



AL-ABBAS | SUGAR Mills
Limited



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COMPANY INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Muhammad Suleman Kanjiani

CHIEF FINANCIAL OFFICER

Mirza Adal Baig

AUDIT COMMITTEE

Muhammad Iqbal Usman	Chairman
Duraid Qureshi	Member
Asim Ghani	Member

AUDITORS

Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISOR

Usmani & Iqbal
Advocate & Solicitors

BANKERS

Al-Baraka Islamic Bank
Allied Bank Limited
Bank Al-Falah Limited
Habib Bank Limited
MCB Bank Limited
Saudi Pak Commercial Bank Limited
United Bank Limited
BankIslami Pakistan Limited

REGISTERED OFFICE

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

FACTROY

Mirwah Gorchani, Distt. Mirpurkhas, Sindh

DIRECTORS' REPORT

The directors are pleased to present the financial statements for the half year ended March 31, 2007 duly reviewed by the auditors of the company.

The financial results of the company during the period under review compared with the corresponding period are summarized below:

PROFIT AND APPROPRIATION

The profit and loss account for the period under review is as follows:

	Half year ended March 31, 2007	Half year ended March 31, 2006
	<i>(Rupees in thousands)</i>	
Operating profit	104,212	48,322
Other income	4,591	2,115
	<u>108,803</u>	<u>50,437</u>
Finance costs	(20,499)	(21,891)
Profit before taxation	<u>88,304</u>	<u>28,546</u>
Taxation		
Provision for taxation	(20,274)	(12,094)
Profit after taxation	<u>68,030</u>	<u>16,452</u>

OPERATING RESULTS

During the half year under review, your company earned a pre tax profit of Rs. 88.304 million as compared to Rs. 28.546 million for the corresponding period last year. This year the crushing season was a better one as compared to last crushing season which is evident from the operating results given below. As regards the distillery division, the operating results are very encouraging as is evident from the results.

Sugar unit

The financial and operational data is given below:

Financial data

	Half year ended March 31, 2007	Half year ended March 31, 2006
	<i>(Rupees in thousands)</i>	
Sales	482,038	516,398
Cost of sales	(410,435)	(465,186)
Gross profit	71,603	51,212
Operating expenses	(26,042)	(16,723)
Finance costs	(12,536)	(9,893)
Other income	4,222	1,489

Operational data

Date of start of season	Nov. 12, 2006	Nov. 25, 2005
Date of end of season	Mar. 31, 2007	Mar. 24, 2006
No. of days worked	140	120
Crushing (M. Tons)	442,393.96	431,258.57
Production (M. Tons)	42,953.50	46,755
Recovery (%)	9.73	10.30

During the period under review, sugar unit is showing better financial results. This has been made possible by the timely strategy of management for cane procurement and better cost management.

Distillery unit

The distillery unit of your company has performed well during the half year under review and we hope this performance will continue in the rest of the year. Your company has managed to get better deals for the export of distillery products which has reflected positively on the results of the division. The financial and operational data is given below:

Financial data	Half year ended	Half year ended
	March 31,	March 31,
	2007	2006
	<i>(Rupees in thousands)</i>	
Sales	751,065	240,478
Cost of sales	(651,061)	(206,366)
Gross profit	100,004	34,112
Operating expenses	(41,353)	(20,279)
Finance costs	(7,963)	(11,998)
Other income	369	626
Operational data		
No. of days worked	- Unit - I	162
	- Unit - II	145
Production (M. Tons)	- Unit - I	10,526
	- Unit - II	9,660
Capacity attained (%)	- Unit - I	93
	- Unit - II	95

INVESTMENT IN ASSOCIATED UNDERTAKING

By the grace of Almighty Allah, your company is in the process of making investment in Al-Abbas Industries Limited (AAIL) an associated undertaking. AAIL is engaged in the business of manufacturing and sale of Calcium Carbide, Ferro Alloys, and Medium Density Fiber (MDF) Board and Power Generation. Your company shall acquire all the shares held in AAIL and to make equity investment amounting to Rs. 30.75 million and investment in the shape of loans and advances to the extent of Rs. 10 million. The extra ordinary general meeting for this purpose was held on May 18, 2007 where in the shareholders have passed the resolution with certain amendments.

FUTURE PROSPECTS

The results of the sugar division depend on the prices of sugar and government's policies towards the fixation of prices. The company expects to increase sales of sugar stock and thereby realize gross profit. Further, the management is hopeful that it would fetch better prices for its distillery products in the international market. Although the international prices of alcohol are depressed at the moment but due to the brand name and quality of product, management is confident that it would fetch better prices.

ACKNOWLEDGEMENT

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

On behalf of Board of Directors



Shunaid Qureshi
Chief Executive

Karachi: May 26, 2007



REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **AL-ABBAS SUGAR MILLS LIMITED** as at March 31, 2007, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half-year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended March 31, 2006 and March 31, 2007 have not been reviewed by us as we are required to review only the cumulative figures for the half year ended March 31, 2007.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.


Karachi: May 26, 2007

HYDER BHIMJI & CO.
Chartered Accountants

BALANCE SHEET
AS AT MARCH 31, 2007

	Note	Unaudited March 31, 2007	Audited September 30, 2006
NON-CURRENT ASSETS			
<i>(Rupees in thousands)</i>			
Property, plant and equipment		827,212	843,113
Intangible assets		-	100
		<u>827,212</u>	<u>843,213</u>
LONG TERM LOAN AND ADVANCES		1,412	656
LONG TERM DEPOSITS		1,551	1,541
CURRENT ASSETS			
Stores, spare parts and loose tools		76,190	73,879
Stock-in-trade		1,099,806	612,481
Trade debts unsecured - considered good		10,482	43,686
Loans and advances		116,008	79,907
Trade deposits and short term prepayments		4,987	12,190
Accrued mark-up		-	85
Tax refund due from Government		35,808	-
Cash and bank balances		4,084	10,907
		<u>1,347,365</u>	<u>833,135</u>
		<u>2,177,540</u>	<u>1,678,545</u>
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
17,500,000 (2005: 17,500,000) ordinary shares of Rs. 10 each		<u>175,000</u>	<u>175,000</u>
Issued, subscribed and paid-up capital		<u>173,623</u>	<u>173,623</u>
Reserves		<u>458,000</u>	<u>458,000</u>
		<u>631,623</u>	<u>631,623</u>
Unappropriated profit		<u>88,814</u>	<u>20,784</u>
Shareholders' equity		<u>720,437</u>	<u>652,407</u>
NON CURRENT LIABILITIES			
Long term financing		<u>55,910</u>	<u>93,182</u>
Deferred liabilities		<u>98,747</u>	<u>95,467</u>
		<u>154,657</u>	<u>188,649</u>
CURRENT LIABILITIES			
Trade and other payables		<u>272,002</u>	<u>270,444</u>
Accrued mark-up		<u>10,855</u>	<u>23,204</u>
Short term borrowings		<u>925,057</u>	<u>461,129</u>
Current maturity of long term financing		<u>74,545</u>	<u>74,545</u>
Provision for taxation less paid		<u>19,987</u>	<u>8,167</u>
		<u>1,302,446</u>	<u>837,489</u>
		<u>2,177,540</u>	<u>1,678,545</u>

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


Shunaid Qureshi
 Chief Executive


Asim Ghani
 Director

PROFIT AND LOSS ACCOUNT

For the half year ended March 31, 2007 (Un-audited)
(Amount in thousand except for the earning per share)

	Quarter Ended		Half Year Ended	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Turnover - net	447,711	459,051	1,233,103	756,876
Cost of sales	(368,683)	(374,366)	(1,061,496)	(671,552)
Gross profit	79,028	84,685	171,607	85,324
Distribution cost	(19,418)	(11,919)	(34,306)	(14,594)
Administrative expenses	(13,890)	(10,118)	(25,094)	(19,599)
Other operating expenses	(3,913)	(1,502)	(7,995)	(2,809)
	(37,221)	(23,539)	(67,395)	(37,002)
Finance cost	41,807	61,146	104,212	48,322
Other operating income	(12,693)	(14,384)	(20,499)	(21,891)
	4,115	1,141	4,591	2,115
Profit before taxation	33,229	47,903	88,304	28,546
Taxation	(10,554)	(12,741)	(20,274)	(12,094)
Profit after taxation	22,675	35,162	68,030	16,452
Earning per share - Basic & Diluted	1.31	2.03	3.92	0.95

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



Shunaid Qureshi
Chief Executive




Asim Ghani
Director

CASH FLOW STATEMENT

For the half year ended March 31, 2007 (Un-audited)

	March 31, 2007	March 31, 2006
<i>(Rupees in thousands)</i>		
CASH GENERATED FROM OPERATIONS		
Profit before taxation	88,304	28,546
Adjustment for:		
Depreciation	31,835	34,731
Amortization of intangible assets	100	200
Finance cost	20,499	21,891
Gain on disposal of fixed assets - net of loss	-	(201)
Provision for slow moving stores and spares	1,000	-
Deferred liabilities - Market Committee Fee	2,212	2,156
	55,646	58,777
Operating profit before working capital changes	143,950	87,323
Changes in working capital :		
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(3,311)	2,916
Stock-in-trade	(487,325)	(922,906)
Trade debts	33,204	(123,045)
Loans and advances	(35,818)	6,957
Trade deposits and short term prepayments	7,203	395
Accrued mark-up	85	-
Tax refund due from government	-	(10,649)
	(485,962)	(1,046,332)
Increase/ (decrease) in current liabilities		
Trade and other payables	1,558	(21,213)
Cash generated (used in) operations	(340,454)	(980,222)
Financial charges paid	(32,848)	(16,865)
Taxes paid	(43,194)	14,579
	(76,042)	(2,286)
Net cash generated (used in) operating activities	(416,496)	(982,508)
Cash flow from investing activities		
Capital expenditure on property, plant and equipment	(15,934)	(16,285)
Proceeds from disposal of fixed assets	-	205
Net (increase)/decrease in long term loans and advances	(1,039)	136
Net (increase)/decrease in long term deposits	(10)	2
Net cash (used) in investing activities	(16,983)	(15,942)
Cash flow from financing activities		
Repayment of long term financing	(37,272)	(221,053)
New long term financing obtained	-	205,000
Dividend paid	-	(52,087)
Net cash (used) in financing activities	(37,272)	(68,140)
Net (decrease) in cash and cash equivalents	(470,751)	(1,066,590)
Cash and cash equivalents at beginning of the year	(450,222)	(73,603)
Cash and cash equivalents at the end of the period	(920,973)	(1,140,193)

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


Shunaid Qureshi
 Chief Executive


Asim Ghani
 Director



STATEMENT OF CHANGES IN EQUITY
For the half year ended March 31, 2007 (Un-audited)

	Share capital	General reserve	Unappropriated profit	Total
	----- <i>(Rupees in thousand)</i> -----			
Balance as at October 01, 2005	173,623	458,000	68,007	699,630
Net profit for the period from 01.10.2005 to 31.03.2006	-	-	16,452	16,452
Dividend declared for the year ended September 30, 2005 @ 3 per share	-	-	(52,087)	(52,087)
Balance as at March 31, 2006	173,623	458,000	32,372	663,995
Net profit for the period from 01.04.2006 to 30.09.2006	-	-	(11,588)	(11,588)
Balance as at September 30, 2006	173,623	458,000	20,784	652,407
Net profit for the period from 01.10.2006 to 31.03.2007	-	-	68,030	68,030
Balance as at March 31, 2007	<u>173,623</u>	<u>458,000</u>	<u>88,814</u>	<u>720,437</u>

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



NOTES TO THE FINANCIAL STATEMENTS

For the half year ended March 31, 2007 (Un-audited)

1 NATURE AND STATUS OF BUSINESS

The company was incorporated in Pakistan on May 2, 1991 as a public limited company. The company's shares are quoted on the Karachi Stock Exchange. The registered office of the company is situated in Karachi.

	Division	Principal Activities	Location of undertaking	Commencement of commercial production
1	Sugar	Manufacturing and sale of sugar	Mirwah Gorchani, Mirpurkhas	December 15, 1993
2	Distillery	Manufacturing and sale of industrial alcohol	Mirwah Gorchani, Mirpurkhas	Unit I: August 20, 2000 Unit II: January 23, 2004

2 BASIS OF PREPARATION

These accounts have been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and are submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- i Property, plant and equipment.
- ii Staff retirement benefit.
- iii Income taxes.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended September 30, 2006.

4 SEASONAL PRODUCTION

Due to the seasonal availability of sugarcane, the manufacturing of sugar is carried out during the period of availability of sugarcane and cost incurred/accrued up to the reporting date have been accounted for. Accordingly, the cost incurred/accrued after the reporting date will be reported in the subsequent interim and annual financial statements.

5 TAXATION

The provision for current taxation for the period represents minimum tax on turnover and final liability will be determined on the basis of annual results.

6 RELATED PARTY TRANSACTIONS

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Comparable Uncontrolled Price Method except for the allocation of expenses such as electricity, gas, water, repair and maintenance relating to head office, shared with associated companies, which are based on the advices received.

	March 31, 2006	March 31, 2005
	<i>(Rupees in thousands)</i>	
Purchases		
Thatta Cement Company Limited (Cement)	721	328
Al- Abbas Cement Industries Limited (Cement)	<u>185</u>	<u>-</u>
Interest expense	<u>-</u>	<u>1,103</u>

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no change in contingencies as these appearing in the financial statements for the year ended September 30, 2006.

7.2 Commitments

Commitments in respect of capital expenditure amounts Rs. 16 million (September, 2006: Rs. 20 million) which includes letter of credit of Rs. 12 million (September, 2006: Rs. 14.74 million).

	Un-audited March 31, 2007		Audited Septemehr 30, 2006	
	Additions	Disposals	Additions	Disposals
	----- <i>(Rupees in thousand)</i> -----			

8 OPERATING ASSETS

8.1 Tangible assets

Free-hold land	-	-	11,595	-
Non factory building	289	-	-	-
Plant & machinery	781	-	-	-
Furniture and fixture	179	-	351	-
Motor vehicle	414	-	5,715	1,335
Office equipment	1,179	-	426	-
	<u>2,842</u>	<u>-</u>	<u>18,087</u>	<u>1,335</u>

	Additions	Capitalized	Additions	Capitalized
	----- <i>(Rupees in thousand)</i> -----			

8.2 Capital work in progress

Sugar				
Miscellaneous work	4,221	-	981	-
Automation process house	5,009	-	764	-
Distillery				
Biogas	727	-	3,305	-
Weigh Bridge	1,332	-	-	-
General				
Bungalow	531	-	-	-
Borrowing cost	1,271	-	1,152	-
	<u>13,091</u>	<u>-</u>	<u>6,202</u>	<u>-</u>

During the period, the manner of charging depreciation on additions and disposals of fixed assets has been changed. Now, 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. Previously, quarterly depreciation was charged in the quarter of addition and no depreciation was charged in the quarter in which the assets are disposed off.

The above change would rationalise allocation of depreciation expenses to the accounting periods in which the depreciable assets are utilized by the Company. This change has been accounted for as a change in accounting estimate. Had this estimate not been revised the profit for the period would have been lower by Rs. 0.66 million.

9 SEGMENTAL OPERATING RESULTS

	Quarter ended		Quarter ended		Quarter ended	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
	SUGAR		DISTILLERY		TOTAL	
	----- (Rupees in thousand) -----					
Turnover - net	80,664	273,093	367,047	185,958	447,711	459,051
Cost of sales	(43,839)	(221,612)	(324,844)	(152,754)	(368,683)	(374,366)
Gross profit	36,825	51,481	42,203	33,204	79,028	84,685
Distribution cost	(377)	(1,190)	(19,041)	(10,729)	(19,418)	(11,919)
Administrative expenses	(9,379)	(6,447)	(4,511)	(3,671)	(13,890)	(10,118)
Other operating expenses	(3,913)	(2,809)	-	-	(3,913)	(2,809)
	(13,669)	(10,446)	(23,552)	(14,400)	(37,221)	(24,846)
Finance cost	23,156	41,035	18,651	18,804	41,807	59,839
Other operating income	(6,523)	(7,724)	(6,170)	(6,660)	(12,693)	(14,384)
	3,815	1,002	300	139	4,115	1,141
Profit before taxation	20,448	34,313	12,781	12,283	33,229	46,596

9.1 SEGMENTAL OPERATING RESULTS

	Half year ended March 31, 2007		Half year ended March 31, 2006		Half year ended March 31, 2007		Half year ended March 31, 2006	
	SUGAR		DISTILLERY		TOTAL		TOTAL	
	----- (Rupees in thousand) -----							
Turnover - net	482,038	516,398	751,065	240,478	1,233,103	756,876	1,233,103	756,876
Cost of sales	(410,435)	(465,186)	(651,061)	(206,366)	(1,061,496)	(671,552)	(1,061,496)	(671,552)
Gross profit	71,603	51,212	100,004	34,112	171,607	85,324	171,607	85,324
Distribution cost	(1,455)	(1,585)	(32,851)	(13,009)	(34,306)	(14,594)	(34,306)	(14,594)
Administrative expenses	(16,592)	(12,329)	(8,502)	(7,270)	(25,094)	(19,599)	(25,094)	(19,599)
Other operating expenses	(7,995)	(2,809)	-	-	(7,995)	(2,809)	(7,995)	(2,809)
	(26,042)	(16,723)	(41,353)	(20,279)	(67,395)	(37,002)	(67,395)	(37,002)
Finance cost	45,561	34,489	58,651	13,833	104,212	48,322	104,212	48,322
Other operating income	(12,536)	(9,893)	(7,963)	(11,998)	(20,499)	(21,891)	(20,499)	(21,891)
	4,222	1,489	369	626	4,591	2,115	4,591	2,115
Profit before taxation	37,247	26,085	51,057	2,461	88,304	28,546	88,304	28,546



10 GENERAL

- 10.1** Figures have been rounded off to the nearest thousand of rupees.
- 10.2** These financial statements were authorized for issue by the Board of Directors on May 26, 2007 .
- 10.3** Comparative corresponding figures have been restated wherever necessary to facilitate comparison.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director