



**M/S.BABA FARID SUGAR MILLS LTD
COST AUDIT REPORT**

**FOR THE YEAR
ENDED SEPTEMBER 30, 2008**

COST AUDIT REPORT

We, **Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants**, having been appointed to conduct an audit of cost accounts of Messrs Baba Farid Sugar Mills Limited, have examined the books of account and the statements prescribed under clause (e) of sub section (1) of section 230 of the Companies Ordinance, 1984 and the other relevant record for the year ended on September 30, 2008 and report that: -

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

In our opinion-

- a) Proper cost accounting records as required by clause (e) of sub section (1) of section 230 of the Companies Ordinance, 1984 (XLVII of 1984), and as required by these rules, have been kept by the company;
- b) Proper returns, statements and schedules for the purposes of audit of cost accounts have been received by us;
- c) The said books and records give the information required by the rules in the manner so required; and in our opinion and, subject to the best of our information-
 - a. The annexed statement of capacity utilization and stock in trade are in agreement with the books of account of the company and exhibit true and fair view of the company's affairs; and
 - b. Cost accounting records have been properly kept so as to give a true and fair view of the cost of production, processing, manufacturing and marketing of sugar produced by the company.

The matter contained in the ANNEXURES 1-11 forms part of this report.

Rahman Sarfaraz Rahim Iqbal Rafiq

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi

Date: FEB 04, 2009



BABA FARID SUGAR MILLS LTD.

APPENDIX III TO COST AUDITOR'S REPORT AS SPECIFIED IN RULE 4(3)

1. CAPACITY:

- a) The licensed, installed and utilized capacity of Baba Farid Sugar Mills Limited for sugar production is:

PARTICULARS	2008	2007	2006
Licensed Crushing Capacity	N/A	N/A	N/A
Installed Crushing Capacity (Based on 160 days)	480,000 MT	480,000 MT	480,000 MT
Crushing Capacity based on No. of days worked	363,000 MT	438,000 MT	369,000 MT
Cane crushed during the season	422,544 MT	433,112 MT	326,040 MT
Crushing period	30/11/2007 to 30/03/2008	29/11/2006 to 23/04/2007	30/11/2005 to 02/04/2006
No. of days worked	121	146	123

- b) In addition to manufacturing of white refined sugar, the company also produces molasses & baggasse and V.F Cake as by-products.

2. COST ACCOUNTING SYSTEM:

The company's cost accounting system is worked in a manner such that the recording of cost is on the basis of nature and function of the expenditure. These expenditures are recorded on actual basis. The standard and budgetary costing is not in vogue. This cost accounting system enables the company to determine correctly the cost of sugar produced subject to exceptions mentioned in para 14 of this annexure.

3. PRODUCTION:

- a) Production of each type of product under reference:

PARTICULARS	2008	2007	2006
	M.Tons	M.Tons	M.Tons
Sugar from sugarcane	31,579	32,685	25,191
Molasses from sugarcane	20,820	21,360	16,287
Baggasse from sugarcane	136,013	141,285	102,324
V.F. Cake from sugarcane	12,676	12,993	9,781

Note: Company uses its entire production of baggasse of about **32.19%** (2007:32.62% & 2006: 31.38%) of the sugarcane crushed for steam generation. The V.F. Cake being **3%** (2007:3% & 2006:3%) of the sugarcane crushed is sold as the waste material.

- b) Percentage of the product under reference to installed capacity: (Based on 160 days cane crushed and actual recovery yield are as follows).

S. NO	PARTICULARS	2008	2007	VARIANCE 2008 and 2007	2006
1	<u>Installed Capacity:</u> As determined under Production Capacity (Sugar) Rules 1972 (based on 160 days per Metric Tons)	27,200	27,200	NIL	27,200
2	Actual Production:				
a)	Cane Crushed (Metric Tons)	422,544	433,112	(10,568)	326,040
b)	Duration of Season (days)	121	146	(25)	123
c)	Actual Recovery / yield (%)	7.47	7.56	(0.09)	7.72
d)	Actual Production- Sugar (Metric Tons)	31,579	32,685	(1,106)	25,191
f)	Capacity Utilization (%)	116.10	120.16	(4.06)	92.61

- c) Addition to production capacity:

The Company operates single milling tandem which constitutes 5 mills. During current year, no major B.M.R (Balancing Modernization Replacement) is taken place in mill house that increase the production capacity or in the immediately preceding two years.

4. RAW MATERIALS:

a)

S · N o	PARTICULARS	2008	2007	VARI ANCE (2008 and 2007)	%	2006	VARIAN CE (2008 and 2006)	%
1	Sugarcane purchased (MT)	422,544	433,112	(10,568)	(2.44)	326,040	96,504	29.60
2	Sugarcane purchased (Rs.000)	627,368	646,103	(18,735)	(2.90)	365,237	262,131	71.77
3	Purchases(Cost per M.Tons (Rs.))	1484.74	1491.73	(6.99)	(0.47)	1120.220	364.52	32.54

The cost of sugarcane purchased by the Company is based on price fixed by the Government. The Company on average, paid cost **Rs. 62/- per 40 kg** of sugarcane for the year (2007:Rs. 67.66 per 40 kg). During current year, average procurement price is decreased due to the bumper crop of sugarcane resulting in no price subsidy to the growers.

b) The consumption of sugarcane per unit of sugar is contingent upon percentage of sucrose content in the sugar cane. Since, percentage of sucrose varies from year to year, region to region, cyclical nature of crop and water & soil conditions. Therefore, no standard requirements for consumption of sugar cane can be worked out.

c) Consumption of Raw Material per unit of production

S. NO	PARTICULARS	2008	2007	VARIANCE (2008 and 2007)	%	2006	VARIANCE (2008 and 2006)	%
1	Sugarcane Consumed (MT)	422,544	433,112	(10,568)	(2.44)	326,040	96,504	29.60
2	Sugar Produced (MT)	31,579	32,685	(1,106)	(3.38)	25,191	6,388	25.36
3	Consumption per unit of production (MT)	13.38	13.25	0.13	0.98	12.94	0.44	3.40

The consumption of sugarcane per unit of production in the year 2008 increased by 0.13 MT compared with the year 2007 and increased by 0.44 MT as compared with the year 2006.

The variance in the consumption of sugarcane per MT of sugar produced as compared to previous two years comparative decrease due to lower rate of recovery of sugar from sugarcane resulted during year **7.47%** (2007: 7.56% and 2006:7.72%). The recovery of sugar is inversely proportion to the sugarcane consumption.

- d) The company uses computerized cane accounting system that is installed at the factory for the purpose of recording both quantity and cost of Sugarcane purchased as well as consumed in production. Sugarcane purchased is directly consumed in the manufacturing process of the Company.

5. SALARIES AND WAGES

S. No	CATEGORY	2008 AMOUNT (Rupees)	2007 AMOUNT (Rupees)	VARIANCE AMOUNT 2008 and 2007 (Rupees)	%	2006 AMOUNT (Rupees)	VARIANCE AMOUNT 2008 and 2006 (Rupees)	%
i)	Direct labor cost on production	27,501,105	23,161,443	4,339,662	19	20,237,276	7,267,060	36
ii)	Indirect employees cost on production	5,584,809	6,520,860	(936,051)	(14)	4,688,383	896,426	19
iii)	Employees cost on administration	23,536,351	25,195,007	(1,658,656)	(5)	22,437,806	1,598,545	7
iv)	Employees cost on selling and distribution(Excluding bonus)	1,079,795	903,023	176,772	228	681,811	2,278,224	334
v)	Bonus to employees	-	3,449,767	(3,449,767)	(100)	4,414,671	(4,414,671)	(100)
vi)	Other employees cost	-	-	-	-	-	-	-
vii)	Total employees cost (total of item i to iv above)	57,702,060	55,780,333	1,921,727	8	48,045,276	12,040,255	25
Viii)	Grand Total (v+vii)	57,702,060	59,230,100	(1,528,040)	1	52,459,947	7,625,584	15

- b. Salaries and perquisites include Directors' remuneration of Rs. 2,522,786 for the year 2008 (2007: Rs. 2,559,430, 2006: Rs. 2,522,786) charged to administration expenses.
- c. The direct labor man-days for the year 2008 were 61,105 days as against 85,362 direct labor man-days based on 505 employees. (2007: 101,324 days as against 111,040 direct labor man- days based on 694 employees)
- d. The average number of workers employed for the year 2008 is 505 (2007: 694).
- e. Direct labor cost per MT of output is Rs. 871 (2007: Rs.709, 2006: Rs.803).
- f. Increase in direct labor cost per unit of production as compared to last years is mainly due to impact of increase in labour wages due to minimum wage adjustments. Total labor cost decreased due to fall in crushing days and reduction in average number of workers employed during the year.

6. STORES AND SPARE PARTS:

- a) Expenditure per unit of output on stores

PARTICULARS	2008	2007	2006
Total Expenditure (Rs.)	20,165,591	20,917,114	13,788,610
Sugar Produced (MT)	31,579	32,685	25,191
Amount per ton of Sugar (Rs.)	638.58	639.96	547.36

The stores and spare parts consumption is decreased. This cost is depends upon the number of factors such as the number of production days, oil and lubricants consumption, quantum of repair & maintenance, value of parts and inflation etc.

The company has a manual recording system in respect of receipt and issue of store and spares. All receipts are recorded on the basis of Goods Forwarding and Goods Receiving Reports (GFGR), which is issued after inspection by the respective departmental head.

Stores are issued against duly approved Store Receiving Slip (SRS) and are charged to respective cost center identified by its departments at cost calculated. Loose tools are valued on same valuation basis and items in transit are stated at invoice value plus other charges accrued thereon till the balance sheet date.

Activity and ageing of stores is not readily available under system operated by Company. Consumption report generated by system is without the valuation of items and it inserted manually.

7. DEPRECIATION:

- a) The depreciation on fixed assets is charged on reducing balance method.
- b) The depreciation on all commonly used assets is charged to administrative expense.
- c) The depreciation on cost of product is charged on actual basis for plant and machinery installed.

8. OVERHEADS:

(a)

S. NO.	PARTICULARS	2008 Rupees	2007 Rupees	2006 Rupees
i.	Factory Overheads	51,539,390	60,729,922	50,547,871
ii.	Administration overheads	39,724,918	39,473,422	37,689,417
iii.	Selling and distribution overheads	5,077,740	5,338,402	4,188,399
iv.	Financial Charges	63,637,563	96,655,754	82,854,112

(i) Factory overhead

PARTICULARS	2008	2007	VARIANCE 2008 and 2007	%	2006	VARIANCE 2008 and 2006	%
	AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	
	RUPEES	RUPEES	RUPEES		RUPEES	RUPEES	
Rent, Rates & Taxes	224,148	114,600	109,548	96	72,200	151,948	210
Insurance	1,737,249	1,939,426	(202,177)	(10)	1,774,784	(37,535)	(2)
Vehicles running expense			-	-	65,886	(65,886)	(100)
Printing and Stationery	8,998	40,137	(31,139)	(78)	114,553	(105,555)	(92)
Vehicles Repair	-	-	-	-	153,734	153,734	(100)
Travelling & Conveyance	16,925	16,918	7	0.04	11,063	5,862	53
Entertainment	4,372	10,400	(6,028)	(58)	11,600	(7,228)	(62)
Disposal Of Effluent Water	33,000	33,000	-	-	33,000	-	-
Stores and Spares	20,165,591	20,917,114	(751,523)	(4)	13,788,610	6,376,981	46
Fuel And Power	6,798,978	17,986,282	(11,187,304)	(62)	17,830,250	(11,031,272)	(62)
Processing & Packing Material	12,170,888	9,904,725	2,266,163	23	7,464,307	4,706,581	63
Depreciation	10,379,241	9,767,320	611,921	6	9,227,884	1,151,357	12
Total	51,539,390	60,729,922	(9,190,532)	(15)	50,547,871	991,519	2

(ii) Administration overheads:

PARTICULARS	2008	2007	VARIANCE 2008 and 2007	%	2006	VARIANCE 2008 and 2006	%
	AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	
	RUPEES	RUPEES	RUPEES		RUPEES	RUPEES	
Salary, wages & benefits	23,536,351	25,195,007	(1,658,656)	(7)	23,872,758	(336,407)	(1)
Rent, Rate and Taxes	420,131	385,012	35,119	9	313,682	106,449	34
Vehicles running exp.	3,322,933	2,781,604	541,329	19	3,142,477	180,456	6
Insurance	628,479	720,907	(92,428)	(13)	439,054	189,425	43
Directors fee	18,000	28,000	(10,000)	(36)	18,000	-	100
Printing and Stationery	459,258	390,988	68,270	17	515,485	(56,227)	(11)
Postage and Telegram	140,754	145,162	(4,408)	(3)	138,398	2,356	2
Telephone, Fax & Telex	916,934	703,892	213,042	30	778,525	138,409	18
Travelling & Conveyance	717,174	410,786	306,388	75	318,316	398,858	125
Fees and Subscriptions	585,083	278,288	306,795	110	808,238	(223,155)	(28)
Entertainment	429,987	275,816	154,171	56	214,581	215,406	100
Advertising	335,011	244,308	90,703	37	621,303	(286,292)	(46)
Legal & Professionals	744,399	447,727	296,672	66	489,358	255,041	52
Sundry expenses	121,507	48,737	72,770	149	39,563	81,944	207
Professional tax	215,000	50,000	165,000	330	150,000	65,000	43
Utilities	1,396,741	1,063,428	333,313	31	1,286,414	110,327	9
Repair and Maintenance	1,653,400	2,722,660	(1,069,260)	(39)	1,169,382	484,018	41
Guest House Expenses	229,377	242,901	(13,524)	(6)	207,550	21,827	11
Freight & Charges	102,179	95,786	6,393	7	107,375	(5,196)	(5)
Computer Stationery	8,480	2,440	6,040	248	7,410	1,070	14
Security Charges	327,485	227,455	100,030	44	131,823	195,662	148
AGM Expenses	13,500	53,633	(40,133)	(75)	53,941	(40,441)	(75)
Depreciation	2,202,755	1,855,612	347,143	19	1,768,093	434,662	25
Provision for Store Obsolescence	1,000,000	1,000,000	-		-	1,000,000	-
Provision for Doubtful growers loans	200,000	103,273	96,727	93.66	-	200,000	(100)
Total	39,724,918	39,473,422	251,496	0.63	37,689,417	2,035,501	5

(iii) Selling and distribution overheads:

PARTICULARS	2008	2007	VARIANCE 2008 and 2007	%	2006	VARIANCE 2008 and 2006	%
	AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	
	RUPEES	RUPEES	RUPEES		RUPEES	RUPEES	
Salaries, Wages and benefits	1,079,795	903,023	176,772	20	1,107,415	(27,620)	(2)
Insurance	2,284,798	3,002,897	(718,099)	(24)	1,884,949	399,849	21
Entertainment	11,505	7,740	3,765	49	181,426	(169,921)	(94)
Handling and Storage	1,557,408	1,272,916	284,492	22	885,547	671,861	76
Depreciation	144,234	151,826	(7,592)	(5)	129,002	15,232	12
Total	5,077,740	5,338,402	(260,662)	(5)	4,188,339	889,401	21

(iv) Financial Charges:

PARTICULARS	2008	2007	VARIANCE 2008 and 2007	%	2006	VARIANCE 2008 and 2006	%
	AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	
	RUPEES	RUPEES	RUPEES		RUPEES	RUPEES	
Mark up on long term finance/Morahaba finance	17,481,815	14,086,787	3,395,028	24	17,309,939	171,876	1
Short term running Finance	34,452,527	69,841,224	(35,388,697)	(51)	45,319,184	(10,866,657)	(24)
Lease Documentation Charges	56,000	10,000	46,000	460	55,100	900	2
Financial Charges on Lease	10,982,799	12,031,485	(1,048,686)	(9)	19,697,986	(8,715,187)	(44)
Bank Charges	664,422	686,258	(21,836)	(3)	471,903	192,519	41
Total	63,637,563	96,655,754	(33,018,191)	(34)	82,854,112	(19,216,549)	(23)

b) Reason for variation in overhead costs

i) **Factory Overhead**

Rent, Rates and Taxes

Rent, rates and taxes expense increased during the year due to increase in the rate of taxes.

Printing and stationery

Printing and stationery expense decreased during the year due to controlled and efficient utilization of available resources.

Stores, spares and loose tools

The decrease in stores spares and loose tools consumption is in line with the production.

Fuel and power

Cost of fuel and power decreased during the year is mainly due to minimum usage of furnace oil. That's because of ample availability of baggasse during the period as against more stoppages in previous corresponding year.

Processing and packing material

The consumption of processing and packing material increased during the year due to increased in P.P bags rate that's connects to the petroleum products prices.

ii) Administrative overhead

Salaries and other benefits.

The major reason of decreasing the salaries and other benefits is due to the reason that the company did not announce any incentive to the employees. i.e. bonus etc.

Vehicles running expense

The increase in cost of vehicle running expenses is due to huge increase in prices of petroleum products.

Telephone and Fax

The main reasons for increase in telephone fax and telex expense is due to increase use and increase tariff by telecommunication service providers.

Utilities

Utilities expenses are increased during the year due to increased cost of power and electricity and gas charges.

Repair and maintenance

Repair and maintenance expense decreased during the year is due to controlled and efficient utilization of resources.

iii) Selling and distribution overhead

Salaries, wages and other benefits.

The increase in salaries, wages and other benefits is due to increments in salaries of sales and marketing staff.

Insurance

The main reason for decrease in insurance expenses is due to decrease in level of sugar stock.

Handling and storage

The increase in handling and storage charges is due to the increase in the wages cost of staff deployed.

iii) Financial Charges

Markup on long-term finance/ Murabaha finance

The main reason for increase in markup is due to additional long-term loan obtained from Mybank limited amounted to Rs.80 million. The increased markup amount is also due to the reason of increased KIBOR/ mark-up rate.

Markup on short term running finance

The reason for decrease in markup on short term running finance is due to repayment of short term running finance facilities availed from financial institution due to prompt stock in trade selling policy adopted by the management.

Financial Charges on Lease

The reason for decrease in financial charges on lease is due to the completion of various leases.

c) The actual cost incurred is charged to various cost centers on actual basis and finally to the cost of sugar produced.

d) Cost of Packing

PARTICULARS	2008 Rupees	2007 Rupees	2006 Rupees
Cost of PP bags	8,858,466	7,281,299	5,530,779

9. ROYALTY/TECHNICAL AID PAYMENTS

The Company has not entered into any contractual agreement resulting the payment of any Royalty or technical aid fee.

10. ABNORMAL NON-RECURRING FEATURES:

a) There were no abnormal / non-recurring features such as strikes, lockouts, breakdowns (other than regular nature), substantial power cuts and serious accidents in the factory that caused delay in production during the year.

- b) No special expenses were directly allocated to cost of sugar produced.

11. COST OF PRODUCTION:

The company produces white sugar. The sales value of molasses and V.F Cake, being by-products are deducted from the manufacturing cost.

PARTICULARS	2008 AMOUNT Rupees	2007 AMOUNT Rupees	2006 AMOUNT Rupees
Cost of production	691,443,037	753,144,698	714,695,486
Per ton cost of production	21,896	23,042	28,371

12. SALES:

a)

PARTICULARS	2007-2008	2006-2007	2005-2006
Product	White sugar	White sugar	White sugar
Quantity (MT)	48,454	23,960	31,261
Sales net of commission (Rupees)	1,147,880,942	588,743,157	825,903,979
Net Sales Realization /MT (Rupees)	23,690	24,572	26,420

- b) During the year, total sales of the company were made in local market. Whereas, no export were made.

13. PROFITABILITY:

PARTICULARS	2008	2007	2006
Product	White sugar	White sugar	White sugar
Quantity (Sale) in M. Ton	48,454	23,960	31,261
Cost to Make and Sell per M. Ton (Rupees)	24,230	25,107	38,447
Net Sales Price per M. Ton (Rupees)	23,690	24,572	26,420
Profit/(Loss) per M.Ton (Rupees)	(540)	(535)	(12,027)
Total machine hours	2,813	3,105	2,305
Cost to Make and Sell per machine hours (Rupees)	472,147	264,291	420,184
Net Sales Price per machine hours (Rupees)	408,063	189,611	358,310
Profit/(Loss) per machine hours (Rupees)	(64,084)	(74,680)	(61,874)

Comments

Cost per MT of sugar manufactured is decreased from Rs.23,042 to Rs.21,896. This is because of better crop of sugarcane as compared with its corresponding year. The quantity of sugar manufactured reduced also reduced from 32,685 MT to 31,579 MT.

14. COST AUDITOR'S OBSERVATIONS AND CONCLUSION:

Descriptions	Comments
a) Matters which appeared to us to be clearly wrong in principal or apparently unjustifiable.	None
b) Cases where the Company's fund have been used in a negligent or inefficient manner.	None
c) Factors which could have been controlled, but have not been done resulting in increase in the cost of production.	None

d) Suggestion for improvement in performance:

- i. rectification of general imbalance in production facilities;

Observation

No imbalance observed

- ii. Full utilization of installed capacity;

Observation

Refer self-explanatory note 4(b).

iii. Comments on areas offering scope for-

1. Cost reduction;

Comments

Major cost is the cost of sugarcane, which is 87% of the total cost of manufacturing. The company may promote its growers to seed high sugarcane yielding crop in order to increase recovery.

2. Increased productivity;

Comments

Refer self-explanatory Para 2 of note 4(c).

3. Key limiting factors causing production bottle-necks;

Comments

The company is exposed to the risk arising from shortages in continuous availability of sugar cane and uncertainty in sugarcane prices. It does not have its own land and research work by which it can meet its own production requirements. Therefore, cost of production varies in year to year basis depending upon crop situation in the region. These matters are beyond the control of management of the Company.

4. Improved inventory policy

Comments

None

5. Energy conservancy;

Comments

None

iv. State of technology, whether modern or obsolete;

Observation

Production process being used in production of sugar is deflection remelt carbonation which is relatively cheaper than other production technologies.

v. Plant, whether new or second-hand when installed.

Observation

Plant and machinery at the time of installation was new.

Other Observations;

- a) The Company's current cost accounting system could not determine the department wise cost flow and unit cost of each

department. Therefore, value addition in each department could not easily be determinable. The Company has to implement a cost module that is integrated with its financial accounting system enabling the Company to allocate the cost, based on the respective activities consuming the resources.

- b) There is no system to measure the consumption of steam in powerhouse and mill houses.
- c) The cost of insurance and stores consumption is not allocated to the boiler and electric houses. Total cost is allocated to as factory overhead.
- d) The cost of electricity is not allocated between production and residential purposes.
- e) Though, the Company has made the provision against the stores and spares amounted to Rs. 3.151 million out of Rs. 47.649 million. The Company has to conduct an exercise for identification of stores obsolescence and make adequate provision thereof.

Furthermore, The Company has to implement integrated stores software for the purposes of stores and spares automation substituting the manual maintenance of records. Moreover, receipts and issuance of stores items are simultaneously updated in stores account and general ledger.

15. RECONCILIATION WITH FINANCIAL ACCOUNTS.

Reconciliation statement of cost accounts with financial accounts as required under rule 15 of Companies (Audit of cost account) Rules, 1998 is annexed with this report.

RECONCILIATION STATEMENT
BABA FARID SUGAR MILLS LIMITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(CLAUSE 15 OF RULE 04(iii), SRO NO. (1)/1998)

S. NO	PARTICULARS	AS PER COST RECORD	AS PER FINANCIAL RECORD	DIFFERENCE	NOTE NO.
		RUPEES	RUPEES	RUPEES	
1	Raw Material				
	a) Sugarcane (Annex 3)	655,450,545	655,450,545	-	
	b) Beat (Annex 4)	-	-	-	
	c) Gur	-	-	-	
	d) Raw Sugar	-	-	-	
	e) Process Material (Annex 5)	3,312,422	12,170,888	(8,858,466)	1
2	Salaries and Wages and benerits(Ann 6)	23,186,361	25,552,881	(2,366,520)	2
	Consumeable stores	20,165,591	20,165,591	-	
4	Repair and maintainance	-	-	-	
5	Utilities				
	Steam (Annex 7)	1,695,146	-	1,695,146	3
6	Electric Power (Annex 8)	7,832,858	6,798,978	1,033,880	4
7	Water and Gas	-	-	-	
8	Insurance	1,737,249	1,737,249	-	
9	Depreciation	10,046,735	10,379,241	(332,506)	5
10	Other Factory Overhead (Annexure 9)	187,243	63,295	123,948	9
	Rates and taxes	70,200	224,148	(153,948)	10
11	Total Cost	723,614,150	732,542,816	(8,858,466)	
12	Add: Openning Stock of WIP	2,808,633	2,808,633	-	
13	Less: Closing Stock of WIP	(2,293,608)	(2,293,608)	-	
14	Total Cost of Goods Manufactured	724,129,175	733,057,841	(8,858,466)	
15	Less: Realiseable value of By Product				
	Molasses	(40,359,389)	(40,359,389)	-	
	Baggasse	-	-	-	
	Others (V F Cake)	(1,255,415)	(1,255,415)	-	
16	Net Cost of Goods Manufactured	682,514,371	691,443,037	(8,858,466)	
17	Add: Packing Material and Handling	8,858,466	12,170,888	(3,312,422)	6
18	Net Cost Of Bagged Sugar	691,372,837	703,613,925	(12,170,888)	
19	Add: Excise Duty/Sales tax	154,098,915	154,098,915	-	
20	Total Cost of Bagged Sugar	845,471,752	857,712,840	(12,170,888)	
21	Add: Opening Stock of Sugar	403,728,247	403,728,247	-	
22	Less: Closing Stock of Sugar	(4,231,708)	(4,231,708)	-	
23	Cost of Sales	1,244,968,291	1,257,209,379	(12,170,888)	
24	Administrative Expenses (Annex 10)	40,889,123	39,724,918	1,164,205	7
25	Selling and Distribution Expenses(Ann 11)	5,077,740	5,077,740	-	
26	Financial Charges	63,637,563	63,637,563	-	
27	Other operating income/(Other Income)	(26,492,597)	(26,492,597)	-	
	Total Cost to make and Sell	1,328,080,120	1,339,157,003	(11,006,693)	

**RECONCILIATION STATEMENT
BABA FARID SUGAR MILLS LIMITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

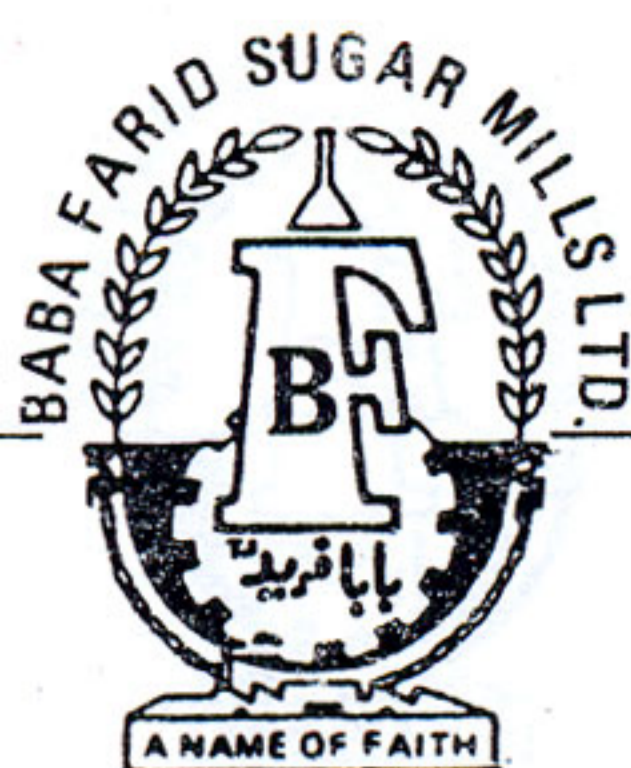
	Amount Rupees 2008	Amount Rupees 2007
1 PROCESS MATERIAL		
As per financial statement	12,170,888	9,904,725
Less		
Allocated to packing material	(8,858,466)	(7,281,299)
As per cost records (Annexure - 5)	<u><u>3,312,422</u></u>	<u><u>2,623,426</u></u>
2 SALARIES WAGES AND BENEFITS		
As per financial statement	25,552,881	26,372,224
Less		
Allocated to electricity generation(Annex 8)	(1,228,560)	(1,677,787)
Allocated to steam generation (Annex 7)	(1,137,960)	(1,490,441)
As per cost records (Annexuer - 6)	<u><u>23,186,361</u></u>	<u><u>23,203,996</u></u>
3 STEAM GENERATED		
As per financial statement	6,798,978	17,986,282
Add:		
Transfer from salaries, wages (Annex 6)	1,137,960	1,490,441
Allocation of depreciation expense	175,523	184,762
Boiler	30,000	30,000
	<u><u>8,142,461</u></u>	<u><u>19,691,485</u></u>
Less		
Purchase electricity	(4,206,337)	(4,358,413)
Duty on electricity	(343,944)	(374,721)
Allocated to electricity generation(Annex 8)	(1,897,034)	(8,033,711)
	<u><u>(6,447,315)</u></u>	<u><u>(12,766,845)</u></u>
As per cost records (Annexuer - 7)	<u><u>1,695,146</u></u>	<u><u>6,924,640</u></u>

**RECONCILIATION STATEMENT
BABA FARID SUGAR MILLS LIMITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Amount Rupees 2008	Amount Rupees 2007
4 ELECTRIC POWER		
As per financial statement	6,798,978	17,986,282
Add:		
Transfer from steam (Annex 7)	1,897,034	8,033,711
Transfer from salaries and wages (Annex 6)	1,228,560	1,677,787
Transfer from depreciation	156,983	174,426
	<u>10,081,555</u>	<u>27,872,206</u>
Less:		
Furnace oil	(1,680,437)	(11,209,016)
Fire Wood	(568,260)	(2,044,132)
	<u>(2,248,697)</u>	<u>(13,253,148)</u>
As per cost records (Annexuer - 8)	<u><u>7,832,858</u></u>	<u><u>14,619,058</u></u>
5 DEPRECIATION		
As per financial statement	10,379,241	9,767,320
Less:		
Steam generated (Annex 7)	(175,523)	(184,762)
Electric power generated (Annex 8)	(156,983)	(174,426)
As per cost records (Annexuer - 1)	<u><u>10,046,735</u></u>	<u><u>9,408,133</u></u>
6 PACKING MATERIAL		
As per financial statement	12,170,888	9,904,725
Less		
Classified as process material (note 1)	(3,312,422)	(2,623,426)
As per cost records (Annexuer - 1)	<u><u>8,858,466</u></u>	<u><u>7,281,299</u></u>

**RECONCILIATION STATEMENT
BABA FARID SUGAR MILLS LIMITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Amount Rupees 2008	Amount Rupees 2007
7 ADMINISTRATION EXPENSES		
As per financial statement	39,724,918	39,473,422
Add		
Allocated to other operating expenses (Note 24 to financial statements)	1,164,205	920,814
As per cost records (Annexuer - 10)	<u>40,889,123</u>	<u>40,394,236</u>
8 OTHER OPERATING EXPENSES		
As per financial statement	1,164,205	920,814
Less		
Allocated to administration expenses (Annex 10) (Ref. note 25 of financial statements)	(1,164,205)	(920,814)
As per cost records	<u>-</u>	<u>-</u>
9 OTHER FACTORY OVERHEAD		
As per financial statement	63,295	100,455
Add		
Transfer from factory over head	123,948	-
As per cost records (Annexuer - 9)	<u>187,243</u>	<u>100,455</u>
10 RATES AND TAXES		
As per financial statement	224,148	114,600
Less		
Allocated to steam (Annex 7)	(30,000)	(30,000)
Allocated to factory overhead (Annex 9)	(123,948)	-
As per cost records (Annexuer - 1)	<u>70,200</u>	<u>84,600</u>



BABA FARID SUGAR MILLS LTD.

Head Office: 1st Floor, Panorama Centre-2, Raja Ghazanfar Ali Khan Road, Saddar, Karachi.
 Phones: 5662991-5682178 Telefax: 5683800-5684709 Website: www.fecto.com

STATEMENT OF STOCK IN TRADE

(Under Rule 4(1)(b) of Companies (Audit of Cost Accounts) Rule 1998
 as at September 30, 2008 as compared with previous year

	2008		2007	
	QTY MT	AMOUNT (Rupees)	QTY MT	AMOUNT (Rupees)
A. White Bagged Sugar				
- In Process	112.636	2,293,608	127.483	2,808,633
- Finished	180.000	3,938,283	17,055.000	403,258,782
	<u>292.636</u>	<u>6,231,891</u>	<u>17,182.483</u>	<u>406,067,415</u>
B. Molasses				
- In Process	40.038	77,611	42.034	128,674
- Finished	111.332	215,814	111.330	340,792
	<u>151.37</u>	<u>293,425</u>	<u>153.36</u>	<u>469,466</u>
	<u>444.006</u>	<u>6,525,316</u>	<u>17,335.85</u>	<u>406,536,881</u>

 Chief Financial Officer

 Chief Executive



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STATEMENT OF CAPACITY UTILIZATION AS SPECIFIED IN CLAUSE (a) OF SUB-RULE (1) OF RULE 04

Statement of Production Capacity and utilization of capacity of Plant in the Terms of machine hours and Production units

PARTICULARS	2008	2007	2006
Licensed Quantity	N/A	N/A	N/A
Installed Capacity (As determined under production capacity (sugar) Rules 1972) based on 160 days	3,000 MT	3,000 MT	3,000 MT
Actual Production of Sugar	31,579 MT	32,685 MT	25,191 MT
No. of days worked	121	146	123
Capacity (Machine Hours) on the basis of Actual days	2,897.00	3,497.90	2,949.60
Actual Machine hours utilized	2,813.00	3,106.45	2,304.50

Chief Financial Officer

Chief Executive

SCHEDULE II**A. COMPANY INFORMATION**

1	Name of the company	Baba Farid Sugar Mills Limited
2	Date of incorporation	November 6, 1978
3	Location of registered office	Panorama Centre, Saddar, Karachi
4	Location of factory/factories	District. Okara
5	Products other than sugar being manufactured	None
6	Installed cane crushing capacity in tones	3000 M.Tons

B. PRODUCTION DATA

S.No.	Particulars	Current Year 2007-2008	Previous Year 2006-2007
(1)	(2)	(3)	(4)
1.(a)	<u>CANE CRUSHED</u>		
	Date started	30/11/2007	29/11/2006
	Date finished	30/03/2008	23/04/2007
	Duration of run days	121	146
	Total number of hours in duration	2,897.00	3,497.90
	Total number of hours of actual crushing	2,813.00	3,105.45
	Total cane milled (tones)	422,543.98	433,111.74
	Converted maunds	10,563,600.00	10,827,793.00
	Total mixed juice obtained (tones)	350,405.43	359,498.13
(b)	<u>GUR MELTED</u>	NIL	NIL
2	<u>JUICE & ADDED WATER</u>		
	Average mixed juice % cane	82.93	83.00
	Average added water % cane	15.12	15.63
3	<u>SUGAR MADE</u>		
	Total sugar bagged of all grade (100 kg)	315,790.00	326,850.00
	Total sugar bagged of all grade (50 kg)	631,580.00	653,700.00
	Sugar bagged (tones)	31,579.00	32,685.00
	Sugar in process (tones)	112.64	127.48
4	<u>MOLASSES EXTRACTED</u>		
	Total molasses sent out(tones)	20,820.00	21,360.00
	Molasses in process (tones)	40.04	42.03
5	<u>RECOVERY PERCENT</u>		
	Laboratory test percentage recovery of sugar cane	-	-
	Average recovery of marketable white sugar % cane	7.47	7.56
	Average production of final molasses % cane	4.93	4.94
6	<u>BY PRODUCTS</u>		
	Bagasses % cane (calculated) (tones)	32.19	32.62
	V.F.Cake % cane (tones)	3.00	3.00
7	<u>CLARIFICATION PROCESS</u>		
	Specific process used by the mill	Defection Remelt Carbonation	Defection Remelt Carbonation

(CHIEF FINANCIAL OFFICER)

(CHIEF EXECUTIVE)

SCHEDULE III
[See para 2(1)]
STATEMENT SHOWING COST OF PRODUCTION AND SALE OF
WHITE BAGGED SUGAR FOR THE YEAR ENDED 30TH SEPTEMBER 2007

Quantative Data-Bagged Sugar	2007-2008	2006-2007
Opening Stock (M.Ton)	17,055	8,330
Production (M.Ton)	31,579	32,685
Sales (M.Ton)	48,454	23,960
Closing Stock (M.Ton)	180	17,055

S. No.	Particulars	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
1	Raw Materials:				
	(a) Sugar Cane (Annex 3)	655,450,545	20,755.90	732,582,446	22,413.41
	(b) Beat (Annex 4)	-	-	-	-
	(c) Gur	-	-	-	-
	(d) Raw Sugar	-	-	-	-
	(e) Process Material(Annex 5)	3,312,422	104.89	2,623,426	80.26
2	Salaries/Wages and benefits (Annex 6)	23,186,361	734.23	23,203,996	709.93
3	Consumable Stores	20,165,591	638.58	20,917,114	639.96
4	Repairs and maintainance	-	-	-	-
5	Utilities:	-	-	-	-
	Steam (Annex 7)	1,695,146	53.68	6,924,640	211.86
6	Electric Power(Annex 8)	7,832,858	248.04	14,619,058	447.27
7	Water and Gas	-	-	-	-
8	Insurance	1,737,249	55.01	1,939,426	59.34
9	Depreciation	10,046,735	318.15	9,408,132	287.84
10	Other Factory Overheads(Annex 9)	187,243	5.93	100,455	3.07
	Rates and taxes	70,200	2.22	84,600	2.59
11	Total Cost	723,684,350	22,916.63	812,403,293	24,855.54
12	ADD:Opening stock of W.I.P	2,808,633	88.94	1,882,505	57.60
13	LESS:Closing stock of W.I.P	(2,293,608)	(72.63)	(2,808,633)	(85.93)
14	Total cost of goods Manufacturing	724,199,375	22,932.94	811,477,165	24,827.20
15	Less:Realizable value of By-Products:				
	Molasses	(40,359,389)	(1,278.05)	(65,099,890)	(1,991.74)
	Baggese	-	-	-	-
	Others(V.F.Cake)	(1,255,415)	(39.75)	(513,876)	(15.72)
16	Net Cost of goods Manufacturing	682,584,571	21,615.14	745,863,399	22,819.75
17	Add:Packing Material and Handling	8,858,466	280.52	7,281,299	222.77
18	Net Cost of Bagged Sugar	691,443,037	21,895.66	753,144,698	23,042.52
19	Add:Sales tax	-	-	-	-
20	Total cost of Bagged Sugar	691,443,037	21,895.66	753,144,698	23,042.52
21	Add:Opening stock of Sugar	403,728,247	23,672.13	236,543,659	28,396.60
22	Less:Closing stock of Sugar	(4,231,708)	(23,509.49)	(403,728,248)	(23,672.13)
23	Cost of Sales	1,090,939,576	22,058.30	585,960,109	27,766.99
24	Administrative Expenses(Annex 10)	40,889,123	843.88	40,394,236	1,685.90
25	Selling and Distribution Expenses (Annex11)	5,077,740	104.80	5,338,402	222.80
26	Financial Expenses	63,637,563	1,313.36	96,655,754	4,034.05
27	Other Charges/(Other income)	(26,492,597)	(546.76)	(545,490)	(22.77)
	Total cost of make and Sell	1,174,051,405	23,773.58	727,803,011	33,686.97

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**STATEMENT SHOWING COST OF SUGARCANE PRODUCED
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

S. No.	Particulars	Current Year		Previous Year	
		Quantity	Amount Rs.	Quantity	Amount Rs.
1	Seeds and Other inputs: Seed Fertilizers, herbicides etc Insecticides Abiana/Water Charges Total cost of Inputs	NOT APPLICABLE			
2	Labour Cost Land Preperation Plantation Maintenance of cane crop/rations Operation of Tractors Harvesting Total Labour Cost				
3	Other Cost Fuel for Tractors operation Maintenance and overhaul of Tractors Insurance Interest expenses Depreciation of equipment Rent of agriculture equipments(if any) Total other costs				
	Total cost of own production (1+2+3)				
	Sales value of controlled price				
	Profit/Loss on own production				

Notes: 1. This annexure will be prepared by those enterprises, which cultivate sugarcane on their own farms.

2. Similar annexure will be prepared by those enterprises, which cultivate beet on their own farms.

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**STATEMENT SHOWING COST OF SUGAR CANE CRUSHED
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

S.No.	Particulars	Current year			Previous year		
		Quantity M.Ton	Rate Rs/M.Ton	Amount Rs.	Quantity M.Ton	Rate Rs/M.Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Total sugar cane purchased at Government fixed rate	422,544	1,484.74	627,368,201	433,112	1,627.66	704,960,357
	Sugarcane produced from own farm(Annex 2)	-	-	-	-	-	-
	Less: :Lost in transit	-	-	-	-	-	-
	Sugarcane received at factory gate	422,544	1,484.74	627,368,201	433,112	1,627.66	704,960,357
2	Commission	-	-	-	-	-	-
3	Quality Premium	-	-	-	-	-	-
4	Loading/Unloading charges		2.15	909,461		2.49	1,077,438
5	Cane development expenses;						
	(a) Salaries and Wages of Supply and Development Staff		-	-		-	-
	(b) Sugarcane development Research		-	-		-	-
	(c) Supply staff and transportation expenses		-	-		-	-
	(d) Other expenditure		0.08	32,000		0.08	33,550
6	Taxes and Levies						
	(a) Cane cess/purchase tax		-	-		-	-
	(b) Market committee fee		5.00	2,112,674		5.00	2,165,608
	(c) Road cess		-	-		-	-
	(d) Octroi		0.04	16,300		0.25	109,145
	(e) Other levies(sugarcane development cess)		12.50	5,282,609		12.50	5,415,042
			-	-		-	-
7	Transportation Charges						
	(a) Delivery expenses		16.11	6,807,222		16.77	7,262,299
	(b) Transportation subsidy		-	-		-	-
	(c) Others (Electricity Bills)		-	-		-	-
8	Other Expenditure at Cane Collection Centres						
	(a) Salaries and Wages		17.83	7,533,033		15.61	6,759,846
	(b) Stores		-	-		-	-
	(c) Repairs and Maintenance		-	-		-	-
	(d) Others(Rent,Rates and taxes,Estabalishment & others, Insurance premium,Sundry expenses,Depreciation)		12.75	5,389,045		11.08	4,799,161
	Total cost of "SUGARCANE" Transferred to production processes(A)	422,544	1,551.20	655,450,545	433,112	1,691.44	732,582,446

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(CHIEF EXECUTIVE)

**STATEMENT SHOWING COST OF BEET CONSUMED
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

S.No.	Particulars	Current Year			Previous Year		
		Quantity M. Ton	Rate Rs./M.Ton	Amount Rs.	Quantity M. Ton	Rate Rs./M.Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Total beet purchased at Government fixed rate. less:Loss in transit. Beet received at factory gate.						
2	Commission Paid.						
3	Loading unloading.						
4	Beet development expenses: a) Salary and wages of supply and development staff. b) Sugar Development Research. c) Supply staff and transportation expenses. d) Other expenses						
5	Taxes and levies (if any): a) Purchase tax. b) Market committee fee. c) Road cess. d) Octroi. e) Other levies.						
6	Transportation Charges: a) Delivery expenses/traveling from purchases centre to mill gate. b) Transportation subsidy. c) Others.						
7	Other Expenditures at Beet Collection Centres: a) Salaries and wages. b) Stores. c) Repairs and Maintenance. d) Others.						
	Total cost of "BEET" Transferred to production processes (Annex 1)						

NOT APPLICABLE

- Notes
- 1.Beet supplied from own farm shall be charges at controlled rate & profit/loss on farm shall be taken to profit & loss account directly.
 - 2.All expenses relating to own farm shall be excluded from this Annexure.
 - 3.Where sugarcane is used on addition to beet;separate Annexure shall be maintained on similar lines for sugarcane also.

(CHIEF FINANCIAL OFFICER)

(CHIEF EXECUTIVE)

**STATEMENT SHOWING COST OF PROCESS MATERIAL CONSUMED
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

S.No.	Particulars	Current Season		Previous Season	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
	Total Sugar produced (M.Tons)	31,579		32,685	
1	Unslaked Lime	987,357	31.27	942,616	28.84
2	Phosphoric Acid	894,461	28.32	446,784	13.67
3	Filter Acid	-	-	-	-
4	Sulphur	183,516	5.81	145,201	4.44
5	Caustic Soda	346,347	10.97	241,301	7.38
6	Soda Ash	68,882	2.18	56,602	1.73
7	Tri Sodium Phosphate	-	-	-	-
8	Bleaching Powder	91,708	2.90	88,178	2.70
9	Anti Foam	12,031	0.38	7,992	0.24
10	Formaline	19,783	0.63	11,330	0.35
11	H.C.L. Commercial	41,971	1.33	37,642	1.15
12	H.C.L. Pure	-	-	-	-
13	Pottassium Hydro Oxide	-	-	-	-
14	Common Salt	-	-	-	-
15	Urinium	-	-	-	-
16	Laboratory Chemicals	467,038	14.79	358,569	10.97
17	filter Cloth	2,815	0.09	34,422	1.05
18	Sewing thread	-	-	-	-
19	Cleaning Brushes	-	-	-	-
20	Lubricants and Grease	-	-	-	-
21	Other (Chemofloat A-100))	196,513	6.22	252,790	7.73
	Total.	3,312,422	104.89	2,623,426	80.26
	Less allocated to ;				
	(a) Electricity generation	-	-	-	-
	(b) Steam Generation	-	-	-	-
	(c) Raw material	-	-	-	-
	(d) Admin Expenses	-	-	-	-
	(e) Selling and Distribution Expenditure	-	-	-	-
	(f) Any Other Specify	-	-	-	-
	Balance transferred to production process Annexure 1.	-	-	-	-
		3,312,422	104.89	2,623,426	80.26

(CHIEF FINANCIAL OFFICER)

(CHIEF EXECUTIVE)

**STATEMENT SHOWING COST OF SALARIES , WAGES AND BENEFITS
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

S. No.	Particulars	Current Season		Previous Season	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
	Total Sugar produced (M.Tons)	31,579	-	32,685	-
	Cost:				
1	Salaries /Wages:				
(I)	Officers and Permanent Staff	34,880,199	1,104.54	33,177,214	1,015.06
(ii)	Seasonal Staff	8,493,721	268.97	8,769,469	268.30
(iii)	Daily rated and Contract Labour	-	-	-	-
(iv)	Bonuses	-	-	3,449,767	105.55
	Total	43,373,920	1,373.51	45,396,450	1,388.91
2	Benefits:	-	-	-	-
(I)	Medical Expenses	548,255	17.36	528,948	16.18
(ii)	Canteen Expenses	289,958	9.18	287,625	8.80
(iii)	Welfare, Recreation	4,414,488	139.79	4,358,449	133.35
(iv)	Transport and Travelling	252,452	7.99	285,049	8.72
(v)	Education Cess/Expenses	133,477	4.23	125,077	3.83
(vi)	Group Insurance/Workmen	-	-	-	-
(vii)	Comp.Insurance	-	-	-	-
(viii)	Prov.Fund (Employer's contribution)	841,964	26.66	1,011,131	30.94
(ix)	Gratuity/Pension	-	-	-	-
(x)	Other Benefits (if any)	7,847,546	248.51	7,237,371	221.43
	Total:	57,702,060	1,827.23	59,230,100	1,812.15
	Less: allocated to:	-	-	-	-
(a)	Electricity Generation	1,228,560	38.90	1,677,787	51.33
(b)	Steam Generation	1,137,960	36.04	1,490,441	45.60
(c)	Raw material	7,533,033	238.55	6,759,846	206.82
(d)	Admin Expenses	23,536,351	745.32	25,195,007	770.84
(e)	Selling & Distribution Expenses	1,079,795	34.19	903,023	27.63
(f)	Any Other Specify	-	-	-	-
	Balance transferred to Production Process (Annexure)	23,186,361	734.23	23,203,996	709.93

(CHIEF FINANCIAL OFFICER)

(CHIEF EXECUTIVE)

**STATEMENT SHOWING COST OF STEAM GENERATED CONSUMED
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

S.No.	Particulars	Unit	Current Year	Previous Year	Variance
(1)	(2)	(3)	(4)	(5)	(6)
	Type of steam boilers used : Water tube				
1	No. of days worked	Days	121	146	(25)
2	Installed Capacity (steam in tonnes)(3 boilers each 35 tons)	Ton/hour	105	105	-
3	Utilized Capacity (steam in tonnes)(Average)	Ton/hour	78.5	70	8.5
4	Production:				
	(a) High pressure steam				
	(b) Medium pressure steam	kg/cm	14	14	-
	(c) Low pressure steam				
	(d) Less:transit losses	kg/cm	1	1	-
	(e) Total		15	15	-
5	percentage of capacity utilization (3/2*100)		75	67	8
6	Total steam produced(80x24x136)(72x24x149)	Tons	227,964	245,280	(17,316)

S.No.	Particulars	Current Year			Previous year		
		Quantity	Rate per Unit Rs.	Amount Rs.	Quantity	Rate per Unit Rs.	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Water	8712 Cusecs	-	-	10,512 Cusecs	-	-
2	Fuels						
	(a) Bagasses						
	(i) Own	136,012.00	-	-	141,194.00	-	-
	(ii) Purchased						
	(b) Pith						
	(c) Coal purchased						
	(d) Furnace Oil	86 TONS	33,077.00	1,680,437	567 TONS	19,768.99	11,209,016
	(e) Fire Wood	122 TONS	4,657.87	568,260	600 TONS	3,406.89	2,044,132
	(f) Gas	-	-	-	-	-	-
	(g) Other fuels, if any (to be specified)	-	-	-	-	-	-
	Quantity of waste heat from the plant, if any	-	-	-	-	-	-
3	Consumable Stores	-	-	-	-	-	-
4	Direct Salaries, Wages and benefits	-	4.99	1,137,960	-	6.08	1,490,441
5	Repairs and Maintenance	-	-	-	-	-	-
6	Other direct expenses (e.g.Boiler inspection fee etc)	-	0.13	30,000	-	0.12	30,000
7	Insurance	-	-	-	-	-	-
8	Depreciation	-	0.77	175,523	-	0.75	184,762
	Total Cost of Steam Raised	227,964	15.76	3,592,180	245,280	60.98	14,958,351
	Less: Oustside Sale	-	-	-	-	-	-
	Total cost of steam for self consumption	-	-	-	-	-	-
	Add:Cost of steam purchased	-	-	-	-	-	-
	Total cost of steam consumed	227,964	15.76	3,592,180	245,280	60.98	14,958,351
	ALLOCATION:						
	Total of item 12 allocated to:	-	-	-	-	-	-
	(i) White bagged sugar	107,576	15.76	1,695,146	113,547	60.98	6,924,640
	(ii) Electric Powerhouse	120,388	15.76	1,897,034	131,733	60.98	8,033,711
	(iii)Others.						
	(a) staff colony	-	-	-	-	-	-
	(b) Office building etc	-	-	-	-	-	-
	TOTAL	227,964	15.76	3,592,180	245,280	60.98	14,958,351

**STATEMENT OF COST OF ELECTRIC POWER PURCHASED/GENERATED AND CONSUMED
FOR THE YEAR ENDED 30TH SEPTEMBER 2008**

	Current Year	Previous Year	Variance
1.Installed capacity (KWH)	18,585,600	22,425,600	(3,840,000)
2.No. of units generated (KWH)	8,598,600	9,409,500	(810,900)
3.No. of units purchased (KWH)	460,320	858,870	(398,550)
4.Total (2+3)	9,058,920	10,268,370	(1,209,450)
5.Consumption in Power House including other losses	NIL	NIL	NIL
6.Net units consumed (4-5)	9,058,920	10,268,370	(1,209,450)
7.Percentage of Consumption and losses to total units available=5/4*100	-	-	-
8.Percentage of power generated to installed capacity 2/1*100	46.26	41.96	4.31

S.No.	Particulars	Current Year			Previous Year		
		Quantity M. Ton	Rate Rs./M.Ton	Amount Rs.	Quantity M. Ton	Rate Rs./M.Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Steam (Annexure 7)	120,388	15.76	1,897,034	131,733	60.98	8,033,711
2	Consumable stores						
3	Salaries and Wages			1,228,560			1,677,787
4	Other direct expenses						
5	Repairs and maintenance						
6	Duty on electricity			343,944			374,721
7	Depreciation			156,983			174,426
	Total						
8	Less:(a) *Credit for exhaust steam used in process (b) Other credits, if any						
9	Cost of power generated						
10	Less:Cost of power sold						
11	Add;Cost of power purchased			4,206,337			4,358,413
12	Total net cost of power consumed			7,832,858			14,619,058
13	Cost per unit average	-	0.86	-	-	1.42	-
	Total at item 12 allocated to:						
	(I) White bagged Sugar			7,832,858			14,619,058
	(ii) Self -consumption						
	(iii) Others						
	(a) Staff colony						
	(b) Office building						
	(c) Other (specify)						
	Total			7,832,858			14,619,058

**STATEMENT SHOWING OTHER FACTORY OVERHEADS FOR THE YEAR ENDED
30TH SEPTEMBER 2008**

S.No.	Description	Amount in Rupees			
		Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
	Total Sugar Produced (M.Tons);	31,579		32,685	
	Cost:				
1	Rent,Rate, and Taxes		-	-	-
2	Printing and Stationary	8,998	0.28	40,137	1.23
3	postage and Telegram	-	-	-	-
4	Telephone, Fax and Telex	-	-	-	-
5	Travelling and Conveyance	16,925	0.54	16,713	0.51
6	Subscriptions, Books and Periodicals	-	-	-	-
7	Entertainment	128,320	4.06	10,605	0.32
8	Vehicle Running Expenses	-	-	-	-
9	Security	-	-	-	-
10	Fire Fighting	-	-	-	-
11	Other Expenses	-	-	-	-
	freight & cartage	-	-	-	-
	sales tax on bagasse	-	-	-	-
	disposal of effluent water	33,000	1.04	33,000	1.01
12	Total	187,243	5.93	100,455	3.07
	Allocated to:				
	(I) White bagged sugar	187,243	5.93	100,455	3.07
	(ii) Electric Power House			-	-
	(iv) Others:			-	-
	(a) Staff colony			-	-
	(b) Office building etc.			-	-
	Total as per item 12 above	187,243	5.93	100,455	3.07

(CHIEF FINANCIAL OFFICER)

(CHIEF EXECUTIVE)

**STATEMENT SHOWING ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED
30TH SEPTEMBER 2008**

S.No.	PARTICULARS	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
1	Total Sugar Sold (M.Tons).	31,579	-	32,685	-
2	Cost:				
	Salaries, Wages and Benefits (Annex. 6)	23,536,351	745.32	25,195,007	770.84
	Directors Fee	18,000	0.57	28,000	0.86
	Professional Tax	215,000	6.81	50,000	1.53
	Annual General Meeting Expense	13,500	0.43	53,633	1.64
	Rent, Rate, and Taxes	420,131	13.30	385,012	11.78
	Insurance	628,479	19.90	720,907	22.06
	Depreciation	2,202,755	69.75	1,855,612	56.77
	Water, Gas, and Electricity	1,110,981	35.18	982,575	30.06
	Printing and Stationary	416,597	13.19	341,054	10.43
	Postage and Telegram	140,754	4.46	145,162	4.44
	Telephone, Fax and Telex	628,212	19.89	462,920	14.16
	Consumable stores	-	-	-	-
	Repairs and Maintenance	954,602	30.23	1,263,040	38.64
	Travelling and Conveyance	717,174	22.71	410,786	12.57
	Subscriptions, Books and Periodicals	627,744	19.88	328,222	10.04
	Entertainment	423,879	13.42	275,816	8.44
	Advertising	335,011	10.61	244,308	7.47
	Legal and Professional Expenditure	744,399	23.57	447,727	13.70
	Other Charges (WPPF)	-	-	-	-
	Auditor's remuneration	360,110	11.40	300,814	9.20
	Vehicle Running Expenses	4,021,731	127.35	4,241,224	129.76
	Charity and Donations	804,095	25.46	620,000	18.97
	Others	2,569,618	81.37	2,042,417	62.49
		-	-	-	-
		-	-	-	-
	Total	40,889,123	843.88	40,394,236	1,685.90

CHIEF FINANCIAL OFFICER)

(CHIEF EXECUTIVE)

**STATEMENT SHOWING SELLING EXPENSES FOR THE YEAR ENDED
30TH SEPTEMBER 2008**

S.No.	PARTICULARS	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
1	Total Sugar Sold (M-Tons)	48,454	-	23,960	-
2	Cost:				
	Salaries, Wages and Benefits (Annex 6)	1,079,795	22.28	903,023	37.69
	Travelling and Conveyance				
	Entertainment	11,505	0.24	7,740	0.32
	Insurance	2,284,798	47.15	3,002,897	125.33
	Depreciation	144,234	2.98	151,826	6.34
	Freight Outwards	-	-	-	-
	Stacking, Restacking, Loading & Unloading	1,557,408	32.14	1,272,916	53.13
	Export Expenses	-	-	-	-
	Vehicle running Expenses	-	-	-	-
	Advertising for Sales Promotion	-	-	-	-
	Other Expenses	-	0.00	-	0.00
	Total	5,077,740	104.80	5,338,402	222.80

(CHIEF FINANCIAL OFFICER)

(CHIEF EXECUTIVE)



BABA FARID SUGAR MILLS LTD.

BALANCE SHEET AS AT SEPTEMBER 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	4	1,132,696,704	360,568,628
Long Term Deposits	5	25,298,925	24,681,405
Deferred Taxation	16	-	9,210,305
		1,157,995,629	394,460,338
CURRENT ASSETS			
Stores, Spare Parts and Loose Tools	6	44,498,738	38,073,872
Stock - In - Trade	7	6,525,316	406,536,881
Trade Debts(Unsecured-Considered good)		662,553	1,189,191
Loans and Advances	8	30,679,813	30,092,770
Deposits, Prepayments and Other Receivables	9	18,602,209	11,363,584
Cash and Bank Balances	10	29,412,826	71,425,078
		130,381,455	558,681,376
TOTAL ASSETS		1,288,377,084	953,141,714
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized 10,000,000 Ordinary Shares Of Rs. 10/- each.		100,000,000	100,000,000
Issued, Subscribed & Paid up	11	94,500,000	94,500,000
Accumulated loss		(261,658,280)	(279,451,241)
		(167,158,280)	(184,951,241)
Surplus on Revaluation of Fixed Assets	12	639,803,973	115,466,095
NON-CURRENT LIABILITIES			
Long Term Financing - Secured Liabilities Against Assets Subject To Finance Lease	13	80,000,000	95,000,000
Sub-Ordinated Loan	14	130,635,709	53,787,350
Deferred Liability	15	135,100,000	135,100,000
	16	218,309,200	-
		564,044,909	283,887,350
CURRENT LIABILITIES			
Trade & Other Payables	17	189,808,655	63,456,250
Accrued Mark-up		4,872,185	43,897,569
Short Term Borrowings	18	-	558,285,092
Current Portion of Long Term Financing		20,000,000	30,404,164
Current Portion of Liabilities Against Assets Subject to Finance Lease		37,005,642	39,097,732
Provision For Taxation - net		-	3,598,703
		251,686,482	738,739,510
Contingencies & Commitments	19	-	-
TOTAL EQUITY & LIABILITIES		1,288,377,084	953,141,714

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive

Director



BABA FARID SUGAR MILLS LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	A	537,420,701	(173,397,753)
Finance costs		(102,662,947)	(78,382,247)
Taxes paid		(3,598,703)	(4,539,881)
Net cash inflow from operating activities		431,159,051	(256,319,881)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(13,620,796)	(31,686,294)
(Increase)/Decrease in long term deposits		(617,520)	1,345,000
Proceeds from Sale of Property, Plant & Equipment		50,000,000	-
		35,761,684	(30,341,294)
CASH FLOW FROM FINANCING ACTIVITIES			
Net (Repayment)/ Proceeds of Long term financing		(25,404,164)	19,342,872
Net (Repayment) / Proceeds of obligation under finance lease		74,756,269	(30,557,820)
(Repayment) of Morabaha finance		-	(3,715,753)
(Decrease) / Increase in short term finance		(558,285,092)	294,010,988
		(508,932,987)	279,080,287
Net (decrease)/increase in cash and cash equivalents		(42,012,252)	(7,580,888)
Cash and Cash Equivalents at the beginning of the year		71,425,078	79,005,966
Cash and cash equivalents at the end of the year		29,412,826	71,425,078

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive

Director



BABA FARID SUGAR MILLS LTD.

	NOTE	2008 RUPEES	2007 RUPEES
A CASH GENERATED FROM OPERATIONS			
(Loss) before taxation		(26,170,463)	(139,059,854)
Add/(less) adjustment for non cash charges and other items			
Gain on Sale of Property, Plant & Equipment		(25,800,000)	-
Depreciation		13,113,527	12,210,261
Finance costs		63,637,563	96,655,754
		50,951,090	108,866,015
Operating Profit / (Loss) before working capital changes		24,780,627	(30,193,839)
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES			
(Increase) in current assets			
Stores, spares parts and loose tools		(6,424,866)	710,450
Stock in trade		400,011,565	(168,110,716)
Trade debts		526,638	801,741
Loans and advances		(587,043)	21,009,155
Deposits, prepayments & Other Receivables		(7,238,625)	(2,551,091)
		386,287,669	(148,140,461)
Increase in current liabilities			
Trade and other Payables		126,352,405	4,936,547
		512,640,074	(143,203,914)
Cash generated from operations		537,420,701	(173,397,753)

Chief Executive

Director



BABA FARID SUGAR MILLS LTD.

COMPANY INFORMATION

BOARD OF DIRECTORS

CHIEF EXECUTIVE

Mr. Kaiser Mahmood Fecto

DIRECTORS

Mr. Munawar Ali Fecto
Mr. Imran Azim
Mr. Yahya Ahmed Bawany
Mr. Moin A. Haroon
Mr. James R. Richards
Mr. Fazalur Rehman

AUDIT COMMITTEE

Mr. Moin A. Haroon - Chairman
Mr. Kaiser Mahmood Fecto - Member
Mr. James R. Richards - Member

COMPANY SECRETARY

Mr. Rehan Ahmad Hashmi

AUDITORS

M/s. Hyder Bhimji & Co.
Chartered Accountants
Karachi

BANKERS

MCB Bank Limited
NIB Bank Limited
The Bank of Punjab
My Bank Limited

REGISTERED OFFICE

1st Floor, Panorama Centre
Raja Ghazanfar Ali Khan Road
Karachi-75530

ISLAMABAD OFFICE

14-1st Floor, Beverly Centre,
56-G, Jinnah Avenue Blue Area,
Islamabad.

ZONAL OFFICE

1st Floor, Nawa-e-Waqt House,
4-Shahrah-e-Fatima Jinnah,
Lahore.

MILLS

Okara (Distt. Okara)

WEBSITE

www.fecto.com



BABA FARID SUGAR MILLS LTD.

DIRECTOR'S REPORT

The Members,
BABA FARID SUGAR MILLS LIMITED
KARACHI

Assalam -o- Alaikum

The Board of Directors place before you the thirtieth Annual Report of the Company together with audited Financial Statement for the year ended September 30, 2008.

GENERAL

The Crushing started on November 30, 2007 and ended on March 30, 2008. The availability of crop was better than the last year and our crushing which was supposed to be better as compared with last year was stopped early due to low recovery, despite the fact that the sugar cane procurement price was lower by around 8.65 % as compared with last year.

Sugar price remain depressed during the first three quarters & starts improving in the last quarter.

OPERATING RESULTS

The mills crushed a total quantity of 422544 tons of cane compared to 433112 tons of cane crushed during previous season. A total quantity of 31579 tons of sugar was produced during the season compared to 32685 tons produced during last season. Overall sucrose recovery achieved is 7.47% during the season under review as compared to 7.56% achieved during previous season.

The operating results are not satisfactory mainly due to low recovery rate and low crushing. Sugar cane crop was affected due to cold winter spell and prolonged frost which adversely affected the sucrose contents and resulted in low recovery rate due to aforesaid reason and belatedly declared un-approved variety SPF-238 the recovery rate of the mills decreased from 7.56% to 7.47%.

The operating results of your Company for the season are summarised as under :-

		2007-2008	2006-2007
Season started		Nov 30, 2007	Nov 29, 2006
Season closed		Mar 30, 2008	April 23, 2007
Days worked		121	146
Sugarcane crusing	(Tons)	422544	433112
Sugar recovery	(%)	7.47	7.56
Sugar production	(Tons)	31579	32685
Molasses Produced	(Tons)	20820	21360
Molasses Recovery	(%)	4.92	4.93



BABA FARID SUGAR MILLS LTD.

FINANCIAL RESULTS

The Company's financial results are appended below :-

	2007-2008	2006-2007
Net Sales	1,147,880,942	588,743,157
Gross Profit	56,941,366	2,783,048
Loss for the year	(26,170,463)	(139,059,854)
Loss per share- basic & diluted	(2.77)	(16.27)

Total revenue for the year registered an increase of 91% or Rs. 620,416,857 over last year's sale. The average sale price registered a fall of 5.5 % from last year average sale price. A disproportionate increase in operating costs, mainly on account of payroll & related cost and continuous increase in mark-up rate adversely affected the profitability of the company and your company's result appeared as negative.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Company has complied with all the requirements of code of Corporate Governance as required by the listing regulations. In compliance with the code of corporate governance, the directors are pleased to confirm that;

- 1) The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, the cash flow and the changes in equity.
- 2) Proper books of account of the Company have been maintained.
- 3) Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgement.
- 4) International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements and departure, if any, there from has been adequately disclosed.
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) The management view in respect of auditors' observation regarding Company's ability to continue on a going concern basis has been explained in note 1.2 of the financial statements and hereinafter.
- 7) There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
- 8) The pattern of Shareholding along with additional information as required by Code of Corporate Governance is annexed.
- 9) No Trading in shares of the company were carried out by CEO, Directors, CFO & Company Secretary and their spouses and minor children.



BABA FARID SUGAR MILLS LTD.

10) NUMBER OF BOARD MEETINGS:

Sr.#	Name of Directors	Total of Board Meetings held	No.of Meeting Attended
01)	Mr. Munawar Ali Fecto	4	3
02)	Mr. Kaiser Mahmood Fecto	4	4
03)	Mr. Yahya Ahmed Bawany	4	2
04)	Mr. Moin A.Haroon	4	4
05)	Mr. Imran Azim	4	4
06)	Mr. James R. Richards	4	1
07)	Mr. Fazalur Rehman	4	0

11) Key operating and financial data of last six years is annexed.

12) The present Auditors M/S Hyder Bhimji & Co., Chartered Accountants retire and offer their services. The Audit Committee has recommended to the Board for their appointment. Therefore, Board of Directors has proposed to the shareholders to appoint M/S Hyder Bhimji & Co., Chartered Accountants, as Auditor of the Company for the year ending September 30, 2009.

13) The value of investments held by the Provident Fund as at September 30, 2008 was Rs. 10,850,000.(un-audited)

Going Concern

In their report, the auditors have raised doubts about the ability of the Company to continue on a going concern basis, mainly because of accumulated losses of Rs 283,886,457/- and negative shareholders equity position which stood at Rs.189,386,457/-.

Your Company and other sugar mills have been facing these conditions due to high sugarcane price and decline in sucrose recovery, ample stock of sugar held by Government of Pakistan and by the sugar industry, falling price of sugar in the local market not compensating the high production cost of sugar which have affected the Company's profitability. This situation is watched carefully and all events are under constant review for which the management has taken several measures to strengthen the financial position of the Company continued support of sponsoring directors through mark-up free finances has helped the Company to reduce incurring of losses. Further they have also committed to provide further finances as and when need. These facts evidence that the management has achieved rational production level, and the management anticipation to maintain the same spirit in future as well in view of these facts, the management don't have any doubt about the Company's ability to continue as a going concern. Accordingly these financial statements have been prepared on a going concern basis.

Future Outlook

- Future prospects of the sugar industry depend on the consistent policies of the Govt. towards maintenance of reasonable sugar prices which will help to great extent to reduce the impact of higher production cost. The industry deserves a fair market price of sugar keeping in view the production cost of sugar plus economic return on equity.
- Lack of coordination between Government, Sugar Cane growers, and sugar industry is responsible for deteriorating economics of sugar industry. Therefore, there is dire need to examine the reason for economic distress for the industry and to take suitable steps to save this industry.



BABA FARID SUGAR MILLS LTD.

- Driven by insufficient stock combined with a forecast of 30-35% reduction in crop area, projecting a lower sugar production in the coming year, the market is expected to show a positive trend during the next financial year, your management have taken some firm steps to procure the sugarcane to ensure the availability of raw material at lower cost and have devised a strategy to cope with the situation to reduce our dependence on borrowing in the coming year. The Management is doing its utmost efforts to improve the profitability by focusing on reduction of cost and improvement in efficiencies.

Acknowledgement

The relations between the management and the employees remained cordial. The directors would like to record their appreciation for the efforts and devotion of employees and entire team of the management, and hope that they will continue their efforts for the enhancement of the productivity and well-being of the company in future as well.

Further, the board extends its gratitude to the banks, financial institutions, leasing companies and suppliers for their valuable support and cooperation for the prosperity of the company.

(KAISER MAHMOOD FECTO)
Chief Executive

Karachi: January 05, 2009



BABA FARID SUGAR MILLS LTD.

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

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan in 1978 as a Public Limited company and is listed at Karachi, Lahore and Islamabad stock exchanges. The company is principally engaged in the manufacture and sale of sugar and its by- product i.e Molasses. The registered office of the company is situated at 1st Floor, Panorama Centre, Raja Ghazanfar Ali Khan Road, Saddar, Karachi. and its manufacturing facilities are located in the District of Okara, Punjab.

1.2 Going Concern

The Company incurred a loss after taxation of Rs.3,942,286 during the year and its current liability(net of current assets) is as at Rs.121,305,027 as compared to Rs. 261,658,280 in the corresponding years. furthermore, accumulated loss has eroded the equity which is in negative by Rs. 167,158,280. These circumstances raised the question of company's ability to remain going concern in near term. The Company as well as the whole suguar industry is in the similar situation, the reason being, high raw material cost thrusted upon by the Government on mills to profit the growers. Additionally fall of sucrose recovery rate due to abnormal climatic conditions prevailed in the country during the year also dented the profitability of sugar manufacturing.

Furthermore, selling price of sugar remained depressed throughout the year due to excessive inventory carried by Industry. However, sponsoring directors commitment of providing/arranging finance is always available to the company who are committed for providing necessary finances as needed, in the anticipation of revival of the whole industry in the coming years. These facts evidence that the management has achieved rational production level, and the management anticipation to maintain the same spirit in future as well in view of these facts, the management don't have any doubt about the Company's ability to continue as a going concern. Accordingly these financial statements have been prepared on a going concern basis.

2 BASIS OF PREPARATION:

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the 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 Standards, interpretations and amendments to Published Standards

The International Accounting Standards Board (IASB) announces new standards, interpretations thereof and amendments therein in the international Accounting Standards (IASs) and international Financial Reporting Standards (IFRSs) from time to time. The amendments in the following IASs, IFRSs, and IFRICs, in relation to subjects mentioned below, have already been published by the IASB, becoming mandatorily applicable, from accounting periods beginning on or after the dates specified hereunder, which may or may not be relevant to Company's operations and may or may not have any significant impact besides enhanced disclosure.

2.3 Amendments to Published Standards and New Interpretations effective in 2008

Amendments to IAS-1, 'Presentation of Financial -Capital Disclosures' ; introduces new disclosures about the level of an entity's capital how it manages capital.



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IFRIC 10 'Interim Financial Reporting and Impairment' prohibits the impairment losses recognised in an interim period on good will and investments in equity instruments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This IFRIC does not have any impact on the company's financial statements.

IFRIC 11-IFRS 2-'Group and Treasury Shares Transactions' provides guidance on whether share based transaction involving treasury shares or involving group entities should be accounted for as equity settled or cash settled share based payment transactions in the stand alone financial

2.4 Standards, Interpretations and Amendments to be Published Accounting Standards are issued but not yet Effective

The Following Standards, Amendments and Interpretations of approved accounting standards are only effective for accounting periods beginning on or after October 1, 2008 and except for additional disclosures are not expected to have a significant effect on the Company's Financial statements or are not relevant to the company:

IFRIC 12, 'Service Concession Arrangements' (effective from annual periods beginning on or after January 1, 2008). IFRIC 12 applies to contractual arrangements whereby private sector operator participates in the development, financing, operations and maintenance of infrastructure for public sector service.

IFRIC 14, 'The limit on defined benefit asset, minimum funding requirements and their interaction' (effective from annual periods beginning on or after January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS-19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

IAS 29 'Financial Reporting in Hyperinflation Economies' (effective from annual periods beginning on or after July 1, 2008). The objective of this standards is to established specific standards for enterprise reporting in the currency of hyperinflationary economy.

IFRS 7 'Financial Instruments: Disclosures' (effective from annual periods beginning on or after July 1, 2008). This disclosures requires extensive disclosures about the significance of financial instruments for an entity's financial position and result of operations, and qualitative and quantitative disclosures on the nature and extent of risks from financial instruments. It combines disclosures from IAS-32 Financial Instruments: Presentation, and IAS-30, Disclosures in the financial statements of banks and similar financial institutions, and adds new disclosures requirements.

IFRIC 13 'Customer Loyalty Programmes' (effective from annual periods beginning on or after July 1, 2008). IFRIC 13 address the accounting by entities operate, or otherwise participate in , customer loyalty programmes for their customers.

IFRIC 16 Hedges of a Net Investment in Foreign Operation (effective from annual periods beginning on or after October 1, 2008). IFRIC 16 provides that the presentation currency does not create an exposure to which an entity may apply hedge accounting. It also specifies that hedging instrument(s) may be held by entity or entities within the group. Further, it also clarifies that foreign translation reserve in respect of the hedging instrument , IAS 21 must be applied in respect of the hedged item.

IAS 1 'Presentation of Financial Statements' (effective from annual periods beginning on or after January 1, 2009). The objective of revised IAS is to aggregate information in the financial statement on the basis of shared characteristics and is aimed to improve user's ability analyse and compare the information given in the financial statements. IAS 1 sets overall requirements for the presentation of the financial statements, guidelines for their structure and minimum requirement for their contents. It introduces the requirement to include in a complete set of financial statements, a statement of financial position as at the beginning of earliest comparative period whenever the entity retrospectively applies an accounting policy or make a retrospective restatements of item in its financial statements, or when it reclassifies item in its financial statements.



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IAS 23 (Amendment) 'Borrowing Costs' (effective from annual periods beginning on or after January 1, 2009). It requires an entity to capitalise borrowing cost directly attributable to the acquisitions, construction or production of a qualifying asset as a part of the cost of asset. The option of immediately expensing those borrowing costs will be removed.

IFRS 2 (Amendment) 'Share-based Payment' (effective from annual periods beginning on or after January 1, 2009). It clarifies 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.

IFRS 8 Operating Segment ((effective from annual periods beginning on or after January 1, 2009). IFRS 8 replaces IAS-14 , Segment Reporting. IFRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal purposes.

IFRIC 15 'Agreement for the Construction of Real Estate' (effective from annual periods beginning on or after January 1, 2009). IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18 and accordingly, when revenue for the construction should be recognised.

IAS 27 'Consolidated and Separate Financial Statements' (effective from annual periods beginning on or after January 1, 2009). It requires accounting for change in ownership interest by the group in a subsidiary.

IFRS 3 'Business Combinations'(effective from annual periods beginning on or after January 1, 2009). It broadens the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value and transaction costs other than share and debt issue costs to be expensed.

2.5 Significant accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgements made by the Company's management in applying the accounting policies that would have the most significant effect on the amounts recognized in the financial statements.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows.

- Taxation:

In making the estimate for income taxes currently payable by the Company, the management consider the current income Tax Law and the decisions of appellate on certain issue in the past.



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- **Property, Plant and Equipment**

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The Company reviews the value of assets for possible impairment on financial year end. Any change in the estimate in the future years might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment

- **Stock in trade**

Stock in trade is carried at lower of the cost and net realizable value. The net realizable value is assessed by the Company having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

- **Contingencies**

Nature of contingencies is evaluated based on the element of issue involved, opinion of the legal counsel and conclusion is accordingly reflected in the financial statements.

- **Slow Moving and Stores Obsolescence**

In making estimates of quantum of slow moving and obsolescence, the aging analysis, current condition of various items component of realization and expected use in future are considered.

2.6 Accounting convention

These financial statement have been prepared under the historical cost convention except for land which is stated at revalued amount valuation of stock in trade when valued at net realizable value and financial assets and liabilities which are carried at their fair values.

3 SIGNIFICANT ACCOUNTING POLICIES:

3.1 Property, plant and equipment

3.1.1 Owned

These are stated at cost less accumulated depreciation except for lease hold land which is stated at revalued amounts.

Depreciation is charged, on a systematic basis over the economic useful life of the asset, on reducing balance method, which reflects the pattern in which the assets economic benefits are consumed by the Company, at the rates specified in respective note. 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.

In compliance with the revised international Accounting Standard No.16, "Property, Plant and Equipment", the Company adopted cost model for its property, plant and equipment and the revalued figures treated as deemed costs. The Surplus on revaluation of these assets, however, is recognized in accordance with section 235 of the Companies Ordinance, 1984. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.



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3.1.2. Finance Lease

Property, plant and equipment held under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets at the inception of lease. The related obligations of the leases are accounted for as liabilities.

Depreciation is charged using the same basis and rates as used for similar owned fixed assets whereby the cost of assets less residual value is written off systematically over their estimated useful lives.

3.1.3. Capital work-in-progress

Capital work in progress is stated at cost. All expenditure connected to the specific assets incurred during installation and construction period are carried at under this head. These are transferred to specific assets as and when assets are available for use.

3.2 Stores, spare parts and loose tools

These are valued at cost calculated on weighted average basis less provision for obsolescence and slow moving items, if any, except for the items in transit, which are valued at cost accumulated to the balance sheet date.

3.3. Stock-in-trade

Stock in Trade is valued at the lower of cost and net realizable value except for molasses (by product) that is valued at net realizable value. Cost in relation to work in progress and finished goods consists of average material cost, direct labor and applicable factory overheads. Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales.

3.4 Employees benefits

The Company operates an approved Defined Contributory Provident Fund Scheme for all permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions are made, by the company and the employees to the Fund.

3.5 Taxation

3.5.1. Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, or half percent of turnover under the Income Tax Ordinance 2001 which ever is higher.

3.5.2. Deferred

Deferred tax is provided by using the liability method, on all major 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 profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.



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3.6 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that the outflow of economic benefits will be required to settle the obligation.

3.7 Foreign currency translation

Transactions in foreign currencies are recorded into reporting currency at the rate of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees of the rate of exchange prevailing at the balance sheet date. Exchange gains losses, if any, are included in the profit and loss currently.

3.8 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognized of financial assets and financial liabilities is included in the profit and loss account currently.

Financial instruments carried on the balance sheet date include loans, investments, trade and other debts, cash and bank balance, borrowings, liabilities against assets subject to finance leases, trade and other payables, accrued expenses and unclaimed dividends. All financial assets and financial liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.9 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis or to realize the asset and discharge the liability simultaneously.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprises cash in hand balance with banks (In current & deposit accounts) and that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

3.11 Borrowing cost

Mark-up/interest and other charges on borrowings are capitalized upto the date of commissioning of the related fixed assets, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to income.

3.12 Related party transactions

All transactions between the Company and related party are recorded at arm's length prices determined in accordance with Comparable Uncontrolled Price Method.



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3.13 Impairment

The carrying amount of the Company's assets are reviewed for any indication of impairment at each year end. If such indication exists, the asset recoverable amount is estimate in order to determine the extent of impairment loss, which is taken to profit and loss account.

3.14 Trade and other payable

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services.

3.15 Trade debts

These are carried at original invoice value. Debts considered irrecoverable are written off and appropriate provision is made where recovery is considered doubtful.

3.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the future 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. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The following recognition criteria must be met before revenue is recognized.

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 despatch of the goods to customers.

	2008 Rupees	2007 Rupees
4 Property, Plant & Equipment		
Operating fixed assets	1,129,461,674	357,836,267
(At cost less accumulated depreciation as per schedule attached)		
CAPITAL WORK-IN-PROGRESS		
Civil work	2,173,606	1,676,988
Plant and Machinery	1,061,424	1,055,373
	3,235,030	2,732,361
	1,132,696,704	360,568,628



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4.3 Details of disposal of property, plant and equipment are as following

PARTICULARS	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALE PROCEEDS	GAIN/ (LOSS)	MODE OF DISPOSAL	SOLD TO
Land	24,200,000	-	24,200,000	50,000,000	25,800,000	Negotiation	MR. Zaikr Huseain S/O Hashim Ali Resident of Zal-un-din Colony Depalpur, Okara
TOTAL RUPEES	24,200,000	-	24,200,000	50,000,000	25,800,000		

A portion of Land on the east of mills alongwith the chuk (village) which was encroached upon by the Land grabbers and considered extra by the management was sold to save the company from further expenditures. The Land was of no economic value for the company.

4.4 Reconciliation of opening and closing Net Book Value (NBV)

	Cost/ Revaluation	Accumulated Depreciation	Net Book value	Cost of Addition during the year	Surplus/ Deficit Revaluation during the year	NBV of disposal/ adjustment during the year	Depreciation for the Year	NBV as at September 30, 2008
As at October 1, 2007								
Lease hold land								
Cost	11,477,905	-	11,477,905	-	-	(2,082,180)	-	9,415,725
Revaluation	115,488,085	-	115,488,085	-	82,256,000	(22,137,820)	-	175,584,275
	126,944,000	-	126,944,000	-	82,256,000	(24,200,000)	-	185,000,000
Factory Building on lease hold land								
Cost	84,269,575	55,327,507	28,942,068	-	-	-	1,770,367	27,171,701
Revaluation	-	-	-	-	57,977,964	-	-	57,977,964
	84,269,575	55,327,507	28,942,068	-	57,977,964	-	1,770,367	85,149,885
Plant & Machinery								
Cost	391,755,107	274,822,169	117,132,938	28,199,235	-	(120,632,000)	5,983,062	18,716,111
Revaluation	-	-	-	-	655,586,843	-	-	655,586,843
	391,755,107	274,822,169	117,132,938	28,199,235	655,586,843	(120,632,000)	5,983,062	674,302,954



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		2008 RUPEES	2007 RUPEES
5	LONG TERM DEPOSITS		
	Security Deposit-Lease key money	24,913,870	24,296,350
	-Utilities and Others	385,055	385,055
		<u>25,298,925</u>	<u>24,681,405</u>
6	STORES, SPARE PARTS & LOOSE TOOLS		
	Stores	23,979,948	17,363,387
	Spare Parts	23,314,844	22,551,672
	Loose Tools	354,646	309,513
		<u>47,649,438</u>	<u>40,224,572</u>
	Provision for Obsolescence	(3,150,700)	(2,150,700)
		<u>44,498,738</u>	<u>38,073,872</u>
7	STOCK-IN-TRADE		
	Work-in-Process-sugar	2,293,608	2,808,633
	Finished Goods - Sugar	3,938,283	403,258,782
	- Molasses	293,425	469,466
		<u>6,525,316</u>	<u>406,536,881</u>
7.1	Stock of finished goods pledged as security against short term Borrowings is NIL (2007: 403,258,782)		
8	LOANS & ADVANCES - UN-SECURED		
	Advance Income Tax	1,110,197	-
	Loans to Cane Growers		
	-Considered Good	638,868	7,078,874
	-Considered doubtful	2,218,532	2,018,532
	-Provision there against	(2,218,532)	(2,018,532)
		<u>1,749,065</u>	<u>7,078,874</u>
	Considered Good		
	Loans to Staff	1,349,525	1,407,764
	Advance against supplies	23,206,392	20,511,281
	Advance against expenses	4,374,831	1,094,851
		<u>30,679,813</u>	<u>30,092,770</u>
8.1	Represents loan given to cane growers for the procurement of seed and pesticide in order to enable them to protect the crop from damages and for sowing variety sugarcane.		
8.2	Represents interest free loan as per company policy The loan is repayable/adjustable in one year against salary and/ or bonus.No loan was due from any director, chief executive or executive of the company.		



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		2008 RUPEES	2007 RUPEES										
9	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES												
	Short term Deposits	17,668,000	9,935,895										
	Prepaid Expenses	557,918	955,671										
	Other receivables	376,291	472,018										
		18,602,209	11,363,584										
10	CASH AND BANK BALANCES												
	Cash in hand	484,567	108,920										
	Balances with Banks												
	-In Current Accounts	28,914,167	71,302,437										
	-In Deposit Accounts	14,092	13,721										
		29,412,826	71,425,078										
11	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL												
	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;">2007</td> <td style="text-align: center;">2008</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">No. of shares</td> <td style="text-align: center;">No. of shares</td> <td></td> <td></td> <td></td> </tr> </table>	2007	2008				No. of shares	No. of shares					
2007	2008												
No. of shares	No. of shares												
	6,400,000	6,400,000	Ordinary shares Rs.10/-each allotted consideration paid in cash	64,000,000	64,000,000								
	3,050,000	3,050,000	Ordinary shares issued as Rs.10/-each fully paid Bonus Share	30,500,000	30,500,000								
	9,450,000	9,450,000		94,500,000	94,500,000								
	11.1 Fecto Sugar Mills Limited an associated Company holds 1,476,562 shares (15.62 %) of the company While Directors namely Mr.Munawar Ali Fecto holds 2,396,887 ordinary shares, (25.36 %) Mr.Kaiser Mahmood Fecto holds 1,633,211 ordinary shares (17.28 %) and Mst. Abeda Bano holds 987,277 ordinary shares (10.44 %) of the company respectively.												
12	SURPLUS ON REVALUATION OF FIXED ASSETS												
	Surplus on revaluation as at October 01			115,466,095	115,466,095								
	Surplus recorded during the year			795,820,807	-								
	Less: Related deferred tax liability			249,747,682	-								
				546,073,125	-								
	Surplus on land disposed transferred to equity			21,735,247	-								
				21,735,247	-								
	Surplus on revaluation at the year end			639,803,973	115,466,095								
13	LONG TERM FINANCING - SECURED												
	From Banking Companies		13.1	100,000,000	37,500,000								
	From Other Financial institutions			-	87,904,164								
				100,000,000	125,404,164								
	Less: Current Portion-Shown under current liabilities			(20,000,000)	(30,404,164)								
				80,000,000	95,000,000								



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13.1 These represents financing from NIB Bank Limited & My Bank Limited carries mark-up at three months KIBOR and 6 months KIBOR respectively plus bank spread of 4% to 4.25% with a minimum floor of 13% & 14% respectively.

These are secured by way of First pari passu charge over fixed assets of the company and is repayable in half yearly instalments of Rupees 5 million to 10 million ending by December 2011.

	2008 RUPEES			2007 RUPEES		
	Minimum Lease Payment	Financial Charge allocated to future period	Present value of minimum lease payments	Minimum Lease Payment	Financial Charge allocated to future period	Present value of minimum lease payments
14 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE						
Upto One Year	57,866,754	20,861,112	37,008,642	44,946,503	5,848,771	39,097,732
Between one year to five years	175,472,901	44,837,192	130,638,709	57,462,194	3,674,844	53,787,350
	233,339,655	65,698,304	167,647,351	102,408,697	9,523,615	92,885,082

Under the lease agreements rentals are payable in 36 to 60 monthly instalments as well as payable annually. Taxes, Repairs, Replacement and Insurance cost, if any are borne by the company. The finances carry interest / mark-up rate of 19.92 percent to 21.96 percent (2007: 19.92 percent to 21.96 percent) per annum which has been used as a discounting factor. The company can exercise the purchase option by making payment of residual value of the leased assets at the expiry of the lease term.

15 SUB-ORDINATED LOANS

Loans From Director	135,100,000	135,100,000
	135,100,000	135,100,000

The above unsecured loans are interest free and repayable at the convenience of the company. However as per the agreements with the related parties loans shall be repaid after the settlement of liabilities as mentioned in note 13 and 14.

16 DEFERRED LIABILITY

Deferred Taxation

Deferred tax asset arising in respect of:		
Unabsorbed tax depreciation	(36,169,872)	(39,138,976)
Deferred tax liabilities arising in respect of:		
Surplus on Revaluation of depreciable fixed assets	249,747,682	-
On assets under finance lease	3,270,510	(5,950,593)
Accelerated tax depreciation	1,460,880	35,879,264
	218,309,200	(9,210,305)

The tax losses available for carry forwards at September 30, 2008 is 282,836,289 (2007: 509,208,892) out of which Rs. 103,342,491 (2007: 111,825,646) relates to unabsorbed depreciation upto tax year 2009. Deferred tax asset has been recognised to the extent of unabsorbed tax depreciation and a portion of carry forward tax losses, in respect of which either there is no limitation of carry forward under the income tax law or the management considers that such losses (including unabsorbed depreciation) will be adjustable against future profit.



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	NOTE	2008 RUPEES	2007 RUPEES
17 TRADE AND OTHER PAYABLES			
Creditors		109,343,868	24,732,047
Advances against Sales of Molasses			
- Associated Undertaking	17.1	17,266,436	
- Other		56,151,003	27,099,994
Accrued Liabilities		2,191,298	4,290,307
Unclaimed Dividend	17.2	2,604,016	2,604,016
Other Liabilities			
Sales Tax Payable		2,216,486	4,718,422
Other - Staff income tax		35,548	11,464
		<u>189,808,655</u>	<u>63,456,250</u>

17.1 The Maximum aggregate Balance due to Associated Undertaking during the year is Rs.17,266,436

17.2 This represents the dividend declared in Previous year and cheques remained expired.

18 SHORT TERM BORROWINGS

Short term running finance from
Banking Companies - Secured

- 558,285,092

Security

Secured against Pledge of Sugar and hypothecation of Store, Spare parts & loose tools and personal guarantee of sponsoring directors.

Mark-up

Six month average KIBOR plus 200 bps with Floor of 4.5% in case of one Bank and three months KIBOR rate (ASK) plus 4.25% Bank's spread, with a minimum Floor rate of 13% of another Bank calculated on daily product basis payable quarterly.

Repayment

Facilities are renewable annually.
Extent of Financing

Aggregate Credit facility available to the company is Rs. Nil (2007: 625 million).

19 CONTINGENCIES AND COMMITMENTS:

19.1 The LTU-FBR has preferred a reference before Income tax Appellate (ITAT) for the assessment year 1996-1997 against the decision of CIT appeals. The department has also filed petition for leave to appeal before the honourable Supreme Court of Pakistan for the assessment year 1999-2000 against the order in favor of the Company by the honourable High Court of Sindh. In the opinion of the advisor the ultimate appellate decision is likely to be in Company's favour. Hence no provision is made in these accounts.

19.2 The company has filed reference application before the Honourable High Court of Sindh against the decision of ITAT in respect of assessment year 2000-2001, The reference application is pending before the honourable High Court Sindh. The company has also filed the appeal before the Commissioner of income tax appeals against addition made by the assessing officer for the assessment year 2002-2003 which is pending for adjudication.

In view of the favourable decision of the higher appellate forums on the like issues in prior years the management is hopeful about favourable outcome in above matters. Hence no provision is made in these account.



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	NOTE	2008 RUPEES	2007 RUPEES
20 NET SALES			
Gross sales		1,308,397,482	681,563,000
less: Sales tax		(154,098,915)	(92,819,843)
Special Excise Duty		(6,417,625)	-
Net Sales		1,147,880,942	588,743,157
21 COST OF SALES			
Raw Materials & Expenses thereon	21.1	655,450,545	732,582,446
Manufacturing Expenses	21.2	77,092,271	87,102,146
		732,542,816	819,684,592
Work-in-Process-Opening		2,808,633	1,882,505
-Closing		(2,293,608)	(2,808,633)
		515,025	(926,128)
		733,057,841	818,758,464
Sale of By-Products			
Molasses		(40,359,389)	(65,099,890)
V.F.Cake		(1,255,415)	(513,876)
		(41,614,804)	(65,613,766)
Cost of Goods Manufactured		691,443,037	753,144,698
Finished Stock-Opening		403,728,247	236,543,659
-Closing		(4,231,708)	(403,728,248)
		399,496,539	(167,184,589)
Cost of Sales		1,090,939,576	585,960,109
21.1 RAW MATERIAL & EXPENSES THEREON			
Raw material purchases (including procurement and other expenses)		642,528,467	721,023,439
Salaries, Wages, Bonus and Staff Benefits	21.1.1	7,533,033	6,759,846
Rent, Rates and Taxes		221,410	256,160
Establishment & Other Expenses	24	4,539,075	3,950,376
Depreciation	4.2	387,297	435,503
Insurance		241,263	157,122
		655,450,545	732,582,446

21.1.1 This include contribution to staff provident fund of Rs.81,880 (2007: 131,924)



BABA FARID SUGAR MILLS LTD.

	NOTE	2008 RUPEES	2007 RUPEES
21.2 MANUFACTURING EXPENSES			
Processing and Packing Materials		12,170,888	9,904,725
Fuel and Power consumed		6,798,978	17,986,282
Salaries, Wages, Bonus & Staff Benefits	21.2.1	25,552,881	26,372,224
Stores and Spares consumed		20,165,591	20,917,114
Rates and Taxes		224,148	114,600
Establishment & Other Expenses	24	63,295	100,455
Insurance		1,737,249	1,939,426
Depreciation	4.2	10,379,241	9,767,320
		<u>77,092,271</u>	<u>87,102,146</u>

21.2.1 This include contribution to staff provident fund of Rs. 297,880 (2007: 327,952)

22 DISTRIBUTION COST

Salaries, Bonus and Staff Benefits	22.1	1,079,795	903,023
Establishment & Other Expenses	24	11,505	7,740
Depreciation	4.2	144,234	151,826
Handling and Stacking Expenses		1,557,408	1,272,916
Insurance		2,284,798	3,002,897
		<u>5,077,740</u>	<u>5,338,402</u>

22.1 This include contribution to staff provident fund of Rs. 14,710 (2007: 10,612)

23 ADMINISTRATIVE EXPENSES

Salaries, Bonus & Staff Benefits	23.1	23,536,351	25,195,007
Directors' Fee		18,000	28,000
Rent, Rates and Taxes		420,131	385,012
Establishment & Other Expenses	24	11,719,202	10,185,611
Provision for Stores Obsolescences		1,000,000	1,000,000
Provision for doubtful growers Loans		200,000	103,273
Insurance		628,479	720,907
Depreciation	4.2	2,202,755	1,855,612
		<u>39,724,918</u>	<u>39,473,422</u>

23.1 This include contribution to staff provident fund of Rs. 459,514 (2007 :346,574)

24 ESTABLISHMENT AND OTHER EXPENSES

Advertisement Expenses		335,011	244,308
Annual General Meeting Expenses		58,500	53,633
Conveyance Expenses		83,092	98,350
Computer Stationary		8,480	2,440
Diesel Charges		1,655,495	2,059,211
Diesel Charges - Generator		266,348	69,810
Effluent water disposal Expenses		33,000	33,000
Electricity		1,007,196	890,131
Entertainment Expenses		422,329	323,134
Fees and Subscription		585,083	279,488



BABA FARID SUGAR MILLS LTD.

	NOTE	2008 RUPEES	2007 RUPEES
Freight and Cartage		102,079	91,654
Gardening Expenses		500	3,630
Gas Charges		94,183	77,215
Guest House Expenses		224,777	234,701
Internet charges		8,800	3,098
Legal Fees and Expenses		744,399	447,727
Messing Expenses		4,600	8,200
Mobile Telephone Charges		289,222	240,972
Packing and Forwarding		100	4,132
Papers and Periodicals		42,661	49,934
Postage and Telegram		140,754	145,162
Printing and Stationary		476,998	602,434
Professional Tax		215,000	50,000
Repair and Maintenance		1,064,414	1,390,183
Security Services Charges		327,485	227,455
Sundry Expenses		122,526	45,107
Telephone & Telefax Charges		630,842	469,160
Travelling Expenses		652,177	330,554
Vehicle Expenses		6,708,137	5,731,027
Water Charges		28,889	38,332
		16,333,077	14,244,182
Above expenses are allocated as follows			
Raw Material	21.1	4,539,075	3,950,376
Manufacturing Expenses	21.2	63,295	100,455
Distribution Costs	22	11,505	7,740
Administrative Expenses	23	11,719,202	10,185,611
		16,333,077	14,244,182
25 OTHER OPERATING EXPENSES			
Corporate social responsibility cost	25.1	804,095	620,000
Auditors' Remuneration	25.2	360,110	300,814
		1,164,205	920,814
25.1 Recipients of corporate social responsibility cost do not include anybody in whom any director of the company or their spouse had any interest.			
25.2 Auditors Remuneration:			
Annual Audit fee-Hydr Bhimji & CO.		140,000	125,000
Review of Half year financial statements		40,000	30,000
		180,000	155,000
Cost Audit fee - Rahim,Iqbal, Rafiq & Co.		80,000	70,000
Travelling & Reimbursement of Expenses		100,110	75,814
		360,110	300,814
26 FINANCE COSTS			
Mark-up on Long term finance / Murabaha Finance		17,481,815	14,086,787
Finance Cost on assets subject to finance lease		10,982,799	12,031,485
Mark-up on Short term borrowings		34,452,527	69,841,224
Loan documentation & processing charges		56,000	10,000
Bank Charges		664,422	686,258
		63,637,563	96,655,754



BABA FARID SUGAR MILLS LTD.

	NOTE	2008 RUPEES	2007 RUPEES
27 OTHER OPERATING INCOME			
Miscellaneous Receipts		240,428	545,490
Profit on Sales of Fixed assets		25,800,000	-
Liabilities written back		452,169	-
		<u>26,492,597</u>	<u>545,490</u>
28 TAXATION			
Current			
for the year	28.1	-	(3,226,034)
Deferred	28.2	22,228,177	(11,462,928)
		<u>22,228,177</u>	<u>(14,688,962)</u>
28.1 CURRENT			
<p>Upto the preceding year the company was liable to minimum tax @ 0.50 on declared turnover and in view of amendments made vide Finance Act, 2008 the provisions relating to levy of minimum tax on the declared turnover has been done away with, hence no provision is required for the current tax as there are huge brought forward business losses for adjustment against income.</p>			
28.2 DEFERRED			
<p>The company has recognised deferred tax assets to the extent of unabsorbed tax depreciation in previous years and additions thereto has been made during the year due to the reason that on the basis of improved market condition it is probable that sufficient taxable temporary differences or sufficient taxable profit will be available against which the unabsorbed tax depreciation can be carried forward without time limitations which can be utilised by the company.</p>			
29 (LOSS) PER SHARE-BASIC & DILUTED			
(Loss) after tax		<u>(3,942,286)</u>	<u>(153,748,816)</u>
No. of Ordinary Shares		<u>9,450,000</u>	<u>9,450,000</u>
Loss per Share-Basic & Diluted		<u>(0.42)</u>	<u>(16.27)</u>
30 TRANSACTIONS WITH RELATED PARTIES			
Sale of Molasses		6,900,000	16,505,460
Advance against sale of molasses		17,266,436	-

No transaction was carried out with any related parties except for the above and remuneration of chief executive, as mentioned in note 30 in payment of company's contribution to Provident Fund as mentioned in note no 23.1.



BABA FARID SUGAR MILLS LTD.

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

PARTICULARS	2008			2007		
	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES
Managerial Remuneration	-	1,680,000	-	-	1,680,000	-
Allowances	-	619,200	-	-	619,200	-
Medical	-	100,800	-	-	100,800	-
Perquisites in Kind: Car Expenses	118,611	-	-	156,450	-	-
Telephone at Residence	4,276	-	-	2,980	-	-
TOTAL	122,786	2,400,000	-	159,430	2,400,000	-
Number of Persons	1	1	-	1	1	-

31.1 The aggregate amount charged for directors fees in the accounts is Rs.18,000 (2007: Rs.28,000) for 6 Directors

32 FINANCIAL INSTRUMENT AND RELATED DISCLOSURE

The company's activities expose it to variety of financial risk, including the effects of changes in market interest rate such as KIBOR, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in this note and cash flow risk associated with accrued interest in respect of borrowings. The Company finances its operations through management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimise risk. Taken as a whole, risk arising from the Company's financial instruments are limited as there is no significant exposure to market risk and in respect of such instruments,

2008

FINANCIAL ASSETS	INTEREST BEARING					NON INTEREST BEARING			TOTAL
	Within one year	More than one year but not more than two years	More than two years but not more than three years	More than three years but not more than four years	More than four years but not more than five years	Sub Total	Within One Year	Above One Year	
Deposits	-	-	-	-	-	-	17,668,000	25,298,925	42,966,925
Trade Debts	-	-	-	-	-	-	662,553	-	662,553
Loans & Advances	-	-	-	-	-	-	30,679,813	-	30,679,813
Prepayments & Other receivables	-	-	-	-	-	-	934,209	-	934,209
Cash & Bank Balance	14,092	-	-	-	-	14,092	29,398,734	-	29,412,826
	14,092	-	-	-	-	14,092	79,343,309	25,298,925	104,642,234
Long Term Financing	20,000,000	30,000,000	30,000,000	20,000,000	-	100,000,000	-	-	100,000,000
Liabilities against Lease	37,005,642	38,015,143	16,929,649	15,058,917	60,632,000	167,641,351	-	-	167,641,351
Subordinated Loans	-	-	-	-	-	-	-	135,100,000	135,100,000
Trade & Other Payables	-	-	-	-	-	-	189,808,655	-	189,808,655
Mark-up accrued on Loans	-	-	-	-	-	-	4,872,185	-	4,872,185
	57,005,642	68,015,143	46,929,649	35,058,917	60,632,000	267,641,351	194,880,840	135,100,000	329,780,840
	(56,991,550)	(68,015,143)	(46,929,649)	(35,058,917)	(60,632,000)	(267,627,299)	(115,337,531)	(109,801,075)	(492,765,865)

Rate of Interest

Long term finance

Liabilities Against Finance lease

Short term borrowings

Medium

Refer note no.13

Refer note no.14

Refer note no.18



BABA FARID SUGAR MILLS LTD.

2007

NON INTEREST BEARING

	INTEREST BEARING					Sub Total	Within One Year	Above One Year	Sub.Total	TOTAL
	More than one year but not more than two years	More than two years but not more than three years	More than three years but not more than four years	More than four years but not more than five years	Sub Total					
FINANCIAL ASSETS										
Deposit	-	-	-	-	-	9,935,895	24,681,405	34,617,300	34,617,300	
Trade Debts	-	-	-	-	-	1,189,191	-	1,189,191	1,189,191	
Loans & Advances	-	-	-	-	-	30,092,770	-	30,092,770	30,092,770	
Prepayments & Other receivables	-	-	-	-	-	1,427,689	-	1,427,689	1,427,689	
Cash & Bank Balance	13,721	-	-	-	-	13,721	-	71,411,357	71,411,357	71,425,078
	13,721	-	-	-	-	13,721	24,681,405	138,738,307	138,752,028	

FINANCIAL LIABILITIES

Long Term Financing	30,404,164	30,000,000	30,000,000	30,000,000	5,000,000	125,404,164	-	-	-	125,404,164
Liabilities against Lease	39,097,732	29,259,133	23,057,761	1,412,474	57,982	92,885,082	-	-	-	92,885,082
Subordinated Loans	-	-	-	-	-	-	135,100,000	-	135,100,000	135,100,000
Trade & Other Payables	-	-	-	-	-	-	-	63,456,250	63,456,250	63,456,250
Short Term Borrowings	558,285,092	-	-	-	-	558,285,092	-	-	-	558,285,092
Mark-up accrued on Loans	-	-	-	-	-	-	-	43,897,569	43,897,569	43,897,569
	627,786,988	59,259,133	53,057,761	31,412,474	5,057,982	776,574,338	107,353,819	135,100,000	242,453,819	1,019,028,157
	(627,773,267)	(59,259,133)	(53,057,761)	(31,412,474)	(5,057,982)	(776,560,617)	6,703,083	(1,10,418,595)	(1,03,715,512)	(880,276,129)

Rate of Interest

Long term finance	Refer note no.13
Liabilities Against Finance lease	Refer note no.14
Short term borrowings	Refer note no.18

Interest/mark-up rate risk management

Interest/mark-up rate is the risk that the value of the financial instrument will fluctuate due to changes in the market interest/mark-up rates. The valuation in interest/mark-up rate risks is managed through due monitoring of rates prevailing in the market and circumstances of the Company.



BABA FARID SUGAR MILLS LTD.

Concentration of 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 attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting as particular industry. Out of the total financial assets of Rs.104,656,326, the financial assets which are subject to financial risk amounted to Rs.30,927,050.

Foreign exchange risk management

Foreign currency risk arises mainly due to dealing in foreign currency. The Company is not presently exposed to foreign currency risk on assets and liabilities.

Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to met commitments. Management closely monitors the Company's liquidity and cash flow position and believed that it is not exposed to any significant liquidity risk. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and obtaining advance payment from large customers.

Fair value of financial instruments

The carrying value of financial assets and liabilities approximate their fair value. The fair values the amount for which the assets could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transactions.

Price risk

The Company is exposed to price risk on as far as purchases of raw material and sale of sugar are concerned which are being closely monitored by management on daily bais and production and sale being carried out accordingly.

33 CAPACITY AND PRODUCTION

	CAPACITY As determined under production Capacity (Sugar) rules 1972		ACTUAL PRODUCTION	
	M.TONS	DAYS	M.TONS	DAYS
2008	27,200	160	31,579	121
2007	27,200	160	32,685	146

34 AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 05, 2009 by the Board of Directors of the company.

35 FIGURES

Figures have been rounded off to the nearest rupees.

Chief Executive

Director



BABA FARID SUGAR MILLS LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES
Sales-net	20	1,147,880,942	588,743,157
Cost of Sales	21	1,090,939,576	585,960,109
Gross Profit		56,941,366	2,783,048
Distribution Costs	22	5,077,740	5,338,402
Administrative Expenses	23	39,724,918	39,473,422
Other Operating Expenses	25	1,164,205	920,814
		45,966,863	45,732,638
Operating Profit / (Loss)		10,974,503	(42,949,590)
Finance Costs	26	63,637,563	96,655,754
Other Operating Income	27	26,492,597	545,490
(Loss) before taxation		(26,170,463)	(139,059,854)
Taxation	28	22,228,177	(14,688,962)
(Loss) After Taxation		(3,942,286)	(153,748,816)
(Loss) per Share-Basic & diluted	29	(0.42)	(16.27)

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive

Director