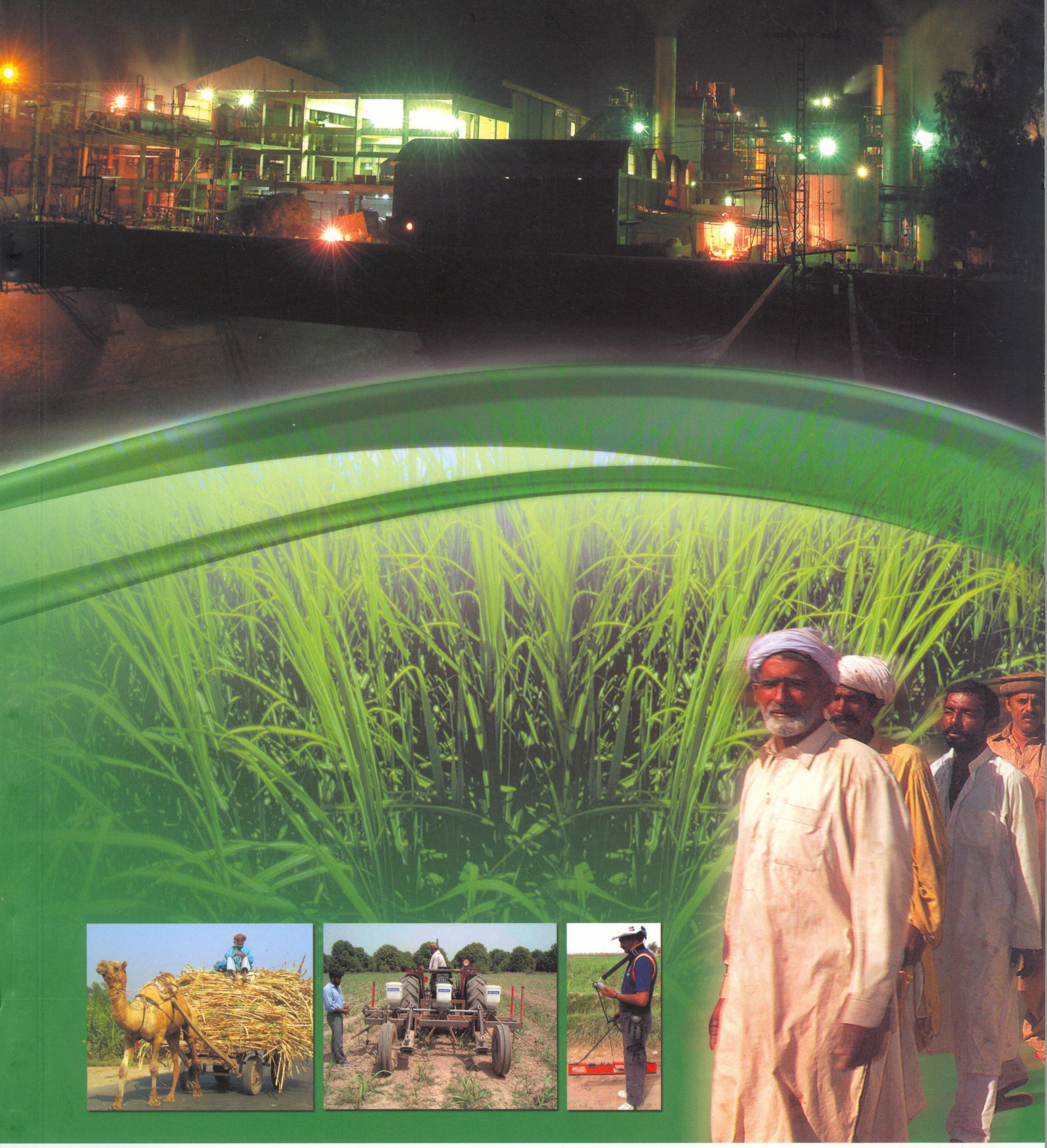
Annual Report
for the year ended 30 September 2007



JDW

JDW Sugar Mills Limited

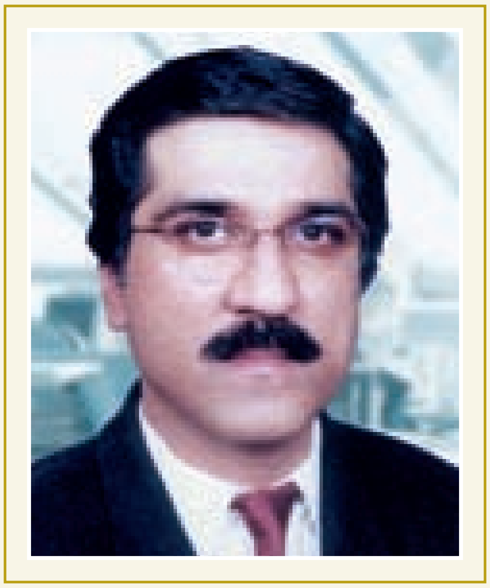
Moving Ahead Together . . .

(Mashallah)

Before bringing life to a vision we have to see it first. And for that we need people who specialize in seeing the impossible. Here at JDW, we are proud of the visionary men we have who take up the responsibility of creating opportunities for the future, not only for our company but for the whole community we operate in.

We believe life is about the betterment of the human condition; it's about social awareness, and random acts of kindness that weave the soul of humanity. Together, we all participate in weaving the social fabric; we should all therefore be patching the fabric when it develops holes. The change has begun, here at JDW, as we have started to unpack the challenges that encounter us, realizing that we each have a role that requires us to change and become more responsible for shaping our community and creating magic under JDW's vision. A vision in which everyone is benefited, be it our shareholders, the farmers or you.

Chairman & Directors

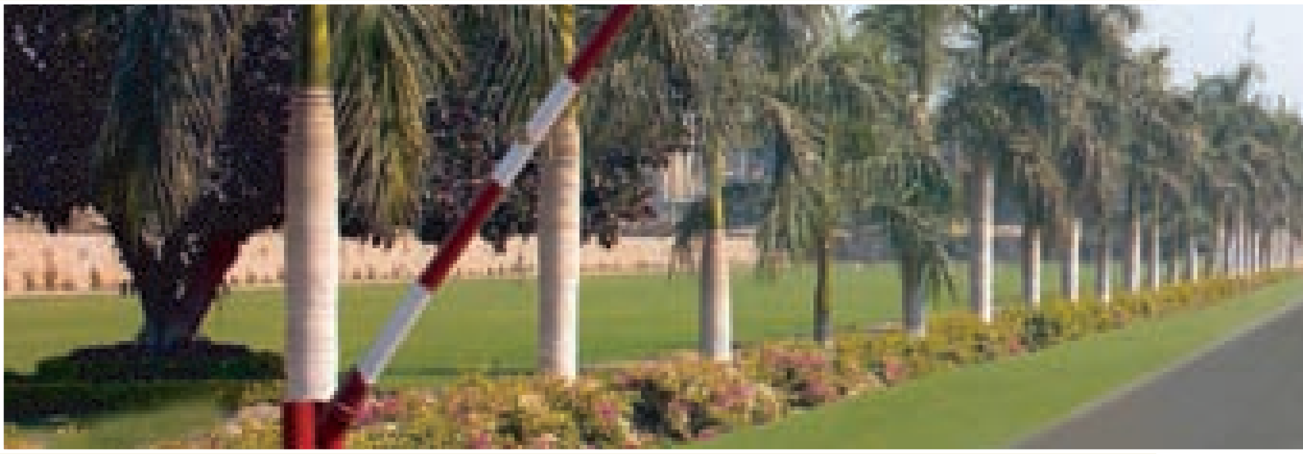


Syed Ahmed Mahmud
Chairman

Jahangir Khan Tareen
Director

Rana Nasim Ahmed
Resident Director

Muhammad Rafique
Executive Director Finance &
Company Secretary



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Company Information

Directors

Syed Ahmed Mahmud
Chairman

Mrs. Amina Tareen
Chief Executive

Mr. Jahangir Khan Tareen
Mrs. Sameera Mahmud
Mr. Asim Nisar Bajwa
Mr. Muhammad Ismail
Mr. Abdul Ghaffar

CFO & Company Secretary

Mr. Muhammad Rafique

Audit Committee

Mr. Jahangir Khan Tareen
Chairman

Syed Ahmed Mahmud
Secretary

Mr. Muhammad Ismail
Member

Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Registrar

Corplink (Pvt.) Ltd.

Legal Advisors

Cornelius, Lane & Mufti

Bankers

Habib Bank Ltd.
United Bank Ltd.
Standard Chartered Bank Pakistan Ltd.
Faysal Bank Ltd.
MCB Bank Ltd.
The Bank of Punjab
Saudi Pak Commercial Bank Ltd.
National Bank of Pakistan
Pak Kuwait Investment Co. (Pvt) Ltd.
Allied Bank Ltd.
PICIC Commercial Bank Ltd.
Soneri Bank Ltd.

Registered Office

17-Abid Majeed Road, Lahore Cantt.,
Lahore.

Mills

Mauza Shirin, Jamal Din Wali,
Distt. Rahim Yar Khan

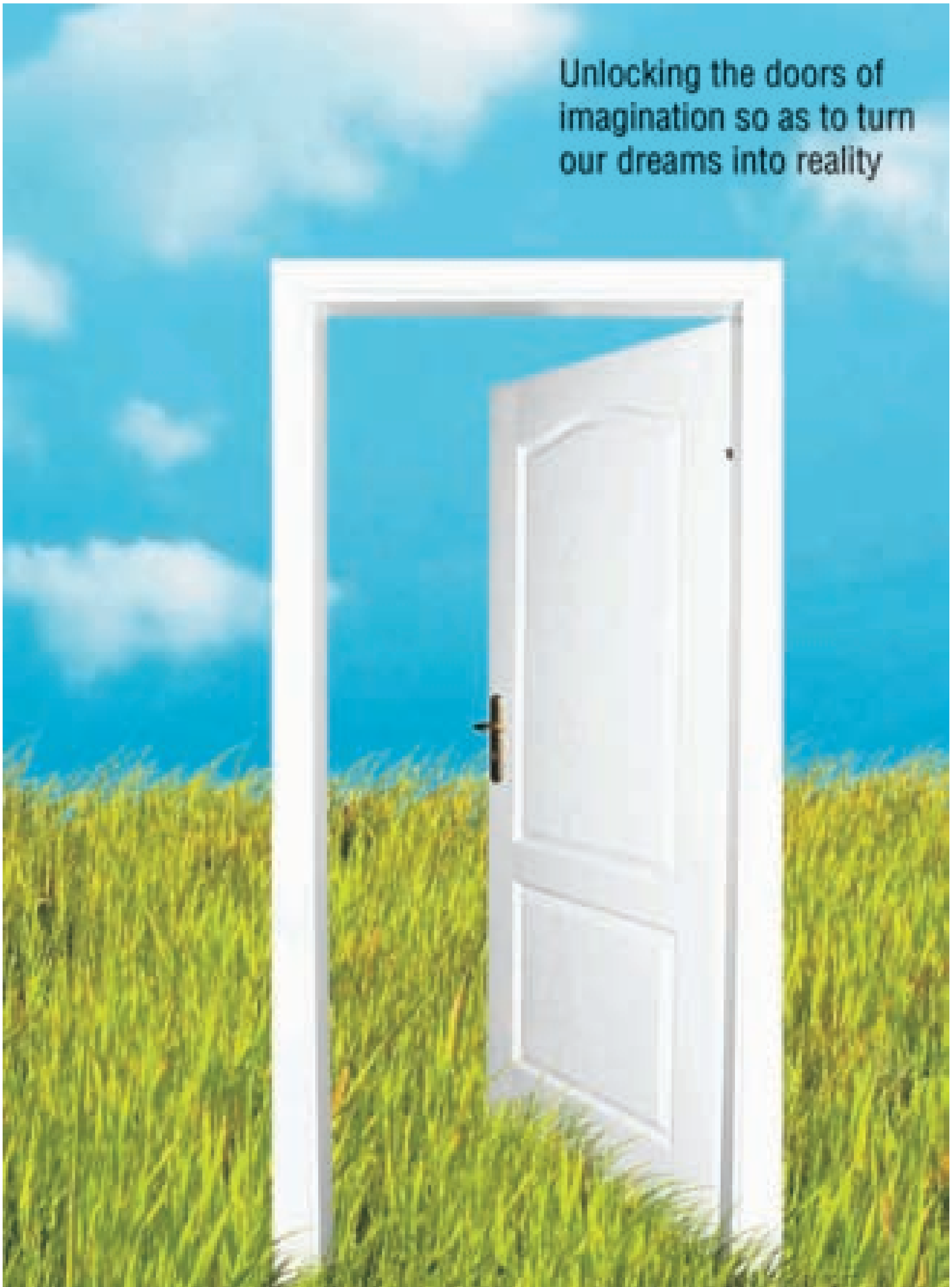
Vision, Mission & Strategy

Mission

- To be the market leader and a world-class organization by meeting and proactively anticipating customer needs.
- To maximize the wealth of stakeholders by optimizing the long term returns and growth of the business.
- To be amongst the most efficient and lowest cost producers in the industry.
- To ensure a safe, harmonious and challenging working environment for the employees.

Corporate Strategy

- To grow our base business in sugar and build those related activities where there is opportunity to smooth the impact of sugar price cycles.
- To produce sugar which is of highest international standards.
- To make investment in sugarcane crop to ensure regular supply of cane and profitability of growers.
- To establish modern corporate sugarcane farm of international standards.
- To offer equal and fair growth opportunities to all employees.
- To undertake and support community development and welfare projects in order to fulfil social commitments.


Unlocking the doors of
imagination so as to turn
our dreams into reality

Notice of Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of JDW Sugar Mills Limited (the "Company") will be held at Avari Hotel, Lahore on Monday, 31st December, 2007 at 9:30 a.m. to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 24th day of November, 2007.

2. To receive, consider and adopt the audited accounts of the company for the year ended 30th September, 2007 together with Directors' and Auditors' Reports thereon.

3. To approve a cash dividend @ Nil % i.e Rs. Nil per share and Bonus share @ 20% i.e. 2 shares for every 10 shares for the year ended September 30, 2007 as recommended by the Directors.

4. To appoint Auditors of the Company for the year 2007-08 and fix their remuneration. The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the Company.

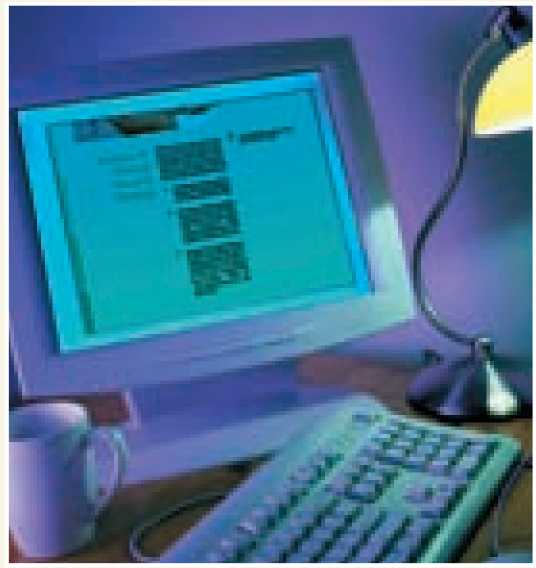
Special Business:

5. Increase in authorized capital;

To increase the authorized capital of the Company by Rs.50 million and accordingly amend the Memorandum and Articles of Association of the Company by passing the following resolutions, with or without modification, addition or deletion, as special resolutions;

"RESOLVED THAT the authorized capital of the Company be increased from Rs.350,000,000 (divided into 35,000,000 ordinary shares of Rs. 10 each) to Rs.400,000,000 (divided into 40,000,000 ordinary shares of Rs. 10 each) by creation of 5,000,000 ordinary shares of Rs.10 each.

FURTHER RESOLVED THAT the Memorandum of Association of the Company be altered by substituting the figures and words "350,000,000 (Rupees three hundred fifty million)" and "35,000,000" appearing in clause V, with the figures and words "400,000,000 (Rupees four hundred million)" and "40,000,000" respectively.



FURTHER RESOLVED THAT the Articles of Association of the Company be altered by substituting the figures and words "350,000,000 (Rupees three hundred fifty million)" and "35,000,000" appearing in clause 4 with the figures and words "400,000,000 (Rupees four hundred million)" and "40,000,000" respectively".

6. Advances to Subsidiary Company - United Sugar Mills Limited

To pass the following resolutions with or without modification, addition or deletion, as special resolutions:

"RESOLVED THAT consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for sanction/renewal of short term advances to United Sugar Mills Limited, a subsidiary of the Company, for up to an aggregate sum of Rs. 2,000,000,000 (Rupees two billion) for a period of one year from January 01, 2008 to December 31, 2008 (both days inclusive) and at a mark-up rate not less than the borrowing cost of the Company.

FURTHER RESOLVED THAT the Company Secretary of the Company be and is hereby authorized to give effect to the above resolution and take all necessary steps as required under law or otherwise and to sign and execute any agreement, documents etc. for and on behalf of the Company in relation to the above advances."

7. **Investment in Subsidiary Company - Ghotki Sugar Mills (Pvt.) Limited**

To pass the following resolutions with or without modification, addition or deletion, as special resolutions:

"RESOLVED THAT consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for investment of up to an aggregate sum of Rs. 200,000,000 in the equity/share capital of Ghotki Sugar Mills (Pvt.) Limited, a subsidiary of the Company, by subscribing up to 20,000,000 ordinary shares of Rs. 10 each.

FURTHER RESOLVED THAT consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for investment of up to an aggregate sum of Rs. 5,000,000 in the equity/share capital of Ghotki Sugar Mills (Pvt.) Limited, a subsidiary of the Company, by acquiring up to 250,000 ordinary shares of Rs. 10 each from other shareholders.

FURTHER RESOLVED THAT the Company Secretary of the Company be and is hereby authorized to give effect to the above resolutions and to make the aforesaid investment in shares as and when he deems fit and take all necessary steps as required under law or otherwise and to sign and execute any agreement, documents etc. for and on behalf of the Company in relation to the above."

8. To transact any other business with the permission of the Chairman.

The explanatory note under Section 160 (1)(b) of the Companies Ordinance, 1984 is being dispatched to the shareholders along with the notice of meeting.

By Order of the Board

Lahore: Mrs. AMINA TAREEN
December 08, 2007 Chief Executive

NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from 24th December, 2007 to 31st December, 2007 (both days inclusive).

2. A member entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company Registered Office not less than forty eight hours before the time of holding the meeting.

3. Any individual beneficial owner of CDC, entitled to vote at the General Meeting, must bring his/her CNIC with his/her to prove his/her identity, and in case of proxy, attested copy of share holder's CNIC must be attached with the proxy form. The representative of corporate member should bring the usual documents required for such purpose.

4. Members are requested to notify immediately the change of address to our Company Registrar, Corplink (Pvt.) Limited, Wings Arcade, I-K Commercial, Model Town, Lahore.

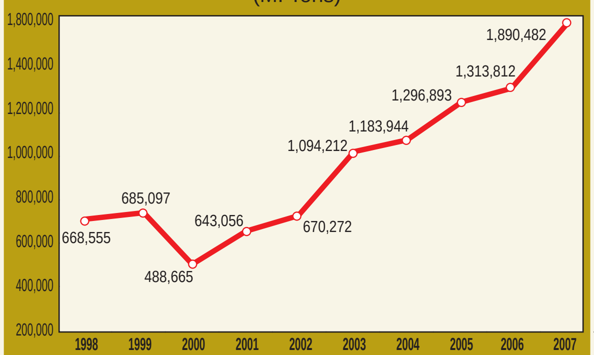
Operating Highlights

Production Data		2002	2003	2004	2005	2006	2007
Season started	Date	03-Dec-01	15-Nov-02	11-Nov-03	31-Oct-04	14-Nov-05	17-Nov-06
Season closed	Date	30-Mar-02	03-May-03	25-Apr-04	23-Mar-05	18-Mar-06	12-Apr-07
Days worked	Days	118	170	167	143	125	147
Average daily crushing	M.Tons	5,680	6,437	7,089	9,069	10,510	12,860
Sugar cane crushed	M.Tons	670,272	1,094,212	1,183,944	1,296,893	1,313,812	1,890,482
Sugar recovery	% age	9.87	10.04	10.55	10.45	10.44	10.35
Sugar production	M.Tons	66,155	109,875	124,856	135,490	152,256	195,586
Molasses recovery	% age	4.35	4.53	4.56	4.56	4.20	4.09
Molasses production	M.Tons	29,194	49,594	53,984	54,154	55,655	77,311

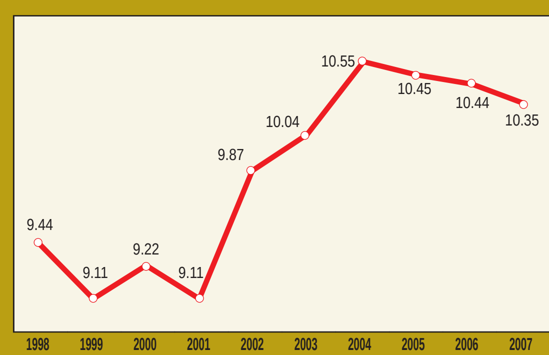
Operating Results					(Rupees in thousand)	
	2002	2003	2004	2005	2006	2007
Gross sales	1,303,333	1,926,044	2,057,538	3,194,271	4,870,455	4,877,194
Net sales	1,137,192	1,650,911	1,890,182	2,792,474	4,226,410	4,237,941
Cost of sales	978,442	1,353,417	1,471,980	2,147,392	3,268,823	3,536,948
Administrative, distribution & marketing	35,717	38,150	64,506	75,381	107,617	104,489
Interest expense	98,019	93,080	69,341	172,857	389,362	558,358
Other income/(loss)	128	317	1,185	(12,328)	(11,508)	76,130
Profit before taxation	25,144	158,252	271,263	365,291	424,513	106,390
Profit after taxation	18,200	149,998	261,806	344,395	366,209	70,639

Basic earnings per share	Rs.	0.88	7.29	11.57	13.23	11.72	2.24
Dividend – cash	%	5	20	25	30	30	–
– bonus	%	–	–	10	15	20	20

SUGAR CANE CRUSHED
(M. Tons)

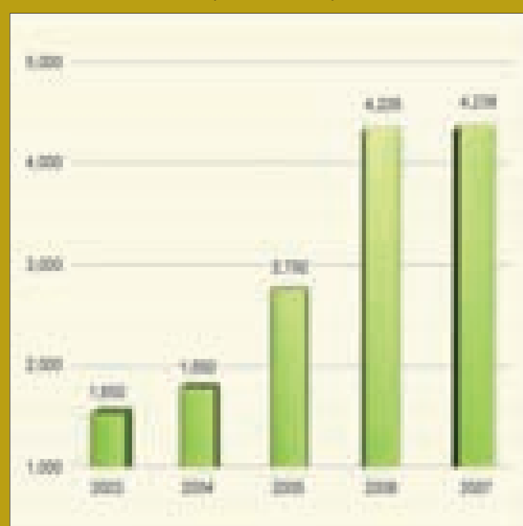


SUCROSE RECOVERY PERCENTAGE



SUGAR PRODUCTION
(M. Tons)

NET SALES
(Rs. in billion)




Every satisfied farmer is another
successful relationship built on
trust and mutual respect

JDW Sugar Mills has continued in 2007 to technically develop its associated corporate farming operations in Pakistan. It maintains a unique position within the industry by working closely in conjunction with a large and expanding corporate farm (JK Agri Farms). JK Agri Farms functions as a separate entity which operates corporate farms and supplies cane to the corporate mills on commercial terms.

JK Agri farms will harvest over 17,000 acres in the 2007/2008 season, with a yield exceeding 550,000 tones. The corporate farm is forecast to harvest over 20,000 acres in 2008/09.

Innovative science and the adoption of new technology is helping drive the successful expansion of the corporate farm. Farming practices are focused on achieving yields that are both sustainable and profitable. An understanding the cropping potential of each farm drives the agronomy strategies at corporate farms. The successful strategies pioneered on the corporate farm are being extended to the surrounding farming communities, which is improving farmer profitability and therefore reliability of cane supply to JDW Sugar Mills.

Corporate Farm Activities
Research and Development

- Varietal screening and Development program
- Soil and Water Testing Laboratory
- Bio-laboratory Facility
- Transfer of Technology

Agronomy Development

The adoption of new technology and the progressive modification of this technology to suit local conditions is essential to the corporate farm's success.

Agronomic Strategies are focused on;

- maximizing sugar production
- extending ratoon life
- minimizing lodging
- improving irrigation efficiency
- rationalizing tillage operations
- improving harvest and transport activities

Mechanization:

The operation of large corporate farms cannot be managed efficiently unless key operations are either mechanized or supplemented with mechanization. Mechanization has required an increase in tractor horsepower, with the standard 2WD 85HP tractor fleet progressively being upgrade to higher capacity 4WD models in order to operate the larger and more effective farming equipment. Farm layout design continues to be improved to achieve maximum farming efficiencies. The corporate farm continues to investigate the best available mechanized technologies in the world to create synergies with the corporate farm's manual labour force.

Mechanised operations include;

Planting: mechanized and semi-mechanised planting techniques.

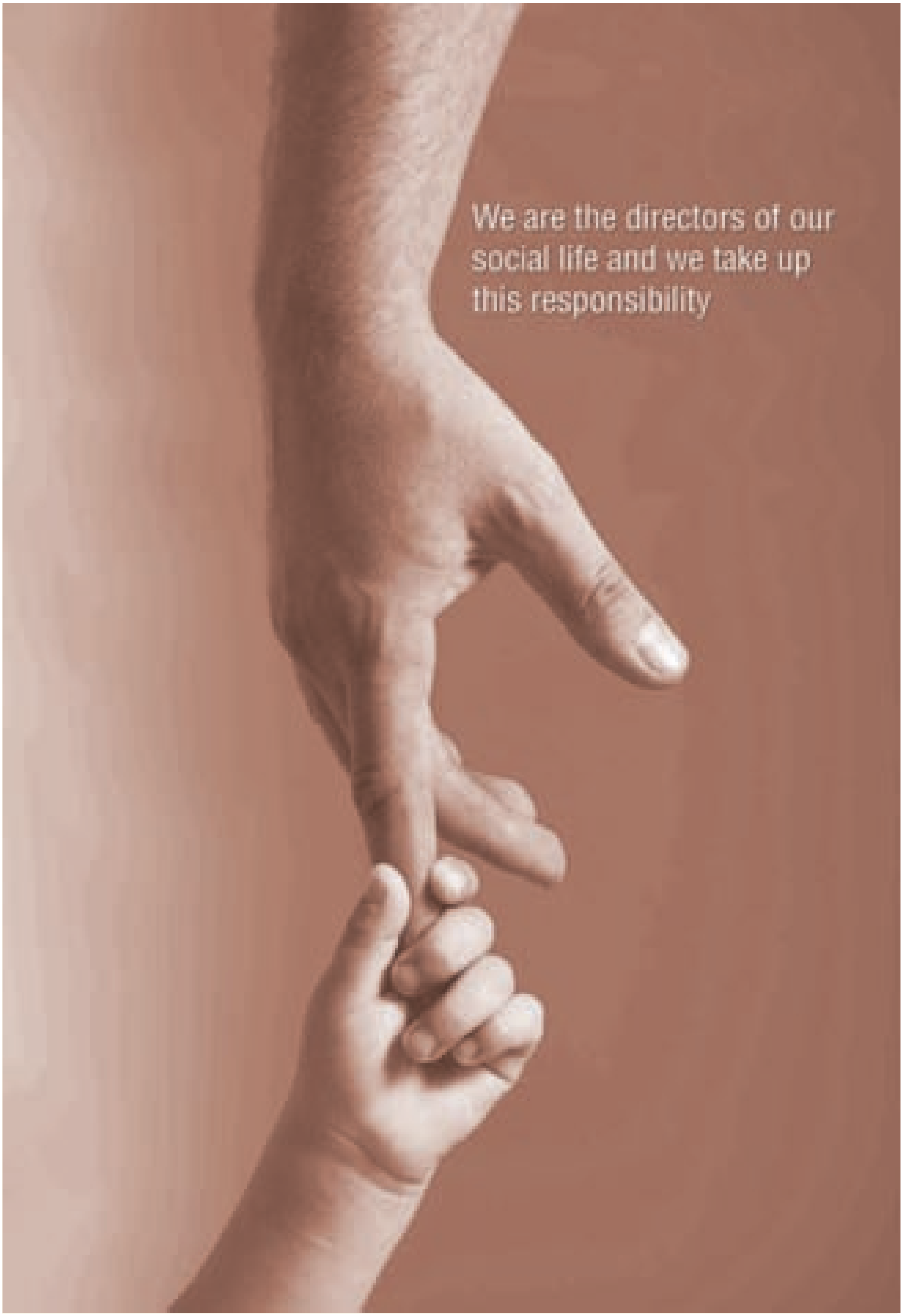
Fertilizing (multi row, zero tillage)

Gypsum Spreading

Harvesting

JK Agri farms currently operates 8 harvesters and has the capacity to mechanically harvest up to 260,000 tones of cane or over 8,000ac per season. A large portion of the crop is harvested green, which provides an option for zero tillage or minimum tillage ratooning programs. The mechanical harvest and transport system continues to evolve into a world class operation as efficiencies improve with new innovations, improved infrastructure and improved farm designs.

JK Agri farms has a strong focus on improving irrigation efficiency. Over irrigation in Pakistan with poor quality tube well water has historically lead to serious soil degradation.


We are the directors of our
social life and we take up
this responsibility

Social Responsibility

The unique socio-economic programs created by JDW Sugar Mills to raise incomes and standards of living of local communities, have continued in 2007. Programs that were originally initiated as pilot projects, now play a key role in sustaining economic development of the immediate agricultural region. The programs utilize strong social & cultural bonds to harness the true potential of communities living in the rural areas.

JDW Sugar Mills 'social responsibility' programs take a holistic approach to socio-economic problems and therefore deal with a much wider range of issues and communal groups than traditional single focus programs.

Programs

1. Sugarcane Productivity Enhancement Project (SPEP)

This program is a truly multi-stakeholder project as it involves partnership between farming communities, private sector (JDW Sugar Mills Ltd.) and a non-profit organization (National Rural Support Programme).

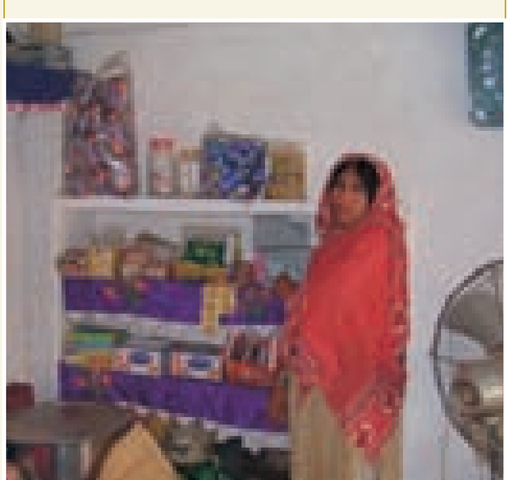
SPEP has been designed to enhance small farm (<20 acres) profitability through agriculture & livestock extension services and provision of credit without collateral. The COs receive SPEP support from a professional team consisting of a social organizer, an agricultural extension officer, and a veterinary officer.

With continued support from JDW Sugar Mills, NRSP expanded its operation from 19 to 44 union councils. The number of active Community Organizations (COs) has now grown in 2007 to 1226 with a membership of 16,346 farmers.

The main features of the SPEP include;

- Social mobilization and organization of the rural poor into Community Organizations.
- Provision of agricultural extension services. Agricultural graduates employed by JDW Sugar Mills provide services through direct advice in CO meetings, published literature and farm visits.
- Credit facility from JDW Sugar Mills and NRSP for purchase of seed and other agricultural inputs on guarantee of the CO.
- Small farmers have access to farm machinery provided by JDW Sugar Mills on subsidy and credit.

JDW Sugar Mills invested Rs 25 million in 2006-2007 to support this programme. In addition, credit to the tune of Rs 163 million has been disbursed by the NRSP to raise the productivity & income of the farming communities.



2. Large Cane Grower Program

As a result of the success of SPEP, JDW Sugar Mills has decided to launch a new campaign to support large cane growers. Farmers in this group can access a range of facilities provided by JDW Sugar Mills including;

- Technical advice on large scale cane growing from the JK Agri Solutions Extension Services.
- Easy access to credit.
- Subsidized agricultural machinery.
- Special loan facility for installing turbine irrigation system.

Farmers are taking advantage of this specialized program to improve their farming systems, which in turn is assisting the mills to improve cane supply.

3. Livestock Development Program (LDP)

SPEP management realizes that any effort in livestock productivity enhancement would directly benefit the poor in generating sustainable and reasonable incomes. Under this program DVMs and Veterinary Assistants provide CO members with services such as vaccinations, treatment of sick animals, advice on animal fattening, advice on enhancement of milk production and artificial insemination.

The approach used in this project is under consideration by provincial and federal departments for national implementation under various RSPs.

4. Women Development Program (WDP)

The Women's Development Program was initiated in the rural areas of SPEP to develop small business skills. Women in these rural areas can now benefit from the various programs run by NRSP. The project, which has so far organized 178 COs and encouraged membership of 1,914 women, has enabled women to access credit (Rs 42.9million) and small business training facilities. Through these programs, women have been able to provide significantly improved income support to their households.

5. Support to Vocational Training Centers

JDW Sugar Mills actively supported the establishment of vocational training centers in Jamal Din Wali and Rajan Pur Kalan. JDW Sugar Mills provided Rs 2.3 million for setting up of these centers. These centers are currently providing training in trades that include dress making, embroidery, repair and maintenance of electrical home appliances, tractor mechanic, and computer operator. Most of the graduates now have an opportunity to generate income through self employment in the market.

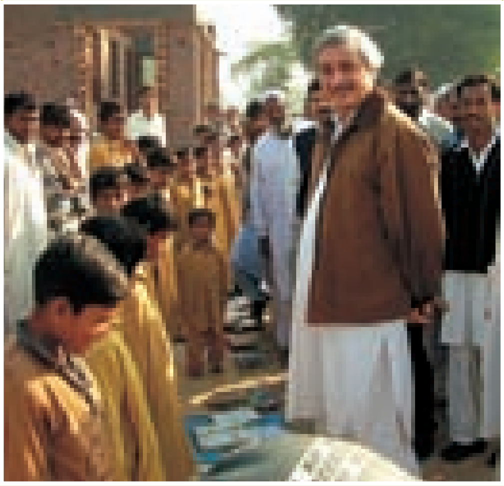
6. Quality Education for All (QEFA) "Rasool Pur Union Council"

In 2002-03, the District Government Rahim Yar Khan took a bold initiative in education sector and handed over the management of all the primary schools of Rasool Pur Union Council to NRSP. JDW Sugar Mills fully supported this initiative and provided operational, financial and logistic support to the project. The local community was mobilized & fully involved in the management of schools. The following additional tasks were given to them:-

- Raising funds for provision of lacking facilities.
- Reducing the drop outs and increasing enrollment.
- Reducing teacher's absenteeism.

The project has been a resounding success in terms of efficient management of schools, increase in student enrolment, and reduction in drop out ratio, provision of basic facilities and involvement of local communities in monitoring performance of school administration. The results are given bellow: -

An amount of Rs 11.95 million has also been provided by JDW Sugar Mills for the upgradation of schools. Almost Rs 5.00 million funds have also been invested in the project by the NRSP. The officers of the World Bank and Government of the Punjab visited these schools and appreciated the "New School Management Approach" adopted in "Rasool Pur Union Council". The Punjab Education Sector Reforms Project (PESRP) launched in 2005-06 has been modeled on the lessons learnt from "Rahim Yar Khan Model".

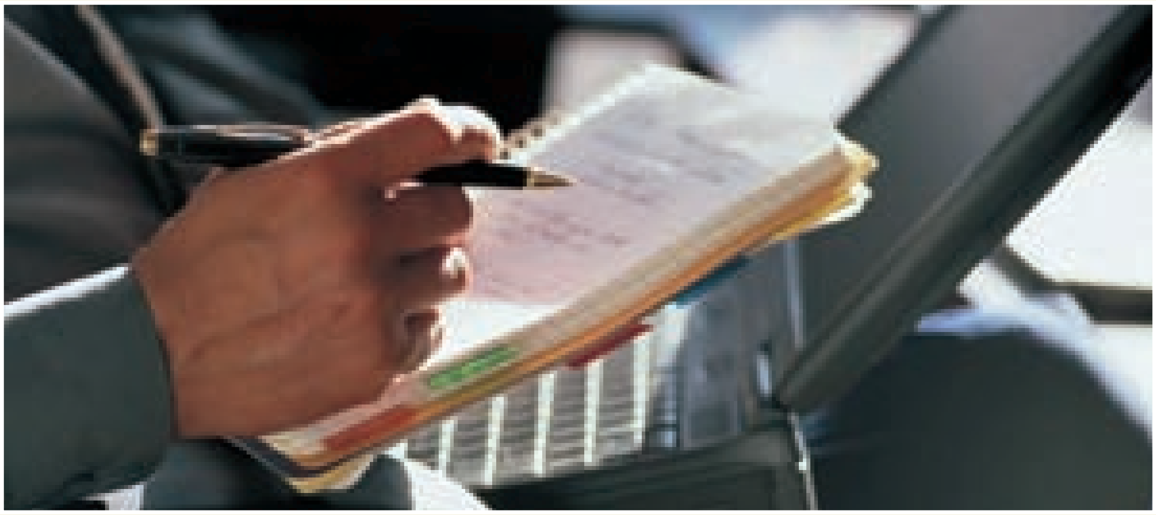


Sr.#	Activity / Description	2002-2003	Achievement During Project	2006-2007
1	Total Schools	43	5	48
2	Active Schools	37	11	48
3	Number of Students Enrolled	2270	2890	5160
4	Total Number of Teachers	69	53	122
5	Teacher Appointed by Project	0	30	30
6	Teachers trained through NRSP	0	140	140
7	School Councils Reactivated	0	48	48
8	School Council Members	0	523	523

An amount of Rs 11.95 million has also been provided by JDW Sugar Mills for the upgradation of schools. Almost Rs 5.00 million funds have also been invested in the project by the NRSP. The officers of the World Bank and Government of the Punjab visited these schools and appreciated the “New School Management Approach” adopted in “Rasool Pur Union Council”. The Punjab Education Sector Reforms Project (PESRP) launched in 2005-06 has been modeled on the lessons learnt from “Rahim Yar Khan Model”.


We work in new business
environment where ethics
come first
Value
9,179.53
11,426.60
9,611.01
7,189.65
6,550.22

Directors' Report



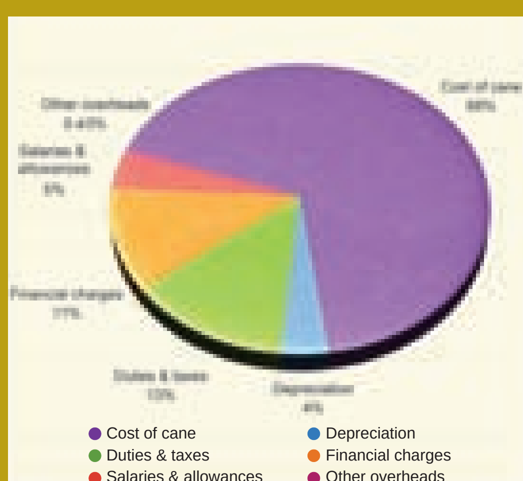
It gives me pleasure in presenting you the company's 18th Annual Report and Audited Accounts for the year ended 30th September, 2007.

The operating and financial results for the year under review are summarized below:

Operating Results:

		2007	2006
Crushing days	Days	147	125
Cane crushed	Tons	1,890,482	1,313,812
Avg. Crushing per day	Tons	12,860	10,510
Sucrose recovery	% age	10.35	10.44
Sugar produced	Tons	195,586	137,131
Production from raw sugar	Tons	–	15,125
Molasses recovery	%age	4.09	4.20
Molasses production	Tons	77,311	55,655

APPLICATION OF FUNDS



The comments of the directors on these results are as under:

- With average crushing of 12,860 tons per day Mills was operated for 147 days during the period under review as against 125 days with average crushing of 10,510 tons per day last year.

- Sucrose recovery achieved this year was 10.35% which is slightly less than last year but it was still highest achieved by any Mills during crushing season 2006-07. This is the 3rd consecutive year of getting highest sucrose recovery in the sugar industry of Pakistan. During period under review the 2nd highest recovery was achieved by United Sugar Mills Limited, a subsidiary of the company. For crushing season 2006-07 the industry's average recovery was 8.69% whereas average recoveries in Punjab was 8.53 % , NWFP 8.23% and Sindh 9.14 %.

- Sugar production achieved this year is 43 % higher than last year. This is the highest production ever achieved by the company since its inception and 2nd highest was achieved last year. Since 2001-02 the company is showing continuous growth in sugar production which is attributable to untiring efforts of the whole management team and continuation of farmers' friendly policies.

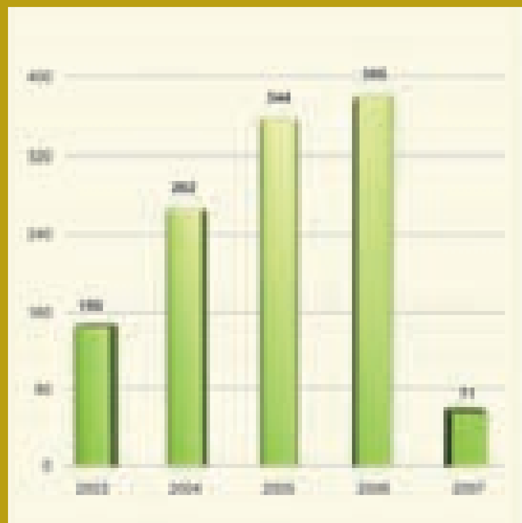
- Achieving highest sugar production and sucrose recovery are the two major factors of productivity which give edge to our company on rest of the sugar mills in the country.

Financial indicators

An analysis of the key operating results is given below:

	2007	2006
	(Rs. in million)	
Gross Sales	4,877	4,870
Net Sales	4,238	4,226
Operating profit	665	814
Profit before tax	106	425
Profit after tax	71	366
Basic earnings per share	2.24	11.72

NET PROFIT AFTER TAX
(Rupees in Million)



Despite getting highest sugar production and sucrose recovery as stated above the company has just earned a net profit after tax amounting to Rs. 70.639 million as against profit of Rs. 366.209 million last year. The basic earnings per share has dropped from Rs. 11.72 to Rs. 2.24. The gross profit ratio has also dropped to 17% from 23%.

EARNINGS PER SHARE
(Rupees)

The reasons are summarized below:

- Unfavorable trend of sugar prices was the main reason . The season was started with sugar price at Rs. 32 per kg but it dropped to a level of Rs. 25 per kg in May & June, 2007 and it fluctuated between Rs. 25 and Rs. 27 most of the time. Secondly the company could sell 90% of its production before year end as against 100% sold last year. Unsold imported stocks of sugar with TCP and higher production of sugar in the country were the main reasons for slow sale and trend of unfavorable sugar prices.

- In anticipation of better sugar prices and profitability the company even this year had passed on app. Rs. 350 million to the growers on account of cost of cane over and above the support price of sugarcane.

- Substantial increase in the financial charges which increased from Rs. 389.362 million to Rs. 558.358 million with 43 % increase was another major reason which has eroded the profitability of the company. Increase in working capital loans due to slow sale of sugar, investments in subsidiary companies and increase in mark up rates were the reasons for increase in financial charges.

- Increase in salaries & allowances, depreciation charges, road cess contribution and other input costs have also resulted in reduced profitability.

Other points of your interest are summarized below:

- For crushing season 2007-08 mills was started on 19th November, 2007. Production results of this crushing season are expected to be better than last year in view of more availability of sugarcane.

- As compared to the corresponding period the balance sheet size of the company has increased from Rs. 5.2 billion to Rs. 7.2 billion.
- The company continued its policy of prompt payment to growers. Immediately after the close of the crushing season 2006-07 the company had fully paid the balance payment of the cane procurement.
- The current and debt equity ratios of the company have deteriorated compared with last year due to increased borrowings and unsatisfactory profitability. However, company is fulfilling its financial obligations with all the financial institutions.

Dividend

In view of the low profitability and additional investments the Board of Directors was unable to recommend dividend pay outs this year. The board of directors, however, has recommended 20% bonus shares subject to approval of the shareholders in the annual general meeting.

Appropriation of Profit

The following appropriations were made during the current year.

	2007 (Rupees)
Profit after taxation	70,639,471
Un-appropriated profit as at 01 October 2006	915,425,481
	986,064,952
Appropriations during the year	
Final cash dividend for the year 2006 at the rate of Rs. 3.00 per share	(78,090,474)
Bonus shares issued at the rate of 20%	(52,060,320)
	(130,150,794)
Balance as at 30 September, 2007	855,914,158

Sebsequent Effects

The Board of Directors of the Company in their meeting held on 08 December 2007 have proposed the following:

Final cash dividend for the year ended 30 September 2007 of Rs. Nil (2006: Rs. 3.00) per share	–
Bonus shares at the rate of 20% (2006: 20%)	63,072,380
	63,072,380

Relationship with Growers

The company enjoys cordial relationship with the farmers' community as it considers the growers to be its backbone. To maintain and further strengthen the relationship, the company always gives priority and endeavors to;

- Consistently follow the policy of timely payments of sugarcane to growers.
- Fulfill farmers' financial requirements by providing them loans from own sources & by arranging loans for them from banks and also through different financial schemes of National Rural Support Programme (NRSP).
- Procure and provide latest agricultural equipments for the growers on subsidy easy installment basis.
- Enhance technical skills through various extension and advisory programmers.
- Provide better quality and better yield varieties of sugarcane resulting in increased productivity in sugarcane yield per acre.

Future Outlook

As stated earlier, for crushing season 2007-08 the company has already started crushing on 19th November and a record sugar production is expected this time. In view of expected higher production of sugar in the country and unsold carried forward stocks available with TCP and sugar mills, the prices of sugar are declining day by day and have touched the uneconomical level of Rs. 23.50 per kg. Prices of sugar are going to play a vital role in achieving better financial results.

Due to expansions within the company during last three years and investments in subsidiary companies i.e., USML and GSML, the company has become highly leveraged. The management has now set goals to consolidate financial position of the company by focusing on reducing the financial charges which Inshallah we will be able to achieve.

In view of the above stated circumstances, we are operating in a challenging environment with unstable & unsustainable sugar prices, high sugarcane prices and huge volume of loan and financial charges. In future the main focus would be on reduction of financial charges of the company.

Employees Stock Option Scheme

a. Option granted	3
b. Pricing formula	100% discount
c. Option vested	1
d. Option Exercised	1
e. Total number of shares arised as exercise of option	300,000
f. Option Lapsed	Nil
g. Variation of term of option	Nil
h. Money received against exercise of option	Nil

i. Detail of options:

Name	Designation	Nos of Shares
1. Rana Nasim Ahmed	Resident Director	300,000
2. Rana Nasim Ahmed	Resident Director	200,000
3. Muhammad Rafique	Executive Director (Finance)	35,000

j. Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with international financial reporting standards	Re. 0.02

The Board of Directors

During the year eleven board meetings were held. Attendance was as under:

		Nos. of Meeting Atter
1	Syed Ahmed Mahmud	10
2	Mrs. Amina Tareen	10
3	Mr. Jahangir Khan Tareen	10
4	Mrs. Sameera Mahmud	11
5	Miss. Meher Khan Tareen	6
6	Syed Murtaza Mahmud	3
7	Mr. Muhammad Nawaz	9
8	Mr. Ejaz Ahmed Phulpoto	4
9	Mr. Muhammad Ismail	8
10	Mr. Abdul Ghaffar	4

Leave of absence was granted to directors who could not attend the meetings.

During the year Mr. Ejaz Ahmed Phulpoto, Mr. Muhammad Nawaz, Syed Murtaza Mahmud and Miss. Meher Khan Tareen resigned from the directorship and Mr. Asim Nisar Bajwa, Mr. Muhammad Ismail and Mr. Abddul Ghaffar was appointed as new directors of the company.

Code of Corporate of Governance

As required under the Code of Corporate Governance, the Board of Directors states that:

- The financial statements present fairly the state of affairs of the company, the results of its operations, cash flow and changes in equity;
- Proper books of accounts of the company have been maintained;
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, and the requirements of Companies Ordinance, 1984 have been followed in preparation of the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no doubts about the company's ability to continue as going concern;
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- A statement regarding key financial data for the last six years is annexed to this report;
- Information about taxes and levies is given in the notes to the financial statements.

Audit Committee

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The committee regularly meets as per requirement of the code. The committee assists the Board in reviewing internal audit manual and internal audit system.

Value of Provident Fund Investment

The company operates a recognized provident fund scheme covering all its permanent employees. Equal monthly contributions to the fund are made both by the company and its employees in accordance with fund rules. The audit of accounts of provident fund is under process; however the value of its investments as at June 30, 2007 aggregates to Rs. 74.447 million.

Pattern of Shareholding

There were 990 shareholders of the company as of September 30, 2007. A statement of pattern of shareholding is enclosed in this report.

Statement of transaction in shares of the Company by the Directors, CEO, CFO and Company Secretary and their spouses and minor children during the year is enclosed in report.

Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire and have offered themselves for re-appointment.

Acknowledgement

The directors would like to express their appreciation for the dedication hard work of the workers, staff and members of the management team. Growers are the key element of our industry and we thank them for their continued co-operation. The directors of the company are also thankful to the banks and leasing companies for the financial assistance and co-operation they have extended to the company.

On behalf of the board of directors

Mrs. AMINA TAREEN
CHIEF EXECUTIVE

Lahore:
8 December, 2007

Financial Statements

For the year ended 30 September 2007

Statement of Compliance

With the code of Corporatre Governance

The statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Stock Exchanges for the purpose of establishing a framework of good governance whereby a listed Company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manners:-

1. The Board of Directors comprised of 7 Directors. The Company encourages representation of independent non-executive Directors on its Board. At present the Board includes at least six independent non-executive Directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

3. All the resident Directors of the Company are registered as tax payers and none of them has been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking Company, DFI or NBFI. No one is a member of Stock Exchange.

4. All casual vacancies occurring on the Board were filled up by the Board of Directors within 30 days thereof.

5. The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the Directors and employees of the Company.

6. The Board has developed Vision/Mission Statement, overall Corporate Strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & conditions of employment of the CEO and other Executive Directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings alongwith agenda and working papers, were circulated at least 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation course for its Directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' report for this year has been prepared in compliance with the requirements of Code and fully described the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. 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.

14. The Company has complied with all the Corporate and financial reporting requirement of the Code.

15. The Board has formed an audit committee. At present the committee includes two non-Executive Directors as member and one non-Executive Director as chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.

18. 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 spouses 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.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guide lines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

Lahore:
8 December 2007

Mrs. Amina Tareen
Chief Executive

Review Report to the Members
on Statement of Compliance with Best Practices of Code of Corporate Governance

KPMG Taseer Hadi & Co.
Chartered Accountants

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Siddiq Trade Centre
72-Main Boulevard, Gulberg-II,
Lahore, Pakistan.

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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of JDW Sugar Mills Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors 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 our 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 Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review 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.

Lahore:
8 December 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

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We have audited the annexed balance sheet of **JDW Sugar Mills Limited** ("the Company") as at 30 September 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of 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 30 September 2007 and of the profit, 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 the matter that the outstanding amount of working capital advance to United Sugar Mills Limited as at 30 September 2007 was in violation of section 208 of the Companies Ordinance, 1984. However, subsequent to the year end, the Company has obtained shareholders' approval under section 208 of the Companies Ordinance, 1984 to cover funding requirements of United Sugar Mills Limited.

Lahore:
8 December 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

	Note	2007 (Rupees)	2006 (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	5	315,361,900	260,301,580
Reserves		893,285,422	915,425,481
		1,208,647,322	1,175,727,061
NON CURRENT LIABILITIES			
Subordinated loan from Director - unsecured	6	260,900,000	150,000,000
Long term loans - secured	7	2,086,287,880	2,169,166,666
Payable to sponsoring shareholders of United Sugar Mills Limited		–	245,000,000
Liabilities against assets subject to finance lease	8	328,038,520	163,482,459
Deferred taxation	9	79,710,556	43,959,892
Deferred income	10	12,132,409	–
		2,767,069,365	2,771,609,017
CURRENT LIABILITIES			
Short term borrowings - secured	11	2,316,752,803	358,023,441
Current portion of non current liabilities	12	447,164,952	458,993,001
Trade and other payables	13	348,515,313	296,580,473
Interest and mark-up accrued		155,287,171	96,568,476
Provision for taxation		–	21,281,831
		3,267,720,239	1,231,447,222
CONTINGENCIES AND COMMITMENTS	14		
		7,243,436,926	5,178,783,300

The attached notes from 1 to 38 form an integral part of these financial statements.

Lahore:
8 December 2007

	Note	2007 (Rupees)	2006 (Rupees)
NON CURRENT ASSETS			
Property, plant and equipment	15	3,191,942,900	3,094,551,187
Investments	17	1,583,808,492	986,308,492
Long term deposits	18	33,809,769	19,242,454
		4,809,561,161	4,100,102,133
CURRENT ASSETS			
Stores, spares and loose tools	19	149,622,246	169,524,190
Stock in trade - finished goods		358,188,760	–
Trade debts - unsecured, considered good		131,034,562	–
Advances, deposits, prepayments and other receivables	20	1,773,008,013	903,799,694
Cash and bank balances	21	22,022,184	5,357,283
		2,433,875,765	1,078,681,167
		7,243,436,926	5,178,783,300

Chief Executive **Director**

Profit and Loss Account
For the year ended 30 September 2007

	Note	2007 (Rupees)	2006 (Rupees)
Sales - net	22	4,237,940,735	4,226,409,886
Cost of sales	23	(3,536,948,165)	(3,268,822,879)
Gross profit		700,992,570	957,587,007
Administrative expenses	24	(98,730,161)	(102,235,214)
Distribution and marketing expenses	25	(5,758,919)	(5,381,466)
Other operating expenses - net	26	(4,272,078)	(15,380,323)
Other operating income	27	80,402,078	3,872,560
Worker's profit participation fund		(5,713,756)	(22,455,044)
Worker's welfare fund		(2,171,227)	(2,133,229)
		(36,244,063)	(143,712,716)
Operating profit		664,748,507	813,874,291
Finance cost	28	(558,358,372)	(389,361,680)
Profit before taxation		106,390,135	424,512,611
Taxation	29	(35,750,664)	(58,303,185)
Profit after taxation		70,639,471	366,209,426
Basic earnings per share	35	2.24	11.72
Diluted earnings per share	35	2.22	–

The attached notes from 1 to 38 form an integral part of these financial statements.

Lahore:
8 December 2007

Chief Executive **Director**

	Note	2007 (Rupees)	2006 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		106,390,135	424,512,611
Adjustments for non cash and other items:			
Finance cost		558,358,372	389,361,680
Depreciation		194,952,440	159,457,978
Workers' profit participation fund		5,713,756	22,455,044
Workers' welfare fund		2,171,227	2,133,229
Staff retirement benefits		13,805,600	11,383,872
Dividend income		–	(2,881,683)
Amortization of deferred income		(74,016)	–
Profit on disposal of property, plant and equipment		(66,967,015)	(753,110)
		707,960,364	581,157,010
Operating profit before working capital changes		814,350,499	1,005,669,621
Decrease/(increase) in current assets:			
Stores, spares and loose tools		19,901,944	6,929,136
Stock in trade		(358,188,760)	–
Advances, deposits, prepayments and other receivables		(751,238,040)	(200,300,447)
Trade debts		(131,034,562)	75,240,207
		(1,220,559,418)	(118,131,104)
Increase in current liabilities			
Trade and other payables		65,505,337	25,495,954
Cash (used in)/generated from operations		(340,703,582)	913,034,471
Finance cost paid		(466,085,141)	(319,559,509)
Workers' profit participation fund paid		(23,722,111)	(20,462,852)
Income tax paid		(27,979,078)	(15,327,568)
Staff retirement benefits paid		(13,819,190)	(12,632,329)
		(531,605,520)	(367,982,258)
Net cash (used in)/generated from operating activities		(872,309,102)	545,052,213
CASH FLOW FROM INVESTING ACTIVITIES			
Investment made during the year		(597,500,000)	(986,308,492)
Additions to property, plant and equipment		(270,603,601)	(706,619,371)
Proceeds realized from sale and lease back transactions		120,422,278	43,004,329
Stores and spares held for capital expenditure		–	7,555,414
Proceeds realized from sale of property, plant and equipment		163,642,750	2,881,000
Dividend received		–	2,881,683
Long term deposits		(14,567,315)	1,027,500
Net cash used in investing activities		(598,605,888)	(1,635,577,937)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in long term loans		(28,333,331)	1,065,000,000
Payable to sponsoring shareholders of United Sugar Mills Limited		(330,000,000)	330,000,000
Short term borrowings		1,958,729,362	(297,480,333)
Lease rentals paid		(146,638,818)	(137,513,035)
Dividend paid		(77,077,322)	(67,153,578)
Increase in subordinated loan from Director		110,900,000	50,000,000
Net cash generated from financing activities		1,487,579,891	942,853,054
Net increase/(decrease) in cash and cash equivalents		16,664,901	(147,672,670)
Cash and cash equivalents at the beginning of the year		5,357,283	153,029,954
Cash and cash equivalents at the end of the year	21	22,022,184	5,357,283

The attached notes from 1 to 38 form an integral part of these financial statements.

Lahore:
8 December 2007

Chief Executive **Director**

Statement of Changes in Equity

For the year ended 30 September 2007

	Share capital (Rupees)	Capital: Share premium (Rupees)	Capital: Share option reserve (Rupees)	Accumulated profit (Rupees)	Total (Rupees)
Balance as at 30 September 2005	226,349,200	–	–	651,073,195	877,422,395
Final dividend for the year 2005 at the rate of Rs. 3.00 per share	–	–	–	(67,904,760)	(67,904,760)
Bonus shares issued at the rate of 15 %	33,952,380	–	–	(33,952,380)	–
Profit for the year	–	–	–	366,209,426	366,209,426
Balance as at 30 September 2006	260,301,580	–	–	915,425,481	1,175,727,061
Final dividend for the year 2006 at the rate of Rs. 3.00 per share	–	–	–	(78,090,474)	(78,090,474)
Bonus shares issued at the rate of 20 %	52,060,320	–	–	(52,060,320)	–
Profit for the year	–	–	–	70,639,471	70,639,471
Share based option	–	–	16,071,264	–	16,071,264
Share option exercised	3,000,000	21,300,000	–	–	24,300,000
Balance as at 30 September 2007	315,361,900	21,300,000	16,071,264	855,914,158	1,208,647,322

The attached notes from 1 to 38 form an integral part of these financial statements.

Lahore:
8 December 2007

Chief Executive **Director**

1. STATUS AND NATURE OF BUSINESS

JDW Sugar Mills Limited ("the Company") was incorporated in Pakistan on 31 May 1990 as a Private Limited Company under the Companies Ordinance, 1984 and was subsequently converted into a Public Limited Company on 24 August 1991. Shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 17 – Abid Majeed Road, Lahore Cantonment, Lahore. The principal activity of the Company is production and sale of crystalline sugar.

2. STATEMENT OF COMPLIANCE

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

SECP has issued S.R.O. (1)/2006 dated 06 December 2006 to notify that IFRS 2 - Share based payments is required to be followed in preparation of financial statements of listed companies. The Company has adopted the above IFRS and has applied the same in preparation of these financial statements.

2.2 Standards, interpretations and amendments to published approved accounting standards

Standards or interpretations not yet effective but relevant

Certain amendments to IAS 1 'Presentation of financial statements' – Capital Disclosure have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after 01 January 2007. Adoption of amendments to IAS 1 will impact the nature and extent of disclosures made in the future financial statements of the Company.

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 01 July 2007 and are not expected to have a significant effect on Company financial statements or not relevant to the Company:

- IAS 23 – Borrowing costs (as revised)
- IAS 41 – Agriculture
- IFRS 2 – Share-based payments
- IFRS 3 – Business combinations
- IFRS 5 – Non-current assets held for sale and discontinued operations
- IFRS 6 – Exploration for and evaluation of mineral resources
- IFRIC 10 – Interim financial reporting and impairment
- IFRIC 11 – Group and treasury share transactions
- IFRIC 12 – Service concession arrangements
- IFRIC 13 – Customer loyalty programmes
- IFRIC 14 – The limit on a defined benefit asset minimum funding requirements and their interaction.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention.

The preparation of financial statements in conformity with approved accounting standards requires 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 and judgments 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 the judgments about 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 assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

- Residual value and useful lives of depreciable assets — note 4.1
- Taxation — note 4.6

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost, related overheads, interest and mark up referred to in note 4.12.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 15.

Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Depreciation on additions is charged from the month the asset is acquired or capitalized, while no depreciation is charged in the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Leased

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 15. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Depreciation methods, residual values and useful lives of the assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

4.2 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

4.3 Stock in trade

Finished goods

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

Raw materials	at weighted average cost
Work-in-process and finished goods	at weighted average cost and related manufacturing expenses
Molasses	at lower of cost and net realizable value

Net realizable value signifies the estimated selling price in the ordinary course of business less other costs necessary to be incurred to make the sale.

4.4 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.5 Staff retirement benefit

Defined contribution plan

The Company operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by the Company and employee to the fund at the rate of 10% of basic salary.

Shared based payment transactions

As indicated in note 2.1, during the year the Company has adopted IFRS 2 - Share based payements and has applied the same in preparation of these financial statments.

On 31 December 2005 the Company established a share option programme that entitles senior executive level of the Company to receive shares of the Company at 100% discount or such other discount rates as may be decided by the Board from time to time. The shares issued to the employees under the above scheme will not be transferable for a period of two years starting from the date of issue.

The grant date fair value of options granted to employees is recognised as salaries expense, with corresponding increase in equity over the period that the employees become unconditionally entitled to the option.

4.6 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.7 Revenue recognition

Sales revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer i.e. on delivery of goods to the customers.

Interest and rental income from harvesting equipment are recognized on accrual basis.

Dividend income is recognized when the right of receipt is established.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

4.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.10 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are de-recognized when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expired. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets or settle the liabilities simultaneously.

4.12 Borrowing cost

Borrowing costs incurred on long term finances obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other borrowing costs are taken to the profit and loss account currently.

4.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

4.14 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Exchange differences are included in the profit currently.

4.15 Dividend

Dividend distribution to Company's shareholders is recognized as a liability in the period in which the dividends are approved.

4.16 Deferred income

Deferred income represents excess of sale proceeds in relation to the carrying amount of the asset acquired under sale and lease back arrangement. Deferred income is amortized on a straight line basis over the period of lease term.

4.17 Investment

Investment in equity instruments of subsidiary Companies

This is initially measured at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investment has suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of loss if any. Impairment losses are recognized as an expense. When an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of the initial cost of the investment. A reversal of the impairment loss is recognized as income.

	2007 (Number)	2006 (Number)	2007 (Rupees)	2006 (Rupees)
5. SHARE CAPITAL				
5.1 Authorized capital				
Ordinary shares of Rs. 10 each	35,000,000	30,000,000	350,000,000	300,000,000
5.2 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each fully paid in cash	20,577,200	20,577,200	205,772,000	205,772,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	10,658,990	5,452,958	106,589,900	54,529,580
Ordinary shares of Rs. 10 each issued against share option exercised	300,000	–	3,000,000	–
	31,536,190	26,030,158	315,361,900	260,301,580

6. SUBORDINATED LOAN FROM DIRECTOR - UNSECURED

This loan is unsecured and subordinated to the syndicated loans referred to in note 7. Mark up at the rate of 6 months KIBOR plus 200 bps (2006: 6.50 %) per annum is payable on quarterly basis.

7. LONG TERM LOANS – SECURED

	2007 (Rupees)	2006 (Rupees)	Mark up rate	Number of Instalments outstanding	Mark–up payable
i) **Faysal Bank Limited**					
– Morabaha LPO	37,500,000	67,500,000	6 months KIBOR plus 200 bps with a floor rate of 10% per annum.	5 equal installments ending September 2008.	Quarterly
ii) **Habib Bank Limited**					
– Demand Finance	32,000,000	64,000,000	Six months cut off yield T–Bill plus 350 bps with a floor rate of 5.5 % per annum.	2 equal semi–annual installments ending July 2008.	Quarterly
iii) **Standard Chartered Bank Limited** (Formerly Union Bank Limited)					
– Term Finance	28,000,000	56,000,000	6 months KIBOR plus 300 bps with a floor rate of 7.5% per annum.	4 equal installments ending March 2008.	Quarterly
iv) **United Bank Limited**					
– Bridge Finance	–	1,255,000,000	6 months KIBOR plus 325 bps.	Converted into syndicated loan III.	
v) **Syndicated Loan – I**					
National Bank of Pakistan Limited	200,000,000	250,000,000	6 months KIBOR plus 250 bps with a floor rate of 5% per annum.	8 equal semi–annual installments ending May 2011.	Quarterly
Habib Bank Limited	100,000,000	125,000,000			
The Bank of Punjab Limited	66,666,668	83,333,334			
Saudi Pak Commercial Bank Limited	33,333,332	41,666,666			
	400,000,000	500,000,000			
vi) **Syndicated Loan – II**					
Faysal Bank Limited	125,000,000	150,000,000	6 months KIBOR plus 2.5% with a floor rate of 5% per annum.	10 equal semi annual installments ending April 2012.	Quarterly
Allied Bank Limited	83,333,334	100,000,000			
Soneri Bank Limited	41,666,667	50,000,000			
Pak Kuwait Investment Company Limited	83,333,334	100,000,000			
PICIC Commercial Bank Limited	83,333,334	100,000,000			
	416,666,669	500,000,000			
vii) **Syndicated Loan – III**					
United Bank Limited	500,000,000	–	3 months KIBOR plus 2.75%.	22 unequal quarterly installments commencing June 2008 and ending October 2013.	Quarterly
Allied Bank Limited	350,000,000	–			
MCB Bank Limited	200,000,000	–			
Pak Kuwait Investment Company Limited	150,000,000	–			
Saudi Pak Commercial Bank Limited	150,000,000	–			
Faysal Bank Limited	150,000,000	–			
	1,500,000,000	–			
	2,414,166,669	2,442,500,000			
Less: Current maturity – Note 12	327,878,789	273,333,334			
	2,086,287,880	2,169,166,666			

Securities of loans

i) This loan is secured by way of first pari passu charge to an extent of Rs. 90 million over fixed assets and personal guarantee of all the Directors of the Company.

ii) The loan is secured by way of first pari passu charge to an extent of Rs. 85.33 million over fixed assets and personal guarantee of all the Directors of the Company.

iii) The loan is secured by way of first pari passu charge over fixed assets to an extent of Rs. 74.67 million and personal guarantee of all the Directors of the Company.

iv) This loan has been converted into syndicated loan - III.

v) This loan is secured by way of first pari passu charge over fixed assets of the Company and personal guarantee of all the Directors of the Company.

vi) This loan is secured by way of first pari passu charge over fixed assets of the Company and personal guarantee of all the Directors of the Company.

vii) This loan is secured by way of first pari passu charge of Rs. 2,000 million over present and future fixed assets of the Company and the fixed assets of United Sugar Mills Limited, subordination of director's loan and personal guarantees of the Directors of the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	Note	2007		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	157,283,623	37,997,460	119,286,163
Later than one year and not later than five years		364,815,947	36,777,427	328,038,520
		522,099,570	74,774,887	447,324,683

	Note	2006		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	126,438,160	25,778,493	100,659,667
Later than one year and not later than five years		192,828,903	29,346,444	163,482,459
		319,267,063	55,124,937	264,142,126

The Company has entered into various lease agreements with various commercial banks and financial institutions for plant and machinery and vehicles. Lease rentals are payable on quarterly and monthly basis and include finance cost ranging from 10.71% to 14.65% per annum which has been used as the discounting factor. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

9. DEFERRED TAXATION

The liability for deferred taxation comprises of temporary differences relating to accelerated tax depreciation.

10. DEFERRED INCOME

This represents the unamortized balance of excess of sale proceeds over carrying amount of plant and machinery and vehicles on sale and lease back transaction with financial institutions. The deferred income is being amortized each year over the respective period of the lease term.

During the year, the Company has recognized deferred income amounting to Rs. 12.21 million (2006: Rs. Nil). The amount credited to the Profit and Loss account is Rs. 74,016 (2006 : Rs. Nil).

		Note	2007 (Rupees)	2006 (Rupees)
11.	**SHORT TERM BORROWINGS – SECURED**			
	Banking and Financial Institutions			
	– Cash finances	11.1	1,327,784,415	–
	– Running finances	11.2	788,968,388	208,023,441
	– Morabaha –LPO	11.3	200,000,000	150,000,000
			2,316,752,803	358,023,441

11.1 The Company has obtained cash finance facilities aggregating to Rs. 2,770 million (2006: Rs. Nil). The mark up rates applicable during the year ranges from 10.48% p.a. to 12.92% p.a. These are secured against pledge of sugar bags with 25% margin and personal guarantees of all the Directors of the Company.

11.2 The Company has obtained running finance facilities aggregating to Rs. 800 million (2006: Rs. 550 million). The mark up rates applicable during the year ranges from 10.43% p.a. to 15.40% p.a. These are secured against present and future current assets and personal guarantees of all the Directors of the Company.

11.3 The Company has obtained morabaha LPO facility of Rs. 200 million (2006: Rs. 150 million). The mark up rates applicable during the year ranges from 12.20% p.a. to 12.82% p.a. This facility is secured by way of joint pari–passu charge over current assets for Rs. 267 million and personal guarantees of all the Directors of the Company.

		Note	2007 (Rupees)	2006 (Rupees)
12.	**CURRENT PORTION OF NON CURRENT LIABILITIES**			
	Current portion of long term loans from banking companies and financial institutions	7	327,878,789	273,333,334
	Current portion of liabilities against assets subject to finance lease	8	119,286,163	100,659,667
	Current portion of payable to sponsoring shareholders of United Sugar Mills Limited		–	85,000,000
			447,164,952	458,993,001
13.	**TRADE AND OTHER PAYABLES**			
	Trade creditors		114,698,154	133,679,076
	Sales tax payable		154,235,429	116,092,492
	Payable to United Bank Limited – Grower's Loan	13.1	46,553,026	–
	Workers' profit participation fund payable	13.2	5,713,756	22,455,044
	Workers' welfare fund		4,304,456	2,133,229
	Accrued expenses		10,547,794	10,236,818
	Tax deducted at source		2,000,650	2,180,916
	Unclaimed dividend		3,106,682	2,093,530
	Retention money		2,189,916	1,897,852
	Advances from customers		13,156	1,873,447
	Provision for social security contribution		–	317,928
	Other payables		5,152,294	3,620,141
			348,515,313	296,580,473

13.1 This represents amount recovered from farmers / growers on account of Grower's loan to be paid to United Bank Limited.

	2007 (Rupees)	2006 (Rupees)
13.2 Workers' profit participation fund		
Opening balance	22,455,044	19,225,818
Add: Allocation for the year	5,713,756	22,455,044
Interest on funds utilized in the Company's business	1,267,067	1,237,034
	29,435,867	42,917,896
Less: Paid during the year	23,722,111	20,462,852
Closing balance	5,713,756	22,455,044

14. CONTINGENCIES AND COMMITMENTS

Contingencies

14.1 The Company claimed an exemption of Rs.10.75 million from excise duty on an export transaction during 1993–94. However, the Excise Department rejected the claim and the Company deposited Rs.9.88 million under protest (note 20). The Company has been in litigation against this demand since then and the decision of the case is still pending. The Company expects the outcome of the case to be favorable.

14.2 The Sales Tax Department has demanded further tax from the Company for the year 2000–2001 on the grounds that it charged sales tax at the rate of 15% on it's sales to persons liable to be registered instead of 18%. The Company is in adjudication against this on grounds of the definition of registered person in the Sales Tax Act. The Lahore High Court has stopped any recovery by the sales tax department from JDW Sugar Mills Limited till the decision of Collector of Customs, Sales Tax and Central Excise, Multan Region. The Company expects a favorable outcome in this case. The amount of further sales tax is Rs. 77.9 million.

	2007 (Rupees)	2006 (Rupees)
Commitments in respect of:		
14.3 Financial guarantee in favour of sponsoring shareholders of United Sugar Mills Limited	–	330,000,000
14.4 Counter guarantee given on account of agricultural loan to growers:		
United Bank limited	150,000,000	150,000,000
Faysal Bank Limited	100,000,000	100,000,000
14.5 Letter of credit for Import of machinery and its related components	69,092,461	45,310,246
14.6 Letter of guarantee for purchase of oil & lubricants in favour of Shell Pakistan Limited	50,000,000	45,000,000

15. PROPERTY, PLANT AND EQUIPMENT

	COST				DEPRECIATION					Net book value as at 30 September 2007
	As at 01 October 2006	Additions / (deletion) during the year	Transfers during the year	As at 30 September 2007	Rate	As at 01 October 2006	For the year	Adjustments	As at 30 September 2007	
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(%)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Owned										
Freehold land	170,343,096	142,668,868	–	216,501,789		–	–	–	–	216,501,789
		(96,510,175)								
Factory building on freehold land	324,376,656	8,663,433	–	333,040,089	10	72,432,681	25,878,321	–	98,311,002	234,729,087
Non factory building on freehold land	205,109,268	10,005,108	–	215,114,376	5	22,751,262	9,122,560	–	31,873,822	183,240,554
Plant and machinery	2,516,559,969	57,937,243	(68,000,000)	2,506,497,212	5	491,156,206	102,464,590	(8,254,755)	585,366,041	1,921,131,171
Motor vehicles	88,532,820	20,558,480	(11,081,500)	96,515,600	20	54,802,320	8,236,875	(453,413)	61,257,142	35,258,458
		(1,494,200)						(1,328,640)		
Electrical installation	35,158,727	–	–	35,158,727	10	24,060,755	1,109,797	–	25,170,552	9,988,175
Office equipment	25,175,551	3,759,734	–	28,935,285	20	14,478,600	2,533,433		17,012,033	11,923,252
Tools and equipment	13,574,390	398,855	–	13,973,245	10	4,969,475	886,430	–	5,855,905	8,117,340
Implements	9,363,019	24,290,394	(19,340,778)	14,312,635	10	2,928,187	1,046,650	(158,966)	3,815,871	10,496,764
Furniture and fixture	10,374,314	1,557,486	–	11,931,800	10	5,123,893	601,873	–	5,725,766	6,206,035
Weighbridge	9,717,830	–	–	9,717,830	10	6,419,396	329,843	–	6,749,239	2,968,591
Roads and boundary wall	7,098,931	–	–	7,098,931	10	5,177,490	192,144	–	5,369,634	1,729,297
Arms and ammunitions	2,247,000	764,000	–	3,011,000	10	437,734	241,110	–	678,844	2,332,156
Tubewell	744,434	–	–	744,434	10	297,918	44,652	–	342,570	401,864
	3,418,376,005	270,603,601	(98,422,278)	3,492,552,953		705,035,917	152,688,278	(10,195,774)	847,528,421	2,645,024,533
		(98,004,375)								
Leased										
Plant and machinery	233,354,350	16,259,560	68,000,000	317,613,910	5	22,910,039	10,165,064	(3,339,292)	29,735,811	287,878,099
Implements	110,672,400	35,983,300	19,340,778	165,996,478	10	15,625,368	13,587,339	–	29,212,707	136,783,771
Motor vehicles	121,258,980	53,967,000	11,081,500	186,307,480	20	45,539,224	18,511,759	–	64,050,983	122,256,497
	465,285,730	106,209,860	98,422,278	669,917,868		84,074,631	42,264,162	(3,339,292)	122,999,501	546,918,367
2007	3,883,661,735	376,813,461	–	4,162,470,821		789,110,548	194,952,440	(13,535,066)	970,527,922	3,191,942,900
		(98,004,375)								
2006	2,674,680,251	1,331,630,564	(122,649,080)	3,883,661,735		630,879,070	159,457,978	(1,226,500)	789,110,548	3,094,551,187

15.1 Depreciation charge for the year has been allocated as follows:

	Note	2007 (Rupees)	2006 (Rupees)
Cost of goods manufactured	23.1	177,383,530	139,515,935
Administrative expenses	24	5,976,788	5,180,908
Other operating expenses	26	11,592,122	14,761,135
		194,952,440	159,457,978

15.2 Borrowing costs capitalized during the year is Rs. Nil (2006 : Rs. 46,122,376).

16. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Description	Particulars of buyer	Cost (Rupees)	Accumulated depreciation (Rupees)	Book value (Rupees)	Sale proceeds (Rupees)	Mode of disposal
	Related party					
Land	J.K. Dairies (Private) Limited	96,510,175	–	96,510,175	163,038,750	Negotiation
	Insurance claim					
Vehicle	EFU Insurance Company Limited	60,000	31,840	28,160	59,000	Insurance claim
	Leasing companies – sale and lease back					
Plant and machinery	First Punjab Modaraba	90,000,000	11,594,047	78,405,953	90,000,000	Negotiation
Vehicles	Emirates Global Islamic Bank Limited	11,081,500	453,413	10,628,087	11,081,500	–do–
Implements	Allied Bank Limited	19,340,778	158,965	19,181,813	19,340,778	–do–
	Others					
Vehicle	Muhammad Umar Chana	1,100,000	1,013,385	86,615	365,000	Negotiation
–do–	Gul Khan	334,200	283,415	50,785	180,000	–do–
2007		218,426,653	13,535,065	204,891,588	284,065,028	
2006		3,354,390	1,226,500	2,127,890	2,881,000	

	2007 (Rupees)	2006 (Rupees)
17. INVESTMENTS		
United Sugar Mills Limited (USML)		
2,880,900 (2006: 2,880,900) fully paid ordinary shares of Rs. 333.33 each.	986,308,492	986,308,492
Equity held 96.03% (2006 : 96.03%)		
Ghotki Sugar Mills (Private) Limited (GSML)		
59,750,000 (2006 : Nil) fully paid ordinary shares of Rs. 10 each.	597,500,000	–
Equity held 99.58% (2006 : Nil)		
	1,583,808,492	986,308,492

18. LONG TERM DEPOSITS

These mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.

	2007 (Rupees)	2006 (Rupees)
19. STORES, SPARES AND LOOSE TOOLS		
Stores	114,884,291	126,694,987
Spares	20,565,668	25,147,063
Loose tools	3,197,030	2,476,925
Oil and lubricants	9,697,784	12,811,570
Packing materials	1,043,059	1,908,723
Civil stores	234,414	484,922
	149,622,246	169,524,190

	Note	2007 (Rupees)	2006 (Rupees)
20. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to United Sugar Mills Limited (USML)	20.1	1,335,254,655	484,857,668
Advances to growers, suppliers and contractors unsecured, considered good	20.2	391,000,395	353,896,840
Letters of credit		1,940,016	17,917,402
Prepaid expenses		10,492,077	13,116,193
Advance income tax		19,172,365	12,475,118
Advances to staff – Unsecured, considered good	20.3	4,619,641	10,380,530
Excise duty receivable	14.1	9,888,364	9,888,364
Other receivables		640,500	1,267,579
		1,773,008,013	903,799,694

20.1 This represents advance given to USML, subsidiary Company, to meet working capital requirements from the proceeds of short term borrowings from banks, at the rate of 12.67% per annum (2006: 12.50% per annum).

20.2 Advances to growers, suppliers and contractors includes Rs. 287,895,082 (2006: Rs.280,763,125) given to JK Agri Farms, (a related party) for procurement of sugarcane.

20.3 This represents unsecured interest free advances to employees Rs. 2,333,491 (2006: Rs. 4,333,049) receivable from executives of the Company.

	Note	2007 (Rupees)	2006 (Rupees)
21. CASH AND BANK BALANCES			
Cash at bank – current account	21.1	19,623,708	4,702,588
Cash in hand		2,398,476	654,695
		22,022,184	5,357,283

21.1 This balance includes Rs. Nil (2006:Rs. 3,745,883) kept under lien under security against Central Excise duty on Demand Finance.

	2007 (Rupees)	2006 (Rupees)
22. SALES – NET		
Sugar	4,669,029,612	4,736,802,743
Molasses & Baggase	208,164,315	133,652,500
	4,877,193,927	4,870,455,243
Less: Sales tax	639,073,192	643,418,357
Brokerage charges	180,000	627,000
	639,253,192	644,045,357
	4,237,940,735	4,226,409,886

	Note	2007 (Rupees)	2006 (Rupees)
23. COST OF SALES			
Cost of goods manufactured	23.1	3,895,136,925	3,268,822,879
Less: Closing finished goods – Sugar		(358,188,760)	–
		3,536,948,165	3,268,822,879
23.1 Cost of goods manufactured			
Cost of sugarcane consumed (including procurement and other costs)		3,237,934,133	2,741,750,530
Salaries, wages and other benefits	23.1.1	210,989,230	144,846,475
Depreciation	15.1	177,383,530	139,515,935
Stores and spares consumed		80,724,861	85,458,196
Packing materials consumed		45,908,518	37,788,823
Oil, lubricants and fuel consumed		18,041,835	34,054,621
Insurance		21,210,308	17,539,588
Vehicle running expenses		22,826,427	17,810,865
Chemicals consumed		21,036,891	13,321,805
Electricity and power		10,844,981	10,132,966
Handling and storage		5,245,314	6,616,735
Freight and octroi		5,223,695	4,705,872
Repairs and maintenance		4,548,499	3,452,388
Mud and bagasse shifting expenses		2,796,833	2,294,082
Printing and stationery		2,103,799	2,094,650
Traveling and conveyance		1,056,519	1,319,927
Telephone and fax		629,771	740,078
Consultancy and advisory services		14,125,000	–
Other expenses		12,506,781	5,379,343
		3,895,136,925	3,268,822,879

23.1.1 Salaries, wages and other benefits include Rs. 5,526,968 (2006: Rs. 4,731,326) in respect of staff retirement benefits and Rs. 37,977,671 (2006: nil) in respect of share option scheme.

	Note	2007 (Rupees)	2006 (Rupees)
24. ADMINISTRATIVE EXPENSES			
Traveling and conveyance		33,468,285	27,333,343
Salaries, wages and other benefits	24.1	30,591,896	22,743,471
Charity and donations	24.2	3,614,120	21,704,048
Office rent and renovation		9,799,205	8,296,486
Depreciation	15.1	5,976,788	5,180,908
Vehicle running and maintenance		3,940,282	3,999,064
Insurance		1,544,775	3,312,710
Telephone and fax		1,745,690	2,194,167
Legal and professional services		1,937,693	1,724,520
Printing and stationery		1,181,170	1,109,978
Auditors' remuneration	24.3	1,000,000	1,000,000
Electricity and power		617,217	723,408
Computer software and maintenance		457,208	656,608
Fee and taxes		837,385	530,540
Subscription and renewals		614,722	419,091
Advertisement		732,845	341,654
Entertainment		159,922	310,202
Postage		251,752	273,735
Newspapers, books and periodicals		104,110	146,131
Other expenses		155,096	235,150
		98,730,161	102,235,214

24.1 Salaries, wages and other benefits include Rs. 1,052,506 (2006: Rs. 884,859) in respect of staff retirement benefits and Rs. 2,393,592 (2006: nil) in respect of share option scheme.

24.2 None of the Directors of the Company or their spouses have any interest in, or are otherwise associated with any of the recipients of donations made by the Company during the year.

	Note	2007 (Rupees)	2006 (Rupees)
24.3 Auditors' remuneration			
Statutory Audit		400,000	400,000
Half yearly review		90,000	90,000
Out of pocket expenses		10,000	10,000
Special purpose review in connection with acquisition of United Sugar Mills Limited		500,000	500,000
		1,000,000	1,000,000
Fee for special purpose review in connection with acquisition of United Sugar Mills Limited included in the cost of investment		–	1,000,000
25. DISTRIBUTION AND MARKETING EXPENSES			
Salaries, wages and other benefits	25.1	4,331,680	2,435,411
Sugar loading expenses		1,367,930	1,901,510
Other distribution expenses		59,309	1,044,545
		5,758,919	5,381,466

25.1 Salaries, wages and staff benefits include Rs. 96,420 (2006: Rs. 75,751) in respect of staff retirement benefits.

	Note	2007 (Rupees)	2006 (Rupees)
26. OTHER OPERATING EXPENSES – NET			
Harvesting income		9,854,861	4,914,588
Depreciation on implements	15.1	(11,592,122)	(14,761,135)
Finance cost of leased assets – implements		(2,534,817)	(5,533,776)
		(4,272,078)	(15,380,323)
27. OTHER OPERATING INCOME			
Income from financial assets			
Dividend		–	2,881,683
Income from non financial assets			
Profit on sale of property, plant and equipment		66,967,015	753,110
Rental income		12,716,466	–
Scrap sales		644,581	237,767
Amortization of deferred income		74,016	–
		80,402,078	990,877
		80,402,078	3,872,560
28. FINANCE COST			
Interest and mark–up on:			
Long term loans – secured		255,391,745	175,015,128
Short term borrowings – secured	28.1	220,822,983	172,678,501
Finance leases		32,287,469	24,368,181
Subordinated loan from Director – unsecured		25,131,062	7,087,672
Worker's profit participation fund	13.2	1,267,067	1,237,034
Provident fund balance		1,247,742	–
Bank charges and commission		13,210,304	5,975,164
Project monitoring fee		9,000,000	3,000,000
		558,358,372	389,361,680

28.1 Mark up on short term borrowings is net of mark up in the amount of Rs. 144.82 million (2006: Rs. 120.02 million) on advance made to United Sugar Mills Limited (USML). The advance has been made from the proceeds of short term borrowings from banks.

	Note	2007 (Rupees)	2006 (Rupees)
29. TAXATION			
Income tax – current	29.1	–	21,276,133
Deferred tax	29.2	35,750,664	37,027,052
	29.3	35,750,664	58,303,185

29.1 Tax computation for current year is in accordance with the provisions of section 113 of the Income Tax Ordinance, 2001. Minimum tax provided under section 113 would be available for adjustment upto a period of five years; furthermore taxable profits are envisaged in the following years and owing to both these facts, the amount of minimum tax has not been booked as an expense in the current period. The same would be accounted for when deposited with the return, as an adjustment to advance tax booked by the Company in note 20.

29.2 Deferred tax expense relating to origination and reversal of temporary differences.

	2007 % age	2006 % age
29.3 Reconciliation of tax charge for the year		
Applicable tax rate	35.00	35.00
Tax effect of minimum turnover tax and others	(1.40)	(21.27)
Average effective rate charged to profit and loss account	33.60	13.73

30. SHARE BASED PAYMENTS

The terms and conditions of the grants are as follows; all options are to be settled by the physical delivery of shares.

Employees entitled	Number of shares in '000	Vesting Conditions	Contractual life of options	Fair value at grant date
Option granted to key management	300	One year service after grant date	Within 3 months of date of entitlement	81.00
Option granted to key management	235	One year service after grant date	Within 3 months of date of entitlement	79.75
Total share options	535			

The movement in number of share options outstanding is as follows:

	2007	2006
	Number in '000	
Outstanding as 01 October	–	–
Granted	535	–
Excercised	(300)	–
Outstanding at 30 September	235	–
Excerciseable at 30 September	–	–

The exercise price of the above share options is Nil.

31. FINANCIAL INSTRUMENTS

	Interest bearing			Non-interest bearing			
	Maturity within one year	Maturity one to five years	Maturity more than five years	Maturity within one year	Maturity one to five years	Maturity more than five years	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	
Financial assets							
Long term deposits	–	–	–	–	33,809,769	–	33,809,769
Trade debts – unsecured, considered good	–	–	–	131,034,562	–	–	131,034,562
Advances, deposits and other receivables	1,685,884,286	–	–	5,259,641	–	–	1,691,143,927
Cash and bank balances	–	–	–	22,022,184	–	–	22,022,184
	1,685,884,286	–	–	158,316,387	33,809,769	–	1,878,010,442
Financial liabilities							
Subordinated loan from Director – unsecured	–	–	260,900,000	–	–	–	260,900,000
Long term loans – secured	327,878,789	1,696,063,757	390,224,123	–	–	–	2,414,166,669
Liabilities against assets subject to finance lease	119,286,163	328,038,520	–	–	–	–	447,324,683
Short term borrowings – secured	2,316,752,803	–	–	–	–	–	2,316,752,803
Interest and mark-up accrued	–	–	–	155,287,171	–	–	155,287,171
Trade and other payables	–	–	–	182,261,022	–	–	182,261,022
	2,763,917,755	2,024,102,277	651,124,123	337,548,193	–	–	5,776,692,348
Financial (liabilities)/assets 2007	(1,078,033,469)	(2,024,102,277)	(651,124,123)	(179,231,806)	33,809,769	–	(3,898,681,906)
Financial (liabilities)/assets 2006	(247,158,774)	(2,482,649,125)	–	(16,366,153)	(245,000,000)	–	(2,991,174,052)

The effective interest/mark–up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

31.1 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. The Company manages its exposure to financial risk in the following manner:

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 1,878 million (2006: Rs. 874 million) financial assets which are subject to credit risk amount to Rs. 1,858.3 million (2006: Rs. 873.34 million). To manage exposure to credit risk, the Company applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 7 and 11.

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company believes that it is not exposed to currency risk.

(d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

31.2 Fair value of financial assets and liabilities

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

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company is as follows:

	Chief Executive			Directors		Executives	
	01 May 2007 to 30 September 2007	01 October 2006 to 30 April 2007	2006	2007	2006	2007	2006
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	1,666,667	3,000,000	3,600,000	–	–	17,928,994	14,784,394
House allowance	666,667	1,200,000	1,440,000	–	–	7,171,598	5,913,758
Utilities	166,666	300,000	360,000	–	–	1,792,899	1,478,439
Others	–	–	–	–	–	–	985,626
Company's contribution towards provident fund	–	–	–	–	–	1,792,899	1,478,439
Share option scheme	–	–	–	–	–	40,371,264	–
	2,500,000	4,500,000	5,400,000	–	–	69,057,654	24,640,656
Number of persons	1	1	1	7	7	33	21

In addition to the above, some of the Executives are provided with free use of Company maintained cars.

33. TRANSACTIONS WITH RELATED PARTIES

The Company, in the normal course of business carries out transactions with related parties. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment disclosed above are as follows:

Name of parties	Nature of Transactions	2007 (Rupees)	2006 (Rupees)
United Sugar Mills Limited	Advance to meet working capital requirements	1,009,924,449	948,820,977
	Mark up	144,825,219	103,469,491
Riaz Bottlers (Private) Limited	Sale of sugar	74,009,392	12,708,000
JK Agri Solution (Private) Limited	Reimbursement of cane development expenditure	14,691,084	11,786,990
JDW Aviation (Private) Limited	Traveling services provided to the Company	33,600,000	20,861,034
JK Dairies (Private) Limited	Sale of land	163,038,750	–
JK Agri Farms	Sugarcane purchases	531,319,205	531,836,951
Jahangir Khan Tareen	Subordinated loan	110,900,000	50,000,000
	Mark up	25,131,062	7,087,672
Provident fund	Contribution	6,902,800	5,691,936

34. CAPACITY AND PRODUCTION

	2007		2006	
	Days	Tonnes	Days	Tonnes
Crushing capacity	120	2,400,000	120	2,400,000
Sugarcane crushed	147	1,890,482	125	1,313,812
Sugar production		195,586		152,256

Due to normal technical stoppages and non availability of adequate sugar cane during the season 100% crushing capacity could not be achieved.

35. BASIC AND DILUTED EARNINGS PER SHARE

		2007	2006
Basic			
Profit after taxation	Rupees	70,639,471	366,209,426
Weighted average number of ordinary shares – Basic	No. of shares	31,536,190	31,236,190
Basic earnings per share	Rupees	2.24	11.7
Diluted			
Profit after taxation	Rupees	70,639,471	–
Weighted average number of ordinary shares	No. of shares	31,536,190	–
Effect of share options on issue	No. of shares	235,000	–
Weighted average no. of ordinary shares for the purposes of diluted earning per share	No. of shares	31,771,190	–
Combined earnings per share	Rupees	2.22	–

36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended 30 September 2007 of Rs. NIL (2006: Rs. 3.00) per share and bonus shares at the rate of 20% (2006: 20%) at their meeting held on 08 December 2007.

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 08 December 2007 by the Board of Directors of the Company.

38. FIGURES

Other operating income of Rs. 3.87 million is being shown as separate line item in profit and loss account. Previously other operating income has been classsified in other operating expenses.

Figures have been rounded off to the nearest rupee.

Lahore:
8 December 2007

Chief Executive **Director**

Consolidated Financial Statements

For the year ended 30 September 2007

On behalf of the Board of Directors of JDW Group I am pleased to present the group consolidated accounts for the year ended 30th September 2007 comprising of JDW Sugar Mills Limited (JDWSML), United Sugar Mills Limited (USML) and Ghotki Sugar Mills (Pvt) Ltd. (GSML).

The consolidated net profit after tax and after adjustment of minority interest for the year was Rs. 23.187 million. The contribution towards net profit/(loss) after tax from JDWSML was Rs. 70.639 million, USML Rs. 27.007 million and Rs. GSML (36.906) million.

JDWSML recorded net profit after tax Rs. 70.639 million as compared to Rs. 366.209 to last year. The reason of low profitability was continuous declining the sugar prices in this year. USML and GSML are subsidiary companies of JDWSML. Their contribution was net profit after tax amounting to Rs. 27.007 million and net (loss) amounting to Rs. (36.906) million respectively.

Owing to increase in financial charges and certain new adjustments, the Group has low profitability this year.

Lahore:
8 December 2007

Mrs. Amina Tareen
Chief Executive

KPMG Taseer Hadi & Co.
Chartered Accountants

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Siddiq Trade Centre
72-Main Boulevard, Gulberg-II,
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We have audited the annexed consolidated financial statements comprising consolidated balance sheet of JDW Sugar Mills Limited ("the parent Company") and its subsidiary companies (hereinafter referred as the "JDW Group") as at 30 September 2007 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of JDW Sugar Mills Limited. The financial statements of subsidiary companies, United Sugar Mills Limited and Ghotki Sugar Mills (Private) Limited were audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

As given in note 7 (viii) and (ix) to the financial statements, bridge finance/letter of credit facilities have been classified as long term loans whereas these facilities are due to expire within 12 months of the balance sheet date and hence should be classified under current liabilities. According to the management this has been done in the wake of long term syndicated loan being arranged by the Ghotki Sugar Mills (Private) Limited. Had the bridge finance/letter of credit facility been classified under current liabilities the amount of long term loans would have been lower by Rs. 931,415,010 and the amount of current liabilities would have been higher by Rs. 931,415,010.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion, the consolidated financial statements audited by us present fairly the financial position of JDW Group as at 30 September 2007 and the results of its operations for the year then ended.

Without qualifying our opinion, we draw attention to the following matters:

i. outstanding amount of working capital advance to United Sugar Mills Limited by parent company as at 30 September 2007 was in violation of section 208 of the Companies Ordinance, 1984. However, subsequent to the year end, the parent company has obtained shareholders' approval under section 208 of the Companies Ordinance, 1984 to cover funding requirements of United Sugar Mills Limited.

ii. accumulated loss of United Sugar Mills Limited ("USML") at the year end stood at Rs. 253.314 million and as of that date its total liabilities exceeded its total assets by Rs. 223.314 million along with negative current ratio, which may cast significant doubt about the ability of USML to continue as a going concern.

Lahore:
8 December 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

	Note	2007 (Rupees)	2006 (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	5	315,361,900	260,301,580
Reserves		718,536,715	789,201,267
Minority interest		(6,345,583)	(9,937,763)
		1,027,553,032	1,039,565,084
NON CURRENT LIABILITIES			
Subordinated loan from Director – unsecured	6	260,900,000	150,000,000
Long term loans – secured	7	3,017,702,890	2,169,166,666
Payable to sponsoring shareholders of United Sugar Mills Limited (USML)		–	245,000,000
Liabilities against assets subject to finance lease	8	328,038,520	163,482,459
Deferred liabilities	9	387,284,676	80,458,316
Deferred income	10	12,132,409	–
		4,006,058,495	2,808,107,441
CURRENT LIABILITIES			
Short term borrowings – secured	11	2,316,752,803	358,023,441
Current portion of long term liabilities	12	447,164,952	458,993,001
Trade and other payables	13	551,987,795	445,491,783
Interest and mark–up accrued		172,013,779	96,568,476
Provision for taxation		39,000,000	125,135,788
		3,526,919,329	1,484,212,489
CONTINGENCIES AND COMMITMENTS	14		
		8,560,530,856	5,331,885,014

The attached notes from 1 to 42 form an integral part of these financial statements.

Lahore:
8 December 2007

	Note	2007 (Rupees)	2006 (Rupees)
NON CURRENT ASSETS			
Property, plant and equipment			
Operating assets	15	4,507,512,438	4,207,742,597
Capital work in progress	17	1,244,965,955	51,527,284
Stores and spares held for capital expenditure	18	131,086,097	–
		5,883,564,490	4,259,269,881
Intangible asset – Goodwill	19	566,283,676	284,540,820
Investment	20	375,000	450,000
Long term deposits	21	34,673,790	19,675,099
		6,484,896,956	4,563,935,800
CURRENT ASSETS			
Stores, spares and loose tools	22	224,711,294	232,522,497
Trade debts – unsecured, considered good	23	186,199,993	14,486,141
Stock–in–trade		914,974,191	–
Advances, deposits, prepayments and other receivables	24	654,057,273	514,840,242
Cash and bank balances	25	95,691,149	6,100,334
		2,075,633,900	767,949,214
		8,560,530,856	5,331,885,014

Chief Executive **Director**

Consolidated Profit and Loss Account

For the year ended 30 September 2007

	Note	2007 (Rupees)	2006 (Rupees)
Sales – net	26	5,344,240,796	5,635,918,226
Cost of sales	27	(4,527,891,865)	(4,482,903,929)
Gross profit		816,348,931	1,153,014,297
Administrative expenses	28	(140,329,553)	(172,657,131)
Distribution and marketing expenses	29	(7,624,033)	(6,775,058)
Other operating expenses – net	30	(4,272,079)	(182,254,314)
Other operating income		102,200,217	15,467,006
Workers' profit participation fund		(7,152,207)	(22,455,044)
Workers' welfare fund		(2,713,414)	(2,133,229)
		(59,891,069)	(370,807,770)
Operating profit		756,457,862	782,206,527
Finance cost	32	(697,959,899)	(495,059,624)
Profit before taxation		58,497,963	287,146,903
Provision for taxation	33	(35,310,805)	(45,195,939)
Profit after taxation		23,187,158	241,950,964
Attributable to:			
Equity holders of the parent		22,114,978	242,278,030
Minority interest		1,072,180	(327,066)
		23,187,158	241,950,964
Combined basic earnings per share	39	0.74	7.75
Combined diluted earnings per share	39	0.73	–

The attached notes from 1 to 42 form an integral part of these financial statements.

Lahore:
8 December 2007

Chief Executive **Director**

	Note	2007 (Rupees)	2006 (Rupees)
Cash flow from operating activities			
Profit before taxation		58,497,963	287,146,903
Adjustments for non cash and other items:			
Finance cost		697,959,899	495,059,624
Depreciation		307,669,212	262,687,892
Amortization of goodwill		–	31,615,647
Staff retirement benefits		17,737,205	14,786,247
Workers' profit participation fund		7,152,207	22,455,044
Workers' welfare fund		2,713,414	2,133,229
Profit on sale of operating assets		(66,967,015)	(749,892)
PIDB liability written back		(10,780,782)	–
Excess provision/credit balances written back		(4,510,895)	–
Amortization of deferred gain		(74,016)	–
Loss/(profit) on remeasurement of investment		75,000	(100,000)
		950,974,229	827,887,791
Operating profit before working capital changes		1,009,472,192	1,115,034,694
Decrease/(increase) in current assets:			
Stores, spares and loose tools		10,391,667	(7,236,144)
Stock in trade		(914,974,191)	521,692
Trade debts – unsecured, considered good		(171,713,852)	75,271,526
Advances, deposits, prepayments and other receivables		3,279,226	235,538,535
		(1,073,017,150)	304,095,609
Increase in current liabilities			
Trade and other payables		86,743,231	35,373,423
Cash generated from operations		23,198,273	1,454,503,726
Finance cost paid		(605,686,668)	(435,545,640)
Income tax paid		(34,543,598)	(14,368,000)
Workers' profit participation fund payments		(35,422,335)	(36,486,577)
Staff retirement benefits paid		(15,110,189)	(23,535,492)
		(690,762,790)	(509,935,709)
Net cash (used in)/generated from operating activities		(667,564,517)	944,568,017
Cash flow from investing activities			
Investment made during the year		(533,771,387)	(986,308,492)
Additions to operating assets		(466,474,256)	(819,641,316)
Proceeds realized from sale of operating assets		163,966,121	3,647,756
Proceeds realized from sale and lease back transactions		120,422,278	43,004,329
Long term deposits		(14,567,315)	1,027,500
Capital work in progress		–	(48,623,882)
Stores and spares held for capital expenditure		–	7,555,414
Net cash used in investing activities		(730,424,559)	(1,799,338,691)
Cash flow from financing activities			
Long term loans – secured		(28,333,331)	1,065,000,000
Short term borrowings – secured		1,958,729,362	(532,492,333)
Sponsoring shareholders of United Sugar Mills Limited		(330,000,000)	330,000,000
Lease rentals paid		(146,638,818)	(137,513,035)
Dividend paid		(77,077,322)	(67,153,578)
Subordinated loan from Director – unsecured		110,900,000	50,000,000
Net cash generated from financing activities		1,487,579,891	707,841,054
Net increase/(decrease) in cash and cash equivalents		89,590,815	(146,929,620)
Cash and cash equivalents at the beginning of the year		6,100,334	153,029,954
Cash and cash equivalents at the end of the year	25	95,691,149	6,100,334

The attached notes from 1 to 42 form an integral part of these financial statements.

Lahore:
8 December 2007 **Chief Executive** **Director**

Consolidated Statement of Changes in Equity

For the year ended 30 September 2007

	Share capital	Capital		Accumulated profit	Minority interest	Total
		Share premium	Share option reserve			
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at 30 September 2005	226,349,200	–	–	651,073,195	–	877,422,395
Final dividend for the year 2005 at the rate of Rs. 3.00 per share	–	–	–	(67,904,760)	–	(67,904,760)
Bonus shares issued at the rate of 15 %	33,952,380	–	–	(33,952,380)	–	–
Profit for the year	–	–	–	242,278,030	–	242,278,030
Dividend out of pre acquisition profits and pre acquisition loss transferred to cost of investment	–	–	–	(2,292,818)	–	(2,292,818)
Minority interest	–	–	–	–	(9,937,763)	(9,937,763)
Balance as at 30 September 2006	260,301,580	–	–	789,201,267	(9,937,763)	1,039,565,084
Final dividend for the year 2006 at the rate of Rs. 3.00 per share	–	–	–	(78,090,474)	–	(78,090,474)
Bonus shares issued at the rate of 20 %	52,060,320	–	–	(52,060,320)	–	–
Profit for the year	–	–	–	22,114,978	–	22,114,978
Share based option	–	–	16,071,264	–	–	16,071,264
Share option exercised	3,000,000	21,300,000	–	–	–	24,300,000
Minority interest	–	–	–	–	3,592,180	3,592,180
Balance as at 30 September 2007	315,361,900	21,300,000	16,071,264	681,165,451	(6,345,583)	1,027,553,032

The attached notes from 1 to 42 form an integral part of these financial statements.

Lahore:
8 December 2007

Chief Executive **Director**

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Parent Company

JDW Sugar Mills Limited (JDW)

JDW Sugar Mills Limited ("the Company") was incorporated in Pakistan on 31 May 1990 as a Private Limited Company under the Companies Ordinance, 1984 and was subsequently converted into a Public Limited Company on 24 August 1991. Shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 17 - Abid Majeed Road, Lahore Cantonment, Lahore. The principal activity of the Company is production and sale of crystalline sugar.

Subsidiary Companies

United Sugar Mills Limited (USML)

The Company was incorporated in Pakistan on 05 February 1970 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at 17 - Abid Majeed Road, Lahore Cantonment, Lahore. The principal activity of the Company is production and sale of crystalline sugar. Proportion of ownership interest held by parent company is 96.03 %.

Ghotki Sugar Mills (Private) Limited (GSML)

Ghotki Sugar Mills (Private) Limited was incorporated in Pakistan on 02 June 2006 as a Private Limited Company under the Companies Ordinance, 1984. The project is still under implementation, however, upon completion the principal activity of the company would be production and sale of crystalline sugar. Proportion of ownership interest held by parent company is 99.58 %.

2. STATEMENT OF COMPLIANCE

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

SECP has issued S.R.O. (1)/2006 dated 06 December 2006 to notify that IFRS 2 - Share based payments and IFRS 3 - Business Combination are required to be followed in preparation of financial statements of listed companies. The Group has adopted the above IFRS and has applied the same in preparation of these financial statements.

2.2 Standards, interpretations and amendments to published approved accounting standards

Standards or interpretations not yet effective but relevant

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after 01 January 2007. Adoption of amendments to IAS 1 will impact the nature and extent of disclosures made in the future financial statements of the Group.

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 01 July 2007 and are not expected to have a significant effect on Company financial statements or not relevant to the Group:

IAS 23	Borrowing costs (as revised)
IFRIC 10	Interim financial reporting and impairment
IFRIC 11	Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	The limit on a defined benefit asset minimum funding requirements and their interaction.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for revaluation of certain operating assets and financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires 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 and judgments 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 the judgments about 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 assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are:

Residual value and useful lives of depreciable assets	note 4.2
Taxation	note 4.7
Impairment of goodwill	note 4.17

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

The policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of JDW and its subsidiaries for the year ended 30 September 2007.

Subsidiary is that enterprise in which parent Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its Directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

The assets and liabilities of the subsidiaries have been consolidated on a line by line basis and the carrying value of investments held by the parent Company is eliminated against the subsidiaries shareholders' equity in the consolidated financial statement.

Material intra-group balances and transaction have been eliminated.

Minority interests are that part of the net results of the operations and of net assets of the subsidiaries attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

4.2 Property, plant and equipment

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost, related overheads, interest and mark up referred to in note 4.13.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 15.

Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Depreciation on additions is charged from the month the asset is acquired or capitalized, while no depreciation is charged in the month in which the asset is disposed off.

The Group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Leased

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 15. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Depreciation methods, residual values and useful lives of the assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

4.3 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

4.4 Stock in trade

Finished goods

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

Raw materials	At weighted average cost
Work-in-process and finished goods	At weighted average cost and related manufacturing expenses
Molasses	At lower of cost and net realizable value

Net realizable value signifies the estimated selling price in the ordinary course of business less other costs necessary to be incurred to make the sale.

4.5 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.6 Staff retirement benefits

Parent company

Defined contribution plan

The Company operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by the Company and employee to the fund at the rate of 10% of basic salary.

Shared based payment transactions

As indicated in note 2.1, during the year the Company has adopted IFRS 2 - Share based payements and has applied the same in preparation of these financial statments.

On 31 December 2005 the Company established a share option programme that entitles senior executive level of the Company to receive shares of the Company at 100% discount or such other discount rates as may be decided by the Board from time to time. The shares issued to the employees under the above scheme will not be transferable for a period of two years starting from the date of issue.

The grant date fair value of options granted to employees is recognised as salaries expense, with corresponding increase in equity over the period that the employees become unconditionally entitled to the option.

Subsidiaries

Defined benefit plans

The subsidiaries operate an unfunded gratuity scheme covering all its employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme.

The latest actuarial valuation for gratuity scheme was carried out as at 30 September 2007. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

Discount rate	10%
Expected increase in eligible pay	10%

The Subsidiaries policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (revised 2006).

4.7 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.8 Revenue recognition

Sales revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer i.e. on delivery of goods to the customers.

Interest and rental income from harvesting equipment are recognized on accrual basis.

Dividend income is recognized when the right of receipt is established.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

4.10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.11 Financial instruments

Financial assets and liabilities are recognized when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognized when the Group loses control of the contractual rights that comprise the financial asset. Financial liabilities are de-recognized when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.12 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Group intends either to settle on a net basis or to realize the assets or settle the liabilities simultaneously.

4.13 Borrowing costs

Borrowing costs incurred on long term finances obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other borrowing costs are recognized as an expense in the period in which these are incurred.

4.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

4.15 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Exchange differences are included in the profit currently.

4.16 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved.

4.17 Intangible asset - Goodwill

Goodwill represents the difference between consideration paid for acquiring interests in a Company and the value of the Group's share of its net assets at the date of acquisition.

As indicated in note 2.1, during the year the group has adopted IFRS 3 - Business Combinations and has applied the same in preparation of these financial statements. Accordingly, the Group has discontinued amortizing the goodwill that arose on the acquisition of United Sugar Mills Limited and as per the transitional requirements of IFRS 3 - Business Combinations, the Group carries out impairment testing of the goodwill in accordance with IAS 36, Impairment of Assets.

4.18 Deferred income

Deferred income represents excess of sale proceeds in relation to the carrying amount of the asset acquired under sale and lease back arrangement. Deferred income is amortized on a straight line basis over the period of lease term.

4.19 Investment

Available for sale

Investment classified as available for sale is initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, this investment is remeasured at fair value, unless fair value cannot be reliably measured. Unrealised gains and losses arising from the changes in the fair value are directly recognised in equity in the period in which they arise. Cumulative gains & losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

Investment intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investment at the time of the purchase and re-evaluates such designation on a regular basis.

	2007 (Number)	2006 (Number)	2007 (Rupees)	2006 (Rupees)
5. SHARE CAPITAL				
Authorized capital				
Ordinary shares of Rs. 10 each	30,000,000	30,000,000	300,000,000	300,000,000
Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 10 each fully paid in cash	20,577,200	20,577,200	205,772,000	205,772,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	10,658,990	5,452,958	106,589,900	54,529,580
Ordinary shares of Rs. 10 each issued against share option exercised	300,000	–	3,000,000	–
	31,536,190	26,030,158	315,361,900	260,301,580

6. SUBORDINATED LOAN FROM DIRECTOR - UNSECURED

This loan is unsecured and subordinated to the syndicated loans referred to in note 7. Mark up at the rate of 6 months KIBOR plus 200 bps (2006: 6.50 %) per annum is payable on quarterly basis.

7. LONG TERM LOANS – SECURED

	2007 (Rupees)	2006 (Rupees)	Mark up rate	Number of Instalments outstanding	Mark–up payable
i) **Faysal Bank Limited**					
– Morabaha LPO	37,500,000	67,500,000	6 months KIBOR plus 200 bps with a floor rate of 10% per annum.	5 equal installments ending September 2008.	Quarterly
ii) **Habib Bank Limited**					
– Demand Finance	32,000,000	64,000,000	Six months cut off yield T–Bill plus 350 bps with a floor rate of 5.5 % per annum.	2 equal semi–annual installments ending July 2008.	Quarterly
iii) **Standard Chartered Bank Limited** (Formerly Union Bank Limited)					
– Term Finance	28,000,000	56,000,000	6 months KIBOR plus 300 bps with a floor rate of 7.5% per annum.	4 equal installments ending March 2008.	Quarterly
iv) **United Bank Limited**					
– Bridge Finance	–	1,255,000,000	6 months KIBOR plus 325 bps.	Converted into syndicated loan III.	–
v) **Syndicated Loan – I**					
National Bank of Pakistan	200,000,000	250,000,000	6 months KIBOR plus 250 bps with a floor rate of 5% per annum.	8 equal semi–annual installments ending May 2011.	Quarterly
Habib Bank Limited	100,000,000	125,000,000			
The Bank of Punjab	66,666,668	83,333,334			
Saudi Pak Commercial Bank Limited	33,333,332	41,666,666			
	400,000,000	500,000,000			
vi) **Syndicated Loan – II**					
Faysal Bank Limited	125,000,000	150,000,000	6 months KIBOR plus 2.5% with a floor rate of 5% per annum.	10 equal semi annual installments ending April 2012.	Quarterly
Allied Bank Limited	83,333,334	100,000,000			
Soneri Bank Limited	41,666,667	50,000,000			
Pak Kuwait Investment Company Limited	83,333,334	100,000,000			
PICIC Commercial Bank Limited	83,333,334	100,000,000			
	416,666,669	500,000,000			
vii) **Syndicated Loan – III**					
United Bank Limited	500,000,000	–	3 months KIBOR plus 2.75%.	22 unequal quarterly installments commencing June 2008 and ending November 2013.	Quarterly
Allied Bank Limited	350,000,000	–			
MCB Bank Limited	200,000,000	–			
Pak Kuwait Investment Company Limited	150,000,000	–			
Saudi Pak Commercial Bank Limited	150,000,000	–			
Faysal Bank Limited	150,000,000	–			
	1,500,000,000	–			
(viii) **Habib Bank Limited**			6 months KIBOR plus 275 bps.	To be converted into syndicated loan	Quarterly
– Bridge Finance	371,415,010	–			
(ix) **Saudi Pak Commercial Bank Limited**					
– Term Finance	560,000,000	–	6 months KIBOR plus 325 bps.	To be converted into syndicated loan	Quarterly
	3,345,581,679	2,442,500,000			
Less: Current maturity – Note 12	327,878,789	273,333,334			
	3,017,702,890	2,169,166,666			

Securities of loans

i) This loan is secured by way of first pari passu charge to an extent of Rs. 90 million over fixed assets and personal guarantees of all the Directors of the parent Company.

ii) This loan is secured by way of first pari passu charge to an extent of Rs. 85.33 million over fixed assets and personal guarantees of all Directors of the parent Company.

iii) This loan is secured by way of first pari passu charge to an extent of Rs. 74.67 million over fixed assets and personal guarantees of all Directors of the parent Company.

iv) This loan has been converted into syndicated loan - III.

v) This loan is secured by way of first pari passu charge over fixed assets and personal guarantees of all Directors of the parent Company.

vi) This loan is secured by way of first pari passu charge over fixed assets and personal guarantees of all Directors of the parent Company.

vii) This loan is secured by way of first pari passu charge of Rs. 2,000 million over present and future fixed assets of the parent Company and the fixed assets of USML, subordination of Director's loan and personal guarantees of the Directors of the parent Company.

viii) This loan is secured by way of first pari passu charge of Rs. 534 million over current and fixed assets of the subsidiary Company, pledge over the shares of Group Company covering with 30% margin and personal guarantees of all the Directors of the Group.

ix) This loan is secured by way of first pari passu charge to an extent of Rs. 800 million over current and fixed assets of the subsidiary Company, lien over the shares of Group Companies and personal guarantees of all Directors of the Group.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	Note	2007		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	157,283,623	37,997,460	119,286,163
Later than one year and not later than five years		364,815,947	36,777,427	328,038,520
		522,099,570	74,774,887	447,324,683

	Note	2006		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	126,438,160	25,778,493	100,659,667
Later than one year and not later than five years		192,828,903	29,346,444	163,482,459
		319,267,063	55,124,937	264,142,126

The Group has entered into various lease agreements with various commercial banks and financial institutions for plant and machinery and vehicles. Lease rentals are payable on quarterly and monthly basis and include finance cost ranging from 10.71% to 14.65% per annum which has been used as the discounting factor. The Group has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

	Note	2007 (Rupees)	2006 (Rupees)
9. DEFERRED LIABILITIES			
Deferred taxation	9.1	375,072,230	61,356,194
Staff retirement benefits – gratuity	9.2	12,212,446	8,321,340
Payable to Punjab Industrial Development Board (PIDB)		–	10,780,782
		387,284,676	80,458,316

9.1 Deferred taxation

The liability for deferred taxation comprises of timing differences relating to:

	2007 (Rupees)	2006 (Rupees)
Accelerated tax depreciation	415,351,608	109,406,785
Unused tax losses	(49,673,601)	(37,007,386)
Turnover tax available for adjustment for five years	5,557,542	–
Provision for gratuity	3,836,681	–
Provision for doubtful debts	–	(11,043,205)
	375,072,230	61,356,194

9.2 Staff retirement benefits – gratuity

	2007 (Rupees)	2006 (Rupees)
Present value of defined benefit obligations	17,432,581	10,911,207
Unrecognised actuarial losses	(5,220,135)	(2,589,867)
Liability as at 30 September	12,212,446	8,321,340
Opening balance	8,321,340	6,654,635
Charge to profit and loss account	5,182,105	3,402,375
Payments by the Company	(1,290,999)	(1,735,670)
Liability as at 30 September	12,212,446	8,321,340
Charge to profit and loss account for the year comprises:		
Current service cost	3,991,068	2,372,487
Interest cost for the year	1,091,121	884,646
Actuarial losses recognised	99,916	145,242
	5,182,105	3,402,375

Comparison for five years:

	2007 (Rupees)	2006 (Rupees)	2005 (Rupees)	2004 (Rupees)	2003 (Rupees)
Present value of defined benefit obligations	17,432,581	10,911,207	8,846,545	5,887,000	3,196,000
Fair value of plan assets	–	–	–	–	–
Deficit	17,432,581	10,911,207	8,846,545	5,887,000	3,196,000
Actuarial gains/(loss) on plan liabilities	(2,730,000)	(543,000)	(1,132,000)	(697,000)	(425,000)

10. DEFERRED INCOME

This represents the unamortized balance of excess of sale proceeds over carrying amount of plant and machinery and vehicles on sale and lease back transaction with financial institutions. The deferred income is being amortized each year over the respective period of the lease term.

During the year, the Group has recognized deferred income amounting to Rs. 12.21 million (2006: Rs. Nil). The amount credited to the Profit and Loss account is Rs. 74,016 (2006 : Rs. Nil).

	Note	2007 (Rupees)	2006 (Rupees)
11. SHORT TERM BORROWINGS – SECURED			
Banking and Financial Institutions			
Cash finances	11.1	1,327,784,415	–
Running finances	11.2	788,968,388	208,023,441
Morabaha –LPO	11.3	200,000,000	150,000,000
		2,316,752,803	358,023,441

11.1 The parent Company has obtained cash finance facilities aggregating to Rs. 2,770 million (2006: Rs. nil). The mark up rates applicable during the year ranges from 10.48% to 12.92%. These are secured against pledge of sugar bags with 25% margin and personal guarantees of all the Directors of the parent Company.

11.2 The parent Company has obtained running finance facilities aggregating to Rs. 800 million (2006: Rs. 550 million). The mark up rates applicable during the year ranges from 10.43% to 15.40%. These are secured against present and future current assets and personal guarantees of all the Directors of the parent Company.

11.3 The parent Company has obtained morabaha facility of Rs. 200 million (2006: Rs. 150 million). The mark up rates applicable during the year ranges from 12.20% to 12.82%. This facility is secured by way of joint pari–passu charge over current assets for Rs. 267 million and personal guarantees of all the Directors of the parent Company.

	Note	2007 (Rupees)	2006 (Rupees)
12. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term loans from banking companies and financial institutions	7	327,878,789	273,333,334
Current portion of liabilities against assets subject to finance lease	8	119,286,163	100,659,667
Current portion of payable to sponsoring shareholders of United Sugar Mills Limited		–	85,000,000
		447,164,952	458,993,001
13. TRADE AND OTHER PAYABLES			
Trade creditors		247,547,450	219,253,228
Sales tax payable		178,007,579	123,831,647
Payable to United Bank Limited – Grower's Loan	13.1	46,553,026	–
Accrued expenses		37,278,921	43,271,304
Retention money		9,293,352	1,897,852
Tax deducted at source		6,774,842	2,180,916
Worker's Profit Participation Fund payable	13.2	7,152,207	34,155,269
Worker's Welfare Fund		4,846,643	6,644,124
Unclaimed dividend		5,445,122	4,432,786
Advances from customers		3,626,299	5,486,590
Provision for Social Security Contribution		–	317,928
Other payables		5,462,354	4,020,139
		551,987,795	445,491,783

13.1 This represents amount recovered from farmers / growers on account of Grower's loan to be paid to United Bank Limited.

	Note	2007 (Rupees)	2006 (Rupees)
13.2 Workers' Profit Participation Fund			
Opening balance			
JDW Sugar Mills Limited			
– the parent company		22,455,044	19,225,818
United Sugar Mills Limited			
– the subsidiary company		11,700,224	13,287,158
		34,155,268	32,512,976
Add: Allocation for the year		7,152,207	22,455,044
Interest on funds utilized in the Group business	32	1,488,258	2,722,740
		8,640,465	25,177,784
		42,795,733	57,690,760
Less: Paid during the year		35,643,526	23,535,491
Closing balance		7,152,207	34,155,269

14. CONTINGENCIES AND COMMITMENTS

Contingencies

JDW Sugar Mills Limited – the parent company

14.1 The parent company claimed an exemption of Rs.10.75 million from excise duty on an export transaction during 1993–94. However, the Excise Department rejected the claim and the parent company deposited Rs.9.88 million under protest (note 24). The parent company has been in litigation against this demand since then and the decision of the case is still pending. The parent company expects the outcome of the case to be favourable.

14.2 The Sales Tax Department has demanded further tax from the parent company for the year 2000–2001 on the grounds that it charged sales tax at the rate of 15% on it's sales to persons liable to be registered instead of 18%. The parent company is in adjudication against this on grounds of the definition of registered person in the Sales Tax Act. The Lahore High Court has stopped any recovery by the sales tax department from the parent company till the decision of Collector of Customs, Sales Tax and Central Excise, Multan Region. The parent company expects a favourable outcome in this case. The amount of further sales tax is Rs. 77.9 million.

United Sugar Mills Limited – the subsidiary company

14.3 The subsidiary company availed 50% exemption of excise duty in 1990 – 91 crushing season on account of excess production over last year by having completed full crushing season i.e. 160 days. According to the audit report of Excise Department the exemption was wrongly availed. Therefore, the Deputy Collector issued show cause notice. The subsidiary company has challenged the same in Lahore High Court. in Lahore. No provision has been made in financial statements for this as the management is confident that the case will be decided in its favour.

14.4 The subsidiary company's Income Tax Assessments stand completed upto the Tax Year 2003 and appeal against assessment for the assessment year 1999–2000 to 2000–2001 and 2003 are filed due to the various estimations made by the Department. The first appellate authority set a side the assessments for de–novo proceedings. The subsidiary company maintains that the estimates/add backs made are unjustified and not according to norms and the income of the subsidiary company was taxable on the basis of minimum tax only. During the year, tax demands consisting of additional tax, etc. were also received by the subsidiary company in respect of the previous assessment years, to be resolved with the department in due course of time. However, dictated by prudence, the management of the subsidiary company has incorporated the tax liabilities in its books of account on the basis of assessments made by the department.

	2007 (Rupees)	2006 (Rupees)
Commitments in respect of:		
JDW Sugar Mills Limited – the parent company		
14.5 Financial guarantee in favour of sponsoring shareholders of USML	–	330,000,000
14.6 Counter guarantee given on account of agricultural loan to growers:		
United Bank limited	150,000,000	150,000,000
Faysal Bank Limited	100,000,000	100,000,000
14.7 Letter of credit for Import of machinery and its related components	69,092,461	45,310,246
14.8 Letter of guarantee for purchase of oil and lubricants in favour of Shell Pakistan Limited	50,000,000	45,000,000
United Sugar Mills Limited – the subsidiary company		
14.9 Cost of civil works	–	60,000,000
14.10 Cost of boiler under erection	80,000,000	–
Ghotki Sugar Mills (Private) Limited – the subsidiary company		
14.11 Letter of credit for capital expenditure	12,451,355	152,772,470

15. OPERATING ASSETS

	COST					DEPRECIATION						
	As at 01 October 2006	Assets of subsidiary on acquisition	Additions / (deletions) during the year	Transfers during the year	As at 30 September 2007	Rate	As at 01 October 2006	Assets of subsidiary on acquisition	For the year	Adjustments	As at 30 September 2007	Net book value as at 30 September 2007
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(%)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Owned												
Freehold land	217,134,096	68,731,293	143,794,068 (96,510,175)	–	333,149,282	–	–	–	–	–	–	333,149,282
Factory building on freehold land	306,802,257	–	32,532,661	–	339,334,918	10	99,529,659	–	33,240,660	–	132,770,319	206,564,599
Non factory building on freehold land	291,874,088	–	74,860,385	–	366,734,473	5	41,109,521	–	13,998,642	–	55,108,163	311,626,310
Plant and machinery	3,783,548,125	–	175,625,543	(68,000,000)	3,891,173,668	5–10	742,170,495	–	198,778,488	(8,254,755)	932,694,228	2,958,479,440
Motor vehicles	110,350,916	17,679,880	20,269,180 (2,283,680)	(11,081,500)	134,934,796	20	69,330,001	2,196,253	9,517,291	(453,413) (1,794,748)	78,795,384	56,139,412
Electrical installation	35,158,727	5,186,207	1,738,128	–	42,083,062	10	24,060,755	134,757	1,109,797	–	25,305,309	16,777,753
Office equipment	37,597,471	3,051,684	4,673,256	–	45,322,411	10–30	20,986,534	250,817	3,332,247	–	24,569,598	20,752,813
Tools and equipment	34,911,845	303,913	8,840,271	–	44,056,029	10	15,585,323	11,140	2,517,588	–	18,114,051	25,941,978
Implements	20,957,782	559,582	24,290,394	(19,340,778)	26,466,980	10–25	8,845,194	24,909	1,238,273	(158,966)	9,949,410	16,517,570
Furniture and fixture	11,102,936	1,701,661	1,874,134	–	14,678,731	10	9,280,681	76,697	752,190	–	10,109,568	4,569,163
Weighbridge	9,717,830	–	–	–	9,717,830	10	6,419,396	–	329,843	–	6,749,239	2,968,591
Roads and boundary wall	7,098,931	–	–	–	7,098,931	10	5,177,490	–	192,144	–	5,369,634	1,729,297
Arms and ammunitions	2,764,650	2,324,317	764,000	–	5,852,967	10–20	619,093	84,109	308,368	–	1,011,570	4,841,397
Tubewell	1,398,146	–	–	–	1,398,146	10–25	772,160	–	89,520	–	861,680	536,466
	4,870,417,800	99,538,537	489,262,020 (98,793,855)	(98,422,278)	5,262,002,224		1,043,886,301	2,778,682	265,405,050	(10,661,882)	1,301,408,152	3,960,594,071
Leased												
Plant and machinery	233,354,350	–	16,259,560	68,000,000	317,613,910	5	22,910,039	–	10,165,064	(3,339,292)	29,735,811	287,878,099
Implements	110,672,400	–	35,983,300	19,340,778	165,996,478	10	15,625,368	–	13,587,339	–	29,212,707	136,783,771
Motor vehicles	121,258,980	–	53,967,000	11,081,500	186,307,480	20	45,539,224	–	18,511,759	–	64,050,983	122,256,497
	465,285,730	–	106,209,860	98,422,278	669,917,868		84,074,631	–	42,264,162	(3,339,292)	122,999,501	546,918,367
2007	5,335,703,530	99,538,537	595,471,880 (98,793,855)	–	5,931,920,092		1,127,960,933	2,778,682	307,669,212	(14,001,174)	1,424,407,653	4,507,512,438
2006	4,015,042,551	–	1,444,652,509	(123,991,530)	5,335,703,530		867,075,235	–	262,687,892	(1,802,194)	1,127,960,933	4,207,742,597

15.1 Depreciation charge for the year has been allocated as follows:

	Note	2007 (Rupees)	2006 (Rupees)
Cost of goods manufactured	27.1	288,661,482	241,653,790
Administrative expenses	28	7,415,608	6,272,967
Other operating expenses - net	30	11,592,122	14,761,135
		307,669,212	262,687,892

15.2 Borrowing costs capitalized during the year is Rs. 74,666,810 (2006 : Rs. 46,122,376).

16. DISPOSAL OF OPERATING ASSETS

Description	Particulars of buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees)	(Rupees)	(Rupees)	(Rupees)	
	Related party					
Land	JK Dairies (Private) Limited	96,510,175	–	96,510,175	163,038,750	Negotiation
	Insurance claim					
Vehicle	EFU Insurance Company Limited	60,000	31,840	28,160	59,000	Insurance claim
	Leasing companies – sale and lease back					
Plant and machinery	The Bank of Punjab Limited	90,000,000	11,594,047	78,405,953	90,000,000	Negotiation
Vehicles	Emirates Global Islamic Bank Limited	11,081,500	453,413	10,628,087	11,081,500	–do–
Implements	Allied Bank Limited	19,340,778	158,965	19,181,813	19,340,778	–do–
	Others					
Vehicle	Muhammad Umar Chana	1,100,000	1,013,385	86,615	365,000	Negotiation
–do–	Gul Khan	334,200	283,415	50,785	180,000	–do–
–do–	Chaudhry Bashir Ahmad	789,480	466,109	323,371	323,371	Company Policy
2007		219,216,133	14,001,174	205,214,959	284,388,399	
2006		4,696,840	1,802,194	2,894,646	3,644,537	

	Note	2007 (Rupees)	2006 (Rupees)
17. CAPITAL WORK IN PROGRESS			
Machinery and equipment		430,341,104	–
Advances for capital expenditure		528,827,636	–
Civil works		190,692,077	51,527,284
Electrical installations		139,568	–
Finance cost		74,666,810	–
Boiler under construction		20,298,760	–
		1,244,965,955	51,527,284
18. STORES AND SPARES HELD FOR CAPITAL EXPENDITURE			
Electrical store		30,461,773	–
Mechanical stores		93,034,050	–
Tools and tackle stores		4,561,977	–
Civil works store		2,223,998	–
General store		804,299	–
		131,086,097	–
19. INTANGIBLE ASSET – GOODWILL			
Opening balance		284,540,820	–
Deferred tax on fair value adjustment		244,457,554	–
Acquired during the year	19.1	37,285,302	316,156,467
		566,283,676	316,156,467
Amortized during the year	28	–	(31,615,647)
		566,283,676	284,540,820

19.1 This amount represent excess of consideration paid over the fair value of net assets on acquisition of Ghotki Sugar Mills (Private) Limited.

	Note	2007 (Rupees)	2006 (Rupees)
20. INVESTMENT			
Taha Spinning Mills Limited			
50,000 (2006: 50,000) fully paid ordinary shares of Rs. 10 each	20.1	375,000	450,000

20.1 Aggregate market value of quoted investment at the terminal date is Rs. 375,000.

21. LONG TERM DEPOSITS

These mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.

	Note	2007 (Rupees)	2006 (Rupees)
22. STORES, SPARES AND LOOSE TOOLS			
Stores	22.1	143,058,396	149,788,943
Spares		63,529,661	63,540,440
Loose tools		4,668,078	3,987,899
Oil and lubricants		11,484,951	12,811,570
Packing materials		1,735,794	1,908,723
Civil stores		234,414	484,922
		224,711,294	232,522,497

22.1 This includes a turbine valuing Rs. 643,750 (2006: Rs. 643,750) which is in the possession of a third party – Indus Sugar Mills Limited.

	Note	2007 (Rupees)	2006 (Rupees)
23. TRADE DEBTS			
Trade debts – unsecured, considered good	23.1	186,199,993	14,486,141

23.1 This includes Rs. 14,486,141 (2006: Rs. 14,486,141) relating to normal trading activities with the United Ethanol Industries Limited.

	Note	2007 (Rupees)	2006 (Rupees)
24. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to growers, suppliers and contractors:			
Unsecured, considered good	24.1	548,281,707	412,868,248
Unsecured, considered doubtful		31,052,002	31,552,015
Less: Provision there against		(31,052,002)	(31,552,015)
		–	–
Advances to staff – unsecured, considered good	24.2	7,600,073	11,660,886
Prepaid expenses		12,110,683	14,236,671
Excise duty receivable	14.1	9,888,364	9,888,364
Letters of credit		1,940,016	17,917,402
Advance income tax		20,693,840	12,475,118
Sales tax refundable		47,822,062	5,104,186
Income tax refundable		5,080,028	29,421,788
Other receivables		640,500	1,267,579
		654,057,273	514,840,242

24.1 Advances to growers, suppliers and contractors include Rs. 287,895,082 (2006: Rs.280,763,125) given to JK Agri Farms, (a related party) for procurement of sugarcane.

24.2 This represents unsecured interest free advances to employees Rs. 2,333,491 (2006: Rs. 4,333,049) receivable from executives of the Group.

	Note	2007 (Rupees)	2006 (Rupees)
25. CASH AND BANK BALANCES			
Cash at bank – current account	25.1	93,187,303	5,320,727
Cash in hand		2,503,846	779,607
		95,691,149	6,100,334

25.1 This balance includes Rs. Nil (2006: Rs. 3,745,883) kept under lien under security against Central Excise Duty on Demand Finance.

	Note	2007 (Rupees)	2006 (Rupees)
26. SALES – NET			
Sugar		5,848,022,767	6,303,015,508
Molasses		296,650,365	186,750,402
		6,144,673,132	6,489,765,910
Less: Sales tax		800,187,536	852,678,884
Brokerage charges		244,800	1,168,800
		800,432,336	853,847,684
		5,344,240,796	5,635,918,226
27. COST OF SALES			
Add: Cost of goods manufactured	27.1	5,442,866,056	4,482,903,929
Less: Closing stock of finished goods		(914,974,191)	–
		4,527,891,865	4,482,903,929
27.1 Cost of goods manufactured			
Cost of sugarcane consumed (including procurement and other costs)		4,478,346,682	3,710,766,623
Salaries, wages and other benefits	27.1.1	310,215,899	211,475,978
Depreciation	15.1	288,661,482	241,653,790
Stores and spare consumed		107,915,492	108,309,020
Packing materials consumed		62,124,711	48,109,493
Oil, lubricants and fuel consumed		29,549,799	47,197,385
Vehicle running expenses		29,106,179	24,159,545
Insurance		25,066,641	19,324,522
Chemicals consumed		29,469,835	19,185,976
Electricity and power		17,767,249	14,767,790
Handling and storage of sugar		5,245,314	6,616,735
Repairs and maintenance		6,052,524	7,459,878
Freight and octroi		5,223,695	4,705,872
Mud and bagasse shifting expenses		8,068,217	5,921,770
Printing and stationery		3,059,978	2,094,650
Traveling and conveyance		1,634,763	1,879,530
Telephone and fax		629,771	740,078
Consultancy and advisory services		19,775,000	–
Other expenses		14,952,825	8,013,602
		5,442,866,056	4,482,382,237
Add: Work in process		–	521,692
		5,442,866,056	4,482,903,929

27.1.1 Salaries, wages and other benefits include Rs. 8,279,092 (2006: Rs. 7,112,989) in respect of staff retirement benefits and Rs. 37,977,671 (2006: nil) in respect of share option scheme.

	Note	2007 (Rupees)	2006 (Rupees)
28. ADMINISTRATIVE EXPENSES			
Traveling and conveyance		57,628,519	45,670,381
Amortization of goodwill	19	–	31,615,647
Directors' remuneration		1,200,000	–
Salaries, wages and other benefits	28.1	35,903,544	27,200,999
Charity and donations	28.2	3,614,120	21,824,048
Office rent and renovation		9,915,918	8,599,833
Legal and professional charges		5,016,152	7,199,834
Depreciation	15.1	7,415,608	6,272,967
Vehicle running and maintenance		5,178,402	5,221,728
Insurance		2,244,062	4,272,621
Telephone and fax		2,377,668	3,015,596
Rent, rates and taxes		480,000	2,225,668
Printing and stationery		1,789,897	3,669,171
Auditors' remuneration	28.3	1,300,000	1,275,000
Electricity and power		871,100	970,910
Computer software and maintenance		457,208	656,608
Fee and taxes		837,385	530,540
Subscription and renewals		884,948	732,477
Entertainment		237,715	408,128
Advertisement		774,155	401,324
Postage		251,752	273,735
Newspapers, books and periodicals		104,110	146,131
Other expenses		1,847,290	473,785
		140,329,553	172,657,131

28.1 Salaries, wages and other benefits include Rs. 2,231,988 (2006: Rs. 1,905,572) in respect of staff retirement benefits and Rs. 2,393,592 (2006: nil) in respect of share option scheme.

28.2 None of the Directors of the Group or their spouses have any interest in, or are otherwise associated with any of the recipients of donations made by the Group during the year.

	2007 (Rupees)	2006 (Rupees)
28.3 Auditors' remuneration		
The charge for auditors' remuneration include the following in respect of auditors' services for the Group:		
Statutory audit	600,000	600,000
Half yearly review	165,000	140,000
Special purpose review in connection with acquisition of USML	500,000	500,000
Out of pocket expenses	35,000	35,000
	1,300,000	1,275,000

Fee for special purpose review in connection with acquisition of United Sugar Mills Limited included in the cost of investment of Rs. Nil (2006: Rs. 1,000,000).

	Note	2007 (Rupees)	2006 (Rupees)
29. DISTRIBUTION AND MARKETING EXPENSES			
Salaries, wages and other benefits	29.1	4,331,680	2,435,411
Sugar loading expenses		1,367,930	1,901,510
Sugar handling, forwarding and storage expenses		1,865,114	1,393,592
Other expenses		59,309	1,044,545
		7,624,033	6,775,058

29.1 Salaries, wages and staff benefits include Rs. 96,420 (2006: Rs. 75,751) in respect of staff retirement benefits.

	Note	2007 (Rupees)	2006 (Rupees)
30. OTHER OPERATING EXPENSES – NET			
Harvesting income		(9,854,861)	(4,914,588)
Depreciation on implements	15.1	11,592,122	14,761,135
Finance cost of leased assets		2,534,818	5,533,776
Other charges		–	166,873,991
		4,272,079	182,254,314
31. OTHER OPERATING INCOME			
Income from financial assets			
(Loss)/gain on revaluation of long term investment		(75,000)	100,000
Profit on deposit		–	8,784,403
Income from non financial assets			
Profit on sale of property, plant and equipment		66,967,015	749,891
Excess provision/credit balances written back		4,910,895	5,525,792
PIDB liability written back		10,780,782	–
Rental income		12,866,466	–
Scrap sale		5,852,868	–
Bad debts recovered		500,013	–
Amortization of deferred income		74,016	–
Miscellaneous income		323,162	306,920
		102,200,217	15,467,006
32. FINANCE COST			
Interest and mark up on:			
Long term loans – secured		311,697,494	278,484,627
Short term borrowings – secured		303,566,884	173,063,935
Leases		32,287,469	24,368,181
Subordinated loan from Director – unsecured		25,131,062	7,087,672
Provident fund balance		1,247,742	–
Worker's profit participation fund	13.2	1,488,258	2,722,740
Bank charges and commission		13,540,990	6,332,469
Project monitoring fee		9,000,000	3,000,000
		697,959,899	495,059,624
33. PROVISION FOR TAXATION			
Income tax – current	33.1	–	28,323,674
Deferred tax	33.2	69,258,482	16,872,265
Prior year		(33,947,677)	–
	33.3	35,310,805	45,195,939

33.1 Tax computation for current year is in accordance with the provisions of section 113 of the Income Tax Ordinance, 2001. Minimum tax provided under section 113 would be available for adjustment upto a period of five years; furthermore taxable profits are envisaged in the following years and owing to both these facts, the amount of minimum tax has not been booked as an expense in the current period. The same would be accounted for when deposited with the return, as an adjustment to advance tax booked by the Company in note 24.

33.2 Deferred tax expense relating to origination and reversal of temporary differences.

	2007 %	2006 %
33.3 Reconciliation of tax charge for the year		
Applicable tax rate	35.00	35.00
Tax effect of minimum turnover tax and others	25.36	19.26
Average effective rate charged to profit and loss account	60.36	15.74

34. SHARE BASED PAYMENTS

The terms and conditions of the grants are as follows; all options are to be settled by the physical delivery of shares.

Employees entitled	Number of shares in '000	Vesting Conditions	Contractual life of options	Fair value at grant date
Option granted to key management	300	One year service after grant date	Within 3 months of date of entitlement	81.00
Option granted to key management	235	One year service after grant date	Within 3 months of date of entitlement	79.75
Total share options	535			

The movement in number of share options outstanding is as follows:

	2007	2006
	Number in '000	
Outstanding as 01 October	–	–
Granted	535	–
Excercised	(300)	–
Outstanding at 30 September	235	–
Excerciseable at 30 September	–	–

The exercise price of the above share options is Nil.

35. FINANCIAL INSTRUMENTS

	Interest bearing			Non-interest bearing			Total
	Maturity within one year	Maturity one to five years	Maturity more than five years	Maturity within one year	Maturity one to five years	Maturity more than five years	
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	
Financial assets							
Long term deposits	–	–	–	–	34,673,790	–	34,673,790
Trade debts – unsecured, considered good	–	–	–	186,199,993	–	–	186,199,993
Advances, deposits and other receivables	–	–	–	632,058,226	–	–	632,058,226
Cash and bank balances	–	–	–	95,691,149	–	–	95,691,149
	–	–	–	913,949,368	34,673,790	–	948,623,158
Financial liabilities							
Subordinated loan from Director – unsecured	–	–	260,900,000	–	–	–	260,900,000
Long term loans – secured	327,878,789	2,627,478,767	390,224,123	–	–	–	3,345,581,679
Liabilities against assets subject to finance lease	119,286,163	328,038,520	–	–	–	–	447,324,683
Short term borrowings – secured	2,316,752,803	–	–	–	–	–	2,316,752,803
Interest and mark–up accrued	–	–	–	172,013,779	–	–	172,013,779
Trade and other payables	–	–	–	355,206,524	–	–	355,206,524
	2,763,917,755	2,955,517,287	651,124,123	527,220,303	–	–	6,897,779,468
Financial (liabilities)/assets 2007	(2,763,917,755)	(2,955,517,287)	(651,124,123)	346,357,801	34,673,790	–	(5,989,527,574)
Financial (liabilities) – 2006	(732,016,442)	(2,482,649,125)	–	(117,107,118)	(245,000,000)	–	(3,576,772,685)

The effective interest/mark–up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

35.1 Financial risk management objectives

The Group 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 Group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments. The Group manages its exposure to financial risk in the following manner:

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Group has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 908 million (2006: Rs. 489 million) financial assets which are subject to credit risk amount to Rs. 906 million (2006: Rs. 488 million). To manage exposure to credit risk, the Group applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 7 and 11.

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Group believes that it is not exposed to currency risk.

(d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

35.2 Fair value of financial assets and liabilities

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Group is as follows:

	Chief Executive			Directors		Executives	
	01 May 2007 to 30 September 2007 (Rupees)	01 October 2006 to 30 April 2007 (Rupees)	2006 (Rupees)	2007 (Rupees)	2006 (Rupees)	2007 (Rupees)	2006 (Rupees)
Managerial remuneration	1,666,667	3,000,000	3,600,000	–	–	17,928,994	14,784,394
House allowance	666,667	1,200,000	1,440,000	–	–	7,171,598	5,913,758
Utilities	166,666	300,000	360,000	–	–	1,792,899	1,478,439
Others	–	–	–	–	–	–	985,626
Company's contribution towards provident fund	–	–	–	–	–	1,792,899	1,478,439
Share option scheme	–	–	–	–	–	40,371,264	–
	2,500,000	4,500,000	5,400,000	–	–	69,057,654	24,640,656
Number of persons	1	1	1	7	7	33	21

In addition to the above, some of the Executives are provided with free use of Group maintained cars.

37. TRANSACTIONS WITH RELATED PARTIES

The Group, in the normal course of business carries out transactions with related parties. Transactions with related parties other than remuneration and benefits to directors and key management personnel under the terms of their employment disclosed above are as follows:

Name of parties	Nature of transactions	2007 (Rupees)	2006 (Rupees)
Riaz Bottlers (Private) Limited	Sale of sugar	74,009,392	12,708,000
JK Agri Solution (Private) Limited	Reimbursement of cane development expenditure	14,691,084	11,786,990
JDW Aviation (Private) Limited	Traveling services provided to JDW	33,600,000	20,861,034
JK Dairies (Private) Limited	Sale of land	163,038,750	–
JK Agri Farms	Sugarcane purchases	531,319,205	531,836,951
Jahangir Khan Tareen	Subordinated loan	110,900,000	50,000,000
	Mark up	25,131,062	7,087,672
Provident fund	Contributions	6,092,800	5,691,936
United Ethanol Industries Limited	Sale of molasses	–	43,485,402

38. CAPACITY AND PRODUCTION

		JDW 2007	JDW 2006	USML 2007	USML 2006
Crushing capacity	Days	120	120	120	120
	Tonnes	2,400,000	2,400,000	840,000	840,000
Sugarcane crushed	Days	147	125	136	115
	Tonnes	1,890,482	1,313,812	717,230	512,844
Sugar production	Tonnes	195,586	152,256	73,315	50,256

Due to normal technical stoppages and non availability of adequate sugar cane during the season 100% crushing capacity could not be achieved.

39. COMBINED EARNINGS PER SHARE

		2007	2006
Basic			
Profit after taxation	Rupees	23,187,158	241,950,964
Weighted average number of ordinary shares – Basic	No. of shares	31,536,190	31,236,190
Basic earnings per share	Rupees	0.74	7.75
Diluted			
Profit after taxation	Rupees	23,187,158	–
Weighted average number of ordinary shares	No. of shares	31,536,190	–
Effect of share options on issue	No. of shares	235,000	–
Weighted average no. of ordinary shares for the purpose of diluted earnings per share	No. of shares	31,771,190	–
Diluted earnings per share	Rupees	0.73	–

40. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended 30 September 2007 of Rs. NIL (2006: Rs. 3.00) per share and bonus shares at the rate of 20% (2006: 20%) at their meeting held on 08 December 2007.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 08 December 2007 by the Board of Directors of the Group.

42. FIGURES

Other operating income of Rs. 15.467 million is being shown as separate line item in profit and loss account. Previously other operating income has been classified in other operating expenses.

Figures have been rounded off to the nearest rupee.

Lahore:
8 December 2007 **Chief Executive** **Director**

Pattern of Shareholding

As at 30 September 2007

Pattern of Shareholding

FORM "34" The Companies Ordinance 1984 (Section 236(I)) & 464)

1. **Incorporation Number** — L-02480
2. **Name of the Company** — JDW SUGAR MILLS LIMITED
3. **Pattern of holding of the shares held by the shareholders as at** — 30-09-2007

4. **No. of Shareholders**

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
214	1	100	10552
205	101	500	55411
310	501	1000	240038
157	1001	5000	385201
31	5001	10000	232389
17	10001	15000	209058
9	15001	20000	153928
3	20001	25000	68616
6	25001	30000	162191
4	30001	35000	130967
3	40001	45000	130041
1	45001	50000	49785
1	50001	55000	52142
4	55001	60000	229713
2	75001	80000	151800
1	85001	90000	85728
2	90001	95000	183131
2	95001	100000	200000
3	100001	105000	303020
1	125001	130000	128920
1	150001	155000	151800
1	170001	175000	172200
1	300001	305000	303600
1	350001	355000	351300
1	395001	400000	400000
1	495001	500000	500000
1	780001	785000	780873
1	1340001	1345000	1342646
4	3035001	3040000	12143998
1	5735001	5740000	5736362
1	6490001	6495000	6490780
990			31536190

5. **Categories of shareholders**

Categories of shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	14,352,677	45.5118%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	7	0.0000%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	21,719	0.0689%
5.5 Insurance Companies	317,160	1.0057%
5.6 Modarabas and Mutual Funds	431,126	1.3671%
5.7 Share holders holding 10%	12,227,142	38.7718%
5.8 General Public		
a. Local	15,541,145	49.2804%
b. Foreign	–	–
5.9 Others (to be specified)		
Joint Stock Companies	827,532	2.6241%
Leasing Companies	14,756	0.0468%
Non-Residence	30,067	0.0953%

6. **Signature of Company Secretary**
7. **Name of Signatory** — MUHAMMAD RAFIQUE
8. **Designation** — Company Secretary
9. **NIC Number** — 35201-3029372-5
10. **Date** — 30-09-2007

Categories of Shareholders

As required under C.C.G, as on 30 September 2007

S. No.	Name	Holding	% Age
	ASSOCIATED COMPANIES		
		0	0.0000%
	NIT & ICP		
1	I.D.B.P. (ICP UNIT)	7	0.0000%
		7	0.0000%
	DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN		
1	MR. JAHANGIR KHAN TAREEN (CDC)	6,490,780	20.5820%
2	MRS. AMINA TAREEN (CDC)	1,342,646	4.2575%
3	SYED AHMAD MEHMUD (CDC)	5,736,362	18.1898%
4	MRS. SAMEERA MEHMUD (CDC)	780,873	2.4761%
5	MR. MUHAMMAD ISMAIL	758	0.0024%
6	MR. MUHAMMAD NAWAZ	758	0.0024%
7	MR. ABDUL GHAFFAR	500	0.0016%
		14,352,677	45.5118%
	PUBLIC SECTOR COMPANIES & CORPORATIONS		
1	ABBASI & COMPANY (PVT) LIMITED (CDC)	1,518	0.0048%
2	ACE SECURITIES (PVT) LTD. (CDC)	6,600	0.0209%
3	AMIN TAI SECURITEIS (PRIVATE) LIMITED (CDC)	400,000	1.2684%
4	CAPITAL VISION SECURITIES (PVT) LTD. (CDC)	198	0.0006%
5	CLIKTRADE LIMITED (CDC)	7,400	0.0235%
6	DOSSLANI'S SECURITIES (PVT) LTD. (CDC)	4,200	0.0133%
7	EXCEL SECURITIES (PVT) LTD. (CDC)	42	0.0001%
8	GENERAL INVES. & SERV. (PVT) LTD. CDC	10	0.0000%
9	HARVEST SMARTREND SECURITIES (PVT) LTD. (CDC)	1,500	0.0048%
10	ISMAIL ABDUL SHAKOOR SECURITES (PVT) LTD. (CDC)	1,980	0.0063%
11	ISMAIL IQBAL SECURITES (PVT) LTD. (CDC)	3,000	0.0095%
12	JAVED OMER VOHRA & COMPANY LIMITED (CDC)	351,300	1.1140%
13	MARS SECURITIES (PVT) LTD. (CDC)	600	0.0019%
14	MUHAMMAD AHMAD NADEEM SEC(SMC-PVT) LTD. (CDC)	3,020	0.0096%
15	MUHAMMAD AHMAD NADEEM SEC(SMC-PVT) LTD. (CDC)	14,500	0.0460%
16	N. H. SECURITIES (PVT) LTD. (CDC)	758	0.0024%
17	ORIENTAL SECURITIES (PVT) LTD. (CDC)	344	0.0011%
18	PACE INVEST & SEC. (PVT) LTD (CDC)	1,000	0.0032%
19	PACE INVESTMENT AND SECURITIES (PVT) LTD. (CDC)	600	0.0019%
20	PASHA SECURITIES (PVT) LTD. (015-006) (CDC)	500	0.0016%
21	PASHA SECURITIES (PVT) LTD. (CDC)	758	0.0024%
22	PRUDENTIAL SECURITIES LIMITED (CDC)	1,000	0.0032%
23	PRUDENTIAL SECURITIES LIMITED (CDC)	454	0.0014%
24	STOCK MASTER SECURITIES (PVT) LIMITED (CDC)	300	0.0010%
25	STOCK VISION (PVT) LTD. (CDC)	9,000	0.0285%
26	TECHNOLOGY LINKS (PVT) LTD. (CDC)	9,000	0.0285%
27	TIME SECURITIES (PVT) LTD. (CDC)	1,470	0.0047%
28	VALIKA ART FABRICS LTD. (CDC)	4,554	0.0144%
29	WASI SECURITIES (SMC-PVT) LTD. (CDC)	1,000	0.0032%
30	Y. S. SECURITIES & SERVICES (PVT) LIMITED (CDC)	100	0.0003%
31	ISLAMABAD STOCK EXCHANGE (G) LIMITED (CDC)	68	0.0002%
32	SARFRAZ MAHMOOD (PVT) LIMITED.	758	0.0024%
		827,532	2.6241%
	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS		
1	SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVEST. COMPANY (PRIVATE) LIMITED.	2,085	0.0066%
2	N.D.F.C. (INVESTOR)	1,236	0.0039%
3	ATLAS BOT INVESTMENT BANK LTD.	9,660	0.0306%
4	PRIME COMMERCIAL BANK LTD.	8,738	0.0277%
		21,719	0.0689%
	LEASING COMPANIES		
1	ATLAS BOT LEASE CO. LTD.	14,756	0.0468%
		14,756	0.0468%
	MODARABAS & MUTUAL FUNDS		
1	FIRST ELITE CAPITAL MODARABA	7,100	0.0225%
2	FIRST ELITE CAPITAL MODARABA (CDC)	5,218	0.0165%
3	FIRST CAPITAL MUTUAL FUND LTD.	8,400	0.0266%
4	CDC-TRUSTEE AKD INDEX TRACKER FUND (CDC)	6,200	0.0197%
5	CDC-TRUSTEE FIRST DAWOOD MUTUAL FUND (CDC)	85,728	0.2718%
6	CDC-TRUSTEE AKD OPPORTUNITY FUND (CDC)	172,200	0.5460%
7	CDC-TRUSTEE - NAMCO BALANCED FUND (CDC)	45,000	0.1427%
8	GOLDEN ARROW SELECTED STCOKS FUND LTD (CDC)	101,280	0.3212%
		431,126	1.3671%
	INSURANCE COMPANIES		
1	CENTURY INSURANCE COMPANY LTD (CDC)	13,560	0.0430%
2	EFU GENERAL INSURANCE LTD (CDC)	303,600	0.9627%
		317,160	1.0057%
	NON-RESIDENCE / FOREIGN COMPANIES		
1	SOMERS NOMINEES (FAR EAST) LTD.	30,067	0.0953%
		30,067	0.0953%
	SHARES HELD BY THE GENERAL PUBLIC	15,541,145	49.2804%
	TOTAL:	31,536,189	100.0000%

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	NAME	HOLDING	%AGE
1	MR. JAHANGIR KHAN TAREEN	6,490,780	20.5820%
2	SYED AHMAD MEHMUD	5,736,362	18.1898%
		12,227,142	38.7718%

During the financial year the trading in shares of the company by the directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

Sr. No.	Name	Sale	Purchase	Bonus
1	MR. JAHANGIR KHAN TAREEN (CDC)	500,000	600,000	1,065,130
2	MRS. AMINA TAREEN (CDC)	382	100,000	207,171
3	SYED AHMAD MEHMUD (CDC)	330,000	600,000	911,060
4	MRS. SAMEERA MEHMUD (CDC)	100,000	100,000	130,145
5	MR. MUHAMMAD ISMAIL		758	0
6	MR. MUHAMMAD NAWAZ		–	126
7	MR. ABDUL GHAFFAR (CDC)		500	0
8	MR. MUHAMMAD RAFIQUE	35,000	10,000	–

Notes

18th Annual General Meeting

JDW

I/we ____

of ____
(address)

being a member of JDW Sugar Mills Limited hereby appoint

____
(Name)

of ____

or failing him/her ____
(Name)

of ____________________________________

the company) 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 at Avari Hotel, Lahore on Monday 31st December 2007 at 09:30 AM and at every adjournment thereof.

As Witness my hand this ____________________ of ____________ 2007

signed by the said ____________________________ in the presence

of ____

Revenue Stamp

____________________ ____________________
(Signature) (Signature)

Note:

Proxies, in order to be effective must be received at the Company's Registered Office not less than forty eight hours before the time for holding the meeting and must be stamped, signed and witnessed.