



AL-ABBAS | SUGAR Mills
Limited



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COMPANY INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Muhammad Suleman Kanjani

CHIEF FINANCIAL OFFICER

Mirza Adal Baig

AUDIT COMMITTEE

Muhammad Iqbal Usman	Chairman
Duraid Qureshi	Member
Asim Ghani	Member

AUDITORS

Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISOR

Usmani & Iqbal
Advocate & Solicitors

BANKERS

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

REGISTERED OFFICE

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

FACTROY

Mirwah Gorchani, Distt. Mirpurkhas, Sindh

DIRECTORS' REPORT

The directors are pleased to present the financial statements for the nine months ended June 30, 2007.

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

PROFIT AND APPROPRIATION

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

	Nine months ended June 30, 2007	Nine months ended June 30, 2006
(Rupees in thousand).....	
Operating profit / (loss)	121,407	109,167
Other income	11,263	3,741
	<u>132,670</u>	<u>112,908</u>
Finance costs	<u>(42,358)</u>	<u>(39,923)</u>
Profit / (loss) before taxation	90,312	72,985
Taxation:		
Provision for taxation	<u>(18,798)</u>	<u>(18,936)</u>
Profit / (loss) after taxation	<u>71,514</u>	<u>54,049</u>

OPERATING RESULTS

During the nine months ended under review, your company earned a pre tax profit of Rs. 90.312 million as compared to Rs. 72.985 million for the corresponding period last year. This year the crushing season was a better one as compared to last crushing season which is evident from the operating results given below. As regards the distillery division, the operating results are very encouraging as is evident from the results.

Sugar unit

The financial and operational data is given below:

Financial data

	Nine months ended June 30, 2007	Nine months ended June 30, 2006
(Rupees in thousand).....	
Sales	716,809	977,049
Cost of sales	633,539	862,964
Gross profit	83,270	114,085
Operating expenses	35,367	28,693
Finance costs	28,423	20,296
Other income	10,664	2,926

Operational data

Date of start of season	November 12, 2006	November 25, 2005
Date of end of season	March 31, 2007	March 24, 2006
No. of days worked	140	120
Crushing (M. Tons)	442,393.96	431,258.57
Production (M. Tons)	42,953.50	46,755.00
Recovery (%)	9.73	10.30

During the nine months ended June 30, 2007, the results of sugar division are not so encouraging. This is due to the volatile behavior of sugar sales price and continued pressure on it coupled with the policy of the government for not letting the market forces to play freely to determine the sugar price has caused loss to the industry and company as well. However, if the government abstains from making sugar available at lower rates, this would result in benefit to the industry as a whole.

Distillery unit

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

Financial data

	Nine months ended June 30, 2007	Nine months ended June 30, 2006
	----- <i>(Rupees in thousand)</i> -----	
Sales	1,098,981	585,686
Cost of sales	950,585	523,097
Gross profit	148,396	62,589
Operating expenses	74,892	38,814
Finance costs	13,935	19,627
Other income	599	815

Operational data

No. of days worked	- Unit - I	241	71
	- Unit - II	229	85
Production (M. Tons)	- Unit - I	15,505	5,010
	- Unit - II	15,358	5,716
Capacity attained (%)	- Unit - I	92	101
	- Unit - II	96	96

MERGER OF WHOLLY OWNED SUBSIDIARY

The board of directors has given their approval for merger scheme through which wholly owned subsidiary - Al-Abbas Industries Limited would be merged with Al-Abbas Sugar Mills Limited. The said scheme will be filed with the Honorable High Court of Sindh through merger petition.

FUTURE PROSPECTS

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

ACKNOWLEDGEMENT

The company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every member of the Al-Abbas Sugar Mills Limited 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 25, 2007

BALANCE SHEET

AS AT JUNE 30, 2007

	Unaudited June 30, 2007 (Rupees in thousand)	Audited September 30, 2006
NON-CURRENT ASSETS		
Property, plant and equipment	817,175	843,113
Intangible assets	-	100
	817,175	843,213
LONG TERM INVESTMENT	30,750	-
LONG TERM LOAN AND ADVANCES	1,126	656
LONG TERM DEPOSITS	1,551	1,541
CURRENT ASSETS		
Stores, spare parts and loose tools	80,857	73,879
Stock-in-trade	848,869	612,481
Trade debts unsecured - considered good	8,762	43,686
Loans and advances	74,139	79,907
Trade deposits and short term prepayments	6,380	12,190
Accrued mark-up	6	85
Tax refund due from Government	38,662	-
Cash and bank balances	10,778	10,907
	1,068,453	833,135
	1,919,055	1,678,545
SHARE CAPITAL AND RESERVES		
Share capital		
Authorized		
17,500,000 (2005: 17,500,000) ordinary shares of Rs. 10 each	175,000	175,000
Issued, subscribed and paid-up capital	173,623	173,623
Reserves	458,000	458,000
	631,623	631,623
Unappropriated profit	92,298	20,784
Shareholders' equity	723,921	652,407
NON CURRENT LIABILITIES		
Long term financing	37,273	93,182
Deferred liabilities	96,437	95,467
	133,710	188,649
CURRENT LIABILITIES		
Trade and other payables	274,281	270,444
Accrued mark-up	14,130	23,204
Short term borrowings	679,183	461,129
Current maturity of long term financing	74,545	74,545
Provision for taxation less paid	19,285	8,167
	1,061,424	837,489
	1,919,055	1,678,545

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



Shunaid Qureshi
Chief Executive



Asim Ghani
Director

PROFIT AND LOSS ACCOUNT

For the quarter and nine months ended June 30, 2007(Un-audited)
(Amount in thousand except for the earning per share)

	Quarter Ended		Nine months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Turnover - net	582,687	805,859	1,815,790	1,562,735
Cost of sales	(522,628)	(714,509)	(1,584,124)	(1,386,061)
Gross profit	60,059	91,350	231,666	176,674
Distribution cost	(29,307)	(16,426)	(63,613)	(31,020)
Administrative expenses	(13,120)	(10,084)	(38,214)	(29,683)
Other operating expenses	(437)	(3,995)	(8,432)	(6,804)
	(42,864)	(30,505)	(110,259)	(67,507)
	17,195	60,845	121,407	109,167
Finance costs	(21,859)	(18,032)	(42,358)	(39,923)
Other operating income	6,672	1,626	11,263	3,741
Profit before taxation	2,008	44,439	90,312	72,985
Taxation	1,476	(6,842)	(18,798)	(18,936)
Profit after taxation	3,484	37,597	71,514	54,049
Earning per share - Basic & Diluted	0.20	2.165	4.12	3.11

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



Shunaid Qureshi
Chief Executive




Asim Ghani
Director

CASH FLOW STATEMENT

For the nine months ended June 30, 2007(Un-audited)

	June 30, 2007	June 30, 2006
	<i>(Rupees in thousand)</i>	
CASH GENERATED FROM OPERATIONS		
Profit before taxation	90,312	72,985
Adjustment for:		
Depreciation	47,260	51,650
Amortization of intangible assets	100	300
Finance costs	42,358	39,923
Gain on disposal of fixed assets - net of loss	(144)	(268)
Provision for slow moving stores and spares	1,000	-
Deferred liabilities - Market Committee Fee	2,212	2,156
	92,786	93,761
Operating profit before working capital changes	183,098	166,746
Changes in working capital :		
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(7,978)	374
Stock-in-trade	(236,388)	(620,464)
Trade debts	34,924	(147,896)
Loans and advances	6,152	(67,909)
Trade deposits and short term prepayments	5,810	483
Accrued mark-up	79	-
Tax refund due from government	-	(1,463)
	(197,401)	(836,875)
Increase/ (decrease) in current liabilities		
Trade and other payables	3,837	(102,168)
Cash (used in) operations	(10,466)	(772,297)
Financial charges paid	(51,432)	(28,236)
Taxes paid	(47,584)	11,340
	(99,016)	(16,896)
Net cash (used in) operating activities	(109,482)	(789,193)
Cash flow from investing activities		
Capital expenditure on property, plant and equipment	(21,353)	(19,833)
Proceeds from disposal of fixed assets	175	400
Investment in subsidiary company	(30,750)	-
Net (increase) / decrease in long term loans and advances	(854)	237
Net (increase) /decrease in long term deposits	(10)	2
Net cash (used in) investing activities	(52,792)	(19,194)
Cash flow from financing activities		
Repayment of long term financing	(55,909)	(221,053)
New long term financing obtained	-	186,364
Dividend paid	-	(51,882)
Net cash (used in) financing activities	(55,909)	(86,571)
Net (decrease) in cash and cash equivalents	(218,183)	(894,958)
Cash and cash equivalents at beginning of the year	(450,222)	(73,603)
Cash and cash equivalents at the end of the period	(668,405)	(968,561)

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 nine months ended June 30, 2007(Un-audited)

	Share capital	General reserve	Unappropriated profit	Total
	<i>(Rupees in thousand)</i>			
Balance as at October 01, 2005	173,623	458,000	68,007	699,630
Net profit for the period from 01.10.2005 to 30.06.2006	-	-	54,049	54,049
Dividend declared for the year ended September 30, 2005 @ Rs. 3 per share	-	-	(52,087)	(52,087)
Balance as at June 30, 2006	173,623	458,000	69,969	701,592
Net profit for the period from 01.07.2006 to 30.09.2006	-	-	(49,185)	(49,185)
Balance as at September 30, 2006	173,623	458,000	20,784	652,407
Net profit for the period from 01.10.2006 to 30.06.2007	-	-	71,514	71,514
Balance as at June 30, 2007	173,623	458,000	92,298	723,921

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 nine months ended June 30, 2007(Un-audited)

1 NATURE AND STATUS OF BUSINESS

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

Division	Principal Activities	Location of undertaking	Commencement of commercial production
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

During the quarter the company acquired 100% shares of Al-Abbas Industries Limited which deals in manufacture and sale of calcium carbide, medium density fiber board (MDF) and ferro alloys. As provided in IAS 34 (14) the entity's recent annual financial statements were not consolidated and thus not comparative hence consolidated financial statements are not prepared.

2 BASIS OF PREPARATION

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements 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 judgement was exercised in application of accounting policies are as follows:

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

3 ACCOUNTING POLICIES

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

The following new accounting policy is adopted as stated below:

Long Term Investment - Subsidiary Company

Investment in subsidiary is measured at cost as per requirement of IAS 27 "Consolidated Financial Statement and Accounting for investment in subsidiaries". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investment and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of impairment loss is recognized as income.

4 SEASONAL PRODUCTION

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

5 TAXATION

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

6 RELATED PARTY TRANSACTIONS

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

	June 30, 2007	June 30, 2006
	<i>(Rupees in thousand)</i>	
Purchases		
Thatta Cement Company Limited (Cement)	1,144	328
Al-Abbas Cement Industries Limited (Cement)	<u>185</u>	<u>-</u>
Interest expense	<u>-</u>	<u>1,103</u>

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

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

7.2 Commitments

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

8 PROPERTY, PLANT AND EQUIPMENT	Un-audited June 30, 2007		Audited September 30, 2006	
	Additions	(Disposals)	Additions	(Disposals)
8.1 Tangible assets	<i>(Rupees in thousand)</i>			
Free-hold land	-	-	11,595	-
Non factory building	335	-	-	-
Plant & machinery	781	-	-	-
Furniture and fixture	200	-	351	-
Motor vehicle	416	(385)	5,715	(1,335)
Office equipment	1,454	-	426	-
	<u>3,186</u>	<u>(385)</u>	<u>18,087</u>	<u>(1,335)</u>
8.2 Capital work in progress	Additions	Capitalized	Additions	Capitalized
	<i>(Rupees in thousand)</i>			
Sugar				
Miscellaneous work - Sugar	5,478	-	981	-
Automation process house -Sugar	6,918	-	764	-
Economizer	666	-	-	-
Distillery				
Biogas - Distillery	935	-	3,305	-
Weigh Bridge - Distillery	1,458	-	-	-
General				
Bungalow	531	-	-	-
Borrowing cost	2,181	-	1,152	-
	<u>18,167</u>	<u>-</u>	<u>6,202</u>	<u>-</u>

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

The above change would rationalise allocation of depreciation expenses to the accounting periods in which the 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. 0.66 million.

	June 30, 2007	September 30, 2006
	<i>(Rupees in thousand)</i>	
9 LONG TERM INVESTMENT		
Unquoted		
Subsidiary Company (wholly owned)		
Al-Abbas Industries Limited	30,750	-
30,750,000 (2006: Nil) ordinary shares of Rs. 10/- each	<u>30,750</u>	<u>-</u>

10 SEGMENTAL OPERATING RESULTS

For the quarter ended June 30, 2007 (Un-audited)

	Quarter ended		Quarter ended		Quarter ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	SUGAR		DISTILLERY		TOTAL	
	----- (Rupees in thousand) -----					
Turnover - net	234,771	460,651	347,916	345,208	582,687	805,859
Cost of sales	(223,104)	(397,778)	(299,524)	(316,731)	(522,628)	(714,509)
Gross profit	11,667	62,873	48,392	28,477	60,059	91,350
Distribution cost	(143)	(714)	(29,164)	(15,712)	(29,307)	(16,426)
Administrative expenses	(8,745)	(7,261)	(4,375)	(2,823)	(13,120)	(10,084)
Other operating expenses	(437)	(3,995)	-	-	(437)	(3,995)
Finance costs	(9,325)	(11,970)	(33,539)	(18,535)	(42,864)	(30,505)
Other operating income	2,342	50,903	14,853	9,942	17,195	60,845
	(15,887)	(10,403)	(5,972)	(7,629)	(21,859)	(18,032)
Profit/ (loss) before taxation	6,442	1,437	230	189	6,672	1,626
	(7,103)	41,937	9,111	2,502	2,008	44,439

10.1 SEGMENTAL OPERATING RESULTS

For the nine months ended June 30, 2007 (Un-audited)

	SUGAR		DISTILLERY		TOTAL	
	Nine Months ended June 30, 2007	June 30, 2006	Nine Months ended June 30, 2007	June 30, 2006	Nine Months ended June 30, 2007	June 30, 2006
	----- (Rupees in thousand) -----					
Turnover - net	716,809	977,049	1,098,981	585,686	1,815,790	1,562,735
Cost of sales	(633,539)	(862,964)	(950,585)	(523,097)	(1,584,124)	(1,386,061)
Gross profit	83,270	114,085	148,396	62,589	231,666	176,674
Distribution cost	(1,598)	(2,299)	(62,015)	(28,721)	(63,613)	(31,020)
Administrative expenses	(25,337)	(19,590)	(12,877)	(10,093)	(38,214)	(29,683)
Other operating expenses	(8,432)	(6,804)	-	-	(8,432)	(6,804)
Finance costs	(35,367)	(28,693)	(74,892)	(38,814)	(110,259)	(67,507)
Other operating income	47,903	85,392	73,504	23,775	121,407	109,167
	(28,423)	(20,296)	(13,935)	(19,627)	(42,358)	(39,923)
Profit before taxation	10,664	2,926	599	815	11,263	3,741
	30,144	68,022	60,168	4,963	90,312	72,985



11 GENERAL

- 11.1 Figures have been rounded off to the nearest thousand of rupees.
- 11.2 These financial statements were authorized for issue by the Board of Directors on July 25, 2007.
- 11.3 Comparative corresponding figures have been restated wherever necessary to facilitate comparison.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director