



AL-ABBAS | SUGAR Mills
Limited



Contents

Company Information	2
Directors' Report	3
Balance Sheet	5
Profit & Loss Account	6
Cash Flow Statement	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9



COMPANY INFORMATION

BOARD OF DIRECTORS

MUHAMMAD IQBAL USMAN	CHAIRMAN
SHUNAIQ QURESHI	CHIEF EXECUTIVE
MUNAWAR A. SIDDIQUI	DIRECTOR
MUNAF IBRAHIM	DIRECTOR
SHAHID ANWAR	DIRECTOR
DURAIQ QURESHI	DIRECTOR
ASIM GHANI	DIRECTOR

COMPANY SECRETARY

MUHAMMAD SULEMAN KANJIANI

CHIEF FINANCIAL OFFICER

MIRZA ADAL BAIG

AUDIT COMMITTEE

MUHAMMAD IQBAL USMAN	CHAIRMAN
DURAIQ 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 Alfalah Limited
Habib Bank Limited
MCB Bank Limited
United Bank Limited

REGISTERED OFFICE

Pardesi House, Survey No. 2/1, R. Y. 16,
Old Queens Road, Karachi - 74000

FACTORY

Mirwah Gorchani, Distt. Mirpurkhas, Sindh

DIRECTORS' REPORT

The directors are pleased to present the financial statements for the quarter ended June 30, 2006.

The performance of the company during the period under review compared with the corresponding period is summarized below:

PROFIT AND APPROPRIATION

The profit and loss account under review is as follows:

	Quarter Ended		Year to date	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	----- <i>(Rupees in thousand)</i> -----			
Operating profit	60,845	23,816	109,167	120,856
Other income	1,626	-	3,741	2,139
	<u>62,471</u>	<u>23,816</u>	<u>112,908</u>	<u>122,995</u>
Finance cost	(18,032)	(7,205)	(39,923)	(23,873)
Profit before taxation	<u>44,439</u>	<u>16,611</u>	<u>72,985</u>	<u>99,122</u>
Taxation - Current	(10,378)	(605)	(14,166)	(4,902)
- Deferred	3,536	-	(4,770)	(4,052)
	<u>(6,842)</u>	<u>(605)</u>	<u>(18,936)</u>	<u>(8,954)</u>
Profit after taxation	<u>37,597</u>	<u>16,006</u>	<u>54,049</u>	<u>90,168</u>

OPERATING RESULTS

The operating results for this quarter are showing improved figures as compared to corresponding quarter of last year for the sugar division. Whereas, the operating result of distillery division showing downward trend as compared to corresponding quarter of last year due to overall increase in prices of molasses. The main reason for better performance in sugar division was good crushing figures and better recovery percentage during the season. Further, during this quarter the off take of sugar was good which resulted in achieving such profitability.

Sugar unit

The financial data is given below:

Financial data

	Quarter ended	Quarter ended
	June 30, 2006	June 30, 2005
	----- <i>(Rupees in thousand)</i> -----	
Sales	460,651	315,650
Cost of sales	398,186	303,060
Gross profit	62,465	12,590
Operating expenses	7,975	7,935
Other income	1,437	-
Finance cost	10,403	1,410

During the quarter under review the sugar division has shown improved performance in financial results for reasons already explained above. Further, the operational results are also very encouraging which has only been possible due to timely decision and actions of the management during the crushing season. The Trading Corporation of Pakistan has also lifted 18,599 M. Tons of sugar during the period under review out of which 8,086 M. Tons of sugar was lifted during this quarter. Generally good prices in the market and good off take are factors in better performance of the sugar division.

Distillery unit

Both the units of distillery division of your company were in operation during the quarter under review. Due to the increasing demand of alcohol and high prices in the international markets, the distillery division has improved off take. Consequently your company has exported 10,143 M.Tons of industrial alcohol during the quarter. However, due to sharp rise in prices of molasses the impact is not forthcoming. The detailed financial and operational data is given below:

Financial data

	Quarter ended June 30, 2006	Quarter ended June 30, 2005
..... (Rupees in thousand).....		
Sales	345,208	333,276
Cost of sales	316,731	292,474
Gross profit	28,477	40,802
Operating expenses	18,535	20,767
Other income	189	-
Finance cost	7,629	5,795

Operational data

No. of days worked	- Unit - I	71	86
	- Unit - II	85	58
Production (M. Tons)	- Unit - I	5,010	5,119
	- Unit - II	5,716	3,392
Capacity attained (%)	- Unit - I	101	85
	- Unit - II	96	84

FUTURE PROSPECTS

The current economic conditions are favorable for the sugar division of your company. In the current scenario future prospects of your company are greatly dependant on the prevailing good prices of sugar and seasonal rains. Further, your management is of the opinion that since the prices of sugar is on the up in the international market which will result in stabilizing the prices in the local market.

The distillery division is expected to perform well in future however the profitability may not improve drastically. The management of your company is aware of the changing scenarios relating to the international markets both EU and non-EU. The management is also looking for other markets where it can export its products and also maintain its profitability. Your company being an old player in this industry has edge over its new counterparts who have recently setup distilleries in Pakistan.

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 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: July 29, 2006

BALANCE SHEET

AS AT JUNE 30, 2006

	Note	June 30, 2006	September 30, 2005
.....(Rupees in thousand).....			
NON CURRENT ASSETS			
FIXED ASSETS			
Property, plant and equipment	8	855,350	887,300
Intangible asset		<u>200</u>	<u>500</u>
		855,550	887,800
LONG TERM LOANS AND ADVANCES		772	1,013
LONG TERM DEPOSITS		1,525	1,527
CURRENT ASSETS			
Stores, spare parts and loose tools		76,004	76,378
Stock-in-trade		1,176,377	555,913
Trade debts unsecured - considered good		155,910	8,014
Loans and advances		166,850	111,294
Deposits, prepayments and other receivables		25,888	26,371
Tax refund due from Government		8,273	6,810
Cash and bank balances		8,152	6,665
		<u>1,617,454</u>	<u>791,445</u>
		<u>2,475,301</u>	<u>1,681,785</u>
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
17,500,000 (2004: 17,500,000)			
ordinary shares of Rs. 10 each		<u>175,000</u>	<u>175,000</u>
Issued, subscribed and paid-up capital		173,623	173,623
Reserve		<u>458,000</u>	<u>458,000</u>
		631,623	631,623
Unappropriated profit		69,969	68,007
Shareholders' equity		<u>701,592</u>	<u>699,630</u>
NON CURRENT LIABILITIES			
Long term financing		111,819	-
Deferred liabilities		<u>85,151</u>	<u>78,848</u>
		196,970	78,848
CURRENT LIABILITIES			
Trade and other payables		507,998	596,190
Accrued mark-up		17,483	5,796
Short term borrowings		976,713	80,268
Current maturity of long term financing		74,545	221,053
		<u>1,576,739</u>	<u>903,307</u>
CONTINGENCIES AND COMMITMENTS	9	-	-
		<u>2,475,301</u>	<u>1,681,785</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 PERIOD ENDED JUNE 30, 2006

	Quarter Ended		Year to date	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	----- <i>(Rupees in thousand)</i> -----			
Net sales	805,859	648,926	1,562,735	1,508,319
Less: Cost of sales	(714,917)	(595,534)	(1,387,776)	(1,307,028)
Gross profit	<u>90,942</u>	<u>53,392</u>	<u>174,959</u>	<u>201,291</u>
Operating expenses:				
- Distribution cost	(16,426)	(18,588)	(31,020)	(45,575)
- Administrative expenses	(10,084)	(10,114)	(29,683)	(29,643)
- Other operating expenses	(3,587)	(874)	(5,089)	(5,217)
	<u>(30,097)</u>	<u>(29,576)</u>	<u>(65,792)</u>	<u>(80,435)</u>
Operating profit	60,845	23,816	109,167	120,856
Add: Other operating income	1,626	-	3,741	2,139
	<u>62,471</u>	<u>23,816</u>	<u>112,908</u>	<u>122,995</u>
Less: Finance cost	(18,032)	(7,205)	(39,923)	(23,873)
Profit before taxation	44,439	16,611	72,985	99,122
Less: Taxation - Current	(10,378)	(605)	(14,166)	(4,902)
Less: Taxation - Deferred	3,536	-	(4,770)	(4,052)
	<u>(6,842)</u>	<u>(605)</u>	<u>(18,936)</u>	<u>(8,954)</u>
Profit after taxation	<u>37,597</u>	<u>16,006</u>	<u>54,049</u>	<u>90,168</u>
Earning per share - Rupees	<u>2.165</u>	<u>0.922</u>	<u>3.113</u>	<u>5.193</u>

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

Appropriations have been reflected in statement of changes in equity.



Shunaid Qureshi
Chief Executive

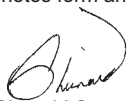


Asim Ghani
Director

CASH FLOW STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2006

	June 30, 2006	June 30, 2005
 (Rupees in thousand)	
Cash generated from operations		
Profit before taxation	72,985	99,122
Adjustment for:		
Depreciation	51,650	55,851
Amortization of intangible assets	300	308
Finance cost	39,923	23,873
Gain on disposal of fixed assets	(268)	-
Deferred liabilities - Market Committee Fee	2,156	1,719
	<u>93,761</u>	<u>81,751</u>
Operating profit before working capital changes	166,746	180,873
Changes in working capital :		
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	374	(2,204)
Stock-in-trade	(620,464)	(171,899)
Trade debts	(147,896)	7,821
Loans and advances	(67,909)	105,968
Deposits, prepayments and other receivables	483	3,809
Tax refund due from Government	(1,463)	-
	<u>(836,875)</u>	<u>(56,505)</u>
Increase/ (decrease) in current liabilities		
Trade and other payables	(102,168)	(4,904)
Cash generated from operations	<u>(772,297)</u>	119,464
Financial cost paid	(28,236)	(21,644)
Taxes paid	11,340	(10,237)
Net cash generated from operating activities	<u>(789,193)</u>	87,583
Cash flow (utilized towards)/from investing activities		
Capital expenditure on property, plant and equipment	(19,833)	(16,585)
Proceeds from disposal of fixed assets	400	-
Net increase/ (decrease) in long term loans and advances	237	(323)
Net increase/ (decrease) in long term deposits	2	(118)
Net cash used in investing activities	<u>(19,194)</u>	(17,026)
Cash flow from/(utilized towards) financing activities		
Repayment/Redemption of long term financing	(221,053)	(55,263)
New long term financing obtained	186,364	-
Dividend paid	(51,882)	(60,002)
Net cash flow (utilized towards)/from financing activities	<u>(86,571)</u>	(115,265)
Net increase/ (decrease) in cash and cash equivalents	<u>(894,958)</u>	(44,708)
Cash and cash equivalents at beginning of the year	(73,603)	14,538
Cash and cash equivalents at the end of the period	<u><u>(968,561)</u></u>	<u><u>(30,170)</u></u>

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 PERIOD ENDED JUNE 30, 2006

	Share capital	General reserve	Unappropriated profit	Total
	----- <i>(Rupees in thousand)</i> -----			
Balance as at September 30, 2004	173,623	458,000	65,344	696,967
Net profit for the period	-	-	90,168	90,168
Final dividend for the year ended September 30, 2004 @ 35%	-	-	(60,768)	(60,768)
Balance as at June 30, 2005	<u>173,623</u>	<u>458,000</u>	<u>94,744</u>	<u>726,367</u>
Balance as at September 30, 2005	173,623	458,000	68,007	699,630
Net profit for the period	-	-	54,049	54,049
Final dividend for the year ended September 30, 2005 @ 30%	-	-	(52,087)	(52,087)
Balance as at June 30, 2006	<u>173,623</u>	<u>458,000</u>	<u>69,969</u>	<u>701,592</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 PERIOD ENDED JUNE 30, 2006

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
Sugar	Manufacturing and sale of sugar	Mirwah Gorchani, Mirpurkhas	December 15, 1993
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.

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, 2005.

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 STOCK IN TRADE

The Company has executed an agreement for sale of sugar with Trading Corporation of Pakistan (TCP) and the Company has also received 100% of amount against sale of sugar while the company has deposited 5% amount with TCP as bid money refundable at the time of delivery. The stock in trade includes 7,767 M. Tons of sugar, the sale of which has not been recorded pending delivery of goods.

Stock in trade also includes 6,120 M.Tons of white refined sugar imported during the period, the net realisable value of which is Rs. 183.978 million.

6 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.

7 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.

	June 30, 2006	June 30, 2005
 (Rupees in thousand)	
Purchases	<u>328</u>	<u>1,338</u>
Interest expense	<u>1,103</u>	<u>2,066</u>

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Tangible assets

	June 30, 2006		September 30, 2005	
	Additions	Disposals	Additions	Disposals
	----- <i>(Rupees in thousand)</i> -----			
Freehold land	10,426	-	-	-
Main factory building - Distillery	-	-	638	-
Non factory building	-	-	1,494	-
Furniture and fittings	274	-	150	-
Motor vehicle	4,214	(460)	7,755	-
Office equipment	158	-	499	-
Tools and tackles	309	-	91	-
	<u>15,381</u>	<u>(460)</u>	<u>10,627</u>	<u>-</u>

8.2 Capital work in progress

	June 30, 2006		September 30, 2005	
	Additions	Capitalized	Additions	Capitalized
	----- <i>(Rupees in thousand)</i> -----			
Bungalow	-	-	82	-
Biogas - Distillery	2,331	-	7,506	-
Miscellaneous work - Sugar	981	-	687	-
	<u>3,312</u>	<u>-</u>	<u>8,275</u>	<u>-</u>

8.3 Intangible assets

	June 30, 2006		September 30, 2005	
	Additions	Amortization	Additions	Amortization
	----- <i>(Rupees in thousand)</i> -----			
Computer software	-	300	-	215

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- (a) The Company has entered into an agreement dated June 19, 2003 with M/s. Karachi Tanks Terminal (Pvt) Limited (KTTL) for purchase of a plot along with construction, tanks and installation for a consideration of Rs. 50 million. As per the Agreement the Company has deposited in the Honorable High Court of Sindh an amount of Rs. 20.9 million and K TTL besides other acts was required to obtain release of all attachments of the Honorable High Court and satisfaction of the Decree in Execution Application. In case the Court not vacating the attachments or permitting sale, the amount paid will be refunded along with 10% per annum as financial charges due to blockage of funds and the agreement shall stand cancelled. In response to public notice, Company received objection from two parties. The matter is pending before the Honorable High Court for adjudication. Pending the outcome of the decision, the Company as a matter of prudence and uncertainty involved has not recorded interest income.
- (b) The Income Tax department has filed appeal before the Honorable Income Tax Tribunal against orders of Commissioner Income Tax (Appeal) for the accounting year 1999 to 2001 involving reduction in unabsorbed losses amounting to Rs. 41.9 million and payment of tax u/s 12 (9) (A) of Income Tax Ordinance 1979 of Rs. 12.8 million. However, as a matter of prudence, the company has accounted for all liabilities arising from such assessments involving tax impact of Rs. 27.47 million.

	June	September
	30, 2006	30, 2005
	----- <i>(Rupees in thousand)</i> -----	
9.2 Commitments		
Commitments in respect of capital expenditure	<u>20,000</u>	<u>12,400</u>
Outstanding letters of credit amount	<u>1,000</u>	<u>2,300</u>

10 SEGMENTAL OPERATING RESULTS

10.1 For the quarter ended June 30, 2006

	Quarter ended		Quarter ended		Quarter ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	SUGAR		DISTILLERY		TOTAL	
	<i>(Rupees in thousand)</i>					
Sales	460,651	315,650	345,208	333,276	805,859	648,926
Cost of goods sold	(398,186)	(303,060)	(316,731)	(292,474)	(714,917)	(595,534)
Trading profit	62,465	12,590	28,477	40,802	90,942	53,392
Distribution cost	(714)	(1,298)	(15,712)	(17,290)	(16,426)	(18,588)
Administrative expenses	(7,261)	(6,637)	(2,823)	(3,477)	(10,084)	(10,114)
	(7,975)	(7,935)	(18,535)	(20,767)	(26,510)	(28,702)
Operating profit	54,490	4,655	9,942	20,035	64,432	24,690
Other operating income	1,437	-	189	-	1,626	-
	55,927	4,655	10,131	20,035	66,058	24,690
Finance cost	(10,403)	(1,410)	(7,629)	(5,795)	(18,032)	(7,205)
Profit for the quarter	45,524	3,245	2,502	14,240	48,026	17,485

10.2 For the period ended June 30, 2006

	Year to date		Year to date		Year to date	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	SUGAR		DISTILLERY		TOTAL	
	----- (Rupees in thousand) -----					
Sales	977,049	735,997	585,686	772,322	1,562,735	1,508,319
Cost of goods sold	(864,679)	(694,080)	(523,097)	(612,948)	(1,387,776)	(1,307,028)
Trading profit	112,370	41,917	62,589	159,374	174,959	201,291
Distribution cost	(2,299)	(2,953)	(28,721)	(42,622)	(31,020)	(45,575)
Administrative expenses	(19,590)	(19,429)	(10,093)	(10,214)	(29,683)	(29,643)
	(21,889)	(22,382)	(38,814)	(52,836)	(60,703)	(75,218)
Operating profit	90,481	19,535	23,775	106,538	114,256	126,073
Other operating income	2,926	2,090	815	49	3,741	2,139
	93,407	21,625	24,590	106,587	117,997	128,212
Finance cost	(20,296)	(6,192)	(19,627)	(17,681)	(39,923)	(23,873)
Profit for the period	73,111	15,433	4,963	88,906	78,074	104,339



11 GENERAL

11.1 Figures have been rounded off to the nearest rupees.

11.2 These financial statements were authorised for issue by the Board of Directors on July 29, 2006.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director