



ANSARI SUGAR MILLS LIMITED

EIGHTEENTH ANNUAL REPORT 2007

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COMPANY PROFILE

RECEIVER

Mr. Afaq Jamal Hussain

BOARD OF DIRECTORS (Suspended for the time being)

Mr. Dinshaw Hoshang Anklesaria	Chief Executive
Mr. Ahmed Khan Ansari	Director
Mr. Abdul Hafeez Ansari	Director
Mrs. Nasreen Ghani Ansari	Director
Mr. Imran Rasheed Ansari	Director
Syed Anwar Raza Naqvi	Director
Mr. S.M.Ahsan Raza {Nominee of N.I.T.}	Director
Mr. M.Manzurul Haq {Nominee of N.D.F.C.}	Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Ahsan Mukhtar ACMA

BANKERS

Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
Allied Bank Limited

AUDITORS

M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR

Dr. Raees Mushtaq

REGISTRAR

Noble Computer Services (Pvt.) Limited
2nd Floor, Sohni Centre, BS 5 & 6, Main Karimabad,
Block-4, Federal 'B' Area, Karachi - 75950

REGISTERED OFFICE

41-K, Block 6, P.E.C.H.S., Karachi.
Fax: 021-4546456
<http://www.ansarisugar.com>

FACTORY

Deh Jagsiyani,
Taluka Tando Mohammad Khan
District Hyderabad, Sindh



STATEMENT UNDER SEC. 138(2) OF THE COMPANIES ORDINANCE, 1984
MR. AFAQ JAMAL HUSSAIN HAS BEEN APPOINTED AS RECEIVER BY EHTESAB
BENCH LAHORE HIGH COURT VIDE ITS ORDER DATED MAY 27, 1998 AND
MAY 29, 1998 IN E.R. NO. 26/98, 27/98 AND 28/98.

NOTICE OF ANNUAL GENERAL MEETING

The Honourable Ehtesab Bench of Lahore High Court vide its order dated October 08, 1999 directed the Receiver to fix the date for holding Annual General Meeting for the purpose of authentication of accounts in compliance with sections 158, 236 and 241 of the Companies Ordinance, 1984.

Notice is hereby given that the 18th Annual General Meeting of the shareholders of **ANSARI SUGAR MILLS LIMITED**, will be held on Saturday, December 29, 2007 at 9:00 a.m. at the registered office of the Company situated at 41-K, Block 6, P.E.C.H.S., Karachi for transacting the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on January 26, 2007.
2. To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2007 together with the Receiver's and Auditor's Report thereon.
3. To seek consent of placing its accounts on the Company's website instead of sending the same by post to the members.
4. To appoint Auditors and to fix their remuneration.
5. To consider any other business with the permission of the receiver.

for ANSARI SUGAR MILLS LIMITED

Karachi
Dated : December 07, 2007

(AFAQ JAMAL HUSSAIN)
RECEIVER

1. The Shares Transfer Book of the Company will remain close from December 21, 2007 to December 29, 2007.
2. A member entitle to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote on his/her behalf. Proxies, in order to be effective, must be received by the Company not less then 48 hours before the meeting.
3. The share holders are requested to notify any change in their address immediately.
4. Kindly quote your folio number in all correspondence with the Company.



VISION & MISSION STATEMENT

VISION

To make a product of International Standard acceptable as a brand in the world market. To explore business opportunities available under the World Trade Organization regime.

MISSION

- To sustain contribution to the National Economy by producing cost effective product.
- To ensure professionalism and healthy working environment.
- To create a reliable product through adoption of latest technology/ advancement.
- To promote research & development and provide technical know how to the growers for improvement of sugarcane yield/recovery.



RECEIVER'S REPORT

The Honourable Ehtesab Bench of Lahore High Court vide its order dated October 08, 1999 have directed the Receiver to fix the date for holding of Annual General Meeting for the purpose of authentication of the accounts in compliance with sections 158, 236 and 241 of the Companies Ordinance , 1984.

On behalf of the Company, I welcome you to the 18th Annual General Meeting of the Company and feel pleasure in presenting the financial and operating results along with audited accounts for the year ended September 30 , 2007.

FINANCIAL RESULTS	2007	2006	Increase/ (Decrease)	% age
	----- (Rupees in 000) -----			
Sales	1,372,820	1,368,625	4,195	0.31
Cost of goods sold	(1,377,303)	(1,166,424)	(210,879)	18
Net (loss)/profit after tax	(79,260)	128,221	(207,480)	-
	----- (Tonnes) -----			
Sugarcane crushed	604,958	485,294	119,664	25
Sugar produced	55,963	49,520	6,443	13
Molasses produced	30,629	24,430	6,199	25

Apparently, the sales have increased which is due to the higher production of sugar which included production of last year. However, the margin of profit could not be maintained due to the conversely decline in the prices of sugar. The contribution towards loss was mainly due to the decline in the recovery which stood at 9.25% compared with the recovery of previous year at 10.20% showing a decline of 9.314%.

Trade and other payables still contain Rs 264 million in respect of Quality Premium on sugar cane recovery. This levy is inconsistent with the laws prevailing for the companies located in Punjab and NWFP .The PSMA (Sindh) has contested this issue with the Supreme Court of Pakistan and the decision in the matter is awaited.

AUDITOR'S REPORT

The auditors have emphasised on going concern matter in their report. As discussed in note 1.3 to the financial statements, the Company is abreast of the problem and has adopted adequate measures to address the issue. The financial statements have accordingly been prepared using going concern assumption.

FUTURE OUTLOOK

The crushing season of 2007-08 started on November 16, 2007 and upto November 30, i.e. 15 working days, the mill had crushed 87,405 tonnes of sugar cane and produced 5,170 tonnes of sugar at an average recovery of 8.135%.

The overall situation during this season is not appreciable, as sugar prices have drastically reduced and sugar recovery is also very low. The Sindh Government again fixed the sugar cane support price at Rs. 67/- per 40 kg with quality premium, as against Rs. 60/- per 40 kg fixed in the Punjab province, which has hampered smooth functioning of the mills. The results of this season do not appear to be encouraging.



LABOUR MANAGEMENT RELATIONS

The management labour relations remained cordial. I take this opportunity to thank and appreciate the spirit of understanding, goodwill and co-operation shown by the workers and hope that the same will continue in future.

I am also thankful to the executives, officers and all the staff members of the Company and wish to place on records my appreciation for their devotion, sense of responsibility and loyalty.

AUDITORS

M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retire and offer their services for the year 2007-2008.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operation, cash flows and changes in equity.

Proper books of account of the Company have been maintained.

Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, has been adequately disclosed .

The system of internal control is sound in design and has been effectively implemented and monitored.

Key operating and financial data for last six years in summarized form is annexed.

There has been no material departure from the best practices of Corporate Governance except those mentioned in the preamble of the statement.

No trading in the shares of the Company were carried out by the Directors and their spouses and minor children.

PATTERN OF SHARE HOLDING

The pattern of share holding as on 30th September 2007 is annexed.

CONCLUSION

At the end, let us pray to Almighty Allah to guide us in all our pursuits for national development and for the betterment of your organization - Ameen

Thank you all,
for ANSARI SUGAR MILLS LIMITED

(Afaq Jamal Hussain)
Receiver
Karachi, December, 01 2007



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purposes of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

As the Board of Directors continue to be suspended and Company's affairs are being managed by the Receiver appointed by Ehtesab Bench of Lahore High Court, certain clauses of the Code which are related to the function of/by directors and Board of Directors' are not relevant to the Company. The SECP has however relaxed the requirements contain in the said clauses, as numerated below, vide its letter no.SECP/ICAP/EM/36/2000 dated January 28, 2003 as regard to relaxation in noncompliance with the said clauses which are numerated below.

- ♦ Clause (i) to clause (vii)
- ♦ Clause (viii), sub-clauses (e) and (f)
- ♦ Clause (ix) to clause (xii)
- ♦ Clause (xiv)
- ♦ Clause (xv)
- ♦ Clause (xviii)
- ♦ Clause (xxx) to clause (xxxiv)

As regard to remaining provisions of the Code, the Company applied principles in the following manner:

1. Statement of Ethics and Business Practices has been prepared and accordingly signed by all the concerned persons.
2. Vision/Mission Statement, Overall Corporate Strategy and Significant Polices of the Company have been developed and complete record of particulars of significant policies along with the dates on which they were approved/amended, is maintained by the departments.
3. All the powers of the Board and decision-making have been duly exercised by the Receiver.
4. The Receiver's report for this year as per the requirements of Section 236 of the Companies Ordinance, 1984 has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
5. The Company has complied with all the corporate and financial reporting requirements of the Code.
6. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
7. An effective internal audit function for the company has been outsourced to M/s. Azeem Hussain & Co. Chartered Accountants.
8. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
9. The statutory auditors or the persons associated with them have not been appointed to provide other services.
10. It is confirmed that all material principles contained in the Code have been duly complied with.

for **ANSARI SUGAR MILLS LIMITED**

(AFAQ JAMAL HUSSAIN)
RECEIVER
Karachi, December 01, 2007



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2007 prepared by the Receiver of Ansari Sugar Mills Limited, in compliance with the Listing Regulation No.37 and Chapter XIII of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Receiver of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Receiver's statement on internal control covers all controls and the effectiveness of such internal controls.

We report that:

- during the year under review, relaxation from compliance with certain provisions of the Code of Corporate Governance as pointed out in Company's Statement of Compliance has been given by the Securities and Exchange Commission of Pakistan vide its letter No.SECP/ICAP/EM/36/2000, dated January 28,2003.

Based on our review, except for matters noted in the previous paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2007.

Karachi
Dated: December 01, 2007

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants



**PATTERN OF SHAREHOLDING
OF THE SHARES HELD BY THE SHAREHOLDERS
AS ON SEPTEMBER 30, 2007**

NUMBER OF SHAREHOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
485	1	-	100	26,608
501	101	-	500	160,472
279	501	-	1,000	205,139
435	1,001	-	5,000	967,519
85	5,001	-	10,000	608,842
29	10,001	-	15,000	364,133
12	15,001	-	20,000	208,712
11	20,001	-	25,000	236,414
12	25,001	-	30,000	327,476
7	30,001	-	35,000	230,044
10	35,001	-	40,000	376,839
6	40,001	-	45,000	256,692
9	45,001	-	50,000	439,362
4	50,001	-	55,000	200,844
8	55,001	-	60,000	476,715
5	60,001	-	65,000	301,150
3	65,001	-	70,000	205,937
5	70,001	-	75,000	365,337
2	75,001	-	80,000	151,204
4	80,001	-	85,000	331,779
2	85,001	-	90,000	171,650
19	100,001	-	105,000	1,910,737
2	105,001	-	110,000	216,521
2	145,001	-	150,000	294,520
2	150,001	-	155,000	305,365
4	155,001	-	160,000	626,665
2	165,001	-	170,000	331,762
1	185,001	-	190,000	186,300
1	190,001	-	195,000	193,440
1	195,001	-	200,000	199,810
1	200,001	-	205,000	201,445
1	220,001	-	225,000	220,800
1	230,001	-	235,000	232,247
2	245,001	-	250,000	495,774
1	265,001	-	270,000	266,070
1	270,001	-	275,000	271,590
2	285,001	-	290,000	575,115
1	295,001	-	300,000	298,600
2	305,001	-	310,000	616,784
1	310,001	-	315,000	314,065
1	395,001	-	400,000	399,400
1	410,001	-	415,000	413,108
1	555,001	-	560,000	559,980
1	600,001	-	605,000	603,316
1	605,001	-	610,000	609,109
1	705,001	-	710,000	705,865
1	790,001	-	795,000	790,248
1	955,001	-	960,000	955,163
1	990,001	-	995,000	991,531
1	1,985,001	-	1,990,000	1,989,000
1	2,015,001	-	2,020,000	2,020,000
1972				24,407,198

S.No.	Category	No. of Shareholders	Total Shares Held	Percentage %
1	Individual	1,946	19,932,826	81.67
2	Investment Companies	1	5,500	0.02
3	Insurance Companies	6	727,454	2.98
4	Joint Stock Companies	11	3,353,564	13.74
5	Financial Institutions	5	348,814	1.43
6	Modaraba Companies	2	3,590	0.01
7	Leasing Companies	1	35,450	0.15
		1,972	22,407,198	100.00



**PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2007
AS PER REQUIREMENTS OF
THE CODE OF CORPORATE GOVERNANCE**

Category	Number of shares held	Category wise No. of shareholders	Category wise shares held	Percentage %
JOINT STOCK COMPANIES		11	3,353,564	13.74
INVESTMENT COMPANIES		1	5,500	0.02
DIRECTORS, CHIEF EXECUTIVE AND THEIR SPOUSE AND MINOR CHILDREN		10	1,407,835	5.77
Mr. Ahmed Khan Ansari	269,013			
Mr. Abdul Hafeez Ansari	48,990			
Mrs. Nasreen Ghani Ansari	33,350			
Mr. Imran Rasheed Ansari	413,108			
Mr. Dinshaw Hoshang Anklesaria	559,980			
S. Anwar Raza Naqvi	50,044			
Mr. Abdul Ghani Ansari H/O Mrs. Nasreen Ghani Ansari	33,350			
S. M. Ahsan Raza (Nominee of NIT)	-			
Mr. Manzurul Haq (Nominee of NBP - formerly NDFC)	-			
NIT / ICP		2	320,190	1.31
National Bank of Pakistan - Trustee Department	165,800			
Investment Corporation of Pakistan	154,390			
BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS		12	795,118	3.26
INDIVIDUALS		1,936	18,524,991	75.90
		1,972	24,407,198	100.00

Shareholders holding ten percent or more voting interest in the Company

Name of Shareholders	No. of Shares held	Percentage
None	-	-



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ansari Sugar Mills Limited (here-in-after referred to as the "Company") 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 (here-in-after referred to as the "financial statements"), 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 account 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 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 Loss, its cash flows and changes in equity for the year then ended: and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 1.3 to the financial statements. The Company's accumulated loss stands at Rs. 274.021 million (2006: Rs. 194.761 million) and current liabilities exceed current assets by Rs. 323.665 million (2006: Rs. 233.900 million). Moreover, as disclosed in note 9(i) the company is defendant in suits filed by financial institution for recovery of long-term finances referred to in detail in note No. 4 and 5. These indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and the ultimate outcome of the said suits cannot be presently determined.

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi:
Dated: December 01, 2007



BALANCE SHEET AS AT

	Note	2007 Rupees	2006 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital 30,000,000 Ordinary shares of Rs. 10/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid-up capital	3	244,071,980	244,071,980
General reserve		27,000,000	27,000,000
Accumulated loss		(274,020,755)	(194,761,180)
		(2,948,775)	76,310,800
NON CURRENT LIABILITIES			
LONG TERM FINANCES - Secured			
Markup bearing	4	77,837,201	98,137,331
Markup free	5	328,469,956	350,347,119
		406,307,157	448,484,450
DEFERRED LIABILITIES	6	4,385,021	10,950,497
CURRENT LIABILITIES			
Current portion of long term finances	7	264,674,818	232,179,526
Trade and other payables	8	358,265,701	316,673,405
Accrued markup		30,362,089	20,168,618
Interim dividend payable		-	12,203,599
		653,302,608	581,225,148
CONTINGENCIES AND COMMITMENTS	9	-	-
		<u>1,061,046,011</u>	<u>1,116,970,895</u>

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

Pursuant to order of the Ehtesab Bench of Lahore High Court on CM26/99, the Balance Sheet and Profit & Loss Account has been authenticated by the Receiver to comply with the requirements of section 241 of the Companies Ordinance, 1984.



SEPTEMBER 30, 2007

	Note	2007 Rupees	2006 Rupees
PROPERTY, PLANT AND EQUIPMENTS	10	730,193,658	768,342,186
LONG TERM LOANS	11	274,360	367,070
LONG TERM DEPOSITS		940,426	936,426
CURRENT ASSETS			
Stores, spares and loose tools	12	20,096,124	21,322,885
Stock in trade	13	104,602,112	130,760,547
Trade debts - Unsecured (considered good)	14	80,120,050	7,028,672
Loans and advances	15	91,268,548	41,329,964
Prepayments and other receivables	16	16,012,130	22,812,965
Income Tax Receivable		1,184,410	466,721
Cash and bank balances	17	16,354,193	123,603,459
		329,637,567	347,325,213
		<u>1,061,046,011</u>	<u>1,116,970,895</u>

AFAQ JAMAL HUSSAIN
RECEIVER



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Note	2007 Rupees	2006 Rupees
SALES-Net	18	1,372,819,615	1,368,625,063
Cost of sales	19	(1,377,302,518) (4,482,903)	(1,166,423,823) 202,201,240
OPERATING EXPENSES			
Distribution cost	20	1,417,110	1,112,364
Administrative expenses	21	54,658,411	45,398,133
		56,075,521	46,510,497
		(60,558,424)	155,690,743
Financial cost	22	12,907,153	13,467,866
Other charges	23	575,610	661,886
Other income	24	(1,650,426)	(611,311)
		11,832,337	13,518,441
		(72,390,761)	142,172,302
Workers' profit participation fund		-	(7,108,615)
(LOSS)/PROFIT BEFORE TAXATION		(72,390,761)	135,063,687
PROVISION FOR TAXATION			
Current	26	(6,868,814)	(6,843,125)
(LOSS)/PROFIT AFTER TAXATION		(79,259,575)	128,220,562
(Loss)/Earning Per Share-Basic	28	(3.25)	5.25

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

AFAQ JAMAL HUSSAIN
RECEIVER



CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2007 Rupees	2006 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(LOSS) / PROFIT BEFORE TAXATION	(72,390,761)	135,063,687
ADJUSTMENTS FOR :		
Depreciation	42,662,959	44,428,826
Financial cost	12,907,153	13,467,866
(Profit) on sale of Property Plant and Equipments	(938,719)	(319,015)
Provision for doubtful advances & other receivables	5,306,476	-
Provision for gratuity	1,400,245	1,496,491
Workers' profit participation fund	-	7,108,615
	61,338,114	66,182,783
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(11,052,647)	201,246,470
CHANGES IN WORKING CAPITAL (INCREASE)/DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	1,226,761	1,175,551
Stock in trade	26,158,435	(87,621,058)
Trade debts - Unsecured (considered good)	(73,091,378)	(7,028,672)
Loans and advances	(53,213,284)	(24,143,908)
Prepayments and other receivables	4,762,805	(503,457)
	(94,156,661)	(118,121,544)
	(105,209,308)	83,124,926
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	40,654,753	(10,845,383)
CASH (USED) /GENERATED FROM OPERATING ACTIVITIES	(64,554,555)	72,279,543
Taxes paid	(7,586,503)	(6,105,203)
WPPF paid	(7,108,615)	-
Gratuity paid	(326,000)	(618,800)
Financial cost paid	(2,713,682)	(2,900,427)
	(17,734,800)	(9,624,430)
NET CASH (USED) /GENERATED FROM OPERATING ACTIVITIES	(82,289,355)	62,655,113
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(4,930,540)	(16,183,667)
Proceeds from disposal of Property, Plant and Equipments	1,354,828	1,632,811
Long term deposits	(4,000)	(487,900)
Long term loans	98,964	(322,093)
	(3,480,748)	(15,360,849)
NET CASH USED IN INVESTING ACTIVITIES	(3,480,748)	(15,360,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(11,797,162)	-
Repayment of long term finances	(9,682,001)	(14,247,475)
NET CASH USED IN FINANCING ACTIVITIES	(21,479,163)	(14,247,475)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(107,249,266)	33,046,789
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	123,603,459	90,556,670
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16,354,193	123,603,459

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

AFAQ JAMAL HUSSAIN
RECEIVER



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Issued, subscribed and paid-up capital	Reserve			Net Equity
		General Reserve	Accumulated Loss	Total Reserve	
----- Rupees -----					
Balance as at September 30, 2005	244,071,980	27,000,000	(310,778,143)	(283,778,143)	(39,706,163)
Profit for the year	-	-	128,220,562	128,220,562	128,220,562
Interim Dividend @ 5% (2005:Nil)			(12,203,599)	(12,203,599)	(12,203,599)
Balance as at September 30, 2006	244,071,980	27,000,000	(194,761,180)	(167,761,180)	76,310,800
Loss for the year	-	-	(79,259,575)	(79,259,575)	(79,259,575)
Balance as at September 30, 2007	244,071,980	27,000,000	(274,020,755)	(247,020,755)	(2,948,775)

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

AFAQ JAMAL HUSSAIN
RECEIVER



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

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated in Pakistan on July 09, 1989 as a Public Limited Company and its shares are quoted in Karachi and Lahore Stock Exchanges. The principal business of the Company is to manufacture and sale of white sugar. The registered office of the company is situated at 41-K, Block 6, P.E.C.H.S., Karachi and its factory is located at Deh Jagsiyani, Taluka Tando Mohammad Khan, District Hyderabad, Sindh.
- 1.2 Pursuant to the order of The Honourable Lahore High Court, since July 02, 1998 the Receiver continue to manage and control the Mill as well as discharge all financial responsibilities. In 1999 the Ehtesab Bench of the Honourable Lahore High Court allowed the Receiver to comply with the requirements of section 158, 236 and 241 of the Companies Ordinance, 1984 in place of the Directors. The Receiver has accordingly authenticated the financial statements for the year.
- 1.3 The Company incurred loss for the year amounting to Rs.79.260 million (2006: profit Rs.128.221 million). Its accumulated loss increased to Rs. 274.021 million (2006: decreased to Rs.194.761 million) and its current liabilities exceeds current assets by Rs. 323.665 million (2006: Rs. 233.900 million). The Company is as such surviving amidst the crisis facing sugar industry in Sindh since the last several years caused by loss due to high cost of sugarcane. It continues to operate as a result of net cash generated from its operations based on advance sale of sugar to customers. During the year, the Company managed to repay Rs. 9.682 million (2006: Rs. 14.247 million) towards long term finances and Rs.1.310 million (2006: Rs. 2.900 million) on account of mark-up thereon.

The Company is negotiating with National Bank of Pakistan to reach a settlement in respect of liabilities referred to in notes 4 & 5 and therefore, do not expect any adverse action to cause any going concern problem. Moreover, a favorable outcome on the issue of quality premium pending before the Honorable Supreme Court of Pakistan would lead to a turn around as and when decided and lead to reversal of Rs. 264 million to wipe of its accumulated loss.

In view of above, these financial statements have been prepared on going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Accounting convention

These financial statements have been prepared under the basis of 'historical cost' convention and certain staff retirement benefits which have been measured at present value.

(c) Functional and presentation currency

These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved Accounting Standard, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed in note No. 30 to these financial statements.

(e) New Accounting Standards and IFRIC Interpretations that are not yet effective.

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after October 01, 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 - Preparation of Financial statement- Amendments Relating to Capital Disclosures;

IAS 23 - Borrowing Costs (as revised);

IAS - 41 Agriculture;

IFRS 2 - Share-based Payments;

IFRS 3 - Business Combination;

IFRS 5 - Non - current Assets Held for Sale and Discontinued Operation;

IFRS 6 - Exploration for and Evaluation of Mineral Resources;

IFRIC 10 - Interim Financial Reporting and Impairment;

IFRIC 11 - Group and Treasury Share Transactions;

IFRIC 12 - Services Concession Arrangements;

IFRIC 13 - Customer Loyalty Programmes;

IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their intersection.

2.2 Employees' retirement benefits

(a) Provident Fund

The Company operates a defined contributory Provident Fund for all its employees eligible under the scheme. The scheme has been approved under the Income Tax Ordinance, 2001. Monthly contributions are made both by the company and by the employee to the fund at a rate of 8.33% of basic salary.

(b) Gratuity

The company operates an defined gratuity fund for all of its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at September 30, 2006 using the Projected Unit Credit Method. For details (refer to Note No 6.2).

2.3 Provisions

A provision is recognized in the Balance Sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the outflow can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current tax rates of taxation after taking into account tax credit and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed/ finalized during the year.



Deferred

Deferred taxation is recognized using the balance sheet liability method on all major temporary difference arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax assets is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

2.5 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any), except freehold land, which is stated at cost.

Subsequent costs are included in the assets' carrying amount or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the items will flow to the Company and the cost of the item can be measured reliably.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Depreciation is charged on all property, plant and equipment using reducing balance method in accordance with the rates specified in the note 10 to these financial statements and after taking into account residual value, if any.

Depreciation on addition is charged from the quarter in which the assets become available for use while no depreciation is charged in the quarter in which the assets are disposed off.

Repairs and maintenance are charged to profit and loss account as and when incurred except major over hauling. Major renewals and improvements are capitalized.

Gains and losses on disposal of property, plant and equipment are charged to the profit and loss account accordingly.

2.6 Impairment of assets

The carrying amount of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such asset is estimated. The impairment loss is recognised whenever, the carrying amount of the asset or its cash generating unit exceed its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account.

2.7 Financial assets

Financial assets are long term deposits, trade debts, advances (excluding advance income tax), deposits, other receivable and cash & bank balances which have been stated in accordance with the requirement of IAS-39 (Financial Instruments: Recognition & Measurement). Financial assets are initially recognized at cost which is the fair value of the consideration given for it and subsequently these are carried at fair value.

2.8 Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, creditors, accrued and other liabilities (excluding sales tax payable and withholding tax deducted) and unclaimed dividends.

All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost.



2.9 Stores, spares and loose tools

The basis of valuation has been specified against each.

In hand	-	At lower of moving average cost or NRV.
In transit	-	Actual cost incurred upto the balance sheet date

Net realizable value signifies the estimated selling price in the ordinary course of business and cost necessary to be incurred in order to make the sale.

2.10 Stock in trade

The basis of valuation has been specified against each.

Sugar in process	-	At average cost of sugarcane consumed
Finished sugar	-	At lower of cost or net realizable value
Molasses	-	At net realizable value.

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

2.11 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off.

2.12 Trade and other payables

Liabilities for trade and other payable are initially recognised at fair value which is normally the transaction cost.

2.13 Cash and cash equivalent

Cash & cash equivalent comprises cash and bank balances, short term running finances that are payable on demand and form an integral part of the company's cash management and are included as a component of cash equivalents for a purpose of statement of cash flows.

2.14 Offsetting

A financial asset and financial liability are offset when there is a legally enforceable right to offset the recognised amounts and the Company intends to settle either on a net basis, or to realise the assets and to settle the liabilities simultaneously.

2.15 Revenue recognition

Sales are recorded on dispatch of goods.
Interest, profit and income from investments is recorded on accrual basis.

2.16 Borrowing costs

Borrowing cost shall be recognized as an expense in the period in which they are incurred except borrowing cost that are directly attributable to acquisition, construction or production of qualifying asset shall be capitalized as a part of the cost of that asset.

2.17 Related party transactions

The transactions between the Company and related parties are carried out on an arm's length basis and the relevant rates are determined in accordance with the Comparable Uncontrolled Price Method.



3 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of Shares			2007	2006
2007	2006		Rupees	Rupees
Rupees	Rupees			
18,296,250	18,296,250	Fully paid ordinary shares of Rs. 10/- each issued for cash	182,962,500	182,962,500
6,110,948	6,110,948	Fully paid ordinary shares of Rs. 10/- each issued as bonus shares	61,109,480	61,109,480
<u>24,407,198</u>	<u>24,407,198</u>		<u>244,071,980</u>	<u>244,071,980</u>

4 LONG TERM FINANCES (INTEREST BEARING)

	SECURED				2007	2006
	PICIC	NBP I	NBP II	NBP formerly NDFC		
	General Term Finance			Loan LCY		
	----- Rupees -----					
Opening balance	11,231,546	34,305,138	116,457,257	127,636,299	289,630,240	295,871,080
Repaid during the year	(4,985,000)	-	-	-	(4,985,000)	(6,240,840)
	<u>6,246,546</u>	<u>34,305,138</u>	<u>116,457,257</u>	<u>127,636,299</u>	<u>284,645,240</u>	<u>289,630,240</u>
Current Maturity						
Over due installment	-	(34,305,138)	(116,457,257)	(35,745,514)	(186,507,909)	(171,192,779)
Payable with in one year	(4,985,000)	-	-	(15,315,130)	(20,300,130)	(20,300,130)
	<u>1,261,546</u>	<u>-</u>	<u>-</u>	<u>76,575,655</u>	<u>77,837,201</u>	<u>98,137,331</u>

Significant terms and repayment :

	Quarterly	Semi annually	Semi annually	Semi annually
Installment payment	Quarterly	Semi annually	Semi annually	Semi annually
No. of installment	39	14	12	23
Installment amount (Rupees in million)	1.246	6.861	9.705	7.657
Date of first installment	01-10-99	30-12-92	31-03-97	30-04-2002
Rate of interest per annum	14%	44 paisas per Rs. thousand per day	51 paisas per Rs. thousand per day	8%
Sub note number	4(i)	4(ii)	4(ii)	4(iii)



4 (i) Pakistan Industrial Credit and Investment Corporation

Security:

The finances are secured through first charge by way of an equitable mortgage of immovable properties, hypothecation of plant and machinery, and a floating charge on all other assets.

The securities shall rank pari-passu with other creditors.

4 (ii) National Bank of Pakistan [Also refer note no.9.(i)]

Security:

- a) The finance is secured by creating a mortgage on the immovable properties, pledge and hypothecation of movable properties including book debts, receivables and hypothecation of machinery purchased under the agreement, personal guarantees of the sponsoring directors and the promissory notes of the Company.

The securities shall rank pari-passu with other creditors.

- b) The finance is secured by equitable registered mortgage on fixed assets both present and future, general irrevocable power of attorney executed in favour of the bank, hypothecation of stocks, floating charge on all other assets and properties of the Company and personal guarantee of all directors of the Company.

The securities shall rank pari-passu with other creditors.

4 (iii) National Bank of Pakistan (formerly NDFC) [Also refer note no.9.(i)]

This represents the balance of long-term loan rescheduled as per agreement dated February 15, 2001 subject to the following conditions:

- 1) Without the prior written approval of NBP (formerly National Development Finance Corporation), the Company shall not:
- declare and/or pay any dividend or issue bonus shares till any amount is due.
 - transfer controlling shares to any other group / party without written approval of National Development Finance Corporation.
 - repay loans/advances to any director .
- 2) In the event of non-payment of two consecutive installments or any failure to comply with or owing to any violation/deviation of any of the terms and conditions of the package, it may stand as withdrawn and reverted to original position/recalling of outstanding loans liabilities.

Security:

The loans are secured by way of mortgage on the immovable properties, pledge and hypothecation of movable properties of the Company both present and future including book debts, receivables and hypothecation of machinery purchased under the agreement and personal guarantees as per Personal Net worth Survey (PNWS) of the sponsoring directors and pledge of sponsors' shares and a floating charge on all other properties and assets of the Company.

The securities shall rank pari-passu with other creditors.



5 LONG TERM FINANCES (INTEREST FREE)

	SECURED				Unsecured Loan From Sponsors	2007	2006
	L.C.Y.	DEMAND FINANCE	GENERAL TERM FINANCE				
	NBP formerly NDFC	ABL	PICIC	NBP			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Opening balance	206,045,916	992,466	10,593,776	171,201,578	2,200,000	391,033,736	399,040,371
Repaid during the year	-	(992,466)	(3,704,535)	-	-	(4,697,001)	(8,006,635)
	206,045,916	-	6,889,241	171,201,578	2,200,000	386,336,735	391,033,736
Current Maturity Over due	(35,989,616)	-	-	-	-	(35,989,616)	(22,303,782)
Payable with in one year	(17,475,569)	-	(4,401,594)	-	-	(21,877,163)	(18,382,835)
	152,580,731	-	2,487,647	171,201,578	2,200,000	328,469,956	350,347,119

Significant terms and repayment :

Installment payment	Half Yearly	Quarterly
No. of installment	24	39
Date of first installment	31-10-2001	01-10-1999
Sub note number	5 (i)	4(i) 5 (iii)

5 (i) National Bank of Pakistan (formerly NDFC) [refer 4 (iii)]

This represents the markup on loans restructured. The total amount was Rs 209.857 million payable in 23 half yearly installments commencing from April 30, 2002 to April 30, 2013. The Company has requested for fresh restructuring of this scheme. Company's proposal is under consideration of the Credit Committee of the bank.

5 (ii) Allied Bank Limited

The Company has fully settled the liability during the period.

5 (iii) National Bank of Pakistan [refer 4 (iii)]

This represents the accumulated outstanding markup on long term loan from National Bank of Pakistan as on 30th September 2005. Since the year 1999, the Company continue to transfer the markup on the long term loan to above non interest bearing loan based on its proposal submitted to bank to convert it into long term loan.

5 (iv) Loans from Sponsors

This represents unsecured and interest free loan with no fixed term for repayment.

6 DEFERRED LIABILITIES		2007 Rupees	2006 Rupees
Surcharge on road cess	6.1	-	7,639,722
Gratuity	6.2	4,385,021	3,310,775
		<u>4,385,021</u>	<u>10,950,497</u>

6.1 This represents surcharge on road cess payable to growers. It has been reclassified into trade and other payable (refer Note No. 8).



6.2 Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at September 30, 2006 using the Projected Unit Credit Method.

Principal assumptions

Discount rate	9% per annum	8% per annum
Expected rate of eligible salary increase in future years	8% per annum	7% per annum

	2007 Rupees	2006 Rupees
Liability for gratuity arose in the following manner:		
Opening net liability	3,310,775	2,433,085
Expense for the year	1,400,245	1,496,490
Contributions paid	<u>(325,999)</u>	<u>(618,800)</u>
Closing net liability	<u>4,385,021</u>	<u>3,310,775</u>
Reconciliation of the liability		
Present value of defined benefit obligations	3,859,578	3,564,198
Actuarial gains to be recognized in later periods	1,476,651	1,476,651
Less: Un-recognized transitional liability	<u>(951,208)</u>	<u>(1,730,074)</u>
Total balance sheet liability	<u>4,385,021</u>	<u>3,310,775</u>
Charge to profit and loss account		
Current service cost	300,601	231,652
Interest cost	320,778	399,800
Actuarial (Gains)/Losses Charge	(86,172)	-
Additional liability charged for the year	<u>865,038</u>	<u>865,038</u>
Total amount chargeable to profit and loss account	<u>1,400,245</u>	<u>1,496,490</u>

7 CURRENT PORTION OF LONG TERM FINANCE

Overdue

Interest bearing	186,507,909	171,192,779
Interest free	35,989,616	22,303,782
	<u>222,497,525</u>	<u>193,496,561</u>

Current Portion

Interest bearing	20,300,130	20,300,130
Interest free	21,877,163	18,382,835
	<u>42,177,293</u>	<u>38,682,965</u>
	<u>264,674,818</u>	<u>232,179,526</u>

8 TRADE AND OTHER PAYABLES

Quality premium	8.1	264,108,125	264,108,125
Other creditors		<u>67,058,279</u>	<u>17,940,506</u>
		331,166,404	282,048,631
Accrued expenses		<u>4,309,156</u>	<u>3,385,104</u>
		<u>335,475,560</u>	<u>285,433,735</u>
Other liabilities			
Advances from customers		21,109	21,109
Retention money		2,133,659	2,266,440
Sales tax payable		18,644,387	18,191,928
Withholding income tax		33,075	30,060
Workers' Profit Participation Fund	8.2	-	7,108,615
Unclaimed dividend		406,436	-
Others		<u>1,551,475</u>	<u>3,621,518</u>
		<u>22,790,141</u>	<u>31,239,670</u>
		<u>358,265,701</u>	<u>316,673,405</u>



8.1 This represents the amount of Quality Premium for the last several years. The matter is subjudice before Honorable Supreme Court of Pakistan through PSMA (Sindh Zone) for withdrawal of Quality Premium in Sindh on the same basis on which it stood withdrawn in other provinces.

8.2 Workers' Profit Participation Fund	2007 Rupees	2006 Rupees
Opening balance	7,108,615	-
Add: Interest charges	462,548	-
	7,571,163	-
Less: Payment during the year	(7,571,163)	-
	-	-
Add: Allocation for the year	-	7,108,615
Closing balance	-	7,108,615

9 CONTINGENCIES

- i) The Company is contesting two recovery suits filed by National Bank of Pakistan. The Bank has claimed for recovery of Rs. 1,105.254 million against which Rs. 685.758 million is reflected in the Company's books. The difference of Rs. 419.496 million represents excessive amounts claimed on various accounts in the suits. The Company asserts that it has booked correct liability as per agreement with the bank and has not made provision thereagainst.
- ii) Excise duty rebate on excess production during the crushing season 1992-93 over the previous three years average production, amounting to Rs. 11.969 million refunded by the department had been claimed back by the Collector of Customs and Central Excise on the ground that the amount was erroneously refunded. The Company has filed appeal before the High Court against the decision of the Sales Tax Appellate Tribunal, Karachi. No provision has been made in accounts as in view of legal advisor, the Company expects a favorable outcome.
- iii) Excise duty rebate on excess production during the crushing season 1993-94 over the previous three years average production, amounting to Rs. 22.40 million refunded by the department had been claimed back by the Collector of Customs and Central Excise on the ground that the amount was erroneously refunded. The Sales Tax Appellate Tribunal decided the case in favor of Company vide its order dated 20-10-2003. Against the said order the department has filed appeal before the High Court. The Company expects a favorable outcome of the case in view of legal advisor, hence no provision has been made in the accounts.
- iv) The Company is contesting a case relating to additional sales tax amounting to Rs. 10.364 million on account of in house consumption of baggase as fuel for production during season 1996-97. The matter was under appeal at the Sales Tax Appellate Tribunal which passed an unfavorable order dated 22-05-2004.

The other bench of the Tribunal had however remanded back similar case of other mills to the department to consider afresh the valuation aspect of baggase and exemption offered by the government for additional taxes and penalties on discharging only the principal sales tax liability in installments by the mills. The Company has preferred an appeal before the High Court against the order and has made no provision as in view of its legal council the Company has a case on merit which is expected to be decided favorably.



- v) The Company is contesting two cases before Collector (Appeals) on the issue of charge of further sales tax under section 3(1A) of the Sales Tax Act, 1990 amounting to Rs. 21,803 million and Rs. 2,924 million. The Company adjusted the previously charged further tax on the strength of decision of the High Court. However, upon an appeal, Supreme Court of Pakistan has set-aside the judgment of the High Court and remanded back the case to the assessing officer.

In view thereof, the Assistant Collector of sales tax has passed the order and has restored the demand of further tax. Against the order of the Assistant Collector, the Company has filed appeal before the Collector (Appeals) and its lawyer is confident that the outcome will be in favor of the Company. No provision has been made in accounts as in view of legal advisor, the Company expects a favorable outcome.

- vi) The Company is also contesting two orders passed by the Collector of sales tax raising demands of Rs. 20,407 million and Rs. 11,229 million by virtue of audits conducted by the sales tax auditors of the audit periods 2001-2002 and 2003 to 2005 respectively. Against the above orders, the Company has preferred appeals before the Sales Tax Appellate Tribunal and the demand has been stayed. No provision has been made since the legal counsels of the Company are confident that all the observations raised in the orders will be set aside on merits of the cases.
- vii) The matter relating to recording of provision for taxation, advance tax and reconciliation of book balances with the assessment record. The comparison of total tax provision with assessed tax liability upto the last completed assessment for the tax year 2007, a short provision of Rs 2.83 million appears to have been made by the Company. The Company has not made any provision in view of various appeals pending at appellate forums.

Commitments

Unlifted delivery orders of Rs. 53.619 million as at September 30, 2007 (2006: Rs. 1.607 million).

10 PROPERTY PLANT AND EQUIPMENT

(Amount in Rupees)

PARTICULARS	C O S T			RATE %	D E P R E C I A T I O N			Book value AS ON September 30, 2007
	As at October 01, 2006	ADDITION/ (DISPOSALS)	As at September 30, 2007		As at October 01, 2006	FOR THE YEAR	As at September 30, 2007	
Freehold land	9,252,730	-	9,252,730		-	-	-	9,252,730
Factory building	128,285,523	239,425	128,524,948	5	55,192,942	3,659,125	58,852,067	69,672,881
Non-factory building	33,374,699	6,500	33,381,199	10	18,952,380	1,442,394	20,394,774	12,986,425
Plant and machinery	1,096,595,188	-	1,096,595,188	5	455,134,360	32,073,041	487,207,401	609,387,787
Electrical installation	8,825,781	-	8,825,781		4,865,720	396,006	5,261,726	3,564,055
Weighbridge	878,917	-	878,917		690,017	18,890	708,907	170,010
Office equipment & others	5,642,423	746,850	6,389,273	10	2,902,131	321,073	3,223,204	3,166,069
Electrical appliances	4,978,641	228,300	5,206,941		2,469,059	262,191	2,731,250	2,475,691
Furniture and fixtures	2,476,852	4,350	2,481,202	10	1,757,141	72,189	1,829,330	651,872
Vehicles	30,970,979	3,685,115 (2,198,910)	32,457,184	20	11,895,429	4,107,971 (1,782,801)	14,220,599	18,236,585
Tents and tarpaulins	3,262,737	20,000	3,282,737	33	2,654,526	207,310	2,861,836	420,901
Tools and tackles	1,993,521	-	1,993,521	33	1,682,100	102,769	1,784,869	208,652
Rupees - 2007	1,326,537,991	4,930,540 (2,198,910)	1,329,269,621		558,195,805	42,662,959 (1,782,801)	599,075,963	730,193,658
Rupees - 2006	1,314,182,861	16,183,667 (3,828,537)	1,326,537,991		516,272,255	44,428,826 (2,505,276)	558,195,805	768,342,186

10.1 Depreciation for the year has been allocated as under :-	2007 Rupees	2006 Rupees
Cost of sales	35,853,826	37,743,758
Administration expenses	6,809,133	6,685,068
	<u>42,662,959</u>	<u>44,428,826</u>



10.2 DETAIL OF DISPOSAL OF OPERATING FIXED ASSETS

(Amount in Rupees)

PARTICULARS	Cost	Accumulated depreciation	W.D.V	Sales proceed	Gain/ (Loss) on Sale	Mode of disposal	Buyer
Vehicle AET-923	577,910	364,869	213,041	234,828	21,787	Negotiation	Waheed Abidi
Vehicle JV-5669	410,000	394,673	15,327	500,000	484,673	Negotiation	Ibrahim
Vehicle ACN-971	422,000	346,775	75,225	200,000	124,775	Negotiation	Khalil
Vehicle ABZ-082	789,000	676,484	112,516	420,000	307,484	Negotiation	Abdul Jabbar
Rupees - 2007	2,198,910	1,782,801	416,109	1,354,828	938,719		
Rupees - 2006	3,828,537	2,505,276	1,323,261	1,632,811	319,015		

11 LONG TERM LOANS

- considered good

Vehicle loans to employees		2007	2006
		Rupees	Rupees
		420,301	519,265
Less: Current portion of long term loans shown under current assets	11.1	(145,941)	(152,195)
		274,360	367,070

11.1 These are interest free loans given to employees other than directors and executives of the Company. The loan is recoverable in 60 to 84 installments from the date of disbursement and is secured by registration of vehicles in the name of the company.

12 STORES, SPARES AND LOOSE TOOLS

In hand

-Stores	3,784,420	3,804,667
-Spares	15,360,785	16,953,022
-Loose tools	277,330	291,581
	19,422,535	21,049,270
In transit	673,589	273,615
	20,096,124	21,322,885

13 STOCK IN TRADE

Finished goods	53,776,711	53,739,071
Sugar in process	579,809	702,674
Molasses	50,245,593	76,318,802
	104,602,112	130,760,547

13.1 The company recognised a write down of Rs.1.2 million (2006: Nil) to adjust the carrying value at the net realizable value.



		2007 Rupees	2006 Rupees
14 TRADE DEBTS-Unsecured considered good			
Considered good			
Trade debts		80,120,050	7,028,672
Considered doubtful			
Trade debts		7,972,431	7,972,431
Less: Provision for doubtful debts		<u>(7,972,431)</u>	<u>(7,972,431)</u>
		<u>80,120,050</u>	<u>7,028,672</u>
15 LOANS AND ADVANCES			
Current portion of vehicle loans	11	145,941	152,195
- Unsecured considered good			
Advance to cane growers		85,081,663	34,097,509
Advance to suppliers and contractors		3,926,460	4,602,201
Advance to staff		862,627	1,175,160
Advance against expenses		728,244	769,515
Advance against salaries		523,613	533,384
		<u>91,122,607</u>	<u>41,177,769</u>
		91,268,548	41,329,964
- Considered doubtful			
Advance to cane growers, suppliers and contractors		23,911,294	20,642,848
Less: Provision for doubtful advances	15.1	<u>(23,911,294)</u>	<u>(20,642,848)</u>
		<u>91,268,548</u>	<u>41,329,964</u>
15.1		This include advance of Rs 24.054 million outstanding for last several years. As a matter of prudence, the Company has made necessary provision there against though it expects positive result from its recovery efforts.	
16 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		403,354	129,114
Other receivables	16.1	<u>15,608,776</u>	<u>22,683,851</u>
		16,012,130	22,812,965
- Considered doubtful			
Other receivables	16.2	2,038,030	-
Less: Provision for doubtful receivables		<u>(2,038,030)</u>	-
		<u>16,012,130</u>	<u>22,812,965</u>
16.1		This include amounts receivable from government on account of sales tax Rs 6.970 million, (2006: Rs. 8.247 million), sales tax on disposal of fixed assets Rs. 1.170 million (2006: Rs. Nil) and excise duty Rs 1.570 million (2006: Rs 1.570 million).	
16.2		This include other receivable of Rs 2.038 million outstanding for last several years. As a matter of prudence, the Company has made necessary provision there against though it expects positive result from its recovery efforts.	
17 CASH AND BANK BALANCES			
Cash in hand		40,887	61,899
Cash with banks			
- in current account		14,477,208	121,705,462
- in deposit account		1,836,098	1,836,098
		<u>16,313,306</u>	<u>123,541,560</u>
		<u>16,354,193</u>	<u>123,603,459</u>



		2007 Rupees	2006 Rupees
18 SALES-Net			
Sugar		1,477,636,050	1,523,903,100
Molasses		102,644,765	50,810,935
		<u>1,580,280,815</u>	<u>1,574,714,035</u>
Less : Sales tax		(207,158,626)	(205,822,572)
Brokerage and commission		(302,574)	(266,400)
		<u>1,372,819,615</u>	<u>1,368,625,063</u>
19 COST OF SALES			
Sugarcane consumed		1,207,752,101	1,130,942,298
Manufacturing expenses	19.1	<u>143,391,983</u>	<u>123,102,583</u>
		<u>1,351,144,084</u>	<u>1,254,044,881</u>
Sugar in process			
- opening		702,674	876,132
- closing		(579,809)	(702,674)
		<u>122,865</u>	<u>173,458</u>
		<u>1,351,266,949</u>	<u>1,254,218,339</u>
Finished goods			
- opening		53,739,071	7,267,040
- closing		(53,776,711)	(53,739,071)
		<u>(37,640)</u>	<u>(46,472,031)</u>
		<u>1,351,229,309</u>	<u>1,207,746,308</u>
Molasses			
- opening		76,318,802	34,996,317
- closing		(50,245,593)	(76,318,802)
		<u>26,073,209</u>	<u>(41,322,485)</u>
		<u>1,377,302,518</u>	<u>1,166,423,823</u>
19.1 Manufacturing expenses			
Stores and spares		24,854,558	19,291,468
Fuel and power		7,983,573	3,241,582
Salaries, wages including bonus and staff amenities	19.1.1	41,193,395	31,338,269
Repairs and maintenance		24,007,435	18,906,053
Vehicle maintenance		1,974,701	2,110,781
Insurance		4,254,762	4,247,656
Depreciation		35,853,826	37,743,758
Others		3,269,733	6,223,016
		<u>143,391,983</u>	<u>123,102,583</u>
19.1.1 It includes Rs.1,668,058 (2006:Rs.757,897) in respect of contribution to employee benefits.			
20 DISTRIBUTION COST			
Advertisement		103,075	187,855
Loading and stacking		1,308,375	920,739
Others		5,660	3,770
		<u>1,417,110</u>	<u>1,112,364</u>



		2007 Rupees	2006 Rupees
21 ADMINISTRATIVE EXPENSES			
Salaries, including bonus and staff amenities	21.1	23,254,138	22,512,121
Receiver remuneration		1,800,000	1,750,000
Rent, rates and taxes		547,850	521,887
Insurance		1,049,162	1,218,368
Water, gas and electricity		2,881,517	2,039,551
Printing and stationery		643,317	648,689
Postage, telephone, telegrams and telex		1,554,367	1,071,663
Vehicle maintenance		2,640,543	2,665,357
Repairs and maintenance		1,528,692	1,282,074
Traveling and conveyance		575,282	839,954
Subscription, books and periodicals		369,506	267,774
Legal and professional		3,977,818	2,226,980
Entertainment		1,535,642	1,405,700
Advertisement		40,763	86,676
Provision for doubtful advances & other receivables		5,306,476	-
Depreciation	10.1	6,809,133	6,685,068
Others		144,205	176,271
		<u>54,658,411</u>	<u>45,398,133</u>
21.1 It includes Rs.880,479 (2006:Rs.419,578) in respect of contribution to employee benefits.			
22 FINANCIAL COST			
Interest / mark-up on long term finances		11,503,936	12,575,804
Interest on WPPF		462,548	-
Bank charges		940,669	892,062
		<u>12,907,153</u>	<u>13,467,866</u>
23 OTHER CHARGES			
Auditors' remuneration	23.1	404,635	286,449
Charity and donation	23.2	170,975	375,437
		<u>575,610</u>	<u>661,886</u>
23.1 Auditors' remuneration comprises of :			
Audit fees- Annual		200,000	150,000
Half yearly review		50,000	50,000
Cost audit fee-M/s.Mustaq Ahmad			
Management Consultants		60,000	40,000
Certification -Code of Corporate Governance		20,000	20,000
Internal audit fee		26,100	-
Out of pocket expenses		48,535	26,449
		<u>404,635</u>	<u>286,449</u>
23.2 The Receiver or his spouse had no interest in the donees fund.			
24 OTHER INCOME			
Interest on bank account		71,198	178,796
Scrap sales		640,509	113,500
Profit on sale of fixed assets		938,719	319,015
		<u>1,650,426</u>	<u>611,311</u>



25 REMUNERATION OF CHIEF EXECUTIVE, RECEIVER AND EXECUTIVES

(Amount in Rupees)

Particulars	2 0 0 7			2 0 0 6		
	Receiver	Executives	Total	Receiver	Executives	Total
Meeting fee	-	-	-	-	-	-
Remuneration	1,800,000	1,338,400	3,138,400	1,750,000	1,298,400	3,048,400
Company's contribution to provident fund	-	69,996	69,996	-	67,916	67,916
Perquisites, benefits and utilities	-	237,600	237,600	-	234,100	234,100
Others	-	-	-	-	-	-
TOTAL	1,800,000	1,645,996	3,445,996	1,750,000	1,600,416	3,350,416
NO. OF PERSONS	1	1	2	1	1	2

26 TAXATION

Current

Income tax assessments of the Company are deemed to be finalized upto the accounting year 2006 corresponding to tax year 2007. The Company's tax losses amounted to Rs.637.091 million upto tax year 2007. Accordingly, provision for tax under section 113 of the Income Tax Ordinance, 2001 has been made in these financial statements.

Deferred

There is no deferred tax liability of the Company as at September 30, 2007 (2006: Nil) as Company's unused tax losses are higher than deferred credit against accelerated tax depreciation of Rs. 540.182 million (2006: Rs. 683.719 million) adjusted by deferred debits in respect of other assets and liabilities. The remaining loss is not recognized as their utilization against future taxable profit is not presently ascertainable.

26.1 Relationship between tax expense and accounting profit	2007 Rupees	2006 Rupees
(Loss)/ Profit for the current year	<u>(72,390,761)</u>	<u>135,063,687</u>
Permanent differences	111,468	1,301,971
Temporary differences	<u>6,472,637</u>	<u>(12,974,308)</u>
Taxable income/(loss)	<u>(65,806,656)</u>	<u>123,391,350</u>
Less: Carry forward loss	<u>(637,091,910)</u>	<u>(791,678,902)</u>
Minimum tax liability u/s.113 as per Income Tax Ordinance,2001	<u>(702,898,566)</u>	<u>(668,287,552)</u>
	<u>6,868,814</u>	<u>(6,843,125)</u>

27 CAPACITY AND PRODUCTION

Years	CAPACITY		PRODUCTION		% of Capacity Attained
	Metric Tons	Days	Metric Tons	Days	
2007	86,400	160	55,963	163	64.77%
2006	86,400	160	49,520	114	57.31%

The main reason for under utilization of production capacity is the scarcity of sugar cane in Sindh.



29.1 Financial risk management objectives

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

29.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fails completely to perform as contracted without taking into account the fair value of any collateral. To manage exposure of credit risk, the Company applies credit limits to its customers and ensures that sale of products are made to customers with appropriate credit history.

Concentration of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations or credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The financial assets of the Company are not exposed to any credit risk. The Company believes that it is not exposed to major concentration of credit risk. The Company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy, obtaining securities where applicable and make provision against those balances considered doubtful of recovery.

29.3 Interest rate risk management

Interest rate risk arising from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any significant interest rate risk. The rate of financing and their maturity period has been disclosed in the relevant notes.

Interest rate risk arises from the possibility that changes in interest rate will effect the value of financial instrument. Since the Company borrows funds usually at fix rates of interest, the risk arising is minimal.

29.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements

29.5 Fair value of financial assets and liabilities

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

30 ACCOUNTING ESTIMATES AND JUDGMENTS

30.1 Staff Retirement Benefits

Certain actuarial assumptions have been adopted as disclosed in Note 2.4 to the financial statement for valuation of present value of defined obligations and fare value of plan assets any changes in these assumptions in future years might effect gains and losses in those years.

30.2 Property, Plant and Equipment

The Company's management determines the estimated useful life and related depreciation charge for its plant and equipment. The Company reviews the value of the assets for possible impairment on an annual base. Any change in the estimates in future years might affect the caring amount of the respective items of the property, plant and equipments with a corresponding effect on the depreciation charged and impairment.

30.3 Income Taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

31 DATE OF AUTHORIZATION

These financial statements were authorized for issue on December 01, 2007 by the Receiver.

32 GENERAL

- Figures have been rounded off to the nearest rupee.
- Figures have been rearranged and reclassified where necessary.

(AFAQ JAMAL HUSSAIN)
RECEIVER



SIX YEARS REVIEW AT A GLANCE

FINANCIAL RESULTS	2007	2006	2005	2004	2003	2002
..... (Rs. in 000)						
Sales	1,372,819	1,368,625	832,402	894,972	980,623	628,500
Gross (loss)/profit	(4,482)	202,201	18,672	(4,245)	38,247	(29,767)
Operating (loss)/profit	(60,558)	155,691	(23,774)	(40,012)	712	(66,978)
(Loss)/profit before taxation	(72,391)	135,064	(35,758)	(92,890)	(61,327)	(117,243)
(Loss)/profit after taxation	(79,260)	128,221	(39,922)	(97,365)	(66,230)	(120,386)
Accumulated (loss)/profit for the year	(274,020)	(194,761)	(310,778)	(270,856)	(257,050)	(190,819)
OPERATING RESULTS		2006	2005	2004	2003	2002
..... (Rs. in 000)						
Season Started	10-11-2006	02-12-2005	01-11-2004	30-11-2003	10-12-2002	09-11-2001
Season Closed	20-04-2007	25-03-2006	03-03-2005	23-03-2004	06-04-2003	22-03-2002
Days Worked	163	114	123	115	117	134
Sugarcane crushed (tonnes)	604,957	485,294	378,689	587,108	633,048	403,469
Sugar Recovery (%)	9.25	10.20	9.98	10	10	10
Sugar produced (tonnes)	55,963	49,520	37,782	59,520.00	64,065	40,632
Molasses recovery (%)	5.06	5.033	5.027	5.159	5.568	5.251
Molasses produced (tonnes)	30,628	24,430	19,032	30,288	35,252	21,194
ASSETS EMPLOYEED		2006	2005	2004	2003	2002
..... (Rs. in 000)						
Fixed capital expenditure	730,194	768,342	797,911	830,415	865,777	908,788
Long term loans and deposits	1,215	1,303	566	591	559	680
Current Assets	329,637	347,325	221,356	311,538	243,095	268,126
Total Assets employed	1,061,046	1,116,971	1,019,833	1,142,544	1,109,431	1,177,594
FINANCED BY		2006	2005	2004	2003	2002
..... (Rs. in 000)						
Shareholders' equity	(2,949)	76,311	(39,706)	216	14,022	80,253
Long term liabilities	406,307	448,484	487,343	521,855	624,311	639,006
Deferred Liabilities	4,385	10,950	10,073	9,087	7,627	9,095
Current Liabilities	653,303	581,225	562,123	611,386	463,471	449,240
Total funds invested	1,061,046	1,116,971	1,019,833	1,142,544	1,109,431	1,177,594
Break-up value per share (Rupees)	(0.01)	0.31	(0.16)	0.00	0.06	0.33
Earnings per share (Rupees)	(3.25)	5.25	(1.64)	(3.99)	(2.71)	(4.93)



FORM OF PROXY

The Receiver
ANSARI SUGAR MILLS LIMITED
41-K, Block 6, P.E.C.H.S.
Karachi-75000

I/We _____

of _____

being a Member of Ansari Sugar Mills Limited and holder of _____

Ordinary Shares, as per Register Folio No. _____

hereby appoint _____

who is also a Member of the Company of as my/our Proxy to vote for me/us and on my/our behalf at the 18th Annual General Meeting of the Company to be held on _____ and at any adjournment thereof.

Signed _____ day of 2007.

**RUPEES FIVE
REVENUE STAMP**

(Signature should agree with
the specimen signature
registered with the Company)

NOTE :

1. This form of proxy duly completed and signed, must be deposited at Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.

