DIRECTORS' REPORT

Your Board is pleased to submit the audited merged financial statements of Al-Abbas Industries Limited with and into the Al-Abbas Sugar Mills Limited for the year ended September 30, 2007.

FINANCIAL RESULTS

	2007	2006
	(Rupees in thousand)	
Profit before taxation	**104,330**	31,655
Taxation	**45,188**	(26,791)
Profit after taxation	**149,518**	4,864
Un-appropriated profit brought forward	**20,784**	68,007
Profit available for appropriation	**170,302**	72,871
Appropriation: Final cash dividend @ Rs. 3 per share for the year ended September 30, 2005	**-**	(52,087)
Un-appropriated profit carried forward	**170,302**	20,784
Earnings per share - Rupees (Basic and diluted)	**8.61**	0.28

OPERATING RESULTS

During the year under review, your Company earned a pre tax profit of Rs. 104.330 million as compared to last year of Rs. 31.655 million. The main reason for increase in profit was on account of recognizing excess of acquirer interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost, in profit and loss account by Rs. 153.849 in accordance with the International Financial Reporting Standard - 3. Details of unit wise operation are given as under:

SUGAR UNIT

OPERATING DATA:

	2007	2006
	(Rupees in thousand)	
Season		
Crushing (M. Tons)	**442,394**	431,259
Recovery (%)	**9.73**	10.30
Sugar production (M. Tons)	**42,954**	46,755
Molasses production (M. Tons)	**22,660**	23,360
Number of days worked	**140**	120

FINANCIAL DATA:

	2007	2006
	(Rupees in thousand)	
Sales - Net	**1,071,861**	1,529,918
Cost of sales	**1,029,835**	1,394,734
Gross profit	**42,026**	135,184
Distribution cost	**(1,699)**	(3,107)
Segment results	**40,327**	132,077

Sugar Division:

During the year under review, the sugarcane crop was although good yet the supply was restricted due to cut-throat competition with other buyers of sugarcane. The availability of sugarcane at Government's support price remained a persistent challenge and was the main cause for lower production by 3,801 Metric tons compared to last year which directly reflected on cost of production and erosion in profitability of the Company. Other factors such as increase in fuel prices, mandatory increase in minimum wages to the workers, upward surge in mark up rate from financial institutions and simultaneous decline in sugar price caused due to competition posed by the import of enormous quantity of sugar from abroad adversely affected the profit margin. It eventually denied even playing field to the indigenous sugar industry and thereby caused losses. There is a lot to be desired on the part of the Government to evolve a rational policy to protect the industry and consumers alike.

DISTILLERY UNIT:

OPERATING DATA:

	2007 UNIT 1	2007 UNIT 2	2007 TOTAL
Production (M. Tons)	18,641	20,419	39,060
Percentage of capacity attained	91	92	92

	2006 UNIT 1	2006 UNIT 2	2006 TOTAL
Production (M. Tons)	13,688	15,436	29,124
Percentage of capacity attained	93	88	90

FINANCIAL DATA:

	2007	2006
	(Rupees in thousand)	
Sales	1,508,045	808,752
Cost of sales	1,249,799	745,768
Gross profit	258,246	62,984
Distribution cost	(79,245)	(47,355)
Segment results	179,001	(15,629)

Ethanol Division:

During the year under review, our both Units of Distillery Division performed very well attaining more than 90% capacity utilization resulting in improved overall profits of your Company. However, due to manifold increase in number of distilleries in the Country and there being no restriction on export of its raw material, the supply of molasses remained scarce. Also, there has been an increase in the supply of ethanol to the importing countries by other ethanol producing countries, the procurement of export orders at reasonable price remained a formidable task.

Medium Density Fibre Division

The subsidiary's division of MDFB has started commercial production from April 1, 2007 but due to specialized nature of its production and initial problems, the plant operated intermittently resulting in under utilization of its installed capacity. However, our product enjoys wider acceptability in the market and has created a niche in the market. As a result, the demand for our MDFB and laminated sheets has considerably increased. Your Company has planned to install a top of the line Sanding Unit to meet the additional demand of MDFB and laminated sheets so the output and profitability is likely to increase in coming years.

Chemical Division

Our Subsidiary's Chemical division is a major producer of Calcium Carbide and Ferro Alloys which fully conforms to the international standards. Our product is well accepted by the market and could cater the need of the entire country. However, due to unbridled import of Calcium Carbide from China at reduced rate of custom duty from 25% to 15% announced by the Government during last Federal Budget 2007-08, its production capacity is not fully utilized. The Management has been making vigorous efforts with the Government to restore the custom duty to its pre-budget rate of 25% so this indigenous industry is protected and put back on track.

During the year under review, the Board of Directors is of the view that your Company should be prepared to face hard times ahead to increase production and profitability of all its divisions and essentially keep its liquid assets strengthened. The Board of Directors has, therefore, not declared any dividend for the year.

FUTURE OUTLOOK

Sugar Division and Distilleries

The future outlook of your Company entirely depends on continuous availability of raw materials for its sugar division and distilleries. The procurement of raw materials for both Sugar and Ethanol remained a formidable task through out the year under review and calls for immediate supportive measures by the Government to make it possible to procure sugar cane from the growers at notified prices rather leave it on whimsical and arbitrary prices demanded by the growers. The Government on its part should restrict both the import of sugar and export of molasses to ensure that sufficient quantity is available to the local distilleries to produce value added product ethanol for export.

However, much depends upon evolvement of sound and effective sugar policy by the Government to protect and support the industry and consumers alike.

MDFB Division

The Management reasonably foresees a moderate future as regards its MDFB Division. Our product is accepted by the market and is in high demand. The Company has planned to install a fast and efficient Sanding Unit at a substantial cost to produce the board with smooth surface to cater the need of our in-house lamination plant and at the same time to sell the surplus boards to other lamination units. The demand for our lamination sheet is much higher so the increased production would certainly contribute towards maximum capacity utilization as well as profitability of the MDFB Division.

Chemical Division

Our Chemical Division producing Calcium Carbide has moderate to lower future ahead because of an irrational decision on the part of the Government to reduce the custom duty from 25% to 15% in the recent budget. It has opened a floodgate of imports in the Country to the detrimental effect to our indigenous industry and thwarted our concerted efforts to compete with the Chinese suppliers and to substantially achieve import substitution. Should the Government restore the custom duty at 25%, this industry would not only survive but contribute towards the growth of national economy as well. The maximum capacity utilization would bring the benefits of economy of scale and shall also contribute towards the bottom line of the Company.

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

BOARD OF DIRECTORS

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

During the year ended September 30, 2007, seven meetings of Board of Directors were held and were attended as follows:

Name of Directors	Number of meetings attended
Mr. Mohammad Iqbal Usman	7
Mr. Shunaid Qureshi	6
Mr. Munawar A.Siddiqui	7
Mr. Munaf Ibrahim	7
Mr. Shahid Anwar	5
Mr. Duraid Qureshi	4
Mr. Asim Ghani	

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

AUDITORS

The retiring auditors, Messrs Hyder Bhimji & Co. Chartered Accountants being eligible, offer themselves for re-appointment. The Board of Directors, on recommendation of Audit Committee, has proposed appointment of M/s Hyder Bhimji & Co., Chartered Accountants for the year 2007-2008.

AUDIT COMMITTEE

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

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

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

PATTERN OF SHAREHOLDING

Pattern of shareholding as on September 30, 2007 according to the requirements of the Code of Corporate Governance and a statement reflecting distribution of shareholding is annexed to this report.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
b) The Company has maintained proper books of accounts.
c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) There are no doubts upon the Company's ability to continue as a going concern.

g) Statements regarding the following are annexed or are disclosed in the notes to the accounts:

- Key financial data for the last six years.
- Pattern of shareholding
- Trading in shares of the Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary
- Number of Board meetings held and attended by directors.

h) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

i) Company has not made payment against market committee fee since inception as it has been challenged in Honorable High Court of Sindh. However full provision has been made in the accounts for such liability.

j) The Company maintains Gratuity Fund for its employees. Stated below is the value of investment of the fund as on September 30, 2006, based on latest audited accounts of the fund.

- Gratuity Fund Rs. 29.021 million

ACKNOWLEDGEMENT

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

Karachi: May 30, 2008

IQBAL USMAN
Chairman

AUDITORS REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **AL-ABBAS SUGAR MILLS LIMITED** as at September 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

   We draw you attention to our report dated May 30, 2007 on merged financial statements of Al-Abbas Sugar Mills Limited for the year ended September 30, 2006 with the former Al-Abbas Industries Limited in order to effectuate the Order of the Honorable High Court of Sindh dated January 14, 2007 as stated in note number 1.2 of the annexed financial statements as per Scheme of Merger which contains our observation with respect to application of the acquisition method followed by the Company for preparation of aforesaid merged financial statements.

Hyder Bhimji & Co

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Karachi: the

BALANCE SHEET

AS AT SEPTEMBER 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment	6	**1,855,830**	843,113
Intangible assets	7	**-**	100
Long term loan and advances	8	**5,326**	656
Long term deposits		**10,018**	1,541
		1,871,174	845,410
CURRENT ASSETS			
Stores, spare parts and loose tools	9	**176,048**	73,879
Stock-in-trade	10	**384,071**	612,481
Trade debts unsecured - considered good		**143,969**	43,686
Loans and advances	11	**102,029**	79,907
Trade deposits and short term prepayments	12	**4,848**	12,190
Accrued mark-up	13	**96**	85
Tax refund due from Government		**7,243**	10,878
Cash and bank balances	14	**39,142**	10,907
		857,446	844,013
		2,728,620	1,689,423
SHARE CAPITAL AND RESERVES			
Authorized capital			
17,500,000 Ordinary shares of Rs. 10 each		**175,000**	175,000
Issued, subscribed and paid-up capital	15	**173,623**	173,623
Reserves	16	**458,000**	458,000
Unappropriated profit		**170,302**	20,784
Shareholders' equity		**801,925**	652,407
NON-CURRENT LIABILITIES			
Long term financing	17	**582,546**	93,182
Long term loans from sponsors	18	**379,825**	-
Deferred liabilities	19	**35,107**	95,467
		997,478	188,649
CURRENT LIABILITIES			
Trade and other payables	20	**413,159**	271,677
Accrued mark-up	21	**30,013**	23,204
Short term borrowings	22	**279,004**	461,129
Current maturity of long term financing	17	**193,897**	74,545
Provision for taxation		**13,144**	17,812
		929,217	848,367
CONTINGENCIES AND COMMITMENTS	23		
		2,728,620	1,689,423

The annexed notes 1 to 41 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Turnover	24	**2,727,992**	2,338,670
Cost of sales	25	**(2,515,962)**	(2,140,502)
Gross profit		**212,030**	198,168
Distribution cost	26	**(81,222)**	(50,462)
Administrative expenses	27	**(58,121)**	(45,249)
Other operating expenses	28	**(22,786)**	(3,364)
		(162,129)	(99,075)
		49,902	99,093
Finance cost	29	**(104,951)**	(72,310)
Other operating income	30	**5,530**	4,872
Excess of acquirer interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost	3	**153,849**	-
Profit before taxation		**104,330**	31,655
Taxation		**45,188**	(26,791)
Profit after taxation		**149,518**	4,864
Earnings per shares - Rupees (Basic and diluted)	37	**8.61**	0.28

The annexed notes 1 to 41 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from/ (used in) operations	38	**367,345**	(208,301)
Financial charges paid		**(121,610)**	(54,902)
Taxes paid		**(12,229)**	(11,139)
Taxes refund		**-**	26,145
		(133,839)	(39,896)
Net cash from/ (used in) operating activities		**233,506**	(248,197)
Cash flow from investing activities			
Capital expenditure on property, plant and equipment		**(32,262)**	(24,289)
Proceeds from disposal of fixed assets		**175**	901
Investment in associated company		**(30,750)**	-
Net (decrease) / increase in long term loans and advances		**(5,745)**	393
Net decrease in long term deposits		**142**	(14.00)
Net cash used in investing activities		**(68,440)**	(23,009)
Cash flow from financing activities			
Repayment of long term financing		**(74,545)**	(258,326)
Short term financing		**(182,841)**	380,861
Net proceeds from long term loans from sponsors		**115,714**	205,000
Dividend paid		**-**	(52,087)
Net cash used in financing activities		**(141,672)**	275,448
Net increase/ (decrease) in cash and cash equivalents		**23,394**	4,242
Cash and cash equivalents at the beginning of the year		**15,748**	6,665
Cash and cash equivalents at the end of the year		**39,142**	10,907

The annexed notes 1 to 41 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Share capital	RESERVE Revenue General	 Unappropriated profit	 Total	Total
	(Rupees in thousand)				
Balance as at October 01, 2005	**173,623**	**458,000**	**68,007**	**526,007**	**699,630**
Final Dividend at the rate o f Rs. 3 per share	-	-	(52,087)	(52,087)	(52,087)
Net profit for the year ended September 30, 2006	-	-	4,864	4,864	4,864
Balance as at September 30, 2006	**173,623**	**458,000**	**20,784**	**478,784**	**652,407**
Net profit for the year ended September 30, 2007	-	-	149,518	149,518	149,518
Balance as at September 30, 2007	**173,623**	**458,000**	**170,302**	**628,302**	**801,925**

The annexed notes 1 to 41 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

1 THE COMPANY AND ITS OPERATIONS

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

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

1.2 The Boards of Directors of the Company and Al-Abbas Industries Limited (AAIL), in their separate meetings approved a Scheme of Arrangement (the Scheme) in terms of sections 284-287 of the Companies Ordinance, 1984 (the Ordinance) for the amalgamation of AAIL with and into Company with effect from April 1, 2007 (effective date). The Scheme was approved by the shareholders of the Company and AAIL in their separate extra-ordinary general meetings held on November 14, 2007. The Company and AAIL has filed the proceeding of the separate Extra-ordinary meeting for sanctioning the Scheme to the Honorable High Court of Sindh at Karachi and the Court has issued the Order sanctioning the Scheme. The Certified True Copy of the Court Order has been filed with Securities and Exchange Commission of Pakistan on January 30, 2008. Pursuant to Court Order the AAIL has been amalgamated with the Company with effect from April 1, 2007. The financial statements for the year ended September 30, 2007 has now been prepared by incorporating the assets and liabilities of the then AAIL at fair value prevailing on the date of merger which is April 1, 2007.

The fair values of the property, plant and equipment has been determined by M/s Sipra & Company (Private) Limited approved valuer on the panel of valuers of the Pakistan Bankers Association, vide their report dated January 15, 2008. The Company has followed acquisition method as prescribed in IFRS - 3 (Revised) for the purpose of merger of financial statements of both the undertakings.

Consequently these financial statements has been prepared in order to determine the state of the affairs of the merged entity as at September 30, 2007. which should also supersedes the stand alone and consolidated financial statements of the Company for the year ended September 30, 2007.

2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for financial assets and liabilities which are carried at their fair values and certain employee benefits are based on actuarial valuation, impairment of assets, capitalization of borrowing cost and stock in trade which is valued at net realizable value, if it is less than the cost.

3 BUSINESS COMBINATIONS

The fair values at the date of acquisition of the identifiable assets and liabilities of AAIL during the year are as follows :

	MARCH 31 2007
Assets	
Operating fixed assets	1,068,713
Long term deposit	8,619
Stores and spares	115,784
Stock in trade	113,576
Trade debts-Unsecured	7,689
Loan, advances and other receivables	14,124
Cash and bank balances	4,841
	1,333,346
Liabilities	
Long term loans	605,756
Long term loans from sponsors	266,429
Current maturity of long term loans	77,505
Creditors, accrued and other liabilities	198,341
Taxation	716
	1,148,747
Fair value of identifiable net assets acquired	184,599
Less: Purchase price	30,750
Negative Goodwill	153,849

Business Combination are accounted for by applying the purchase method. The cost of acquisition is measured as a fair value of the assets given and the liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The excess of acquirer interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost is recognised directly in the Profit and Loss account of the Company as prescribed in IFRS - 3 (Revised).

4 STATEMENT OF COMPLIANCE

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

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Amendments to published standards and new interpretations effective in 2007

IAS 19 (Amendment) – Employee Benefits, is mandatory for the Company's accounting periods beginning on or after January 1, 2006. It introduces the options of an alternative recognition approach for actuarial gains and losses. It also add new disclosure requirements. The Company does not intend to adopt the alternative approach for recognition of actuarial gains and losses. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 20.1 to the financial statements.

5.2 Standards, interpretations and amendments to published standards that are 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, 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

• IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures;
• IAS 1 - Presentation of Financial Statements - Comprehensive revision including requiring a statements of comprehensive income;
• IAS 23 - Borrowing Cost (Revised);
• IAS 41 - Agriculture;
• IFRS 2 - Share-based Payments;
• IFRS 3 - Business Combinations;
• IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
• IFRS 6 - Exploration for and Evaluation of Mineral Resources;
• IFRS 7 - Financial Instrument: Disclosures
• IFRS 8 - Operating Segments
• IFRIC 8 - Scope of IFRS 2 Share-based Payments;
• IFRIC 9 - Reassessment of Embedded Derivatives;
• IFRIC 10 - Interim Financial Reporting and Impairment;
• IFRIC 11 - Group and Treasury Share Transactions;
• IFRIC 12 - Service Concession Arrangements; and
• IFRIC 13 - Customer Loyalty Programs.
• IFRIC 14 - The limit on defined benefit assets, minimum funding requirement and their interaction.

5.3 Property, plant and equipment

(a) Operating fixed assets

These are stated at cost less accumulated depreciation except for free-hold land, which is stated at cost.

Depreciation is charged, on a systematic basis over the useful life of the asset, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in Note 6. Assets residual value and useful lives are reviewed and adjusted appropriately at each balance sheet date. With effect from this year, 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, depreciation was charged for the full quarter in the quarter of addition and no depreciation was charged in the quarter in which the assets were disposed off.

The above change would rationalize allocation of depreciation expenses to the accounting periods in which the depreciation 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. 0.753 million.

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

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

(b) Capital work-in-progress

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

(c) Impairment

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

5.4 Intangible asset

Intangible asset is stated at cost less accumulated amortization and any impairment loss. Cost in relation to intangible asset presently includes cost of computer software and other expenses incidental to the purchase of computer software. Intangible asset is amortized from the year when this asset is available for use on the straight line method whereby the cost of an intangible asset is written off over the period which reflects the pattern in which the economic benefits associated with the asset are likely to be consumed by the Company.

5.5 Stores, spare parts and loose tools

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

5.6 Stock-in-trade

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

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

Cost in relation to stock of molasses held by distillery acquired from outside sugar mills is valued at weighted average cost whereas the molasses transferred by the sugar division to distillery division are valued on the basis mentioned in note 5.16.

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

5.7 Trade debts

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

5.8 Cash and cash equivalents

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

5.9 Taxation

(a) Current

The Company falls under the presumptive tax regime under Sections 154 and 169 of the Income Tax Ordinance, 2001, to the extent of direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements.

(b) Deferred

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

5.10 Staff retirement benefits

(a) Defined benefit gratuity scheme

The company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who have completed the qualifying period under the scheme. Contributions are made to the fund in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at September 30, 2006, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains/ losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets, at the beginning of the year, are amortized over average future service of the employees.

However, since the order of the Court for merger was received subsequent to year end the gratuity of employees of the AAIL was unfunded and reflected and merged with the financials of the Company and liability as at the balance sheet reported accordingly. The obligation of employees in the following year upon merger stands funded and will be reflected accordingly in the following year.

(b) Employees compensated absences

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

5.11 Foreign currency transaction

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

5.12 Financial instruments

(a) Recognition

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

(b) Offsetting

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

5.13 Borrowing costs

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

5.14 Provisions

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

5.15 Related party transactions

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

5.16 Inter segment pricing

Transfer between business segment are recorded at net realizable value.

5.17 Revenue recognition

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

(a) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

(b) Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.

(c) Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.

5.18 Dividend and appropriation to reserves:

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

5.19 Segment reporting

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

5.20 Critical Accounting Estimates and Judgments

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

i Property, plant and equipment (Note 5.3)

ii Staff retirement benefit (Note 5.10)

iii Income taxes (Note 5.9)

iv Estimation of Net Realizable value for stock in trade (Note 5.6)

	Note	2007	2006
		(Rupees in thousand)	
6 PROPERTY PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**1,836,157**	824,564
Capital work-in-progress	6.2	**19,673**	18,549
		1,855,830	843,113

6.1 Operating fixed assets

	COST					ACCUMULATED DEPRECIATION			Written down value as at September 30, 2007
	As at October 1, 2006	Transfer from AAIL as at April 1, 2007	Additions / deletions	As at September 30, 2007	Rate of depreciation %	As at October 1, 2006	Charge for the year / (disposal)	As at September 30, 2007	
	(Rupees in thousand)								
Free-hold land	27,129	-	-	27,129	-	-	-	-	27,129
Lease-hold land	-	51,000	-	51,000	-	-	-	-	51,000
Main factory building on free-hold land	160,196	158,273	17,739	336,208	5 to 10	78,789	11,694	90,483	245,725
Non-factory building	103,757	48,867	335	152,959	5 to 10	49,103	6,451	55,554	97,405
Plant & machinery	1,036,457	801,538	7,885	1,845,880	5 to 10	406,397	64,553	470,950	1,374,930
Furniture & fittings	5,436	336	419	6,191	10	2,375	322	2,697	3,494
Office Equipment	18,582	3,581	2,385	24,548	10	8,354	1,257	9,611	14,937
Computers	-	740	680	1,420	10	-	170	170	1,250
Tools & Tackles	3,301	967	-	4,268	10 to 20	2,344	222	2,566	1,702
Motor Vehicles	33,739	3,414	1,696 (385)	38,464	20	16,671 -	3,562 (354)	19,879	18,585
2007	1,388,597	1,068,716	31,139 (385)	2,488,067		564,033	88,231 (354)	651,911	1,836,157

	Note	2007	2006
		(Rupees in thousand)	
6.1.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	25	**82,873**	63,470
Administrative expenses	27	**5,358**	4,742
	31.4	**88,231**	68,212

6.1.2 The following operating fixed assets were disposed off during the year

Particulars	Mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of purchasers
		(Rupees in thousands)				
2007						
Vehicle	Insurance claim	385	354	31	175	EFU Insurance Company Ltd.
2006		1,335	1,071	264	901	

	COST				ACCUMULATED DEPRECIATION			
	As at Oct 1, 2005	Additions / deletions	As at Sep 30, 2006	Rate of depreciation %	As at Oct 1, 2005	Charge for the year / (disposal)	As at Sep 30, 2006	Written down value as at Sep 30, 2006
	(Rupees in thousand)							
Free-hold land	15,534	11,595	27,129	-	-	-	-	27,129
Main factory building on free-hold land	69,949	-	69,949	10	46,428	2,265	48,693	21,256
	90,247	-	90,247	10	23,685	6,411	30,096	60,151
Non-factory building on free-hold land	103,757	-	103,757	10	43,279	5,824	49,103	54,654
Plant & machinery	582,019	-	582,019	5	230,095	17,269	247,364	334,655
	454,438	-	454,438	10	127,549	31,484	159,033	295,405
Furniture & fittings	5,085	351	5,436	10	2,063	312	2,375	3,061
Office Equipment	18,156	426	18,582	10	7,294	1,060	8,354	10,228
Tools & Tackles	3,301	-	3,301	20	2,127	217	2,344	957
Motor Vehicles	29,359	5,715	35,074	20	14,372	3,370	16,671	17,068
		(1,335)	(1,335)		(1,071)			
2006	1,371,845	18,087	1,388,597		496,892	68,212	564,033	824,564
		(1,335)			(1,071)			

6.2 Capital work-in-progress

Capital work-in-progress	2007				2006			
	Opening Balance as on Oct 1, 2006	Additions during the period	Transferred to fixed assets	Closing Balance as on Sep 30, 2007	Opening Balance as on Oct 1, 2005	Additions during the year	Transfer / Capitaized	Closing Balance as on Sep 30, 2006
	(Rupees in thousand)							
Civil works								
Under construction	16,173	6,438	16,139	6,472	11,887	4,286	-	16,173
Borrowing cost capitalized	1,600	1,646	1,600	1,646	460	1,140	-	1,600
	17,773	8,084	17,739	8,118	12,347	5,426	-	17,773
Plant and machinery								
Plant and machinery								
Process house	764	7,591	-	8,355	-	764	-	764
Mill house	639	639						
Economizer	925	925						
Borrowing cost capitalized	12	1,624	-	1,636	-	12	-	12
	776	10,779	-	11,555	-	776	-	776
Total	18,549	18,863	17,739	19,673	12,347	6,202	-	18,549

7 INTANGIBLE ASSETS

	COST				ACCUMULATED			
	As at Oct 1, 2006	Additions / deletions	As at Sep 30, 2007	Rate of amortization	As at Oct 1, 2006	Charge for the period/ (deletion)	As at Sep 30, 2007	Written down value as at Sep 30, 2007
	(Rupees in thousand)							
Computer Software	1,200	-	1,200	33.33	1,100	100	1,200	-
	-	-	-	-	-	-	-	-
	1,200	-	1,200	-	1,100	100	1,200	-

	COST				ACCUMULATED			
	As at Oct 1, 2005	Additions / deletions	As at Sep 30, 2006	Rate of amortization	As at Oct 1, 2005	Charge for the period/ (deletion)	As at Sep 30, 2006	Written down value as at Sep 30, 2006
	(Rupees in thousand)							
Computer Software	1,230	-	1,230	33.33	730	400	1,130	100
	-	-	-	-	-	-	-	-
	1,230	-	1,230		730	400	1,130	100

7.1 Amortization of intangible assets has been charged to administrative expenses.

	Note	2007	2006
		(Rupees in thousand)	
8 LONG TERM LOANS AND ADVANCES			
Secured - Considered good			
Employees - Other than Directors and Chief Executive		**1,749**	1,004
Unsecured - Executives		**5,000**	-
	8.1	**6,749**	1,004
Recoverable within one year shown under current assets	11	**(1,423)**	(348)
Recoverable within five years		**5,326**	656
8.1 Balance at beginning		**1,004**	1,397
Add: Loan disbursed during the year		**6,348**	66
		7,352	1,463
Less: Recovery during the year		**(603)**	(459)
		6,749	1,004

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

8.3 Other than those as disclosed above, no loans and advances has been given to the key management personnel.

		Note	2007	2006
			(Rupees in thousand)	
9	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**139,452**	29,197
	Spare parts		**52,265**	47,328
	Loose tools		**331**	354
			192,048	76,879
	Provision for slow moving items and obsolescence	9.1	**(16,000)**	(3,000)
			176,048	73,879
9.1	**Opening balance**		**3,000**	2,000
	Provision charged for the year		**13,000**	1,000
	Closing balance		**16,000**	3,000
10	**STOCK-IN-TRADE**			
	Raw material		**136,633**	168,506
	Molasses		**110,738**	167,716
	Calcium carbide		**4,136**	-
	Ferro alloys		**7,485**	-
	MDFB		**14,076**	-
			136,435	167,716
	Work-in-process			
	Sugar		**2,024**	499
	Calcium Carbide		**807**	-
	MDFB		**9,754**	-
			12,585	499
	Finished goods		**234,853**	443,476
	Sugar		**147,229**	251,093
	Rectified spirit		**40,764**	192,383
	Calcium carbide		**11,009**	-
	MDFB		**35,851**	-
			234,853	443,476
	Others			
	Bagasse		**198**	790
			384,071	612,481

		Note	2007	2006
			(Rupees in thousand)	
11	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances to employees and key management personnel other than Directors and Chief Executive.	8	**1,423**	348
	Loans to growers - Unsecured			
	Considered good	11.1	**3,335**	4,474
	Considered doubtful		**13,465**	9,965
	Provision for loans considered doubtful		**(13,465)**	(9,965)
			-	-
			3,335	4,474
	Advances - Unsecured considered good			
	To employees against salary		**160**	389
	To employees against expense		**1,639**	952
	To suppliers and contractors		**71,447**	52,844
	Against capital expenditure	23.1	**20,900**	20,900
	Income tax paid less provision		**3,125**	-
			102,029	79,907

11.1 The rate of mark-up on such loans ranges up to 15% subject to final settlement with the respective grower.

			2007	2006
12	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits			
	Earnest money		**-**	6,596
	Others		**-**	2,510
			-	9,106
	Prepayments		**4,848**	3,084
			4,848	12,190
13	**ACCRUED MARK-UP**			
	Mark-up on growers loan		**96**	85
14	**CASH AND BANK BALANCES**			
	Cash in hand		**1,664**	478
	Cash at banks			
	Current accounts		**21,183**	6,556
	Saving accounts		**16,295**	3,873
			37,478	10,429
			39,142	10,907

		2007	2006
		(Rupees in thousand)	

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		2007	2006
17,362,300 (2006: 17,362,300) **ordinary shares of Rs. 10 each allotted for consideration paid in cash**		**173,623**	173,623

No.of shares held by the related parties - associated undertakings as on the balance sheet date 2,065,080 (2006: 2,081,800)

16 RESERVE

It represents accumulation made out of profits in past years and is kept in order to meet future exigencies.

17 LONG TERM FINANCING

		2007	2006
Long term financing - Secured			
Demand Finance	17.1	**93,182**	167,727
Term Finance	17.2	**191,739**	-
Term Finance	17.3	**156,522**	-
Term Finance	17.4	**135,000**	-
Term Finance	17.5	**200,000**	-
		776,443	167,727
Current maturity		**(193,897)**	(74,545)
		582,546	93,182

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

17.2 This represents the term loan from Standard Chartered Bank (Pakistan) Limited formerly Union Bank Limited against sanction limit of Rs. 200 million. It is secured against first registered pari passu charge over the fixed assets of the company and personal guarantee of the sponsors directors. It will be repayable in 23 quarterly installments of Rs. 8.696 million each commencing from March 31, 2005 after the grace period of 18 months. It carries mark up at the rate of 6 months T-Bill rate + 3% per annum subject to floor and cap rate of 5 percent and 13 percent respectively. Mark up will be payable quarterly. During the year, payment of four installments commencing from August 2006 to May 2007 is deferred by the bank subject to repayment of overdue principal of Rs. 8.695 million and further payment of mark up of Rs. 4.706 million which are duly paid.

17.3 This represent the term loan from Standard Chartered Bank (Pakistan) Limited formerly Union Bank Limited against sanction limit of Rs. 210 million. It is secured against first registered pari passu charge over the fixed assets of the company. and personal guarantee of sponsors directors It will be repayable in 23 quarterly installments of Rs.9.130 million each commencing from December 31, 2005. It carries mark up at the rate of 6 months KIBOR + 1.5% per annum subject to floor and cap rate of 5 percent and 13 percent respectively. Mark up will be payable quarterly. During the year, payment of four installments commencing from August 2006 to May 2007 is deferred by the bank subject to repayment of overdue principal of Rs. 9.130 million and further payment of mark up of Rs.5.899 million which are duly paid.

17.4 This represent the term loan from MCB Bank Limited against sanction limit of Rs. 140 million. It is secured against registered charge over the fixed assets of the company. It will be repayable in 28 quarterly installments of Rs. 5 million each commencing from February 2006 after the grace period of 9 months. It carries mark up at the rate of 3 months KIBOR + 2.5% per annum. Mark up will be payable quarterly. During the year, payment of six installments is deferred by the bank and remaining debt is to payable in 20 equal installments of Rs. 6.75 million each from November 30, 2007 to August 31, 2012.

17.5 This represent the term loan from Saudi Pak Bank Limited against sanction limit of Rs. 200 million. It is secured against registered charge over the fixed assets of the company. It will be repayable in 19 quarterly installments of Rs. 10.526 million each commencing from March 1 2008 . It carries mark up at the rate of 3 months KIBOR + 2.75% per annum. Mark up will be payable quarterly.

18 LONG TERM LOAN FROM RELATED PARTIES - SPONSORS (UN SECURED)

	2007	2006
	(Rupees in thousand)	
Loan from sponsors	**379,825**	-

This represents sub-ordinate interest free and un secured loan obtained from shareholders of the Company.

19 DEFERRED LIABILITIES

	Note	2007	2006
Deferred taxation	19.1	**-**	62,572
Market Committee fee	19.2	**35,107**	32,895
		35,107	95,467

19.1 Deferred taxation comprises:

	2007	2006
Deferred tax liabilities arising in respect of		
Accelerated tax depreciation	**185,614**	72,695
Deferred tax assets arising in respect of		
Provision for doubtful grower loan	**(4,713)**	(3,488)
Provision for slow moving items and obsolescence	**(5,400)**	(1,050)
Provision for market committee fee, road cess and surcharge	**(4,894)**	-
Unabsorbed tax losses	**(170,607)**	(5,585)
	(185,614)	(10,123)
	-	62,572

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

20 TRADE AND OTHER PAYABLES

	Note	2007	2006
Creditors		**322,751**	180,462
Accrued liabilities		**27,004**	5,716
Advance from customers		**35,868**	31,434
Employees Gratuity Fund	20.1	**4,821**	5,362
Workers' profit participation fund	20.2	**4,555**	1,700
Workers' welfare fund		**2,377**	646
Unclaimed dividend		**1,078**	1,527
Sales tax payable		**-**	41,620
Retention money		**7,454**	1,064
Security deposit		**4,463**	294
Others		**2,788**	1,852
		413,159	271,677

	Note	2007	2006
		(Rupees in thousand)	

20.1 Employees benefit - staff gratuity

(a) Movement in the (assets)/liabilities recognized in the balance sheet

Balance at the beginning of year	**5,362**	6,474
Charge for the year	**8,116**	5,351
Contributions made by the company during the year	**(8,657)**	(6,463)
Balance at the end of year	**4,821**	5,362

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

Current service cost	**7,674**	4,633
Interest cost	**4,320**	3,376
Expected return on plan assets	**(3,878)**	(2,658)
	8,116	5,351

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

Present value of defined benefit obligation	**57,876**	47,995
Fair value of plan assets	**(53,055)**	(43,095)
Unrecognised actuarial gain/ (losses)	**-**	462
	4,821	5,362

(d) Actuarial valuation of these plans was carried out as of September 30, 2006 using the Projected Unit Credit method. Principal actuarial assumptions used were as follows:

Expected rate of salary increase in future years	**9%**	9%
Discount rate	**9%**	9%
Expected rate of return on plan assets during the year	**9%**	9%
Average expected remaining working life of employee	**7 years**	7 years

(e) Charge for the year has been allocated as under:

Cost of sales	**7,642**	4,693
Administrative expense	**474**	658
	8,116	5,351

20.2 Workers' profit participation fund

Opening balance	**1,700**	3,710
Interest for the year	**102**	184
Contribution made during the period	**4,555**	1,700
	4,657	1,884
	6,357	5,594
Paid during the year	**(1,802)**	(3,894)
	4,555	1,700

		Note	2007	2006
			(Rupees in thousand)	
21	**ACCRUED MARK-UP**			
	Mark-up on			
	Long term financing		**23,417**	4,196
	Short term borrowing		**6,596**	19,008
			30,013	23,204
22	**SHORT TERM BORROWINGS**			
	Secured:			
	Finances utilized under the mark-up arrangements:			
	From banking companies			
	Cash / Running finances	22.1	**82,365**	243,137
	Export finance	22.2	**196,633**	212,436
			278,998	455,573
	Unsecured:			
	Book overdraft	22.3	**6**	5,556
			279,004	461,129

22.1 The aggregate finance facilities of Rs. 1,070 million (2006: Rs. 870 million) have been arranged from commercial banks. These are secured against hypothecation of current assets, pledged of stock (value of stock pledge as on the balance sheet date amounts to Rs. 182 million (2006: Rs. 207.997 million)) and present and future fixed assets of the Company. These carry mark-up ranging from 1 to 3 months KIBOR plus 1% to 1.25% per annum (2006: 1 to 3 months KIBOR plus 0.75% to 1.0% per annum) payable and chargeable quarterly in arrears. At the year end, Rs. 988 million (2006: Rs 627 million) remained unutilized.

22.2 The company has arranged foreign currency finance facility amounting to US$ 8.196 million (2006: US$ 3.83 million). The facility is secured against first registered pari passu charge on fixed assets of the company, hypothecation of current assets and pledged of stock (value of stock pledge as on the balance sheet date amounts to Nil (2006: Nil).The above facility has been obtained at the rate of 1 month LIBOR plus 1% to 1.25% (2006: 1 month LIBOR plus 1.00%) chargeable and payable quarterly.

22.3 This is due to issuance of cheques in excess of balance at bank.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

(a) The Company has entered into an agreement dated June 19, 2003 with M/s. Karachi Tanks Terminal (Pvt) Limited (KTTL) for purchase of a plot along with construction, tanks and installation for a consideration of Rs. 50 million. As per the agreement the Company has deposited in the Honourable High Court of Sindh an amount of Rs. 20.9 million and KTTL besides other acts was required to obtain release of all attachment of the Honourable High Court of Sindh and satisfaction of the Decree in Execution Application. In case the Court not vacating the attachment or permitting sale, the amount paid will be refunded along with 10% per annum as financial charges due to blockage of fund and the agreement shall stand cancelled. In response to public notice, Company received objection from two parties. The matter is pending before the Honourable High Court of Sindh for decision. Pending the outcome of the decision, the Company as a matter of prudence and uncertainty involved has not recorded interest income.

(b) The Income Tax department has filed appeals before the Honorable Income Tax Appellate Tribunal for the accounting year 1999 and 2001 involving reduction of unabsorbed losses amounting to Rs. 33.350 million whereas departmental appeal in respect of accounting year 2000 has been decided in favor of the Company involving tax loss of Rs. 9.748 million against which the department has a right of filing appeal. Further the issue of payment of tax u/s 12 (9A) of the repealed Income Tax Ordinance 1979 for the accounting year 2001 amounting to Rs. 12.852 million has been linked with the decision of the High Court on the issue, which is awaited. However, as a matter of prudence, the company has accounted for all liabilities arising from such assessments involving tax impact of Rs. 27.936 million.

23.2 Commitments

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

24 TURNOVER

	Note	2007	2006
		(Rupees in thousand)	
Gross sales			
Local		**1,476,625**	1,702,744
Export		**1,454,526**	811,636
		2,931,151	2,514,380
Less:			
Sales tax		**(203,159)**	(175,710)
		2,727,992	2,338,670

24.1 It includes exchange loss amounting to Rs. 1.655 million (2006: Rs. 2.869 million).

25 COST OF SALES

	Note	2007	2006
Cost of raw materials consumed		**1,925,779**	1,793,424
Stores and spare parts consumed		**89,676**	57,019
Salaries, wages and other benefits	20.1 (e)	**109,994**	64,759
Water, fuel and power		**91,199**	39,716
Packing materials		**24,608**	11,914
Other manufacturing expenses	25.1	**24,243**	18,752
Repairs and maintenance a		**18,136**	6,586
Depreciation	6.1.1	**82,873**	63,470
		2,366,508	2,055,640
Work-in-process			
Opening		**16,507**	1,136
Closing		**(12,585)**	(499)
		3,922	637
		2,370,430	2,056,277
Less:			
Transfer price of molasses		**(90,640)**	(90,060)
Transfer price of bagasse		**(25,768)**	(25,597)
Sale of bagasse		**(6,950)**	(300)
		(123,358)	(115,957)
Cost of goods manufactured		**2,247,072**	1,940,320
Purchases		**-**	217,907
Finished goods			
Opening		**503,742**	425,751
Closing		**(234,853)**	(443,476)
		268,889	(17,725)
		2,515,962	2,140,502

	Note	2007	2006
		(Rupees in thousand)	
25.1 Other manufacturing expenses			
Security services		**5,273**	4,171
Printing and stationery		**325**	763
Vehicle running expenses		**4,023**	2,877
Insurance expenses		**6,996**	5,353
Traveling and conveyance		**2,047**	1,774
Communication charges		**829**	736
Fees and subscription		**907**	785
Newspaper and periodicals		**30**	33
Entertainment		**2,255**	1,814
Legal and professional charges		**130**	171
Miscellaneous expenses		**1,111**	275
		23,926	18,752

26 DISTRIBUTION COST

		2007	2006
Sugar bags handling expenses		**1,634**	2,299
Export expenses		**79,310**	48,163
Transportation		**177**	-
Loading and unloading		**100**	-
		81,222	50,462

27 ADMINISTRATIVE EXPENSES

	Note	2007	2006
Salaries, allowances and other benefits	20.1 (e)	**30,690**	23,686
Rent, rates and taxes		**1,525**	1,276
Communication charges		**1,941**	1,384
Traveling and conveyance b		**2,187**	570
Printing and stationery		**1,005**	1,007
Entertainment		**1,177**	568
Consultancy charges		**1,687**	747
Vehicle running expenses		**4,108**	2,821
Repairs and maintenance		**1,534**	3,398
Insurance		**75**	177
Fees and subscription		**721**	563
Legal and professional charges		**1,855**	1,117
Auditors' remuneration	27.1	**462**	381
Charity and donations	27.2	**135**	1,412
Newspaper and periodicals		**40**	18
Utilities		**1,988**	481
Depreciation	6.1.1	**5,358**	4,742
Amortization of intangible assets	7.10	**100**	400
Miscellaneous expenses b		**1,533**	501
		58,121	45,249

		Note	2007	2006
			(Rupees in thousand)	
27.1	**Auditors' remuneration**			
	Statutory Auditors			
	Hyder Bhimji and Co.			
	Annual audit fee		**180**	175
	Half yearly audit fee		**90**	-
	Half yearly review fee		**40**	40
	Audit fee for merged financial statements		**50**	-
	Audit fee W.P.P.F. and Gratuity Fund		**-**	46
	Out of pocket expenses		**32**	50
			392	311
	Cost Auditors			
	Haroon, Zakaria and Co.			
	Audit fee		**70**	60
	Out of pocket expenses		**-**	10
			70	70
			462	381

27.2 None of the Directors or their spouses have any interest in the donee funds.

			2007	2006
28	**OTHER OPERATING EXPENSES**			
	Provision for slow moving items & obsolescence		**13,000**	1,000
	Provision for loans to growers		**3,500**	
	Workers' profit participation fund		**4,555**	1,700
	Workers' welfare fund		**1,731**	646
	Loss on disposal of fixed assets		**-**	18
			22,786	3,364
29	**FINANCE COST**			
	Mark-up on long term financing			
	Utilized under mark-up arrangement		**52,857**	13,233
	Term finance certificates		**-**	7,444
			52,857	20,677
	Mark-up on short term borrowings			
	Cash / Running finance		**30,144**	42,061
	Murabaha finance		**-**	201
	Export finance		**15,753**	7,270
			45,897	49,532
	Interest on Workers' Profit Participation Fund		**102**	184
	Bank charges and guarantee commission		**6,095**	1,917
			104,951	72,310

30 OTHER OPERATING INCOME

	Note	2007	2006
		(Rupees in thousand)	
Income from financial assets			
Interest income on loans to growers		**248**	218
Interest income		**151**	1,155
Recovery of doubtful debts		**-**	463
		399	1,836
Income from other than financial assets			
Gain on disposal of fixed assets		**144**	655
Scrap sales		**3,425**	1,438
Sale of fused oil		**480**	545
Income from Farm- net	30.1	**812**	-
Others		**270**	398
		5,131	3,036
		5,530	4,872

30.1 Income from Farm- net

	2007	2006
Income from Farm	**1,727**	-
Farm expenses	**(915)**	-
	812	-

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

31 SEGMENT REPORTING

		2007					2006		
		Sugar	Distillery	Calcium Carbide & Ferro Alloys	MDFB	Total	Sugar	Distillery	Total
		(Rupees in thousand)							
	Sales	1,071,861	1,508,045	113,064	35,022	2,727,992	1,529,918	808,752	2,338,670
	Segment results	40,327	179,001	(25,614)	(62,905)	130,809	132,077	15,629	147,706
	Unallocated Corporate Expenses:								
	Administration cost					(58,121)			(45,249)
	Finance Cost					(104,951)			(72,310)
	Other operating expenses					(22,786)			(3,364)
	Other Operating income					5,530			4,872
	Excess of acquirer interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost					153,849			-
	Taxation					45,188			(26,791)
						149,518			4,864
	Other Information								
31.1	Segment assets	641,872	517,534	657,567	523,360	2,340,333	669,171	771,046	1,440,217
	Unallocated segment assets					377,666			249,206
						2,717,999			1,689,423
31.2	Segment liabilities	272,787	249,628	730,078	333,499	1,585,992	301502	184127	485,629
	Unallocated segment liabilities					318,963			551387
						1,904,955			1,037,016
31.3	Capital expenditure	22,891	1,845	-	3,335	28,071	2807	2421	5,228
	Unallocated capital expenditure					3,587			19061
						31,658			24,289
31.4	Depreciation	28,377	33,970	15,442	10,442	88,231	29,791	38,421	68,212
	Non cash expenses other than depreciation	13,000	-	-	-	13,000	1,000	-	1,000

		Note	2007	2006
			(Rupees in thousand)	
32	**TAXATION**			
	Current			
	For the year		**(13,661)**	(11,705)
	For prior year		**(3,723)**	(623)
			(17,384)	(12,328)
	Deferred			
	For the year		**62,572**	(14,463)
			45,188	(26,791)

		2007	2006
32.1	**Relationship between tax expense and accounting profit**		
	Accounting profit for the current year	**104,330**	31,655
	Tax on income	**35.0%**	35.0%
	Adjustment due to:		
	- Effect of final tax regime of export sales	**-52.0%**	37.0%
	- Derecognition of tax losses	**-43.0%**	0.0%
	- Applicability of minimum taxation	**-13.1%**	10.0%
	- Effect of prior year taxation	**-3.6%**	2.0%
		43.3%	84.0%

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Rupees in thousand)							
Managerial remuneration	4,364	3,964	1,408	1,190	7,404	6,448	13,176	11,602
House rent allowance	1,964	1,666	634	499	3,332	2,676	5,930	4,841
Utilities	436	370	140	111	1,158	594	1,734	1,075
Telephone	54	123	8	17	-	-	62	140
Retirement benefits	600	500	200	150	915	804	1,715	1,454
Total	7,418	6,623	2,390	1,967	12,809	10,522	22,617	19,112
No. of persons	1	1	1	1	5	4	6	6

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

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

34 FINANCIAL ASSETS AND LIABILITIES

34.1 Yield/ mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield/ mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprise in a given period. The Group manages theses mismatches through risk management strategies where significant changes in gap position can be adjusted. However as at year end the Group has not exposed to yield/ mark up rate risk which are more clearly understood by the following table:

	Interest Bearing			Non Interest Bearing			Total	
	Less than one year	Over one year	Total	Less than one year	Over one year	Total	2007	2006
	(Rupees in thousand)							
Financial assets								
Trade debts	-	-	-	143,969	-	143,969	143,969	43,686
Loan and advances	3,335	-	3,335	71,607	1,749	73,356	76,691	5,867
Trade deposits	-	-	-	10,018	-	10,018	10,018	-
Accrued mark-up	-	-	-	96	-	96	96	85
Other receivables	-	-	-	-	-	-	-	-
Cash and bank balances	16,295	-	16,295	22,847	-	22,847	39,142	10,907
	19,630	-	19,630	248,537	1,749	250,286	269,916	60,545
Financial liabilities								
Long term financing	193,897	582,546	776,443	-	379,825	379,825	1,156,268	167,727
Trade and other payables	-	-	-	365,538	365,538	365,538	265,082	
Accrued mark-up	-	-	-	30,013	-	30,013	30,013	23,204
Short term borrowings	278,998	-	278,998	6	-	6	279,004	461,129
	472,895	582,546	1,055,441	395,557	379,825	775,382	1,830,823	917,142
Net financial assets/ (liabilities)	(453,265)	(582,546)	(1,035,811)	(147,020)	(378,076)	(525,096)	(1,560,907)	(856,597)

34.2 Credit risk and concentration on credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

34.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at each reporting date.

34.4 Foreign exchange risk management

The Group manages the risk by monitoring it regularly. The measures taken in this context include borrowing against goods to be exported in foreign currency.

34.5 Liquidity risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Group follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available.

34.6 Price risk

The Group is exposed to price risk as far as purchases of raw material is concerned, which is being closely monitored by management on daily basis and production being carried out accordingly.

34.7 Currency risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Group is not materially exposed to foreign currency risk on foreign currency assets and liabilities.

34.8 Risk management policies

Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

34.9 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through binding contracts.

34.10 Cash flow risk

Cash flow risk is the risk that the Group may encounter difficulty in raising funds to meet its obligations and commitments. The Group manages risk in this area by investing a major portion of Company's assets in highly liquid financial assets.

35 PLANT CAPACITY AND ACTUAL PRODUCTION

	2007	2006
Sugar Unit		
Capacity in M.Tons	**74,921**	67980
Days	**140**	120
Production in M.Tons	**42,954**	46755
Days	**292**	120
Distillery Unit		
Unit - I		
Capacity in M.Tons	**20,440**	14770
Days	**292**	211
Production in M.Tons	**18,641**	13688
Days	**292**	211
Unit - II		
Capacity in M.Tons	**22,190**	17500
Days	**317**	250
Production in M.Tons	**20,419**	15436
Days	**317**	250
Calcium Carbide and Ferro Alloys		
Capacity in M.Tons	**27,200**	-
Days	**320**	-
Production in M.Tons	**5,744**	-
MDFB Unit		
Capacity in Sheets	**960,000**	-
Days	**320**	-
Production in Sheets	**176,834**	-

35.1 Reasons for shortfall in sugar

Lesser availability of sugarcane is the main reason of shortfall in production of sugar and ultimately resulted in shortfall in production of ethanol.

35.2 Reasons for shortfall in distillery

Lesser availability of molasses is the main reason of shortfall in production distillery.

35.3 Reasons for shortfall in Calcium Carbide, Ferro Alloys and MDFB

The Company has started the commercial production of Calcium Carbide and Medium Density Fiber Board on 1st November, 2006 and 1st April, 2007 respectively. However, due to specialized nature of its production and initial teething problems, these plants operated intermittently resulting in shortfall.

	Note	2007	2006
		(Rupees in thousand)	
36 RELATED PARTY TRANSACTION			
Purchases			
Thatta Cement Company		**1,361**	93
Al-Abbas Cement Industries Ltd.		**185**	874
		1,546	967
Financial services rendered			
Jahangir Siddiqui Investment Bank Ltd.		**-**	1,103

36.1 There were no transactions with the key management personnel other than under their terms of employment, which are disclosed separately in note 32.

37 EARNINGS PER SHARE (BASIC AND DILUTED)

		2007	2006
Net profit after taxation		**149,518**	4,864
Number of ordinary shares		**17,362,300**	17,362,300
Basic earning per share - Rupees		**8.61**	0.28

There is no dilution effect on the basic earning per share of the Company as the Company has no such commitments in respect of share capital.

	Note	2007	2006
		(Rupees in thousand)	
38 CASH GENERATED FROM OPERATIONS			
Profit before taxation		**104,330**	31,655
Adjustment for:			
Depreciation		**88,231**	68,212
Amortization of intangible assets		**100**	400
Excess of acquirer interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost .		**(153,849)**	
Loan considered doubtful written back		**3,500**	(463)
Provision for slow moving items and obsolescence		**13,000**	1,000
Finance cost		**104,951**	72,310
Gain on disposal of fixed assets - net of loss		**(144)**	(637)
Deferred liabilities - Market Committee Fee		**2,212**	2,156
		58,001	142,978
Operating profit before working capital changes		**162,331**	174,633
Changes in working capital :			
(Increase)/ decrease in current assets			
Stores, spare parts and loose tools		**615**	1,499
Stock-in-trade		**341,986**	(56,568)
Trade debts		**(92,594)**	(35,672)
Loans and advances		**(13,505)**	19,457
Trade deposits and short term prepayments		**10,502**	14,104
Accrued mark-up		**(11)**	(77)
Other receivables		**(3,135)**	69
		240,723	(57,188)
Increase/ (decrease) in current liabilities			
Trade and other payables		**(35,709)**	(325,746)
Cash generated from (used in) operations		**367,345**	(208,301)

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on May 30, 2008. by the Board of Directors of the Company.

40 CORRESPONDING FIGURES

The following changes have been made in the corresponding figures for better presentations:

Note	Reclassification from component	Note	Reclassification to component
24	Wastage removal expense	24	Repair and maintenance
11	Income tax paid less provision	Balance sheet	Provision for taxation
11	Income tax paid less provision	19	Trade and other payables
24	Stores and spares	24	Packing material

Short term financing previously form the part of cash and cash equivalent in cash flow statement, now it reclassify and included in cash flow from financing activities in order to achieve better presentation.

41 GENERAL

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director