

42nd Annual Report 2006



**MIRPURKHAS
SUGAR MILLS LTD.**





MIRPURKHAS SUGAR MILLS LIMITED



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MIRPURKHAS SUGAR MILLS LIMITED



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Mahmood Faruque	Chairman
Mr. Aslam Faruque	Chief Executive
Mr. Mohammed Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Maqbool H. H. Rahimtoola (NIT)	Director
Mr. Gul Nawaz (NIT)	Director
Mr. Rana Ahmed Khan (NIT)	Director

AUDIT COMMITTEE

Mr. Akbarali Pesnani	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member

COMPANY SECRETARY

Mr. Abid A. Vazir

AUDITORS

Gardezi & Co.
Chartered Accountants

LEGAL ADVISER

K.M.S. Law Associates

BANKERS

MCB Bank Ltd.
Habib Bank Ltd.
United Bank Ltd.
PICIC Commercial Bank Ltd.
Bank Al-Habib Ltd.
Allied Bank Ltd.

REGISTERED OFFICE

Modern Motors House,
Beaumont Road,
Karachi-75530

FACTORY

Jamrao District,
Mirpurkhas.



MIRPURKHAS SUGAR MILLS LIMITED



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 42nd Annual General Meeting of the Company will be held on Thursday, January 25, 2007 at 11:00 a.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended September 30, 2006 and the Reports of the Directors and the Auditors thereon.
2. To consider and approve the payment of cash dividend @ 22.50% (Rs. 2.25 per share) for the financial year ended September 30, 2006 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2006/07 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

Abid A. Vazir
Company Secretary

Karachi: December 19, 2006

Notes:

1. The share transfer books of the company will remain closed from Thursday, January 11, 2007 to Thursday, January 25, 2007 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Registered Office of the Company at the close of business on Wednesday, January 10, 2007 will be treated in time for the entitlement of 22.50% cash dividend.
2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.
3. Shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original computerized national identity card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 (as reproduced on the reverse side of the enclosed proxy form) are to be followed.
4. Shareholders are requested to immediately notify the Company of any change in their addresses.
5. Members who have not yet submitted photocopy of their computerized national identity card to the Company are requested to send the same at the earliest.

STATUS OF INVESTMENT IN UNICOL LIMITED:

The Company had obtained the approval of its shareholders for additional investment of Rs. 30 million (aggregating to Rs. 88.67 million) in Unicol Limited at the Extra Ordinary General Meeting (EOGM) held on 26th April 2006. However, keeping in view the financial requirements of Unicol Limited and the availability of credit facilities from banks, the Company has so far invested Rs. 21.33 million only (taking its total investment to Rs. 80 million). The remaining amount will be invested by Mirpurkhas Sugar Mills Limited (MSM) as and when required by Unicol Limited.



MIRPURKHAS SUGAR MILLS LIMITED



DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED SEPTEMBER 30, 2006

The Board of Directors is pleased to place before you the financial results of the company together with the audited accounts for the year ended September 30, 2006.

OVERVIEW

Despite last year's devastating earthquake, the national economy has continued to grow at an impressive pace. The benefits of the various economic and fiscal measures taken by the government are beginning to reflect on almost all productive sectors of the national economy.

Lack of irrigation water and rain led to shortage of sugarcane crop in Sind, which resulted in a substantial rise in the price of the raw material. However, it was offset to a certain extent by improvement in sugar prices in the country, which was mainly due to increase in the international prices of sugar. Although crushing of sugarcane increased from last year, it was not sufficient to meet the domestic demand of the local industry thereby forcing the government to import refined sugar.

The company performed satisfactorily during the year under review and was able to earn an after tax profit of Rs. 169 million.

OPERATING PERFORMANCE

During the season 2005/06, the plant operated for 118 days compared with 108 days last year. For the year under review, the company crushed 379,618 metric tons of sugarcane to produce 39,910 metric tons of sugar compared with 317,931 metric tons of sugarcane crushed during last year to produce 32,913 metric tons sugar. The company also processed imported raw sugar to produce 3,495 metric tons of refined sugar besides importing another 11,675 tons of refined sugar. For the season 2005/06, the company achieved the highest sucrose recovery of 10.51% in Pakistan.

The key comparative data for the current year and that of the preceding year is as follows:

	<u>Sep. 30, 2006</u>	<u>Sep. 30, 2005</u>
• Season commenced	November 26, 2005	October 30, 2004
• Crushing days	118	108
• Sugar cane crushed (M. tons)	379,618	317,931
• Sucrose recovery (%)	10.51	10.35
• Raw sugar processed (M. tons)	3,660	-
• Sugar production (M. tons)	43,405	32,913
• Molasses production (M. tons)	18,549	15,353

SALES

Improvement in the selling price of sugar was offset by an even greater rise in the price of sugarcane during the year under review. As on September 30, 2006, Trading Corporation of Pakistan, which had forward purchased sugar from the company, lifted the entire quantity.

FINANCIAL PERFORMANCE

During the year under review, the sales revenue of the company increased by Rs. 597 million due to stable prices of sugar. Another reason for rise in revenue was increase in sales volume compared to last year and lifting of stock by TCP against its forward purchase contract with the Company. In order to meet its immediate financial requirements, the company sold some of its long-term investments during the year under review. After taking into consideration various expenses and government taxes, the Company was able to earn an after tax profit of Rs. 169.25 million, reflecting a rise of Rs. 65 million from last year.



MIRPURKHAS SUGAR MILLS LIMITED



	Sep. 30, 2006 (Rs. in million)	Sep. 30, 2005 (Rs. in million)	Variance (In % age)
Net Sales	1,371.40	774.01	77%
Cost of Sales	(1,109.90)	(645.19)	72%
Gross Profit	261.50	128.82	103%
Other income, expenses & taxes	(92.25)	(24.81)	272%
Net Profit	169.25	104.01	63%

DIVIDEND FOR THE YEAR

The Board of Directors, at its meeting held on 19th December 2006 has recommended cash dividend @ 22.50% (Rs. 2.25 per share) for the year ended September 30, 2006. The approval of the shareholders for cash dividend will be obtained at the Annual General Meeting to be held on January 25, 2007.

UNICOL LIMITED

Work on joint venture distillery project is progressing at an impressive pace despite inclement weather conditions. We are hopeful that the distillery will be able to commence operations during the early part of next year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- The system of internal control has been effectively implemented and is continuously reviewed and monitored.
- The company is a going concern and there are no doubts about its ability to continue.
- There has been no material departure from the best practices of the code of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is attached.
- The company has been declaring regular dividends to its shareholders. However, it could not do so for the years 2000/01, 2001/02, 2002/03 & 2003/04 because of financial losses.
- The company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on September 30, 2006.

• Provident Fund	Rs. 74,892,553
• Gratuity Fund	Rs. 37,477,625

- In the year 2005/06, the Board of Directors of the company held five (5) meetings. The attendance record of each director is as follows:

Name of Director	Meetings Attended
• Mr. Mahmood Faruque	3
• Mr. Mohammed Faruque	4
• Mr. Akbarali Pesnani	2
• Mr. Aslam Faruque	5
• Mr. Arif Faruque	3
• Mr. Tariq Faruque	5
• Mr. Maqbool H.H. Rahimtoola	5
• Mr. Gul Nawaz	5
• Mr. Rana Ahmad Khan	5

- The pattern of shareholding is annexed.



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- During the year, Mr. Akbarali Pesnani purchased 19,000 shares of the Company. No trading in the shares of the Company was made by any other Director, Chief Executive, Chief Financial Officer and Company Secretary.
- Earnings per share during the year is Rs. 26.49 per share compared with Rs. 16.28 last year.

FUTURE PROSPECTS

Unlike last year, the initial estimates for next year suggest that there will be an improved sugarcane crop in terms of yield per acre. However, the condition of the crop may get affected adversely due to bad weather conditions, which would only be known in due course. The future prospects of the company are also dependant on the stability in the selling price of sugar. In this scenario, we would like to urge the government to ensure that the price of sugarcane remains linked with that of sugar to save the industry from the current crisis. We also request the government of Sind to resolve other critical issues like Quality Premium and Market Committee Fee in order to ensure the turnaround of the industry.

Owing to use of ethanol as replacement for fuel, it is expected that the demand for sugar in the world markets will continue to remain buoyant. Further, with the expected start of the distillery operations, the company hopes to post satisfactory results in the days to come.

AUDITORS

The present auditors M/s. Gardezi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

ACKNOWLEDGMENT

We would like to thank all the financial institutions having business relationship with us and our customers for their continued support and cooperation. We would also like to share our deepest appreciation of our team of executives, managers, supervisors and other employees, for their dedication, loyalty and hard work.

For and on behalf of the Board of Directors


(MAHMOOD FARUQUE)
Chairman

Karachi: December 19, 2006



MIRPURKHAS SUGAR MILLS LIMITED



Vision Statement

We aim to be a leading producer and supplier of high quality sugar in Pakistan. We aspire to be known for the quality of our product. We intend to play a pivotal role in the economic and social development of Pakistan thereby improving the quality of life of its people.

Mission Statement

As a leading producer of quality sugar in Pakistan, we shall build on our core competencies and achieve excellence in performance. In doing so, we aim to meet or exceed the expectations of all our stakeholders.

In striving to serve our stakeholders better, our goal is not only to attain technological advancements in the field of sugar technology, but also to inculcate the most efficient, ethical and time tested business practices in our management.

We shall continue to look for innovative ways to introduce alternate uses of sugar to broaden our customer base.

Core Values

- Strive for excellence and build on our core competencies.
- Keep up with technological advancements and continuously update ourselves in the field of sugar technology.
- Meet or exceed the expectations of our stakeholders.
- Inculcate efficient, ethical and time tested business practices in our management.
- Work as a team and support each other.
- Put the interest of the Company before that of the individuals.



MIRPURKHAS SUGAR MILLS LIMITED



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of code of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board includes seven non-executive directors, of whom three are independent.
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 taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by the employees of the Company.
6. The Board has developed a vision and mission statement / overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which these 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 and 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 along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board comprises of senior corporate executives and professionals, who are fully aware of their duties and responsibilities.
10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit including their 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 the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the 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 requirements of the Code.
15. The Board has formed an audit committee. It presently comprises of three members, two of whom are non-executive directors including the Chairman of the Committee.



MIRPURKHAS SUGAR MILLS LIMITED



16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company, 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 which is working on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 the 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 guidelines in this regard.
20. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

For and on behalf of the Board of Directors

(MAHMOOD FARUQUE)
Chairman

Karachi: December 19, 2006

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF TRANSFER PRICING

The company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulations of the Karachi Stock Exchange.

For and on behalf of the Board of Directors

(MAHMOOD FARUQUE)
Chairman

Karachi: December 19, 2006



MIRPURKHAS SUGAR MILLS LIMITED



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

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2006 prepared by the Board of Directors of Mirpurkhas Sugar Mills Limited to comply with the Listing Regulation No. 37, of the Karachi Stock Exchange (Guarantee) Limited 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 controls 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, effective for the year ended September 30, 2006.

Karachi: December 19, 2006

Gardezi & Co.
Chartered Accountants



MIRPURKHAS SUGAR MILLS LIMITED



STATEMENT OF ETHICS & BUSINESS PRACTICES

Mirpurkhas Sugar Mills Limited was established with an aim of producing high quality sugar for its customers and meeting the expectations of its stakeholders. We ensure transparency and professionalism at every step of our dealings, and look after the interests of our stakeholders.

This statement of the Company is based on the following principles:

Quality of Product

- We strive to produce the highest quality of sugar for our customers.
- We believe in technology and innovation and strive to implement innovative ideas in the Company.
- We maintain all relevant technical and professional standards to be compatible with the requirements of the trade.

Dealing with Employees

- We recognize and reward employees for their performance.
- We measure the performance of our employees by their ability to meet their objectives, their conduct at work, dealings with others both within and outside the organization, their contribution towards training people and succession planning, and innovation at their work place.
- We provide a congenial work atmosphere where all employees are treated with respect and dignity and work as a team for a common goal.
- Unless specifically mentioned, all rules and regulations prevailing in the Company apply to all levels of employees of the Company.

Responsibility to Society/Interested Parties

- We have an important role towards our society, shareholders, creditors, the Government and public at large. We are objective and transparent in our dealings with all our stakeholders so as to meet the expectations of the people who rely on us.
- We meet all our obligations and ensure timely compliance.

Financial Reporting & Internal Controls

- To meet the expectations of the wide spectrum of society and Government Agencies, we have implemented an effective, transparent and fair system of financial reporting and internal controls.
- To ensure efficient and effective utilization of Company's resources, we have placed financial planning and reporting at the heart of management practice as this not only serves to facilitate viable and timely decisions, but also makes Company dealings more transparent and objective oriented.
- We have a sound and efficient Internal Audit department to enhance the reliability of the financial information and data generated by the Company. It also helps in building the confidence of our external stakeholders.

Purchase of Goods & Timely Payment

- To ensure cost effectiveness, we only purchase goods and services that meet our specifications and are priced appropriately. To gauge the market conditions and availability of substitute products or services, we obtain quotations from various sources before finalizing our decision.
- We ensure timely payments, which over the years, has built trust and reliability amongst our suppliers.



MIRPURKHAS SUGAR MILLS LIMITED



Conflict of Interest

- Activities and involvements of the directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the Management are made in the interest of the Company.

Observance to Laws of the Country

- The Company fulfils all statutory requirements of the Government and follows all applicable laws of the country.

Environmental Protection

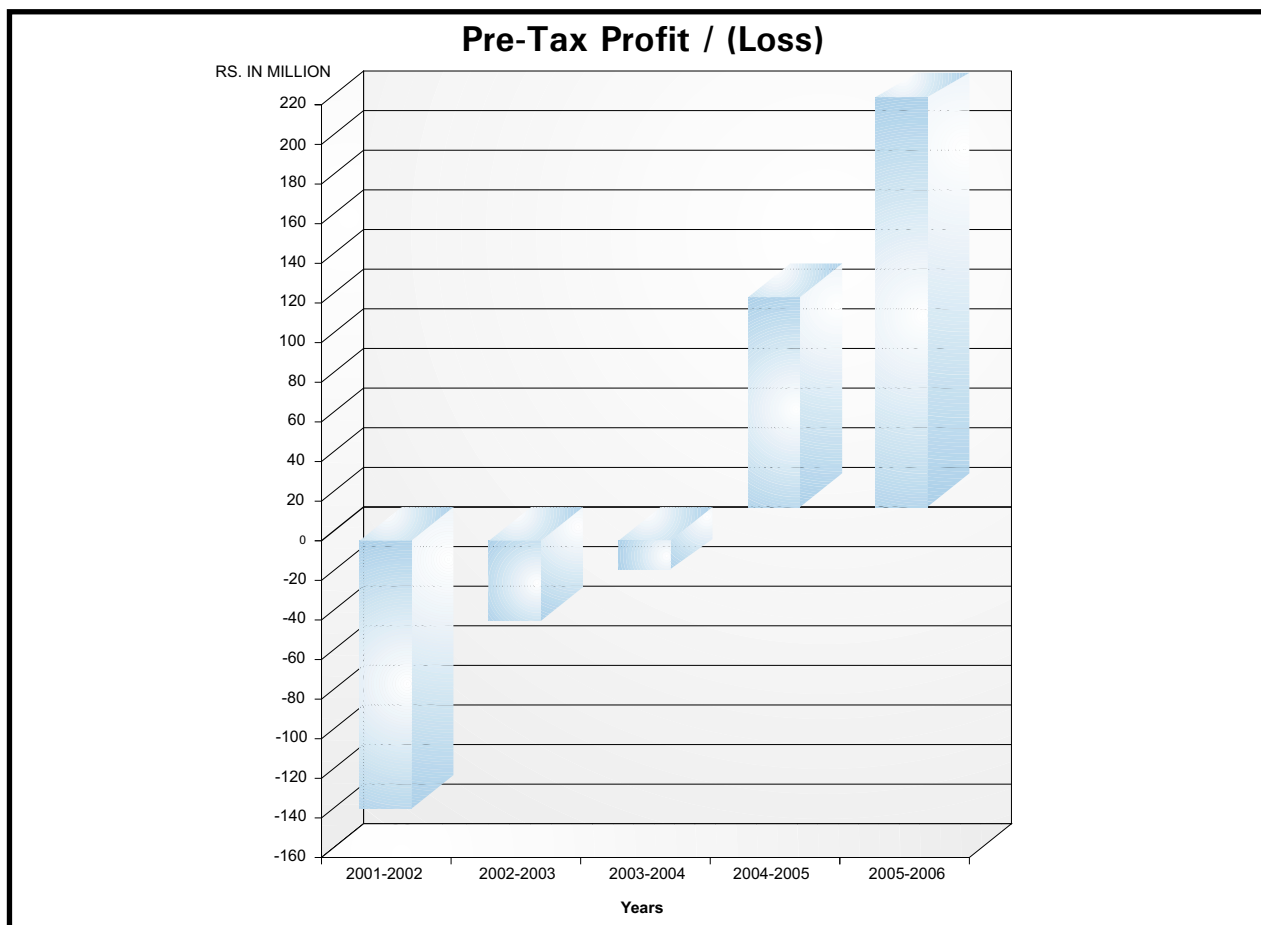
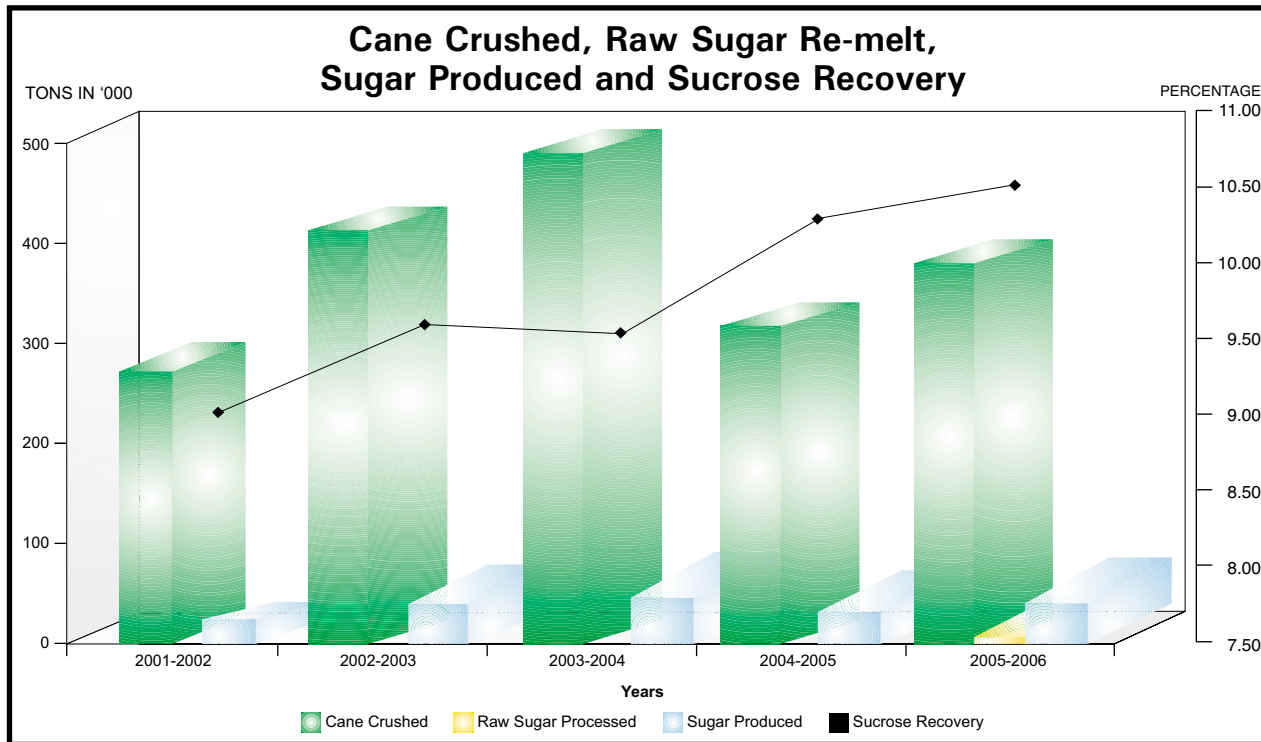
- The Company uses all means to protect the environment and to ensure health and safety of the work force. We have, and will continue to attain, necessary technology to ensure protection of the environment and well being of the people living in adjoining areas of our plant.

Objectives of the Company

- We at Mirpurkhas Sugar Mills Limited, recognize the need of working at the highest standards to meet the expectations of all our stakeholders.
- We conduct the business of the Company with integrity and supply only quality and credible information.
- We produce and supply goods and information with great care and competence, to ensure that customers and creditors receive the best quality and care.
- We respect the confidentiality of the information acquired during the course of our work with our business associates, and refrain from acting in any manner which could discredit the Company.
- Our organization is free of all vested interests that could affect its integrity, objectivity and independence.

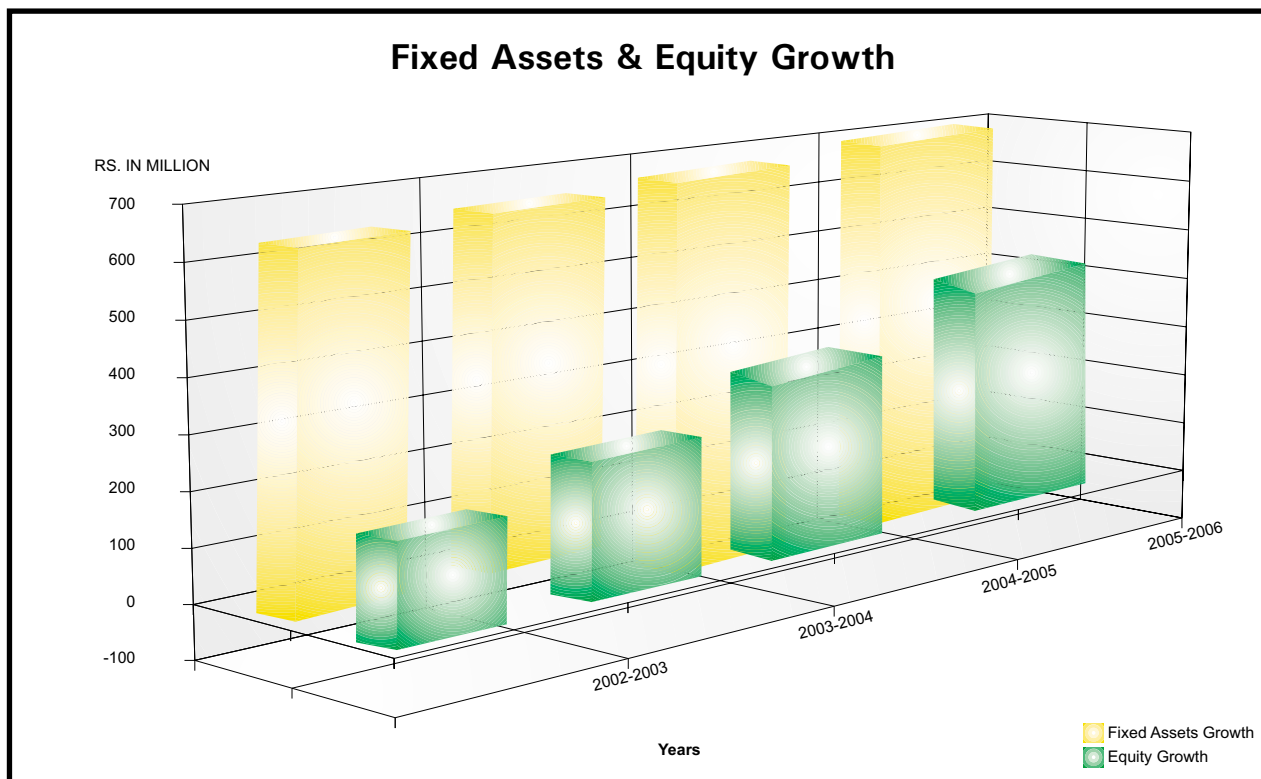
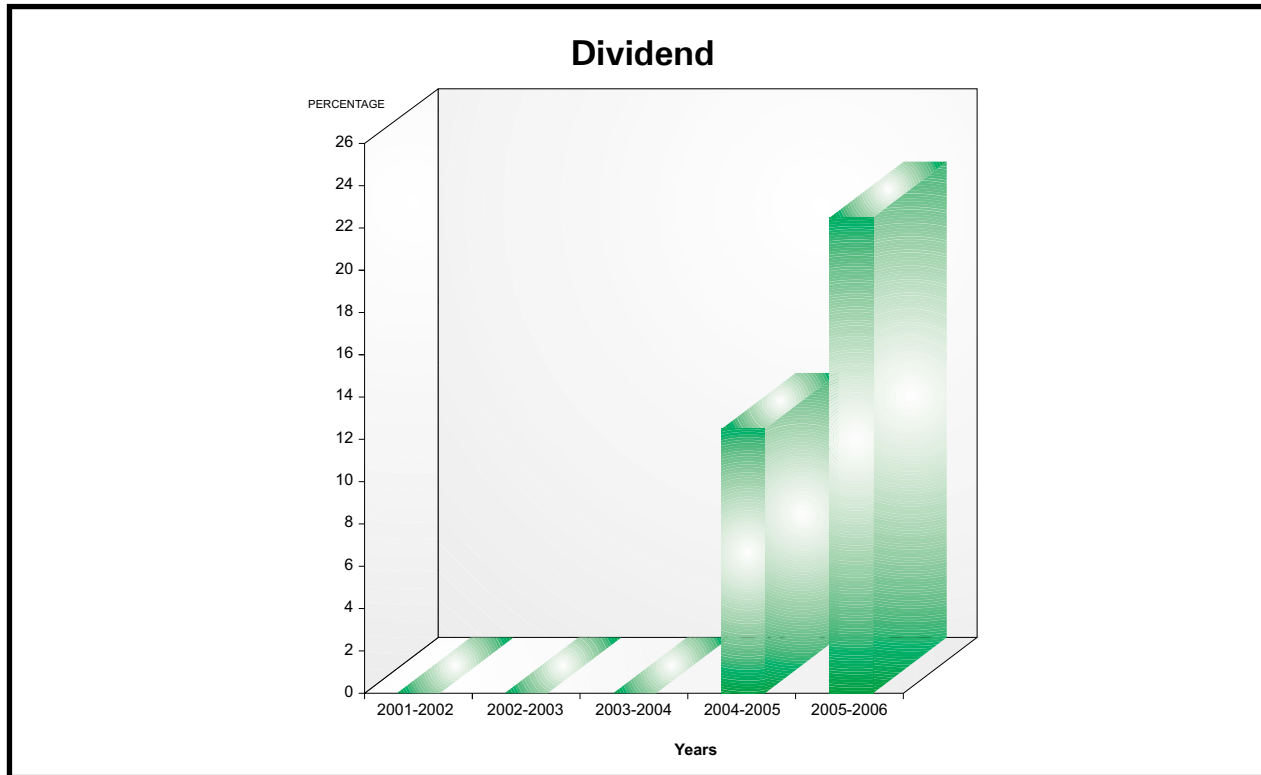


MIRPURKHAS SUGAR MILLS LIMITED





MIRPURKHAS SUGAR MILLS LIMITED





MIRPURKHAS SUGAR MILLS LIMITED



YEARWISE STATISTICAL SUMMARY

	2006	2005	2004	2003	2002	2001 (Metric Tons)
Sugarcane crushed	379,618	317,931	498,424	415,111	272,427	383,144
Sucrose recovery percentage	10.51	10.35	9.52	9.61	9.02	8.97
Sugar production	39,910	32,913	47,456	39,898	24,570	34,479
Molasses production	18,437	15,353	24,858	20,683	14,878	21,307
Imported raw sugar processed	3,660	-	-	-	-	6,399
Sugar made from raw sugar	3,495	-	-	-	-	5,904
Molasses produced from raw sugar	112	-	-	-	-	288
Refined Sugar Imported	11,675	-	-	-	-	-
ASSETS EMPLOYED						(Rs. in '000)
Tangible fixed assets - property plant and equipment	322,115	308,051	309,608	286,643	303,915	314,475
Long-term investments, loans, advances, deposits and deferred tax asset	282,784	268,196	292,120	150,891	20,629	29,407
Current assets	463,083	364,007	387,826	212,430	265,668	442,506
Total assets employed	<u>1,067,982</u>	<u>940,254</u>	<u>989,554</u>	<u>649,964</u>	<u>590,212</u>	<u>786,388</u>
FINANCED BY						
Shareholders equity	357,259	248,653	118,998	59,704	(13,416)	119,540
Surplus on revaluation of fixed assets	46,559	43,112	43,112	-	-	-
Long-term liabilities	114,880	217,314	221,162	222,845	14,193	50,686
Deferred liabilities	87,285	69,489	111,221	59,141	11,346	61,027
Current liabilities	461,999	361,686	495,061	308,274	578,089	555,135
Total funds invested	<u>1,067,982</u>	<u>940,254</u>	<u>989,554</u>	<u>649,964</u>	<u>590,212</u>	<u>786,388</u>
TURNOVER & PROFIT						
Turnover (Net)	1,371,398	774,017	496,833	633,967	515,997	500,893
Operating profit / (loss)	266,862	136,730	(217)	(12,237)	(126,218)	12,201
Profit / (loss) before taxation	211,687	101,942	(31,091)	(59,619)	(148,443)	(44,032)
Profit / (loss) after taxation	169,252	104,005	(31,100)	(54,672)	(132,956)	(36,918)
Proposed dividend	14,375	7,986	-	-	-	-



MIRPURKHAS SUGAR MILLS LIMITED



RATIO ANALYSIS OF ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2006	2005
PROFITABILITY:		
Gross profit (percentage)	19.07	16.65
Operating profit (percentage)	19.46	17.67
Profit before tax (percentage)	15.44	13.17
Net profit after tax (percentage)	12.34	13.44
Earnings per share (before tax)	33.13	15.96
Earnings per share (after tax)	26.49	16.28
Net profit after tax to total assets (average) (percentage)	16.86	10.78
Increase in net sales (percentage)	77.18	55.79
Labour cost percent of net sales	4.13	5.82
Raw & packing material as percent of cost of goods manufactured	96.40	90.71
Administrative expenses percent of net sales	2.25	3.30
Distribution cost percent of net sales	0.15	0.14
Finance cost percent of net sales	4.02	4.50
Other operating expenses percent of net sales	0.91	1.12
SHORT TERM SOLVENCY :		
Working capital ratio	1 : 1	1.01 : 1
Acid test ratio	0.27 : 1	0.46 : 1
Inventory turn over / times	4.15	2.80
OVERALL VALUATION AND ASSESSMENT:		
Return on equity after tax (percentage)	47.38	42.00
Book value per share	55.92	38.92
Long-term debt to equity ratio	0.32	0.87



MIRPURKHAS SUGAR MILLS LIMITED



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Mirpurkhas Sugar Mills Limited** as at September 30, 2006 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 September 30, 2006 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.

Karachi: December 19, 2006

Gardezi & Co.
Chartered Accountants



MIRPURKHAS SUGAR MILLS LIMITED



BALANCE SHEET AS AT SEPTEMBER 30, 2006

	Note	2006 — (Rupees in '000) —	2005
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets - Property, plant and equipment	4	322,115	308,051
Long-term investments	5	282,023	248,859
Long-term loans and advances	6	-	25
Long-term deposits	7	761	844
Deferred tax asset - net	8	-	18,468
		604,899	576,247
CURRENT ASSETS			
Stores, spare parts and loose tools	9	51,271	43,345
Stock-in-trade	10	336,408	198,805
Loans and advances	11	51,038	24,241
Deposits and prepayments	12	7,795	16,817
Other receivables	13	4,527	3,184
Tax refunds due from the Government - net	14	-	11,750
Short-term investments		-	60,000
Cash and bank balances	15	12,044	5,865
		463,083	364,007
TOTAL ASSETS		1,067,982	940,254
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	16	150,000	150,000
Issued, subscribed and paid-up capital	16	63,888	63,888
Reserves	17	293,371	184,765
		357,259	248,653
SURPLUS ON REVALUATION OF FIXED ASSETS	18	46,559	43,112
NON - CURRENT LIABILITIES			
Long-term financing	19	114,645	216,631
Liabilities against assets subject to finance lease	20	235	683
Deferred liabilities	21	87,285	73,429
CURRENT LIABILITIES			
Trade and other payables	22	104,645	248,862
Accrued mark-up	23	8,439	6,485
Short-term borrowings	24	246,478	-
Current portion of long-term borrowings	25	102,437	102,399
		461,999	357,746
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		1,067,982	940,254

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


ASLAM FARUQUE
 Chief Executive


TARIQ FARUQUE
 Director



MIRPURKHAS SUGAR MILLS LIMITED



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Note	2006 — (Rupees in '000) —	2005
Turnover - net	27	1,371,398	774,017
Cost of sales	28	(1,109,903)	(645,194)
Gross profit		261,495	128,823
Distribution cost	29	(2,076)	(1,012)
Administrative expenses	30	(30,831)	(25,480)
Other operating expenses	31	(12,463)	(8,651)
		(45,370)	(35,143)
Other operating income	32	50,737	43,050
Operating profit		266,862	136,730
Finance cost	33	(55,175)	(34,788)
Profit before taxation		211,687	101,942
Provision for taxation	34	(42,435)	2,063
Net profit after taxation		169,252	104,005
Earnings per share - basic and diluted	35	Rs. 26.49	Rs. 16.28

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


ASLAM FARUQUE
Chief Executive


TARIQ FARUQUE
Director



MIRPURKHAS SUGAR MILLS LIMITED



CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Note	2006	2005
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		211,687	101,942
Adjustments :			
Depreciation	4.1.1	16,796	15,711
Provision for stores obsolescence	31	-	2,500
Provision for doubtful growers' loan	31	500	600
Dividend income	32	(8,545)	(11,005)
Gain on disposal of property, plant and equipment	32	(3,701)	(1,892)
Capital gain on sale of investment	32	(33,870)	(28,407)
Finance cost	33	55,175	34,788
		<u>26,355</u>	<u>12,295</u>
Operating profit before working capital changes		238,042	114,237
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(7,926)	2,104
Stock-in-trade		(137,603)	63,526
Loans and advances		(27,297)	(8,639)
Deposits and prepayments		9,022	258
Tax refunds received		4,778	17,509
Other receivables		(1,343)	4,059
		<u>(160,369)</u>	<u>78,817</u>
Increase / (decrease) in current liabilities			
Trade and other payables		(144,690)	(74,858)
Short-term borrowings		246,478	(97,228)
		<u>101,788</u>	<u>(172,086)</u>
Cash generated from operations		179,461	20,968
Finance cost paid		(53,142)	(30,212)
Income tax paid		(779)	(474)
Decrease in long-term loans and advances		25	3
Decrease / (increase) in long-term deposits		83	(48)
Decrease in deferred liabilities		(2,360)	(41,732)
		<u>(56,173)</u>	<u>(72,463)</u>
Net cash generated from / (used in) operating activities		123,288	(51,495)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(27,822)	(17,876)
Sale proceeds of property, plant and equipment-owned	4.2	4,111	5,614
Investments - net		8,045	25,015
Dividend received	32	8,545	11,005
Net cash (used in) / generated from investing activities		(7,121)	23,758
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(488)	(546)
Long-term financing		(101,986)	30,833
Payment of dividend		(7,514)	-
Net cash (used in) / generated from financing activities		(109,988)	30,287
Net changes in cash and cash equivalents		6,179	2,550
Cash and cash equivalents at the beginning of the year		5,865	3,315
Cash and cash equivalents at the end of the year		12,044	5,865

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


ASLAM FARUQUE
Chief Executive


TARIQ FARUQUE
Director



MIRPURKHAS SUGAR MILLS LIMITED



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Issued subscribed and paid-up capital	Reserves			Total	
		General Reserves	Fair value gain / (loss) on available-for- sale securities	Accumulated Profit / (Loss)		Total Reserves
(Rupees in ' 000)						
Balance as at October 01, 2004	63,888	134,250	218,186	(297,326)	55,110	118,998
Gain realised on sale of available-for-sale securities	-	-	(27,623)	-	(27,623)	(27,623)
Un-realised gain due to change in fair value of available-for-sale securities	-	-	53,273	-	53,273	53,273
Reserves adjusted against accumulated loss	-	(120,000)	-	120,000	-	-
Net profit for the year ended Sep. 30, 2005	-	-	-	104,005	104,005	104,005
Balance as at September 30, 2005	63,888	14,250	243,836	(73,321)	184,765	248,653
Balance as at October 01, 2005	63,888	14,250	243,836	(73,321)	184,765	248,653
Gain realised on sale of available-for-sale securities	-	-	(33,870)	-	(33,870)	(33,870)
Un-realised loss due to change in fair value of available-for-sale securities	-	-	(18,790)	-	(18,790)	(18,790)
Final dividend for the year ended Sep. 30, 2005 @ Rs. 1.25 per share (12.50%)	-	-	-	(7,986)	(7,986)	(7,986)
Net profit for the year ended Sep. 30, 2006	-	-	-	169,252	169,252	169,252
Balance as at September 30, 2006	63,888	14,250	191,176	87,945	293,371	357,259

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


ASLAM FARUQUE
Chief Executive


TARIQ FARUQUE
Director



MIRPURKHAS SUGAR MILLS LIMITED



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. STATUS AND NATURE OF THE BUSINESS

The Company was incorporated in Pakistan on May 27, 1964 as a Public Limited Company and its shares are quoted on Karachi Stock Exchange. Principal activity of the Company is manufacture and sale of sugar. The registered office of the Company is situated at Modern Motors House, Beaumont Road, Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for financial assets and liabilities which are carried at their fair values, certain inventories which are valued at net realisable value, certain employee benefits that are based on actuarial valuation and free hold land which stands at revalued amount.

3.2 Significant accounting judgements and estimates

Estimates and judgements are continually evaluated by management and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Following are the significant judgements and estimates made by the management:

3.2.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.4 to the financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

3.2.2 Property, plant and equipment

The Company has made certain estimations with respect to residual values, depreciation method and depreciable lives of property, plant and equipment. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.



MIRPURKHAS SUGAR MILLS LIMITED



3.2.3 Classification of investments

The management has exercised its judgement in respect of classification of investments as disclosed in note 5 to the financial statements. Any change in such judgement might materially affect the accounting policy applied in respect of such investment.

3.3 Taxation

a) Current

The Company falls under the final tax regime under sections 150, 154 and 169 of the Income Tax Ordinance, 2001 to the extent of dividend income and direct export sales. Provision for tax on other income and local sales is based on taxable income at the rate applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with the turnover tax under section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements.

b) Deferred

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets on deductible temporary differences are recognised only to the extent it is probable that the future taxable profits will be available against which the deferred tax assets can be utilised.

3.4 Employees Retirement Benefits

a) Provident fund

The Company operates an approved defined contribution provident fund scheme for its eligible permanent employees who opted for the benefits. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33 percent of basic pay.

b) Gratuity

The Company also operates an approved and funded defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is 5 years continuous service with the Company. The scheme is funded and contributions to the fund are made every year in accordance with the recommendations of the actuary. Actuarial valuation is carried out at least once in two years.

The Projected Unit Credit Actuarial Cost Method used the following significant assumptions for the valuation of the scheme.

	2006	2005
	(% per anum)	
Discount rate	9	9
Expected rate of return on plan assets	10	10
Expected rate of salary increase	8	8

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10 percent of the higher of defined benefit obligation and the fair value of plan assets as of the end of the previous reporting period. These gains or losses are recognised over the expected remaining working lives of the employees participating in the scheme.



MIRPURKHAS SUGAR MILLS LIMITED



Based on the actuarial valuation of gratuity scheme as of September 30, 2005 the Company has recognised an asset as follows:

	2006	2005
	(Rupees in '000)	
Staff Gratuity Fund		
Present value of defined benefit obligation	19,370	19,370
Less: Fair value of plan assets	(23,865)	(23,865)
Unrecognised actuarial gain	5,298	5,298
Loan given to gratuity fund	(4,221)	(2,775)
Balance sheet net asset	<u>(3,418)</u>	<u>(1,972)</u>
Expense recognised		
Current service cost	949	633
Interest cost	1,743	1,492
Expected return on plan assets	(2,387)	(2,258)
Actuarial gains recognised during the year	(305)	(262)
Liability / (asset) charged due to application of IAS-19	-	822
Expense recognised in the profit & loss account	<u>-</u>	<u>427</u>
Reconciliation at September 30, 2006		
Opening net asset	(1,972)	(1,598)
Expense recognised as above	-	427
Payments made on behalf of gratuity fund during the year	(1,446)	(801)
Closing net asset	<u>(3,418)</u>	<u>(1,972)</u>
Actual return on plan assets		
Expected return on plan assets	2,387	2,258
Actuarial loss on plan assets	(262)	(180)
Actual return on plan assets	<u>2,125</u>	<u>2,078</u>

3.5 Fixed Assets - Property, plant and equipment

a) Owned assets

These are stated at cost less accumulated depreciation except for free hold land which is stated at revalued amount and capital work-in-progress, which is stated at cost. The revaluation of free hold land is carried out once in every three years.

Depreciation is charged, on systematic basis over the useful life of the assets, to income applying reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the enterprise. Additions to fixed assets are depreciated quarterly while no depreciation is charged on fixed assets disposed off during the quarter.

Maintenance and normal repairs are charged to income, when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalised and the assets so replaced, if any, are retired.

Gains or losses on disposal of assets, if any, are recognised when incurred.

b) Assets subject to finance lease

Assets subject to finance lease are initially stated at lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated on the same basis as for owned assets.



MIRPURKHAS SUGAR MILLS LIMITED



3.6 Investments

Available-for-sale securities

a) In Related Parties

Investments available for sale represent investments, which are not held for trading. All investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in equity as unrealised unless sold, collected or otherwise, disposed of, or until the investment is determined to be impaired, at which cumulative gain or loss previously recognised in equity is included in the Profit and Loss Account for the year.

b) Other Listed Companies

The Company classifies its investments into available-for-sale category in non-current assets unless management has the intention of holding the investment for less than 12 months period from the balance sheet date in which case the investments are included in current assets.

All purchases and sales are recognised on the trade date. Realised and unrealised gains or losses arising from changes in the fair value of available for sale investments are included in the Profit and Loss Account in the period in which they arise.

In Associates

The Company carries investment in associates by using equity method. Necessary adjustments, if material, are made to conform with the accounting policies of the Company. Profits on upward and downward transactions are eliminated to the extent of equity held, if considered material.

3.7 Stores, spare parts and loose tools

Stores and spare parts are valued at moving average cost except for those items in-transit, which are valued at cost. Loose tools are recorded at actual cost. Provision for slow moving items and obsolescence is shown as deduction there from.

3.8 Stock-in-trade

Stock in trade is valued at the lower of average manufacturing cost and net realisable value. The cost of sugar in process includes cost of sugarcane and proportionate manufacturing expenses.

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

3.9 Trade debts

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

3.10 Revenue recognition

Sales are recorded on dispatch of goods to customers. Income/profit on investments/ bank deposits, if any, is recorded on accrual basis. Dividend income is recorded when right to receive the same is established. Mark-up on growers' loans is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters. The rate of mark-up on such loans ranges up to 19 percent subject to final settlement with the respective grower.



MIRPURKHAS SUGAR MILLS LIMITED



3.11 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling at the balance sheet date. Exchange differences are taken into the Profit and Loss Account.

3.12 Provisions

Provisions are recognised when Company has a present obligation legal or constructive as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.13 Borrowing costs

Borrowing costs are recognised as expense in the period in which they are incurred except to the extent that they are directly attributable to the assets acquired from the proceeds of such borrowings in which case these are capitalised for the period till the asset is commissioned for commercial use.

3.14 Related party transactions

All transactions between the Company and related parties are recorded at arm's length. Prices are determined in accordance with Comparable Uncontrolled Price Method, except for the allocation of expenses such as electricity, gas, water, repair and maintenance that are shared with the group companies based on actual.

3.15 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired. The particular recognition method adopted is disclosed in the individual policy statement associated with each item.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss for the period in which it arises.

3.16 Offsetting of financial assets and liabilities

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

3.17 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise current and PLS accounts with the commercial banks.

4. TANGIBLE FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

Note 2006 2005
—(Rupees in '000)—

Operating property, plant and equipment		314,866	306,820
Assets subject to finance lease	4.1	<u>985</u>	<u>1,231</u>
		315,851	308,051
Capital work-in-progress	4.4	<u>6,264</u>	-
		322,115	<u>308,051</u>

4.1 Following is a statement of operating assets

(Rupees in '000)

2006 Particulars	C O S T / R E V A L U A T I O N			Rate of Depreciation	D E P R E C I A T I O N			Book Value as at 30-09-2006
	As at 01-10-2005	Additions/ (Disposals) / Transfers / Revaluation	As at 30-09-2006		As at 01-10-2005	Adjustment for Depreciation on (Disposals) / Transfers	For the year	
OWNED ASSETS								
Land (Free Hold) (Note 4.3)	43,509	3,448	46,957	-	-	-	-	46,957
Building on Free Hold Land:								
-Factory	20,700	-	20,700	10	18,052	-	265	2,383
-Non Factory	17,526	-	17,526	10	15,487	-	204	1,835
Plant & Machinery	538,905	7,039	545,944	5	290,379	-	12,774	242,791
Furniture & Fittings	3,493	-	3,493	10	2,651	-	84	758
Computers & Accessories	8,894	582 (179)	9,297	25	7,242	(152)	502	1,705
Office & Other Equipment	10,198	408 (74)	10,532	10	7,330	(53)	302	2,953
Vehicles	16,290	13,529 (2,163)	27,656	20	11,554	(1,801)	2,419	15,484
OBTAINED UNDER FINANCE LEASE								
Vehicles	1,722	-	1,722	20	491	-	246	985
	<u>661,237</u>	<u>25,006</u> <u>(2,416)</u>	<u>683,827</u>		<u>353,186</u>	<u>(2,006)</u>	<u>16,796</u>	<u>367,976</u>

(Rupees in '000)

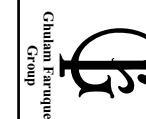
2005 Particulars	C O S T / R E V A L U A T I O N			Rate of Depreciation	D E P R E C I A T I O N			Book Value as at 30-09-2005
	As at 01-10-2004	Additions/ (Disposals) / Transfers / Revaluation	As at 30-09-2005		As at 01-10-2004	Adjustment for Depreciation on (Disposals) / Transfers	For the year	
OWNED ASSETS								
Land (Free Hold) (Note 4.3)	43,509	-	43,509	-	-	-	-	43,509
Building on Free Hold Land:								
-Factory	20,700	-	20,700	10	17,758	-	294	2,648
-Non Factory	17,526	-	17,526	10	15,261	-	226	2,039
Plant & Machinery	529,399	14,052 (4,546)	538,905	5	278,469	(1,255)	13,165	248,526
Furniture & Fittings	3,477	16	3,493	10	2,558	-	93	842
Computers & Accessories	7,957	596 (41)	8,894	25	6,547	221 (36)	510	1,652
Office & Other Equipment	9,744	382 454	10,198	10	7,032	-	298	2,868
Vehicles	16,161	2,758 (2,629)	16,290	20	12,939	(2,203)	818	4,736
OBTAINED UNDER FINANCE LEASE								
Vehicles	1,722	-	1,722	20	184	-	307	1,231
Computers & Accessories	382	(382)	-	25	221	(221)	-	-
	<u>650,577</u>	<u>17,876</u> <u>(7,216)</u>	<u>661,237</u>		<u>340,969</u>	<u>(3,494)</u>	<u>15,711</u>	<u>353,186</u>

4.1.1 Depreciation charged for the year has been allocated as follows:

		2006	2005
		—(Rupees in '000)—	
Manufacturing Expenses	note 28	15,704	14,584
Administrative Expenses	note 30	<u>1,092</u>	<u>1,127</u>
		16,796	<u>15,711</u>



MIRPURKHAS SUGAR MILLS LIMITED





MIRPURKHAS SUGAR MILLS LIMITED



4.2 Disposal of Property, Plant and Equipment

Following property, plant and equipment were sold during the year through tender :

(Rupees in '000)

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (loss)	Sold to
VEHICLES						
Suzuki Mehran	318	251	67	234	167	Mr.Syed Hasan Ali Warsi H # A-162/12 F.B.Area Karachi.
Mercedez Benz	318	267	51	1,100	1,049	Mr. Ahmed Khan H # 221 Street # 23 Sector F-11/2 Islamabad.
Mercedez Benz	567	477	90	950	860	Ms. Naseem Teherany 17-A/2/2 Phase 4 DHA Karachi.
Mitsubishi Pajero	765	673	92	653	561	Mr. Hassan Qamar Arif House # 24 Block 19 Gulistan -e-Jauhar Karachi.
	1,968	1,668	300	2,937	2,637	

Aggregate of assets disposed-off having book value below Rs.50,000/- each

VEHICLES	195	133	62	1,107	1,045
OFFICE EQUIPMENT	74	53	21	9	(12)
COMPUTERS & ACCESSORIES	179	152	27	58	31
	448	338	110	1,174	1,064
2006	2,416	2,006	410	4,111	3,701
2005	7,216	3,494	3,722	5,614	1,892

4.3 Cost of free hold land includes Rs.46.56 million (2005:Rs.43.11 million) in respect of revaluation (Refer note no.18). Had the revaluation not been carried out, the freehold land would have been stated at Rs.0.39 million (2005:Rs.0.39 million).

4.4 Capital work-in-progress

	2006	2005
	—(Rupees in '000)—	
Civil work	1,449	-
Plant & machinery	4,815	-
	6,264	-



MIRPURKHAS SUGAR MILLS LIMITED



	Note	2006 — (Rupees in '000) —	2005
5. LONG TERM INVESTMENTS			
Available-for-sale securities-Related party			
Quoted:			
Cherat Cement Company Limited 2,980,437 (2005: 2,704,350) fully paid ordinary shares of Rs.10/- each Equity held : 3.58 % (2005 : 4.06%)	5.1	190,748	239,335
Cherat Papersack Limited 259,200 (2005:216,000) fully paid ordinary shares of Rs.10/- each Equity held : 4.41 % (2005 : 4.41 %)	5.1	11,275	16,524
		202,023	255,859
In Associates			
Un - Quoted:			
Unicol Limited 7,999,998 (2005: 5,300,000) fully paid ordinary shares of Rs.10/- each Equity held : 33.33 % (2005 : 33.33%)	5.2	80,000	53,000
		282,023	308,859
Less:			
Classified under short-term investments as available-for-sale securities		-	(60,000)
		282,023	248,859
5.1 Quoted investments in related parties are stated at fair value. Unrealised gain of Rs. 191.176 million (2005: 243.836 million) from change in the fair value of available-for-sale securities has been recognised directly in equity. Refer note no. 3.6(a) of the notes to the financial statements.			
5.2 Represents investment made in Company's joint venture project which is under completion stages. The shareholders in Annual General Meeting held on January 30, 2004 and subsequent Extra Ordinary General Meetings held on June 25, 2004 and April 26, 2006, have given approval for investment in such company. There were no material profit and loss items to report and accordingly at present such investment is carried at cost.			
6. LONG TERM LOANS AND ADVANCES - secured			
Considered good:			
Due from employees other than Chief Executive, Directors and Executives		44	83
Recoverable within next twelve months shown under current assets	11	(44)	(58)
Recoverable within next three years		-	25
6.1 The above loans and advances are secured against retirement benefits of respective employees.			



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	Note	2006 — (Rupees in '000)—	2005
7. LONG TERM DEPOSITS			
It represents deposits for leases and other security deposits.			
8. DEFERRED TAX (LIABILITY) / ASSET - NET			
Taxable temporary differences arising in respect of :			
- Accelerated tax depreciation allowance		(87,116)	(82,299)
- Leased Asset		(104)	(46)
- Provisions		-	1,085
		(87,220)	(81,260)
Deductible temporary differences arising in respect of :			
- Unabsorbed tax losses		56,906	97,657
- Liabilities written back		1,575	2,071
- Turnover tax		12,523	-
		71,004	99,728
		<u>(16,216)</u>	<u>18,468</u>
9. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		22,379	19,067
Spare parts		34,198	29,721
Loose tools		694	557
		57,271	49,345
Provision for obsolescence		(6,000)	(6,000)
		<u>51,271</u>	<u>43,345</u>
10. STOCK-IN-TRADE			
Sugar	10.1 and 28	330,066	197,782
Sugar in process	28	1,098	1,005
Molasses		5,244	18
		<u>336,408</u>	<u>198,805</u>
10.1	The stock includes 11,470 metric tons of imported sugar, valuing Rs.302.23 million (2005: Nil), at net realisable value (NRV).		
11. LOANS AND ADVANCES - Unsecured			
Considered good:			
Against expenses		39	45
To suppliers		21,252	5,517
To employees classified as recoverable within next twelve months	6	44	58
Advance to staff against salary		174	330
To Provident fund trust		10,306	6,072
Against letters of credit		13,964	1,178
To sugar cane growers		5,021	8,531
To transport contractors	11.1	238	2,510
		51,038	24,241
Considered doubtful:			
Sugar cane growers		5,400	4,900
Provision there against		(5,400)	(4,900)
		<u>51,038</u>	<u>24,241</u>
11.1	It represent amounts advanced to transporters on behalf of cane growers and are adjustable from sugar cane payments.		



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	Note	2006 — (Rupees in '000) —	2005
12. DEPOSITS AND PREPAYMENTS			
Deposits		500	13,902
Prepayments		1,671	802
Sales tax on sale of sugar		5,624	2,113
		<u>7,795</u>	<u>16,817</u>
13. OTHER RECEIVABLES			
Sales tax on fixed assets	26.1.5	1,023	1,023
Receivable from employees' gratuity trust	3.4 (b)	3,418	1,972
Miscellaneous		86	189
		<u>4,527</u>	<u>3,184</u>
14. TAX REFUNDS DUE FROM THE GOVERNMENT			
Determined income tax refunds - net of provision		-	11,750
15. CASH AND BANK BALANCES			
With banks in:			
Current accounts		938	2,538
PLS accounts	15.1	11,072	3,279
		<u>12,010</u>	<u>5,817</u>
Cash in hand		34	48
		<u>12,044</u>	<u>5,865</u>
15.1	Effective profit rate in respect of PLS accounts ranges from 1 to 2 percent per annum (2005: 1 to 2 percent per annum).		
16. SHARE CAPITAL			
16.1	Authorised capital:		
	Number of Shares		
	2006	2005	
	<u>15,000,000</u>	<u>15,000,000</u>	Ordinary shares of Rs. 10/- each
			<u>150,000</u> <u>150,000</u>
16.2	Issued, subscribed and paid-up capital:		
	Fully paid ordinary shares of Rs. 10/- each.		
	Number of Shares		
	2006	2005	
	1,770,000	1,770,000	Issued for cash
	4,618,800	4,618,800	Issued as fully paid bonus shares
	<u>6,388,800</u>	<u>6,388,800</u>	<u>63,888</u> <u>63,888</u>



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	Note	2006 — (Rupees in '000) —	2005
16.3	Following is the detail of shares held by the related parties.		
	Name of related parties	Number of shares	
	Faruque (Private) Limited	2,524,678	2,524,678
	Greaves Pakistan (Private) Limited	151,646	151,646
		<u>2,676,324</u>	<u>2,676,324</u>
17.	RESERVES		
	The detailed reconciliation of reserves is disclosed in the statement of changes in equity.		
18.	SURPLUS ON REVALUATION OF FIXED ASSETS		
	Surplus on revaluation of free hold land	<u>46,559</u>	<u>43,112</u>
	It represents revaluation of free hold land which has been carried out by independent valuers M/s. Engineering Pakistan Int'l (Pvt.) Limited as of June 30, 2006 to determine the present (realisable) market value by enquiring from local active realtors. Revaluation surplus was credited to surplus on revaluation of fixed assets account.		
19.	LONG TERM FINANCING - Secured		
	From banks :		
	Term Loan		
	Finance - I	19.1 159,131	222,783
	Finance - II	19.2 57,500	95,833
		<u>216,631</u>	<u>318,616</u>
	Less: Current maturity	25 101,986	101,985
		<u>114,645</u>	<u>216,631</u>
19.1	a)	It represents finance from a commercial bank in order to secure borrowings at competitive rates. This finance carries mark-up at 6 months average KIBOR + 1 percent and is chargeable and payable quarterly.	
	b)	The above finance is repayable in 14 quarterly installments which commenced from October 07, 2005 with a grace period of 6 months.	
	c)	The above finance is secured by registered pari passu equitable hypothecation charge over the plant and machinery of the Company.	
19.2	a)	It represents finance from a commercial bank in order to secure borrowings at competitive rates. This finance carries mark-up at 6 months treasury bills cut-off yield + 2.5 percent with floor of 6 percent and cap of 15 percent and is chargeable and payable quarterly.	
	b)	The above finance has a grace period of one year and is repayable in 6 semi annual installments which commenced from August 25, 2005.	
	c)	The above finance is secured by registered pari pasu equitable hypothecation charge over the fixed assets of the Company.	



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20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represents finance leases entered into with leasing companies for vehicles. The total lease rentals due under various lease agreements aggregate to Rs.0.728 million (2005: Rs.1.217 million) and are payable in equal quarterly installments. Taxes, repairs, replacements and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 7.75 to 10 percent per annum (2005: 7.75 to 10 percent) have been used as discounting factor. Purchase option can be exercised by the lessee by adjusting the deposit retained by the leasing company towards the residual value at the end of the lease term. The Company intends to exercise its option to acquire the leased assets upon completion of lease period. The detail of finance lease liability is as follows:

	2006		2005	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	(Rupees in '000)			
With in one year	488	451	488	414
After one year but not more than five years	240	235	729	683
Total minimum lease payments	728	686	1,217	1,097
Less: Amount representing finance cost	42	-	120	-
Present value of minimum lease payments	686	686	1,097	1,097
Less: Current portion (note no. 25)	451	451	414	414
	235	235	683	683

	Note	2006	2005
		(Rupees in '000)	
21. DEFERRED LIABILITIES			
Quality premium	26.1.2 & 26.1.3	55,283	58,075
Market committee fee	26.1.4	11,895	11,414
Surcharge on cess payable		3,891	3,940
Deferred tax liability - net	8	16,216	-
		87,285	73,429
22. TRADE AND OTHER PAYABLES			
Creditors			
-- For goods supplied		20,986	17,220
-- Others		1,209	139
Accrued liabilities		7,855	5,854
Advances from customers			
-- Trading Corporation of Pakistan		-	200,761
-- Others		41,864	10,106
Deposits		169	1,200
Unclaimed dividend		1,930	1,457
Other liabilities	22.1	30,632	12,125
		104,645	248,862
22.1 Other liabilities			
Suppliers income tax		681	68
Staff income tax		175	9
Sales tax		18,103	6,308
Workers' profits participation fund	22.1.1	11,141	5,365
Others		532	375
		30,632	12,125



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	Note	2006 — (Rupees in '000) —	2005
22.1.1 Workers' Profit Participation Fund			
Balance as on October 01, 2005		5,365	-
Interest there on	33	289	-
		<u>5,654</u>	<u>-</u>
Less: Payment made during the year		5,654	-
		<u>-</u>	<u>-</u>
Add: Contribution for the year		11,141	5,365
		<u>11,141</u>	<u>5,365</u>
23. ACCRUED MARK-UP			
On long-term financing		4,930	6,382
On short-term borrowings		3,504	95
On finance lease		5	8
		<u>8,439</u>	<u>6,485</u>
24. SHORT TERM BORROWINGS			
Short-term running finances			
Under mark-up arrangements - secured			
from commercial banks	24.1	126,478	-
From a related party	24.2	120,000	-
		<u>246,478</u>	<u>-</u>
24.1 The above finances are secured against hypothecation of sugar in bags duly insured and collaterally secured by pari passu charge on other current assets of the Company. These finances carry mark-up ranging between 9.62 to 10.22 percent per annum (2005: 9.25 to 9.40 percent per annum) payable quarterly. The Company has total running finance facility of Rs.374 million (2005:180 million), which is repayable / renewable annually.			
24.2 This represents the financing facility availed from a related party, for which all the corporate requirements have been duly complied in this regard by both the companies. The mark-up rate is ranging from 9.77 to 10.20 percent per annum. The amount of loan is repayable within a period of three years or as and when required by the related party from time to time. Since the amount is repayable on demand, the management considers it to be a current liability.			
25. CURRENT PORTION OF LONG TERM BORROWINGS			
Long-term financing	19	101,986	101,985
Liabilities against assets subject to finance lease	20	451	414
		<u>102,437</u>	<u>102,399</u>
26. CONTINGENCIES AND COMMITMENTS			
26.1 CONTINGENCIES:			
26.1.1 The Company has filed suits before the Honourable High Court of Sindh against the arbitrary action of Collector of Customs and Central Excise for denying the rebate claim related to the financial years 1991-92 and 1992-93. The Company is entitled to get 50 percent rebate in Excise Duty which amounts to Rs.11.15 million and Rs.1.14 million respectively on account of excess production during the years over the preceding years production. The Company has paid the amount demanded by the Government. The amount has already been charged off in the accounts. The management of the Company is of the view that outcome of the suit would be in favour of the Company.			



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- 26.1.2** The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty (50) paisas per forty (40) Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent determined on over all sucrose recovery of each mill. The Company challenged the levy of quality premium before the Honorable High Court of Sindh, which decided the matter against the Company. Aggrieved with the judgment, the Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court, the Honorable Supreme Court granted stay. The Punjab government is not charging any quality premium in view of an earlier decision of Lahore High Court in a similar case in which the Court had declared the demand of quality premium as unlawful. The Company has recognised the financial impact, as a matter of prudence as described in note 26.1.3.
- 26.1.3** The Company has challenged in the Honorable High Court of Sindh, the issue of Notification No. 8 (142) SO (EXT) / 95 – XXI dated 24th December, 2002 issued by the Secretary to the Government of Sindh, Agriculture Department in connection with the fixation of sugar cane price and payment of quality premium. During the current year, the management has paid / adjusted an amount of Rs.85.98 million pertaining to current season and Rs.9.79 million relating to prior years' quality premium under protest. Pending judgment of the Sindh High Court, the Company has fully provided the liability in this regard in the accounts (refer note no. 21), as a prudent accounting policy.
- 26.1.4** The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchased at the factory. The Sindh High Court has granted status quo. Full provision of Rs.11.89 million (2005:11.41 million) has been made as a matter of prudence, Provision of Rs.1.89 million has also been made for the crushing season 2005-06.
- 26.1.5** Assistant Collector (Sales Tax Audit) raised demand of Rs.1.023 million on sales of fixed assets, which has been paid. The demand was challenged in the High Court of Sindh, which was accepted and relief was granted. The Government has preferred appeal against the judgment with the Supreme Court. The Company has not accounted for the further demand as it is confident that the decision of Supreme Court would not be against the Company.
- 26.1.6** a) The Company challenged levy of further sales tax @1.5 percent under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the Supreme Court, and got stay order. During the current season the Honourable Supereme Court of Pakistan has set aside the case and referred it to the lower level. No provision is made in this regard since the management is confident that the outcome would be in Company's favour.
- b) The amendment brought in vide Finance Ordinance, 2001 in the Sales Tax Act with the intention to nullify the decision of the High Court on levy of further tax @ 3 percent w.e.f 18/06/2001 does not change the legal position of further tax. However, the Company made the payment of 3 percent further tax under protest in order to avoid the Additional Tax and penalties and will contest the same before the Honourable Court. Once the outcome of the case pending in the Honourable Supreme Court of Pakistan is decided in Company's favour. In view of the contingencies involved in this case, the Company has not accounted for as refund an amount of Rs.50.97 million being the further sales tax paid in this behalf.
- 26.1.7** Rose International supplied cables worth Rs.2.27 million out of which payment of Rs. 0.97 million was withheld as the cables were counterfeit. Rose International filed suit for recovery of the amount. The Company has filed a suit for recovery of replacement cost and damages amounting to Rs.4.75 million against Rose International. The Honourable High Court by consolidated judgement has decreed the suit filed by Rose International. The Company is in the process of appeal for stay against the operation of impugned judgement, the Company is still of the view that it is a proper case which will be decided in favour of the Company. Provision to the extent of principal payment has been made in the accounts.
- 26.1.8** The Company challenged levy of professional tax under Finance Act 1999 in the Sindh High Court. Accepting Company's contention, the Honorable High Court granted relief. The Government has filed appeal against the judgment in the Supreme Court of Pakistan.No provision has been made since 1999-2000 for levy totaling Rs.0.53 million (2005 :Rs.0.45 million). The Company is confident that the same is not likely to materialize.
- 26.1.9** The Company has provided corporate guarantee of Rs.138 million to a Commercial bank on behalf of Unicol Limited, for acquiring long-term financing by Unicol Limited.



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	Note	2006 — (Rupees in '000) —	2005
26.2 COMMITMENTS			
Letters of credit issued by commercial banks for:			
- Capital work in progress		9,930	4,812
- Spare parts		8,748	2,783
- Raw sugar		-	62,208
		<u>18,678</u>	<u>69,803</u>
27. TURNOVER - NET			
Sugar		1,591,383	890,119
Less: Sales tax		219,985	116,102
		<u>1,371,398</u>	<u>774,017</u>
28. COST OF SALES			
Sugar cane crushed (including procurement and development expenses)		799,253	491,719
Raw sugar consumed		61,362	-
Stores and spare parts consumed		37,570	37,727
Packing material and expenses		10,199	7,393
Salaries, wages and other benefits	28.1	56,669	45,047
Water, fuel and power		8,403	9,077
Insurance		1,479	1,070
Repairs and maintenance		3,919	2,344
Vehicles expenses		5,752	4,098
Sugar handling expenses		689	228
Other expenses		2,512	2,461
Depreciation	4.1.1	15,704	14,584
		<u>1,003,511</u>	<u>615,748</u>
Sugar-in-process - Opening		1,005	863
- Closing	10	(1,098)	(1,005)
		<u>(93)</u>	<u>(142)</u>
		<u>1,003,418</u>	<u>615,606</u>
Less:			
Sale of molasses	28.2	85,300	60,765
Stock adjustment		5,226	17
Sale of bagasse	28.2	9,565	4,565
		<u>100,091</u>	<u>65,347</u>
Cost of goods manufactured		903,327	550,259
Purchase of finished goods	28.2	338,860	31,251
Finished goods - Opening		197,782	261,466
- Closing	10	(330,066)	(197,782)
		<u>(132,284)</u>	<u>63,684</u>
		<u>1,109,903</u>	<u>645,194</u>
28.1	Salaries, wages and other benefits include Rs. 1.28 million (2005: Rs.1.23 million) in respect of staff retirement benefits.		
28.2	These figures are net off sales tax of Rs.12.79 million (2005 : Rs.9.11 million) in case of molasses, Rs.1.43 million (2005 : Rs. 0.68 million) in case of bagasse and Rs. 46.79 million (2005: 4.69 million) in case of purchase of finished goods.		



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	Note	2006 — (Rupees in '000) —	2005
29. DISTRIBUTION COST			
Salaries, wages and other benefits	29.1	238	231
Insurance		1,152	513
Sugar despatch expenses		349	-
Forwarding expenses		274	195
Brokerage and commission		63	73
		<u>2,076</u>	<u>1,012</u>
29.1	Salaries, wages and other benefits include Rs. 0.01 million (2005: Rs.0.01 million) in respect of staff retirement benefits.		
30. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	30.1	18,347	16,712
Directors' fee	37	111	42
Rent, rates and taxes		1,458	642
Postage, telegram and telephones		777	747
Conveyance and travelling		2,197	283
Printing and stationery		367	319
Entertainment		423	352
Vehicles expenses		774	604
Insurance		491	579
Repairs and maintenance		1,328	1,019
Subscription		365	288
Legal and professional charges		1,281	1,466
General expenses		326	166
Electricity and water		885	798
Meeting expenses		609	336
Depreciation	4.1.1	1,092	1,127
		<u>30,831</u>	<u>25,480</u>
30.1	Salaries, wages and other benefits include Rs. 0.52 million (2005: Rs.0.74 million) in respect of staff retirement benefits.		
31. OTHER OPERATING EXPENSES			
Auditors' remuneration	31.1	218	162
Provision for stores obsolescence		-	2,500
Provision for doubtful growers' loans	11	500	600
Workers' profits participation fund	22.1.1	11,141	5,365
Charity and donation	31.2	604	24
		<u>12,463</u>	<u>8,651</u>
31.1 Auditors' Remuneration			
Annual audit fee		125	100
Half - yearly review fee		50	35
Out of pocket expenses		43	27
		<u>218</u>	<u>162</u>
31.2	None of the Directors or their spouses had any interest in the donees.		



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	Note	2006 — (Rupees in '000)—	2005
32. OTHER OPERATING INCOME			
Dividend income from related parties:			
Cherat Cement Co. Limited		7,573	10,033
Cherat Papersack Limited		972	972
		8,545	11,005
Miscellaneous receipts		1,966	725
Profit on short-term investments		630	140
Mark-up on provident fund balance		830	704
Gain on disposal of property, plant and equipment	4.2	3,701	1,892
Capital gain on sale of investment		33,870	28,407
Mark-up on growers' loans		1,195	177
		<u>50,737</u>	<u>43,050</u>
33. FINANCE COST			
Mark-up on long-term financing		27,432	26,628
Mark-up on short-term borrowings		14,889	6,019
Mark-up on loan from related parties		11,654	1,359
Financial charges on finance lease		76	100
Interest on Workers' profit participation fund		289	-
Bank charges		835	682
		<u>55,175</u>	<u>34,788</u>
34. PROVISION FOR TAXATION			
Current		(7,771)	(4,751)
Prior years		-	(175)
Deferred		(34,664)	6,989
		<u>(42,435)</u>	<u>2,063</u>
34.1	The assessments of the company have been finalised up to tax year 2006.		
34.2 Relationship between tax expense and accounting profit			
Profit before tax		211,687	101,942
Tax calculated @ 35% (2005: 35%)		74,090	35,680
Tax effect of income exempt from tax		(11,854)	(9,942)
Effect of applicability of lower tax rate on certain income		(2,564)	(3,302)
Tax effects of prior years' tax adjustments		-	175
Effects of turnover tax		(5,179)	4,201
Computational adjustments		20,023	(1,332)
Tax effect of carried forward unabsorbed business losses		(116,951)	(23,417)
		<u>(42,435)</u>	<u>2,063</u>
Since the Company has no taxable income because of brought forward tax losses hence provision for current year taxation is based on minimum tax U/S 113 of the Income Tax Ordinance, 2001. Tax on dividend is calculated under final tax regime.			
35. EARNINGS PER SHARE- basic and diluted			
Net profit for the year after taxation (Rupees in' 000)		169,252	104,005
Weighted average number of ordinary shares in issue during the year		6,388,800	6,388,800
Earnings per share (Rupees)		<u>26.49</u>	<u>16.28</u>



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36. FINANCIAL INSTRUMENTS

36.1 Interest rate risk

The Company's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities as of September 30, 2006 are summarised as follows:

	INTEREST / MARK-UP BEARING			NON-INTEREST / MARK-UP BEARING			2006 Total (a+b)	2005
	Less than one year	One to five years	Sub Total (a)	Less than one year	One to five years	Sub Total (b)		
(Rupees in '000)								
Financial assets:								
Investments	-	-	-	-	282,023	282,023	282,023	308,859
Loans & advances	15,371	-	15,371	-	-	-	15,371	8,613
Deposits	-	-	-	500	761	1,261	1,261	14,746
Other Receivables	-	-	-	3,504	-	3,504	3,504	2,161
Cash & Bank Balances	11,072	-	11,072	972	-	972	12,044	5,865
	<u>26,443</u>	<u>-</u>	<u>26,443</u>	<u>4,976</u>	<u>282,784</u>	<u>287,760</u>	<u>314,203</u>	<u>340,244</u>
Financial Liabilities:								
Long term financing	101,986	114,645	216,631	-	-	-	216,631	318,616
Liabilities against assets subject to finance lease	451	235	686	-	-	-	686	1,097
Short-term borrowings	246,478	-	246,478	-	-	-	246,478	-
Trade & other payables	11,141	-	11,141	75,401	-	75,401	86,542	241,129
Accrued mark-up	-	-	-	8,439	-	8,439	8,439	6,485
Deferred liabilities	-	-	-	-	87,285	87,285	87,285	73,429
	<u>380,056</u>	<u>114,880</u>	<u>474,936</u>	<u>83,840</u>	<u>87,285</u>	<u>171,125</u>	<u>646,061</u>	<u>640,756</u>

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

36.2 Liquidity risk

The Company applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. At balance sheet date, the Company has unused credit facilities of Rs.248 million (2005: Rs.180 million). The company has arranged loan / guarantee facilities of up to Rs. 200 million from one of its related parties during the current year.

36.3 Foreign exchange risk management

Foreign currency risk arises where financial instruments contain receivables & payables in foreign currency. The risk is normally covered through forward foreign exchange contracts.

36.4 Concentration of credit risk

The Company considers that it is not exposed to major concentration of credit risk. The Company, however, is exposed to credit related losses in the event of non-performance by counter parties of financial instruments but does not expect any counter parties to fail to meet its obligation.

36.5 Price risk

The Company is not exposed to any price risk as sales and purchases are made on the basis of valid sale/purchase agreements.

36.6 Fair value of financial instruments

The carrying values of financial assets and liabilities reflected in the financial statements approximate their fair values.



MIRPURKHAS SUGAR MILLS LIMITED



37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

37.1 No remuneration was paid to the Chief Executive of the Company.

(Rupees in '000)

Particulars	2006			2005		
	Directors	Executives	Total	Directors	Executives	Total
Fees	111	-	111	42	-	42
Remuneration & bonus	8,222	2,448	10,670	6,364	2,553	8,917
Housing allowance	1,909	937	2,846	1,494	841	2,335
Utilities	271	208	479	180	187	367
Retirement benefits	750	79	829	615	113	728
Others (Reimbursement of expenses)	196	-	196	152	-	152
	11,459	3,672	15,131	8,847	3,694	12,541
No. of persons (other than for fees)	2	2	4	2	3	5

The Chief Executive, Directors and Executives are provided with the use of Company maintained cars and are also provided with the residential telephone facility which is reimbursed at actual to the extent of their entitlements.

38. TRANSACTIONS WITH RELATED PARTIES :

Related parties comprise of related group companies, associated companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, mark-up on loans, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

Relationship	Nature of Transaction	2006	2005
		(Rupees in '000)	
Group Companies	Services received	646	385
	Goods purchased	149	193
	Dividend received	8,545	11,005
	Dividend paid	3,345	-
	Loan received / paid during the year from a Private Limited. Co.	61,000	43,500
	Mark-up on loan paid to a Private Limited. Co.	3,178	1,359
	Investment made	27,000	5,000
	Insurance premium	670	483

In addition, certain actual administrative expenses are being shared amongst the group companies.



MIRPURKHAS SUGAR MILLS LIMITED



39. RECENT ACCOUNTING DEVELOPMENTS

Following amendments to existing standards have been published that are mandatory for the company's accounting periods beginning on or after January 01, 2006 or later periods:

IAS-19	(Amendments) -- Employees Benefit	Effective from January 01, 2006.
IAS-39	Financial Instruments: Recognition and measurement -- Fair value Option, Accounting for Financial Guarantee Contracts and Cash Flow Hedge for Forecast Intra Group Transactions.	Effective from January 01, 2006.
IAS-1	Presentation of Financial statements Capital disclosures	Effective from January 01, 2006.

Adoption of the above amendments may only impact the extent of disclosure presented in the financial statements.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven IFRSs have been issued by International Accounting Standards Board (IASB). Out of these, following four IFRSs have been adopted by the Institute of Chartered Accountants of Pakistan (ICAP). However, since these have not been adopted by SECP, therefore, do not form part of the approved local financial reporting framework.

IFRS-2	Share based payments
IFRS-3	Business Combinations
IFRS-5	Non-Current Assets held for Sale and Discontinued Operations; and
IFRS-6	Exploration for Evaluation of Mineral Resources

The Company expects that the adoption of these pronouncements mentioned above will have no significant impact on the Company's financial statements in the period of initial application.

40. CAPACITY AND PRODUCTION

Year	No of days Mill operated	Crushing Capacity		Actual Crushing M. Tons
		M. Tons Per day	Total crushing on the basis of No of days mill operated M. Tons	
2006	118	4,000	472,000	379,618
2005	108	4,000	432,000	317,931

The sugar production plant capacity is based on crushing sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery percentage. The short fall in actual crushing is mainly on account of shortage of sugar cane. The actual production of sugar is as under :

Year	M. Tons
2006	43,405
2005	32,913



MIRPURKHAS SUGAR MILLS LIMITED



41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on December 19, 2006 by the Board of Directors of the Company.

42. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended September 30, 2006, the Board of Directors has approved/ proposed the following in its meeting held on December 19, 2006 for the approval of the members at the Annual General meeting.

	2006	2005
	—— (Rupees in '000) ——	
Proposed final cash dividend @ 22.50 percent (2005: @12.50 percent)	14,375	7,986

43. CORRESPONDING FIGURES

There were no material reclassifications that could affect the financial statements materially.

44. GENERAL

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


ASLAM FARUQUE
Chief Executive


TARIQ FARUQUE
Director



MIRPURKHAS SUGAR MILLS LIMITED



PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2006

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1039	1	100	22,768	0.3564
443	101	500	121,972	1.9092
125	501	1000	98,067	1.5350
189	1001	5000	427,443	6.6905
45	5001	10000	329,715	5.1608
10	10001	15000	122,160	1.9121
8	15001	20000	144,318	2.2589
1	20001	25000	23,256	0.3640
1	35001	40000	40,000	0.6261
2	45001	50000	98,042	1.5346
1	60001	65000	62,500	0.9783
1	80001	85000	83,168	1.3018
1	130001	135000	133,942	2.0965
1	150001	155000	151,646	2.3736
1	160001	165000	163,798	2.5638
1	175001	180000	176,797	2.7673
1	1660001	1665000	1,664,530	26.0539
1	2520001	2525000	2,524,678	39.5172
1871			6,388,800	100.0000

CATEGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 2006

Categories	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1,819	1,429,545	22.3758
Financial Institutions	16	1,693,947	26.5143
Insurance Companies	6	358,913	5.6178
Private Companies	7	2,685,824	42.0396
Charitable Trust	2	5,269	0.0825
Joint Stock Companies	12	30,148	0.4719
Mutual Fund	1	4,200	0.0657
Investment Companies	6	180,740	2.8290
Others	2	214	0.0033
	1,871	6,388,800	100.0000



MIRPURKHAS SUGAR MILLS LIMITED



PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2006 ADDITIONAL INFORMATION

SHAREHOLDERS' CATEGORY	NUMBER OF SHARES HELD
Associated companies	
Faruque (Private) Limited	2,524,678
Greaves Pakistan (Private) Limited	151,646
Government Institution	
National Bank of Pakistan (Trustee of NIT)	1,664,530
Investment Corporation of Pakistan	9,850
National Investment Trust Limited	45
National Investment Trust Limited (Administration Fund)	13,028
Directors, Chief Executive and their spouses	
Mr. Mahmood Faruque	83,168
Mr. Mohammed Faruque	2,500
Mr. Aslam Faruque	4,750
Mr. Akbarali Pesnani	19,610
Mr. Arif Faruque	2,500
Mr. Tariq Faruque	6,597
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	10,397
Executives	-
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	550,347
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	2,524,678
National Bank of Pakistan (Trustee of NIT)	1,664,530



MIRPURKHAS SUGAR MILLS LIMITED



42nd ANNUAL GENERAL MEETING

Register Folio/ Participant's ID No. & A/c No.
No. of Shares held

PROXY FORM

IMPORTANT
Instrument of Proxy will not be considered as valid unless it is deposited or received at the Company's Registered Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

I/we.....

of.....

being member of Mirpurkhas Sugar Mills Limited, hereby appoint.....

.....of.....another member of the Company as my/our proxy to attend & vote for me/us and on my/our behalf at the 42nd Annual General Meeting of the Company to be held on Thursday, 25th January, 2007 at 11:00 a.m. and at any adjournment thereof.

Signature _____

Affix
Five Rupees
Revenue
Stamp

WITNESSES:

(1) Signature _____

Name _____

Address _____

NIC or Passport No. _____

(2) Signature _____

Name _____

Address _____

NIC or Passport No. _____

Date.....2007

Note: SECP's Circular of January 26, 2000, is on the reverse side of this form.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

Circular No.1 of 2000

Sub : GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry security" on the Central Depository System (CDS) of the Central Depository, Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard the following guidelines for the convenience of the listed companies and the beneficial owners are laid down :

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS :

- (1) The Company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.
- (2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original Passport at the time of attending the meeting.
- (3) In case of Corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies :

- (1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the Company.
- (2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- (3) Attested copies of NIC or the Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
- (4) The proxy shall produce his original NIC or original Passport at the time of the meeting.
- (5) In case of Corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith Proxy Form to the Company.

sd.
(M. Javed Panni)
Chief (Coordination)



MIRPURKHAS SUGAR MILLS LTD.

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Fax: 92-21-5682839, 5688036, 5683425