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## COMPANY INFORMATION

### BOARD OF DIRECTORS

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

### COMPANY SECRETARY

Khursheed Anwer

### CHIEF FINANCIAL OFFICER

Zuhair Abbas - ACA

### AUDIT COMMITTEE

Muhammad Iqbal Usman	Chairman
Duraïd Qureshi	Member
Asim Ghani	Member

### AUDITORS

Hyder Bhimji & Co. Chartered Accountant

### 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  
Standard Chartered Bank Limited  
United Bank Limited

### REGISTERED OFFICE

2nd Floor, Pardesi House, Survey No. 2/1,  
R.Y. 16, Old Queens Road, Karachi - 74000  
Tel : 92-21-111-111-224  
Fax : 92-21-2470090  
Website : [www.aasml.com](http://www.aasml.com)

### FACTORY LOCATIONS

- 1) Mirwah Gorchani, Distt. Mirpurkhas, Sindh
- 2) Main National Highway, Dhabeji, Sindh

**DIRECTORS' REVIEW REPORT**

The directors are pleased to present the financial statements for the nine months ended June 30, 2008.

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

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

	Nine months ended June 30, 2008	Nine months ended June 30, 2007
	← (Rs. in thousand) →	
Operating profit	268,900	121,407
Other operating income	10,094	11,263
	<u>278,994</u>	<u>132,670</u>
Finance cost	(127,855)	(42,358)
Exchange loss on Gross currency swap	(57,092)	-
Profit before taxation	<u>94,047</u>	<u>90,312</u>
Provision for taxation	(16,529)	(18,798)
Profit after taxation	<u>77,518</u>	<u>71,514</u>

**OPERATING RESULTS**

During the period under review, your Company registered an increase of Rs. 147.493 million in operating profit compared to corresponding period of last year. Profit earned after taxation increased to Rs. 77.518 million compared to Rs. 71.514 million in the corresponding period of last year despite an increase of financial charges by Rs. 85,497.

**Sugar unit**

The operational data is given below:

	Nine months ended June 30, 2008	Nine months ended June 30, 2007
<b>Operational data</b>		
Date of start of season	<b>November 15, 2007</b>	November 12, 2006
No. of days worked	<b>147</b>	140
Crushing (M. Tons)	<b>615,690</b>	442,394
Production (M. Tons)	<b>61,965</b>	42,953
Recovery (%)	<b>10.06</b>	9.71

The Sugar cane crushing season started on November 15, 2007 and the Company crushed 615,690 M.T. sugar cane up to March 8, 2008 compared to 442,394 M.T. sugar cane in the corresponding period of last year showing an increase of 39.17%. The Company also registered an increase in the production of white bagged sugar by 19,012 M.T. from 42,953 M.T. of last year to the corresponding period of this year of 61,965 M.T. showing an increase of 39.17%. The Company produced 1,239,300 bags of 50 k.g. each this year. It is the second time since the inception of your Company that we have achieved such phenomenal production. Despite various constraints confronting the sugar industry as a whole including falling sugar sale prices compared to prevailing in last year, your Company managed to earn profit in sugar segment of the Company. This achievement was possible due to operational efficiencies and procurement of high quality sugar cane.

**Distillery unit**

The operational data is given below:

	Nine months ended June 30, 2008	Nine months ended June 30, 2007
<b>Operational data</b>		
No. of days worked		
- Unit - I	257	241
- Unit - II	256	229
Production (M. Tons)		
- Unit - I	17,091	15,505
- Unit - II	17,448	15,358
Capacity attained (%)		
- Unit - I	98	98
- Unit - II	98	97



During the period under review, the distillery unit of your Company performed very well and achieved capacity utilization of 98% maintaining the performance level achieved last year. Your Company faced formidable challenges as usual confronting with scarce availability and increasing prices of molasses. The Company was well aware of these bottlenecks and had been focusing to overcome these problems with strenuous efforts. As a result, the production and sales increased by 11.91% and 31.01% respectively, as compared to the corresponding period of last year. Such par excellence performance of the distillery unit has resulted in overall profit of the Company.

#### **MEDIUM DENSITY FIBRE BOARD DIVISION**

The Medium Density Fibre Board unit has already started its commercial production from April 1, 2007. The plant has been operating intermittently due to various constraints including short sanding facility. During the period under review, the plant produced 111,390 sheets and including stock in hand, sold 120,118 sheets. Our product enjoys wider acceptability in the market and has created a niche. However, your Company remained constrained mainly due to short sanding facility. The Company recently installed and successfully commissioned a fast and efficient sanding unit, imported from abroad. The installation of new sanding unit shall enable the Company to cater the additional demand of MDFB and laminated sheets so the output and profitability could be increased in years ahead.

#### **CARBIDE AND ALLIEDS DIVISION**

The Calcium Carbide and allied division produced 2,405 M.T. and sold 2,778 M.T. during the period under review. Our products fully conform to the international standards and have also wider acceptability in the market. However, the Government has reduced the rate of Custom Duty on Calcium Carbide from 25% to 15% in Federal Budget 2007-08 and also reduced it further from 15% to 5% paving the way for unbridled import from the China, which resulted in under utilization of our installed capacity. In order to protect this indigenous industry, the Management has been making vigorous efforts with the Government to restore the Custom Duty to its earlier level of 25% and at the same time, has recently been switching over to manufacturing of Ferro Silicon and Silicon Manganese instead of Calcium Carbide so the plant is kept busy.

#### **FUTURE PROSPECTS**

Our Company has been performing well despite various adverse factors. The future outlook entirely depends on continuous availability of qualitative molasses at reasonable prices. The Management is striving hard to acquire molasses at reasonable cost. However, there is a lot to be desired on the part of the Government to evolve a rational sugar policy to protect the industry.

The molasses prices are soaring internationally and its availability to local distilleries at reasonable price remains a challenging task ahead. The Government should step in soon to restrict its unabated export to ease its availability to the local distilleries and to facilitate production of value added product for export.

#### **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, 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!

On behalf of Board of Directors

**MUHAMMAD IQBAL USMAN**  
Chairman


Karachi: July 30, 2008

**INTERIM CONDENSED BALANCE SHEET**

AS AT JUNE 30, 2008

	Note	June 30, 2008	September 30, 2007 Merged
<b>NON-CURRENT ASSETS</b>			
(Rupees in thousand)			
Property, plant and equipment	5	1,980,142	1,855,830
Intangible assets		129	-
Long term loan and advances		6,599	5,326
Long term deposits		10,996	10,018
		<u>1,997,866</u>	<u>1,871,174</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		363,175	176,048
Stock-in-trade		1,086,832	384,071
Trade debts unsecured - considered good		46,351	143,969
Loans and advances		153,012	102,029
Trade deposits, short term prepayments and other receivable		51,935	4,848
Accrued mark-up		15	96
Sales tax refundable		84,166	7,243
Cash and bank balances		19,614	39,142
		<u>1,805,100</u>	<u>857,446</u>
		<u>3,802,966</u>	<u>2,728,620</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
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
Unappropriated profit		247,820	170,302
Shareholders' equity		879,443	801,925
<b>NON CURRENT LIABILITIES</b>			
Long term financing	6	750,000	582,546
Long term loan from sponsors		395,741	379,825
Liabilities against assets subject to finance lease		5,065	-
Deferred liabilities		38,186	35,107
		<u>1,188,992</u>	<u>997,478</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		839,475	413,159
Accrued mark-up		32,526	30,013
Short term borrowings		812,113	279,004
Current maturity of long term financing		37,273	193,897
Provision for taxation		13,144	13,144
		<u>1,734,530</u>	<u>929,217</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7	<u>3,802,966</u>	<u>2,728,620</u>

The annexed notes form an integral part of these interim condensed financial information.

  
**Shunaid Qureshi**  
Chief Executive


  
**Asim Ghani**  
Director



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT  
FOR THE NINE MONTHS ENDED JUNE 30, 2008**

	Nine Monts Ended		Quarter Ended	
	2008	2007	2008	2007
	(Rupees in thousand)		(Rupees in thousand)	
Turnover	<b>2,006,423</b>	1,815,790	<b>749,928</b>	582,687
Cost of sales	<b>(1,566,344)</b>	(1,584,124)	<b>(523,759)</b>	(522,628)
Gross profit	<b>440,079</b>	231,666	<b>226,169</b>	60,059
Distribution cost	<b>(106,414)</b>	(63,613)	<b>(64,105)</b>	(29,307)
Administrative expenses	<b>(58,544)</b>	(38,214)	<b>(22,887)</b>	(13,120)
Other operating expenses	<b>(6,221)</b>	(8,432)	<b>1,468</b>	(437)
	<b>(171,179)</b>	(110,259)	<b>(85,524)</b>	(42,864)
	<b>268,900</b>	121,407	<b>140,645</b>	17,195
Finance cost	<b>(127,855)</b>	(42,358)	<b>(48,716)</b>	(21,859)
Exchange loss on cross currency swap	<b>(57,092)</b>	-	<b>(57,092)</b>	-
Other operating income	<b>10,094</b>	11,263	<b>2,132</b>	6,672
Profit before taxation	<b>94,047</b>	90,312	<b>36,969</b>	2,008
Taxation	<b>(16,529)</b>	(18,798)	<b>(8,549)</b>	1,476
Profit after taxation	<b>77,518</b>	71,514	<b>28,420</b>	3,484
<b>Earnings per share - Rupees</b>	<b>4.46</b>	4.12	<b>1.64</b>	0.20

The annexed notes form an integral part of these interim condensed financial information.

  
**Shunaid Qureshi**  
 Chief Executive

  
**Asim Ghani**  
 Director

**INTERIM CONDENSED CASH FLOW STATEMENT  
FOR THE NINE MONTHS ENDED JUNE 30, 2008**

	Note	June 30, 2008	June 30, 2007
(Rupees in thousand)			
<b>Cash flow from operating activities</b>			
Cash used in operations	8	(174,415)	(10,466)
Financial charges paid		(182,434)	(51,432)
Taxes paid		(17,921)	(47,584)
		<u>(200,355)</u>	<u>(99,016)</u>
Net cash used in operating activities		(374,770)	(109,482)
<b>Cash flow from investing activities</b>			
Capital expenditure on property, plant and equipment		(201,941)	(21,353)
Proceeds from disposal of fixed assets		-	175
Intangible assets		(150)	-
Investment in subsidiary Company		-	(30,750)
Long term loans and advances		(1,273)	(854)
Long term deposits		(978)	(10)
Net cash used in investing activities		(204,342)	(52,792)
<b>Cash flow from financing activities</b>			
Repayment of long term financing		(739,170)	(55,909)
Proceeds from long term financing		750,000	-
Long term loan from sponsors		15,916	-
Repayment of liabilities against assets subject to finance lease		(271)	-
Short term borrowings		533,109	218,054
Net cash from financing activities		<u>559,584</u>	<u>162,145</u>
Net decrease in cash and cash equivalents		(19,528)	(129)
Cash and cash equivalents at beginning of the period		39,142	10,907
Cash and cash equivalents at the end of the period		<u>19,614</u>	<u>10,778</u>

The annexed notes form an integral part of these interim condensed financial information.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director



**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED JUNE 30, 2008**

	Share capital	Revenue reserve		Total	Total
		General	Unappropriated profit		
------(Rupees in thousand)-----					
<b>Balance as at October 01, 2006</b>	173,623	458,000	20,784	652,407	826,030
Net profit for the nine months ended June 30, 2007	-	-	71,514	71,514	71,514
Balance as at June 30, 2007	173,623	458,000	92,298	550,298	723,921
<b>Balance as at October 01, 2007</b>	173,623	458,000	170,303	628,303	801,925
Net profit for the nine months ended June 30, 2008	-	-	77,518	77,518	77,518
<b>Balance as at June 30, 2008</b>	173,623	458,000	247,821	705,821	879,443

The annexed notes form an integral part of these interim condensed financial information.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director



**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE NINE MONTHS ENDED JUNE 30, 2008****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 Karachi. The Company carry out the business of following divisions.

	<b>Division</b>	<b>Principal Activities</b>	<b>Location of undertaking</b>	<b>Commencement of commercial production</b>
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 others	Manufacturing and sales of Calcium Carbide and Alloys	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 approved by the Pakistan Bankers Association, vide their report dated January 15, 2008. The Company has adopted acquisition method for the purpose of merger of financial statements of AAIL. Therefore, the corresponding figures have been disclosed in these interim condensed financial information based on merged financial statements for the year ended September 30, 2007.

**2 BASIS OF PREPARATION**

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

**3 ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these Interim Condensed Financial Information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended September 30, 2007.

**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.



	June, 30 2008	June, 30 2007
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>	(Rupees in thousand)	
	Addition	
<b>5.1 Tangible assets - Operating</b>		
Non factory building	-	335
Plant and machinery	7,828	781
Office equipment	1,053	1,454
Furniture, fixture and others	191	200
Motor Vehicles - owned	400	416
Motor Vehicles - leased	5,336	-
	<u>14,808</u>	<u>3,186</u>
<b>5.2 Capital work in progress</b>	<u>192,469</u>	<u>18,167</u>

**6 LONG TERM FINANCING**

This represents privately placed Term Finance Certificates (TFCs) issued by the Company to Allied Bank Limited aggregating to Rs. 750.00 million and having a face value of Rs.5,000 each. The TFCs carry markup at the rate of 6 months KIBOR + 1.75% per annum. Principal amount is repayable in 10 equal semi-annual installment of Rs.75 million each commencing from May 2009. The TFCs are due to be redeemed latest by November 2015. The TFCs are secured against first pari passu hypothecation charge on all present and future assets of the Company.

**7 CONTINGENCIES AND COMMITMENTS**
**7.1 Contingencies**

There has been no change in contingencies since the last audited financial statements for the year ended September 30, 2007.

**7.2 Commitments**

The commitments as on the balance sheet date for capital expenditure amounting to Rs. 208 millions (September 30, 2007 : Rs. 12 million.)

	June, 30 2008	June, 30 2007
<b>8 CASH USED IN OPERATIONS</b>	(Rupees in thousand)	
Profit before taxation	94,047	90,312
Adjustment for:		
Depreciation	82,965	47,260
Amortization of intangible assets	21	100
Markup Income	173	-
Gain on disposal of fixed assets	-	(144)
Provision for slow moving items and obsolescence	-	1,000
Finance cost	184,947	42,358
Deferred liabilities - Market Committee Fee	3,079	2,212
	<u>271,185</u>	<u>92,786</u>
Operating profit before working capital changes	365,232	183,098
Changes in working capital :		
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(187,127)	(7,978)
Stock-in-trade	(702,761)	(236,388)
Trade debts	97,618	34,924
Loans and advances	(50,983)	6,152
Trade deposits and short term prepayments	(46,041)	5,810
Accrued mark-up	254	79
Sales tax refundable	(76,923)	-
	<u>(965,963)</u>	<u>(197,401)</u>
Increase in trade and other payables	426,316	3,837
Cash used in operations	<u>(174,415)</u>	<u>(10,466)</u>



**9 SEGMENT REPORTING**

(Rupees in thousand)

	Nine Months Ended										Total
	Jun 30, 2008		Jun 30, 2007		Jun 30, 2008		Jun 30, 2007		MDFB		
	Sugar	Distillery	Calcium Carbide and others	MDFB	Sugar	Distillery	Calcium Carbide and others	MDFB			
Sales	708,478	716,809	1,144,168	1,098,981	79,706	-	74,071	-	2,006,423	1,815,790	
Segment results	99,963	81,672	260,827	86,381	2,185	-	(29,310)	-	333,665	168,053	
Unallocated Corporate Expenses:											
Administration cost									(58,544)	(38,214)	
Finance Cost									(127,855)	(42,358)	
Exchange loss on cross currency swap									(57,092)	-	
Other operating expenses									(6,222)	(7,693)	
Other Operating income									10,094	10,524	
Taxation									(16,529)	(18,796)	
									77,518	71,514	



	(Rupees in thousand)							
			Quarter Ended					
	Jun 30, 2008	Jun 30, 2007	Jun 30, 2008	Jun 30, 2007	Jun 30, 2008	Jun 30, 2007	Jun 30, 2008	Jun 30, 2007
	<b>Sugar</b>		<b>Distillery</b>	<b>Calcium Carbide and others</b>	<b>MDFB</b>	<b>Total</b>		
Sales	287,188	234,771	404,011	347,916	33,525	-	749,928	582,687
Segment results	32,436	11,524	111,806	19,228	15,099	-	162,064	30,752
<b>Unallocated Corporate Expenses:</b>								
Administration cost							(22,887)	(13,120)
Finance Cost							(48,716)	(21,859)
Exchange Loss on Gross currency swap							(57,092)	-
Other operating expenses							1,468	(437)
Other Operating income							2,132	6,672
Taxation							(8,549)	1,476
							28,420	3,484
9.1 Segment assets	331,728	347,363	314,400	338,144	539,903	-	1,555,449	685,507
Unallocated segment assets							2,247,517	2,043,113
							3,802,966	2,728,620
9.2 Segment liabilities	298,949	159,894	1,189	4,534	36,145	-	340,104	164,428
Unallocated segment liabilities							2,583,418	1,762,267
							2,923,522	1,926,695
9.3 Capital expenditure							201,941	21,353
Unallocated capital expenditure							82,965	47,260
9.4 Depreciation	20,234	21,181	24,926	26,079	22,937	-	14,868	



**10 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, 2008	June 30, 2007
	(Rupees in thousand)	
Purchases - Cement		
Thatta Cement Company Limited (Formerly related party)	-	1,144
Al- Abbas Cement Industries Limited	1,210	185
Loan received from related parties - Sponsors	15,916	-

**11 DATE OF AUTHORIZATION FOR ISSUE**

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

**12 General**

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

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director