590**	462,408

The present value of defined benefit obligation has been computed by external appraisers "Nouman Associates" using the following assumptions:

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	30 September 2008	30 September 2007
Discount rate	14%	10%
Expected rates of increase in salary	13%	9%
Expected average remaining working lives of employees	11 years	12 years

9.3 Salaries, wages and other benefits include the following in respect of retirement and other benefits:

	30 September 2008 *Rupees*	30 September 2007 *Rupees*
Current service cost	1,066,534	1,121,992
Interest cost for the year	486,114	392,502
Actuarial gain / (loss) recognized during the year	-	-
	1,552,648	1,514,494

9.4 Historical information

	30 September 2008 *Rupees*	30 September 2007 *Rupees*	30 September 2006 *Rupees*
Present value of defined benefit obligation	6,528,135	4,861,144	4,361,129
Experience adjustment arising during the year	5.89%	1.05%	9.43%

The Company has applied IAS 19 "Employee Benefits" for the first time in the financial statements for the year ended 30 September 2005. Therefore, there were no experience adjustment effects prior to the year ended 30 September 2006.

10 LONG TERM PAYABLES

This pertains to further sales tax for the years 1999-2000 to 2000-2001 which the management of the Company proposes to adjust against the sales tax liability for the year 2001-2002 on favourable decision of the Honorable Lahore High Court. However, the sales tax department has filed an appeal before Honorable Supreme Court against the decision. Since the matter is subjudice the same has been treated as long term liability.

	Note	30 September 2008 *Rupees*	30 September 2007 *Rupees*
11 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences			
Accelerated tax depreciation		96,983,887	58,831,311
Surplus on revaluation of property, plant and equipment		150,016,919	145,433,323
		247,000,806	204,264,634
Deferred tax asset on deductible temporary differences			
Employees retirement benefits		(2,312,004)	(1,701,400)
Unused tax losses		(91,513,064)	(32,491,899)
		(93,825,068)	(34,193,299)
		153,175,738	170,071,335

11.1 Deferred tax has been calculated at 35% (2007: 35%) of the temporary differences.

12 TRADE AND OTHER PAYABLES

	Note	30 September 2008	30 September 2007
Trade creditors		29,034,597	100,076,523
Accrued liabilities		8,323,440	10,435,491
Sales tax payable		13,810,440	16,679,561
Other payables	*12.1*	3,353,877	1,238,244
		54,522,354	128,429,819

12.1 These include net amount of Rs. 2,453,486 (2007: Rs. 749,212) payable to related parties after giving effect to the merger - see note 34.

NOTES TO THE FINANCIAL STATEMENTS
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12.2 An amount of Rs. 1,383,843 receivable from Yousaf Sugar Mills Limited as at 30 September 2007 has been offset against amount due to related parties (Abdullah Sugar Mills Limited and Haseeb Waqas Engineering Limited) included in other payables as at that date as Yousaf Sugar Mills Limited and Haseeb Waqas Engineering Limited have been merged into Abdullah Sugar Mills Limited with effect from 01 October 2007 - see note 34.

	30 September 2008	30 September 2007
	Rupees	*Rupees*
13 MARK UP ACCRUED ON BORROWINGS		
Long term finances	**1,652,885**	1,493,789
Short term borrowings	**24,631,774**	41,533,078
	26,284,659	43,026,867

	Note	**30 September 2008**	30 September 2007
		Rupees	*Rupees*
14 SHORT TERM BORROWINGS			
From directors	*14.1*	**3,733,500**	-
From banking companies - Secured			
Cash finance	*14.2*	**470,308,609**	664,673,745
Packing credit	*14.3*	**-**	49,709,713
		474,042,109	714,383,458

14.1 This loan has been obtained from Directors of the Company, and is interest free. There is no fixed tenor or schedule for repayment of this loan and the same is repayable on demand.

14.2 These facilities have been obtained from various commercial banks for working capital requirements and are secured by pledge of stock of sugar, ranking charge over fixed assets of the Company and personal guarantees of the Directors of the Company. These facilities carry mark up at rates ranging from three to six months KIBOR plus 2% to 4.5% subject to a floor of 7% to 14% (2007: One to six months KIBOR plus 2 % to 4 % subject to a floor of 7 % to 14 %) per annum.

14.3 The facility was obtained from National Bank of Pakistan for discounting of bills and carried mark-up at three months KIBOR plus 4% subject to a floor of 7% per annum. During the year, the balance outstanding against the facility was converted into a long term finance,under a swap arrangement. See note 8.1.

14.4 The aggregate available short term borrowing facilities from banking companies amounts to Rs. 650 million (2007: 1,050 million) out of which Rs. 180 million (2007: Rs. 336 million) remained unavailed as at the reporting date.

15 CONTINGENCIES AND COMMITMENTS

Contingencies

Company is defending a claim of Rs. 25.153 million on account of supply of plant and machinery by M/s Ittefaq Foundaries (Private) Limited. However, the Company had made a counter claim of Rs. 76.148 million for the losses suffered by the Company due to inferior quality / short supply of machinery supplied by Ittefaq Foundaries (Private) Limited.

The Collector of Sales Tax and Central Excise (Adjudication) Lahore has issued a show cause notice to the Company for the further tax amounting to Rs. 47 million upto tax period September 2002 on the grounds that it charged sales tax at the rate of 15 % on its sales to persons liable to be registered including the amount as referred to in note 10.

The department of Income Tax has raised a demand u/s 122(1) and122(5) of Rs. 57,658,865 for the tax year 2006 vide its order dated 16 May 2008. The Company has filed an appeal against the said order which is pending.

Guarantees issued by banks on behalf of the Company as at 30 September 2008 amounts to Rs. 10.8 million.

	30 September 2008	30 September 2007
	Rupees	*Rupees*
Commitments		
Payment under operating lease		
Not later than one year	**1,092,330**	910,260
Later than one year	**-**	-
	1,092,330	910,260

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FOR THE YEAR ENDED 30 SEPTEMBER 2008

16 PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED 30 SEPTEMBER 2008

	COST / REVALUED AMOUNT								DEPRECIATION					Net book value
	As at 01 October 2007 Rupees	Additions Rupees	Disposals Rupees	Surplus on Revaluation Rupees	Elimination of accumulated depreciation Rupees	Transfers Rupees	As at 30 September 2008 Rupees	Rate	As at 01 October 2007 Rupees	Adjustment Rupees	Elimination of accumulated depreciation Rupees	For the year Rupees	As at 30 September 2008 Rupees	As at 30 September 2008 Rupees
Assets owned by the Company														
Freehold land	22,451,024	-	-	7,413,976	-	-	29,865,000		-	-	-	-	-	29,865,000
Buildings on freehold land														
Factory	317,413,831	-	-	6,579,415	(214,805,425)	-	109,187,821	10%	206,485,824	-	(214,805,425)	11,049,297	2,729,696	106,458,125
Non- factory	2,988,421	-	-	44,945,491	(1,332,818)	-	46,601,094	5%	1,268,314	-	(1,332,818)	647,018	582,514	46,018,580
Plant and machinery	1,319,201,040	10,436,351	-	85,190,591	(544,827,981)	-	870,000,001	10%	514,313,642	-	(544,827,981)	41,389,339	10,875,000	859,125,001
Furniture and fixtures	46,083,563	-	-	-	-	-	46,083,563	10%	29,160,915	-	-	1,692,269	30,853,184	15,230,379
Vehicles	41,497,215	860,810	(8,304,120)	-	-	-	34,053,905	20%	25,996,016	(2,495,669)	-	1,957,785	25,458,132	8,595,773
	1,749,635,094	11,297,161	(8,304,120)	144,129,473	(760,966,224)		1,135,791,384		777,224,711	(2,495,669)	(760,966,224)	56,735,708	70,498,526	1,065,292,858

YEAR ENDED 30 SEPTEMBER 2007

	COST / REVALUED AMOUNT								DEPRECIATION					Net book value
	As at 01 October 2006 Rupees	Additions Rupees	Disposals Rupees	Surplus on Revaluation Rupees	Elimination of accumulated depreciation Rupees	Transfers Rupees	As at 30 September 2007 Rupees	Rate	As at 01 October 2006 Rupees	Adjustment Rupees	Elimination of accumulated depreciation Rupees	For the year Rupees	As at 30 September 2007 Rupees	As at 30 September 2007 Rupees
Assets owned by the Company														
Freehold land	22,451,024	-	-	-	-	-	22,451,024		-	-	-	-	-	22,451,024
Buildings on freehold land														
Factory	310,987,325	-	-	-	-	6,426,506	317,413,831	10%	194,815,041	-	-	11,670,783	206,485,824	110,928,007
Non- factory	2,988,421	-	-	-	-	-	2,988,421	5%	1,177,782	-	-	90,532	1,268,314	1,720,107
Plant and machinery	1,257,386,975	61,814,065	-	-	-	-	1,319,201,040	5%	472,496,859	-	-	41,816,783	514,313,642	804,887,398
Furniture and fixtures	43,589,992	1,189,994	-	-	-	1,303,577	46,083,563	10%	27,498,000	-	-	1,662,915	29,160,915	16,922,648
Vehicles	40,525,715	1,791,000	(1,610,000)	-	-	790,500	41,497,215	20%	23,476,636	(1,103,264)	-	3,622,644	25,996,016	15,501,199
	1,677,929,452	64,795,059	(1,610,000)			8,520,583	1,749,635,094		719,464,318	(1,103,264)		58,863,657	777,224,711	972,410,383
Assets subject to finance lease														
Vehicles	790,500	-	-	-	-	(790,500)	-		385,764	(432,983)	-	47,219	-	-
	1,678,719,952	64,795,059	(1,610,000)	-	-	7,730,083	1,749,635,094		719,850,082	(1,536,247)	-	58,910,876	777,224,711	972,410,383

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

16.1 Transfers to owned assets represent transfers from capital work in progress on the related assets becoming available for use and from assets subject to finance lease on expiry or termination of lease term.

16.2 The depreciation charge for the year has been allocated as follows:

	Note	30 September 2008 Rupees	30 September 2007 Rupees
Cost of sales	24	53,085,654	53,019,793
Administrative expenses	26	3,650,054	5,891,083
		56,735,708	58,910,876

16.3 Disposal of property, plant and equipment

	Year ended 30 September 2008						
	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain on disposal	Mode of disposal	Particulars of Buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Vehicle **LEH - 4142**	7,606,870	1,825,649	5,781,221	6,300,000	518,779	Negotiation	Hafiz-ur-Rehman, Lahore.
Vehicle **LOK - 4101**	265,000	258,909	6,091	90,000	83,909	Negotiation	Muhammad Shabbir, Lahore.
Vehicle **LOP - 1938**	194,750	190,273	4,477	70,000	65,523	Negotiation	Iftikhar Hussain, Lahore.
Vehicle **LOX - 8736**	237,500	220,838	16,662	62,000	45,338	Negotiation	Muhammad Amjad, Lahore.
	8,304,120	2,495,669	5,808,451	6,522,000	713,549		

	Year ended 30 September 2007						
	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain on disposal	Mode of disposal	Particulars of Buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Vehicle LOX- 6043	285,000	267,047	17,953	171,000	153,047	Stolen	Insurance claim received during the year against lost factory vehicles.
Vehicle LOG- 5522	900,000	870,973	29,027	900,000	870,973	Stolen	Insurance claim received during the year against lost factory vehicles.
Vehicle LOZ- 4115	425,000	398,228	26,772	205,000	178,228	Negotiation	Arshad Ali Tahir S/o Rahmat Ali Chaudhary, Lahore.
	1,610,000	1,536,248	73,752	1,276,000	1,202,248		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

16.4 Recent revaluation of property, plant and equipment was carried out by M/s ARCH-e-decon as at 25 June 2008. The basis for revaluation were as follows:

Revalued item	**Basis of revaluation**
Land	Local market value
Building	Present replacement depreciated value
Plant and machinery	Present replacement depreciated value

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	Year ended 30 September 2008		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Land	**17,048,648**	**-**	**17,048,648**
Building	**187,367,758**	**143,692,664**	**43,675,094**
Plant and machinery	**923,724,287**	**384,417,446**	**539,306,841**
	1,128,140,693	**528,110,110**	**600,030,583**

	Year ended 30 September 2007		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Land	17,048,648	-	17,048,648
Building	177,952,831	137,776,617	40,176,214
Plant and machinery	929,158,255	592,498,378	336,659,877
	1,124,159,734	730,274,995	393,884,739

17 LONG TERM DEPOSITS

Long term deposits mainly include security deposits placed with Banking Companies, Central Depository Company and Sui Northern Gas Pipelines Limited.

	Note	**30 September 2008** ***Rupees***	30 September 2007 *Rupees*
18 STORES AND SPARES			
Stores		**23,460,472**	30,947,961
Spare parts		**489,381**	555,547
		23,949,853	31,503,508
19 STOCK IN TRADE			
Work in process			
Sugar		**4,289,437**	3,533,564
Molasses		**834,242**	228,073
		5,123,679	3,761,637
Finished goods			
Sugar	*19.1*	**228,092,146**	403,259,584
Molasses	*19.2*	**-**	10,161,561
		228,092,146	413,421,145
		233,215,825	417,182,782

19.1 The entire stock of sugar is pledged as security with banks.

19.2 The entire stock of molasses as at 30 September 2007 is stated at net realizable value.

20 TRADE RECEIVABLES

This represents amount receivable from Trading Corporation of Pakistan against sale of sugar.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

21 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 September 2008 Rupees	30 September 2007 Rupees
Advances to employees:			
against purchases		**767,910**	594,119
against salaries - secured	21.1	**445,225**	376,438
Advances to growers - Unsecured, considered good	21.2	**139,911,225**	117,233,191
Advances to suppliers - Unsecured, considered good		**2,691,617**	3,790,612
Deposits		**8,712,721**	-
Prepayments		**66,560**	87,452
Others receivables- Unsecured, considered good		**132,000**	794,069
		152,727,258	122,875,881

21.1 These are interest free amounts advanced to staff against future salaries and retirement benefits and are in accordance with the Company policy.

21.2 These represent interest free unsecured advances given to sugarcane growers against future procurement of sugarcane and are in consonance with other sugar manufacturers securing future supplies of sugarcane. Also see note 34.1.6.

22 CASH AND BANK BALANCES

	Note	30 September 2008 Rupees	30 September 2007 Rupees
Cash in hand		**41,546**	3,760
Cash at banks			
Current accounts		**5,002,701**	24,817,597
Deposit accounts	22.1	**-**	184,255
		5,002,701	25,001,852
		5,044,247	25,005,612

22.1 Effective mark up rate in respect of deposit accounts ranging from 4% to 7% (2007: 0.5% to 3%) per annum.

23 SALES - NET

	Note	30 September 2008 Rupees	30 September 2007 Rupees
Sugar	23.1	**1,197,844,504**	960,352,497
Molasses		**125,293,213**	54,830,617
Mud		**1,030,200**	178,400
		1,324,167,917	1,015,361,514
Sales tax		**(152,067,883)**	(138,912,367)
		1,172,100,034	876,449,147

23.1 This includes sugar sold to Trading Corporation of Pakistan amounting to Rs. 148,914,420, but held by the Company on its behalf. The related sales tax is payable by TCP on lifting of sugar stock.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	30 September 2008 Rupees	30 September 2007 Rupees
24 COST OF SALES			
Raw material consumed	24.1	758,291,115	857,450,964
Stores, spares and loose tools consumed		28,456,186	22,874,806
Salaries, wages and benefits	24.2	52,327,309	44,203,955
Insurance		5,342,214	6,745,573
Repair and maintenance		50,957,712	25,756,647
Depreciation	16.2	53,085,654	53,019,793
Others		4,189,912	3,386,934
		952,650,102	1,013,438,672
Work in process			
Opening stock		3,761,637	3,157,662
Closing stock		(5,123,679)	(3,761,637)
		(1,362,042)	(603,975)
Cost of goods manufactured		951,288,060	1,012,834,697
Finished goods			
Opening stock		413,421,145	274,783,685
Finished goods purchased		-	-
Closing stock		(228,092,146)	(413,421,145)
		185,328,999	(138,637,460)
Cost of sales		1,136,617,059	874,197,237

24.1 Raw material consumed

		30 September 2008 Rupees	30 September 2007 Rupees
Opening stock		-	-
Purchases		758,291,115	857,450,964
		758,291,115	857,450,964
Closing stock		-	-
		758,291,115	857,450,964

24.2 These include charge in respect of employees retirement benefits amounting to Rs. 1,186,215 (2007: Rs. 1,054,456)

	Note	30 September 2008 Rupees	30 September 2007 Rupees
25 OTHER OPERATING INCOME			
Income from financial assets			
Return on bank deposits		53,716	2,300,374
Mark-up on balances with related parties	34.1.3	6,897,617	-
Income from non-financial assets			
Gain on disposal of property, plant and equipment	16.3	713,549	1,202,248
		7,664,882	3,502,622

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	30 September 2008 Rupees	30 September 2007 Rupees
26 ADMINISTRATIVE EXPENSES			
Directors' remuneration		**4,200,000**	3,600,000
Salaries, wages and benefits	26.1	**6,445,343**	6,381,593
Utilities		**757,596**	1,206,967
Travelling and conveyance		**447,621**	1,622,849
Office rent		**1,274,370**	906,420
Fee and subscription		**769,060**	1,084,480
Repair and maintenance		**3,021,977**	1,960,215
Insurance		**3,589,984**	3,065,900
Vehicle running		**2,187,196**	2,335,246
Postage and telegram		**97,014**	62,034
Printing and stationery		**374,146**	397,180
Telephone		**1,192,130**	1,025,496
Advertisement		**200,563**	299,398
Entertainment		**355,232**	375,166
Legal and professional charges		**3,141,680**	2,313,169
Auditors' remuneration	26.2	**625,000**	250,000
Newspapers		**15,209**	30,490
Depreciation	16.2	**3,650,054**	5,891,083
Miscellaneous		**66,849**	117,282
		32,411,024	32,924,968

26.1 These include charge in respect of employees retirement benefits amounting to Rs. 366,433 (2007: Rs. 460,038)

	Note	30 September 2008 Rupees	30 September 2007 Rupees
26.2 Auditors' remuneration			
Annual statutory audit		**500,000**	160,000
Half yearly review		**60,000**	40,000
Review report on Code of Corporate Governance		**40,000**	25,000
Out of pocket expenses		**25,000**	25,000
		625,000	250,000
27 FINANCE COST			
Markup on:			
long term finances		**6,129,446**	7,090,760
short term borrowings		**100,426,130**	97,313,075
liabilities against assets subject to finance lease		**-**	918,652
balances with related parties		**-**	376,592
		106,555,576	105,699,079
Bank charges and commission		**2,426,747**	2,917,774
		108,982,323	108,616,853
28 TAXATION			
Current			
for the year	28.1	**-**	(4,382,246)
for prior years		**-**	-
		-	(4,382,246)
Deferred		**64,746,021**	29,375,335
		64,746,021	24,993,089

28.1 Provision for current tax for the year ended 30 September 2007 was made in accordance with section 113 "Minimum tax on income of certain persons" of the Income Tax Ordinance 2001 ("the Ordinance").

28.2 No provision for current tax has been made for the year ended 30 September 2008 since the Company is incurring tax losses and hence no provision is required following the deletion of section 113 "Minimum tax on income of certain persons" of the Ordinance by the Finance Act 2008.

NOTES TO THE FINANCIAL STATEMENTS
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28.3 Assessments for and upto the tax year 2007, with the exception of tax year 2006, are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

28.4 The department of Income Tax has raised a demand u/s 122(1) and122(5) of Rs. 57,658,865 for the tax year 2006 vide its order dated 16 May 2008. The Company has filed an appeal against the said order which is pending.

29 LOSS PER SHARE - BASIC AND DILUTED

		30 September 2008	30 September 2007
Loss attributable to ordinary shareholders	*Rupees*	**(33,499,469)**	(110,794,200)
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**32,400,000**	32,400,000
Loss per share	*Rupees*	**(1.03)**	(3.42)

There was no dilutive effect on basic loss per share of the Company.

	Note	**30 September 2008** *Rupees*	30 September 2007 *Rupees*
30 CASH GENERATED FROM OPERATIONS			
Loss before tax		**(98,245,490)**	(135,787,289)
Adjustments for non-cash items			
Finance cost		**108,982,323**	108,616,853
Gain on sale of property, plant and equipment		**(713,549)**	(1,202,248)
Depreciation		**56,735,708**	58,910,876
Provision for employees retirement benefits		**1,552,648**	1,514,494
		166,557,130	167,839,975
Operating profit before changes in working capital		**68,311,640**	32,052,686
Changes in working capital			
Decrease/(increase) in stores, spares and loose tools		**7,553,655**	(3,635,820)
Decrease/(increase) in stock in trade		**183,966,957**	(139,241,435)
Increase in trade receivables		**(8,712,721)**	-
(Increase)/decrease in advances, prepayments and other receivables		**(29,851,377)**	52,214,333
Increase in long term deposits		**(2,160,000)**	-
(Decrease)/increase in trade and other payables		**(73,907,465)**	15,799,806
Cash generated from/(used in) operations		**145,200,689**	(42,810,430)
31 CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**5,044,247**	25,005,612
		5,044,247	25,005,612
32 OFF BALANCE SHEET FINANCIAL INSTRUMENTS			
Payments under operating lease		**1,092,330**	910,260

NOTES TO THE FINANCIAL STATEMENTS
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33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including effects of changes in foreign exchange rates, market interest rates, credit and liquidity risk associated with various financial assets and liabilities. The Company manages these financial risks in the following manner:

33.1 Interest rate risk exposure

Information about the Company's exposure to interest rate risk is as follows:

		AS AT 30 SEPTEMBER 2008								
		Interest / mark-up bearing				Non - Interest / mark-up bearing				
	Note	Maturity upto one year Rupees	Maturity after one year upto two years Rupees	Maturity after two years upto five years Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year upto two years Rupees	Maturity after two years upto five years Rupees	Sub total Rupees	Total Rupees
Financial assets										
Long term deposits	17	-	-	-	-	-	-	2,794,000	2,794,000	2,794,000
Trade receivables	20	-	-	-	-	8,712,721	-	-	8,712,721	8,712,721
Advances and other receivables	21	-	-	-	-	8,844,721	-	-	8,844,721	8,844,721
Cash and bank balances	22	-	-	-	-	5,044,247	-	-	5,044,247	5,044,247
		-	-	-	-	22,601,689	-	2,794,000	25,395,689	25,395,689
Financial liabilities										
Loan from directors	7	-	-	-	-	-	220,000,000	-	220,000,000	220,000,000
Long term finances	8	16,800,000	20,339,714	-	37,139,714	-	-	-	-	37,139,714
Trade and other payables	12	-	-	-	-	40,711,914	-	-	40,711,914	40,711,914
Mark up accrued on borrowings	13	-	-	-	-	26,284,659	-	-	26,284,659	26,284,659
Short term borrowings	14	470,308,609	-	-	470,308,609	3,733,500	-	-	3,733,500	474,042,109
		487,108,609	20,339,714	-	507,448,323	70,730,073	220,000,000	-	290,730,073	798,178,396
On balance sheet gap		(487,108,609)	(20,339,714)	-	(507,448,323)	(48,128,384)	(220,000,000)	2,794,000	(265,334,384)	(772,782,707)

NOTES TO THE FINANCIAL STATEMENTS
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		AS AT 30 SEPTEMBER 2007								
		Interest / mark-up bearing				Non - interest / mark-up bearing				
	Note	Maturity upto one year *Rupees*	Maturity after one year upto two years *Rupees*	Maturity after two years upto five years *Rupees*	Sub total *Rupees*	Maturity upto one year *Rupees*	Maturity after one year upto two years *Rupees*	Maturity after two years upto five years *Rupees*	Sub total *Rupees*	Total *Rupees*
Financial assets										
Long term deposits	17	-	-	-	-	-	-	634,000	634,000	634,000
Trade receivables	20	-	-	-	-	-	-	-	-	-
Advances and other receivables	21	-	-	-	-	794,069	-	-	794,069	794,069
Cash and bank balances	22	184,255	-	-	184,255	24,821,357	-	-	24,821,357	25,005,612
		184,255	-	-	184,255	25,615,426	-	634,000	26,249,426	26,433,681
Financial liabilities										
Loan from directors	7	-	-	-	-	-	4,553,000	-	4,553,000	4,553,000
Long term finances	8	33,002,615	-	-	33,002,615	-	-	-	-	33,002,615
Trade and other payables	12	-	-	-	-	111,750,258	-	-	111,750,258	111,750,258
Mark up accrued on borrowings	13	-	-	-	-	43,026,867	-	-	43,026,867	43,026,867
Short term borrowings	14	714,383,458	-	-	714,383,458	-	-	-	-	714,383,458
		747,386,073	-	-	747,386,073	154,777,125	4,553,000	-	159,330,125	906,716,198
On balance sheet gap		(747,201,818)	-	-	(747,201,818)	(129,161,699)	(4,553,000)	634,000	(133,080,699)	(880,282,517)

The Company is exposed to interest rate risk since it has un-capped floating interest rate arrangements in respect of its borrowings. The effective interest / mark-up rates for the interest / mark up bearing financial instruments are mentioned in respect of notes to the financial statments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

33.2 Currency risk exposure

Currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currency. The Company is not exposed to currency risk in respect of its financial instruments.

33.3 Concentration of credit risk and credit risk exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's exposure to credit risk in respect of its financial instruments is minimal as all sugar sales are made against cash.

33.4 Liquidity risk exposure

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Any shortfall is met through interest free loans from Directors of the Company.

33.5 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability be settled between knowledgeable willing parties, in an arm's length transaction. As at the reporting date, the fair values of all financial instruments are considered to approximate their book values.

34 RELATED PARTY TRANSACTIONS

Related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including Chief executive, Directors and Executives and Post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of related party transactions and balances are as follows:

The Company during the year entered into transactions with the following related parties:

Name of Related Party	**Nature of relationship**
Abdullah Sugar Mills Limited	Associate (common management)
Haseeb Waqas Trading (Private) Limited	Associate (common management)
Key Management Personnel	Employer - Employee

With effect from 01 October 2007, Yousaf Sugar Mills Limited and Haseeb Waqas Engineering Limited have been merged into Abdullah Sugar Mills Limited.

34.1 Details of related party transactions other than those with key management personnel

The Company during the year entered into following transactions with related parties other than key management personnel:

	30 September 2008 *Rupees*	30 September 2007 *Rupees*
34.1.1 Transactions with Associates		
Sale of molasses	**121,160,003**	50,937,867
Sale of stores and spares	**907,505**	-
Purchase of machinery and components	**31,117,740**	73,863,178
Mark up charged to related parties	**6,897,617**	1,383,843
Markup charged by related parties	**-**	1,760,435
Loan obtained from directors	**219,180,500**	4,553,000
Other transactions	**-**	81,566,238

34.1.2 The Securities and Exchange Commission of Pakistan has imposed penalty of Rs. 500,000 on account of violation of section 208 of the Companies Ordinance, 1984, on one of the directors of the Company and have reprimanded other directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

34.1.3 Markup charged to related parties during the current year represent markup on balances with related parties resulting from other transactions for the year ended 30 September 2006. Markup for the year ended 30 September 2007 was provided in the annual financial statements for the year ended 30 September 2007.

34.1.4 Payments against balances due to related parties were made partially in cash and partially by paying for expenses on behalf of related parties and vice versa.

34.1.5 Other transactions include payments by the Company on behalf of related parties and vice versa including shared expenses. The Company charged / incurred markup at rates ranging from 13 % to 15 % per annum, on balances with related parties resulting from such transactions. In addition to such transactions there were joint expenses which were reimbursed in actual.

34.1.6 As per common practice in the sugar industry in Pakistan, the Company also purchased sugar cane from persons associated, directly and indirectly, with management personnel of the Company. These purchases were made in accordance with the cane procurement practice in the sugar industry. It is not practicable to determine the related amounts.

34.2 Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director. The Company's key management personnel comprise the Chief Executive, Directors and Executives. Total compensation for key management personnel was as follows:

	Year ended 30 September 2008		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Short-term employee benefits			
Remuneration	**1,800,000**	**2,400,000**	**-**
Meeting fee	**-**	**-**	**-**
	1,800,000	**2,400,000**	**-**
Post employment benefits			
Retirement benefits	**-**	**-**	**-**
	1,800,000	**2,400,000**	**-**
No. of persons	**1**	**2**	**0**

	Year ended 30 September 2007		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Short-term employee benefits			
Remuneration	1,200,000	2,400,000	-
Meeting fee	-	-	-
	1,200,000	2,400,000	-
Post employment benefits			
Retirement benefits	-	-	-
	1,200,000	2,400,000	-
No. of persons	1	2	0

The Chief Executive and the Directors of the Company have waived their right to receive meeting fee. Additionally, Chief Executive and one Director are provided with free use of cellular phones and Company maintained cars.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

34.3 Details of related party balances are as follows:

	30 September 2008 *Rupees*	30 September 2007 *Rupees*
34.3.1 Balances with Associates		
Payable to:		
Haseeb Waqas Trading (Private) Limited	**2,204,064**	-
Abdullah Sugar Mills Limited	**249,422**	749,212
Long term loan from directors	**220,000,000**	4,553,000
Short term borrowings from directors	**3,733,500**	-

The maximum aggregate amount due from associates at the end of any month during the year amounts to Rs. 4,165,989 (2007: Rs. 142,048,340)

34.3.2 Balances with key management personnel		
Short term employee benefits payable	**1,050,000**	728,400

35 PLANT CAPACITY AND ACTUAL PRODUCTION

	30 September 2008	30 September 2007
Processed cane		
Installed capacity (tonnes)	**1,346,200**	1,425,000
Installed capacity (days)	**134.62**	142.50
Actual crushing (tonnes)	**485,275**	518,687
Actual crushing (days)	**114**	109
Actual production (percentage of actual capacity in tonnes)	**36.05%**	36.40%
Sugar		
Installed capacity (tonnes)	**107,023**	114,000
Installed capacity (days)	**130**	130
Actual production (tonnes)	**38,529**	40,767
Actual production (days)	**114**	109
Actual production (percentage of actual capacity in tonnes)	**36.00%**	35.76%
Cane sugar recovery	**7.95%**	7.86%

35.1 Under utilisation is due to the fact that the production capacity of the Company is more than its market share. Further there was shortage in availability of sugar cane due to short cultivation in mill area.

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 09 February, 2009 by the Board of Directors of the Company.

37 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been reclassified and rearranged, where necessary for the purpose of comparison. Details of significant reclassifications and rearrangements are referred to relevant notes to the financial statements.

LAHORE **CHIEF EXECUTIVE** **DIRECTOR**
09 FEBRUARY, 2009