



# ANSARI SUGAR MILLS LIMITED

## SEVENTEENTH ANNUAL REPORT 2006

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## COMPANY PROFILE

### RECEIVER

Mr. Afaq Jamal Hussain

### BOARD OF DIRECTORS (Suspended for the time being)

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

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Ahsan Mukhtar ACMA

### BANKERS

Habib Bank Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan Limited  
Allied Bank of Pakistan Limited

### AUDITORS

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

### LEGAL ADVISOR

Dr. Raees Mushtaq

### REGISTRAR

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

### REGISTERED OFFICE

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

### FACTORY

Deh Jagsiyani,  
Taluka Tando Mohammad Khan  
District Hyderabad, Sindh



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

## **NOTICE OF ANNUAL GENERAL MEETING**

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

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of **ANSARI SUGAR MILLS LIMITED**, will be held on Friday, January 26, 2007 at 9 a.m. at the registered office of the Company situated at 41-K, Block 6, P.E.C.H.S., Karachi for transacting the following business.

### **ORDINARY BUSINESS:**

1. To confirm the minutes of the Annual General Meeting held on January 31, 2006.
2. To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2006 together with the Receiver's and Auditors' Report thereon.
3. To appoint Auditors and to fix their remuneration.
4. To consider any other business with the permission of the Receiver.

**for ANSARI SUGAR MILLS LIMITED**

Karachi  
Dated: January 04, 2007

**(AFAQ JAMAL HUSSAIN)**  
*RECEIVER*

### **NOTES :**

1. The Shares Transfer Book of the Company will remain close from January 18, 2007 to January 26, 2007.
2. A member entitle to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote on his/her behalf. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.
3. The share holders are requested to notify any change in their address immediately.
4. Kindly quote your folio number in all correspondence with the Company.



## **VISION & MISSION STATEMENT**

### **VISION**

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

### **MISSION**

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



## RECEIVER'S REPORT

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

On behalf of the Company, I welcome you to the 17th Annual General Meeting of the Company and feel pleasure in presenting the financial and operating results along with audited accounts for the year ended September 30 , 2006.

	2006	2005	Increase/ (Decrease)	% age
<b>FINANCIAL RESULTS</b>				
	----- (Rupees in 000) -----			
Sales	1,368,625	832,402	536,223	64
Cost of sales	1,166,424	813,730	352,694	43
Net profit/ (loss) after tax	128,221	(39,922)	168,143	-
<b>OPERATING RESULTS</b>				
	----- (Tonnes) -----			
Sugarcane crushed	485,294	378,689	106,605	28
Sugar produced	49,520	37,782	11,738	31
Molasses produced	24,430	19,032	5,398	28

Financial results are better than last year due to increase in selling prices of sugar, despite sugar cane prices having also increased tremendously. The Company earned a net profit of Rs. 128 million as compared to last year's loss after tax of Rs. 39.922 million. It is pertinent to mention that by virtue of current profits, the negative equity has become positive to Rs. 76.311 million.

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

### AUDITOR'S REPORT

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

### FUTURE OUTLOOK

The crushing season of 2006-07 started on November 10, 2006 and upto December 22, i.e. 43 working days , the mill had crushed 37,505 tonnes of sugar cane and produced 2,047 tonnes of sugar at an average recovery of 7.27 %.

The overall situation during this season is not appreciable, as sugar prices are drastically reduced and sugar recovery is also very low. The Sindh Government again increased the sugar cane support price at Rs. 67/- per 40 kg against Rs. 60/- per 40 kg. for the season 2005-2006 with quality premium, which has hampered smooth functioning of the mills. The results of this season do not appear to be encouraging.



## **LABOUR MANAGEMENT RELATIONS**

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

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

## **AUDITORS**

M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retire and offer their services for the year 2006-2007.

## **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

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

Proper books of account of the Company have been maintained.

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

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

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

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

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

Out of the current year's profit, the Company has declared interim dividend at Rs. 0.50 per share i.e. 5%.

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

## **PATTERN OF SHARE HOLDING**

The pattern of share holding as on September 30, 2006 is annexed.

## **CONCLUSION**

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

Thank you all,  
**for ANSARI SUGAR MILLS LIMITED**

**(Afaq Jamal Hussain)**  
**Receiver**  
Karachi, December, 23 2006



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

for **ANSARI SUGAR MILLS LIMITED**

**(AFAQ JAMAL HUSSAIN)**  
RECEIVER  
Karachi, December 23, 2006



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2006 prepared by the Receiver of Ansari Sugar Mills Limited, in compliance with the Listing Regulation No.37 and Chapter XIII of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

We report that:

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

Based on our review, except for matters noted in the previous paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2006.

Karachi  
Dated: December 23, 2006

Khalid Majid Rahman Sarfaraz  
Rahim Iqbal Rafiq  
Chartered Accountants





**PATTERN OF SHAREHOLDING  
OF THE SHARES HELD BY THE SHAREHOLDERS  
AS ON SEPTEMBER 30, 2006**

NUMBER OF SHAREHOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
507	1	-	100	27,436
471	101	-	500	146,210
288	501	-	1,000	209,783
434	1,001	-	5,000	964,109
85	5,001	-	10,000	608,842
29	10,001	-	15,000	364,433
12	15,001	-	20,000	208,812
11	20,001	-	25,000	239,914
11	25,001	-	30,000	300,976
7	30,001	-	35,000	230,044
10	35,001	-	40,000	377,339
5	40,001	-	45,000	211,692
10	45,001	-	50,000	485,362
4	50,001	-	55,000	200,844
8	55,001	-	60,000	476,715
5	60,001	-	65,000	301,150
3	65,001	-	70,000	205,937
5	70,001	-	75,000	365,337
2	75,001	-	80,000	151,204
4	80,001	-	85,000	331,779
2	85,001	-	90,000	171,650
19	100,001	-	105,000	1,911,237
2	105,001	-	110,000	216,421
2	145,001	-	150,000	294,520
1	150,001	-	155,000	150,975
5	155,001	-	160,000	783,355
2	165,001	-	170,000	335,262
1	185,001	-	190,000	186,300
1	190,001	-	195,000	193,440
1	195,001	-	200,000	199,810
1	200,001	-	205,000	201,445
1	220,001	-	225,000	220,800
1	230,001	-	235,000	232,247
1	235,001	-	240,000	239,500
2	245,001	-	250,000	495,774
1	265,001	-	270,000	266,070
1	270,001	-	275,000	271,590
2	285,001	-	290,000	575,115
1	295,001	-	300,000	298,600
2	305,001	-	310,000	616,784
1	310,001	-	315,000	314,065
1	395,001	-	400,000	399,400
1	410,000	-	415,000	413,108
1	460,001	-	465,000	462,000
1	555,001	-	560,000	559,980
1	600,001	-	605,000	603,316
1	605,001	-	610,000	609,109
1	705,001	-	710,000	705,865
1	790,001	-	795,000	790,248
1	955,001	-	960,000	955,263
1	990,001	-	995,000	991,531
1	1,345,001	-	1,350,000	1,345,500
1	1,985,001	-	1,990,000	1,989,000
<u>1973</u>				<u>24,407,198</u>

S.No.	Category	No. of Shareholders	Total Shares Held	Percentage %
1	Individual	1,947	19,926,426	81.64
2	Investment Companies	1	5,500	0.02
3	Insurance Companies	6	727,954	2.98
4	Joint Stock Companies	11	3,353,664	13.74
5	Financial Institutions	5	354,614	1.45
6	Modaraba Companies	2	3,590	0.01
7	Leasing Companies	1	35,450	0.15
		<u>1,973</u>	<u>24,407,198</u>	<u>100.00</u>



**PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2006  
AS PER REQUIREMENTS OF  
THE CODE OF CORPORATE GOVERNANCE**

Category	Number of shares held	Category wise No. of shareholders	Category wise shares held	Percentage %
JOINT STOCK COMPANIES		11	3,353,664	13.74
INVESTMENT COMPANIES		1	5,500	0.02
DIRECTORS, CHIEF EXECUTIVE AND THEIR SPOUSE AND MINOR CHILDREN		10	1,407,835	5.77
Mr. Ahmed Khan Ansari	269,013			
Mr. Abdul Hafeez Ansari	48,990			
Mrs. Nasreen Ghani Ansari	33,350			
Mr. Imran Rasheed Ansari	413,108			
Mr. Dinshaw Hoshang Anklesaria	559,980			
S. Anwar Raza Naqvi	50,044			
Mr. Abdul Ghani Ansari H/O Mrs. Nasreen Ghani Ansari	33,350			
S. M. Ahsan Raza ( Nominee of NIT )	-			
Mr. Manzurul Haq (Nominee of NBP - formerly NDFC)	-			
NIT / ICP		2	325,990	1.34
National Bank of Pakistan - Trustee Department	169,300			
Investment Corporation of Pakistan	156,690			
BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS		12	795,618	3.26
INDIVIDUALS		1,937	18,518,591	75.87
		1,973	24,407,198	100.00

**Shareholders holding ten percent or more voting interest in the Company**

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



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Ansari Sugar Mills Limited** (here-in-after referred to as the "Company") as at **September 30, 2006**, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements"), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **September 30, 2006**, and of the **profit**, its cash flows and changes in equity for the year then ended: and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 1.3 to the financial statements. The Company's accumulated loss stands at Rs. 194.761 million (2005: Rs. 310.778 million) and current liabilities exceed current assets by Rs. 233.900 million (2005: Rs. 340.767 million). Moreover, as disclosed in note 9(i) the Company is defendant in suits filed by financial institution for recovery of long term finances referred to in detail in note No. 4 and 5. These indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and the ultimate outcome of the said suits cannot be presently determined.

Karachi:  
Dated: December 23, 2006

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants



## BALANCE SHEET AS AT

	Note	2006 Rupees	2005 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized capital</b>			
30,000,000 Ordinary shares of Rs. 10/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid-up capital	3	244,071,980	244,071,980
General reserve		27,000,000	27,000,000
Accumulated loss		(194,761,180)	(310,778,143)
		76,310,800	(39,706,163)
<b>NON CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCES - Secured</b>			
Markup bearing	4	98,137,331	118,437,461
Markup free	5	350,347,119	368,905,863
		448,484,450	487,343,324
<b>DEFERRED LIABILITIES</b>	6	10,950,497	10,072,807
<b>CURRENT LIABILITIES</b>			
Current portion of long term finances	7	232,179,526	207,568,127
Trade and other payables	8	316,673,405	320,410,173
Accrued markup		20,168,618	9,601,180
Interim dividend payable		12,203,599	-
Taxation		30,378,685	24,543,597
		611,603,833	562,123,077
<b>CONTINGENCIES</b>	9	-	-
		<u>1,147,349,580</u>	<u>1,019,833,045</u>

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

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



## SEPTEMBER 30, 2006

	Note	2006 Rupees	2005 Rupees
<b>PROPERTY, PLANT AND EQUIPMENTS</b>			
	10	768,342,186	797,910,606
<b>LONG TERM LOANS</b>	11	367,070	117,496
<b>LONG TERM DEPOSITS</b>		936,426	448,526
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	12	21,322,885	22,498,436
Stock in trade	13	130,760,547	43,139,489
Trade debts - Unsecured (considered good)	14	7,028,672	-
Loans and advances	15	72,175,370	42,852,313
Prepayments and other receivables	16	22,812,965	22,309,509
Cash and bank balances	17	123,603,459	90,556,670
		377,703,898	221,356,417
		<u>1,147,349,580</u>	<u>1,019,833,045</u>

AFAQ JAMAL HUSSAIN  
RECEIVER



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Note	2006 Rupees	2005 Rupees
<b>SALES-Net</b>	18	1,368,625,063	832,402,046
Cost of sales	19	(1,166,423,823)	(813,729,581)
Gross profit		202,201,240	18,672,465
<b>OPERATING EXPENSES</b>			
Distribution cost	20	1,112,364	965,286
Administrative expenses	21	45,398,133	41,481,437
		46,510,497	42,446,723
<b>OPERATING PROFIT/(LOSS)</b>		155,690,743	(23,774,258)
Financial cost	22	13,467,866	13,627,031
Other charges	23	661,886	6,243,595
Reversal of prior period mark-up	24	-	(7,415,076)
Other income	25	(611,311)	(472,103)
		13,518,441	11,983,447
		142,172,302	(35,757,705)
Workers' profit participation fund		(7,108,615)	-
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		135,063,687	(35,757,705)
<b>PROVISION FOR TAXATION</b>			
Current	27	(6,843,125)	(4,164,423)
<b>PROFIT/(LOSS) AFTER TAXATION</b>		128,220,562	(39,922,128)
<b>Earning Per Share-Basic</b>	29	5.25	(1.64)

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

**AFAQ JAMAL HUSSAIN**  
RECEIVER



## CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2006 Rupees	2005 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	135,063,687	(35,757,705)
ADJUSTMENTS FOR :		
Depreciation	44,428,826	44,076,759
Financial cost	13,467,866	13,627,031
(Profit) / loss on sale of fixed assets	(319,015)	10,369
Provision for doubtful debts	-	5,922,366
Provision for gratuity	1,496,491	1,545,334
Workers' profit participation fund	7,108,615	-
Reveral of mark-up	-	(7,415,076)
	66,182,783	57,766,783
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	201,246,470	22,009,078
<b>CHANGES IN WORKING CAPITAL (INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores, spares and loose tools	1,175,551	(2,684,242)
Stock in trade	(87,621,058)	48,727,428
Loans and advances	(24,143,908)	4,773,528
Trade debts - Unsecured (considered good)	(7,028,672)	-
Prepayments and other receivables	(503,457)	(960,343)
	(118,121,544)	49,856,371
	83,124,926	71,865,449
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Trade and other payables	(10,845,383)	(47,180,280)
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	72,279,543	24,685,169
Taxes paid	(6,105,203)	(5,241,323)
Gratuity paid	(618,800)	(559,677)
Financial cost paid	(2,900,427)	(10,545,117)
	(9,624,430)	(16,346,117)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	62,655,113	8,339,052
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(16,183,667)	(11,638,867)
Proceeds from disposal of fixed assets	1,632,811	56,000
Long term deposits	(487,900)	-
Long term loans	(322,093)	4,630
	(15,360,849)	(11,578,237)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(14,247,475)	(33,362,691)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(14,247,475)	(33,362,691)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	33,046,789	(36,601,876)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	90,556,670	127,158,546
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	123,603,459	90,556,670

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

**AFAQ JAMAL HUSSAIN**  
RECEIVER



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

	Issued, subscribed and paid-up capital	Reserve			Net Equity
		General Reserve	Accumulated Loss	Total Reserve	
----- Rupees -----					
Balance as at September 30, 2004	244,071,980	27,000,000	(270,856,015)	(243,856,015)	215,965
Loss for the year	-	-	(39,922,128)	(39,922,128)	(39,922,128)
<b>Balance as at September 30, 2005</b>	<b>244,071,980</b>	<b>27,000,000</b>	<b>(310,778,143)</b>	<b>(283,778,143)</b>	<b>(39,706,163)</b>
Profit for the year	-	-	128,220,562	128,220,562	128,220,562
Interim Dividend @ 5% (2005:Nil)	-	-	(12,203,599)	(12,203,599)	(12,203,599)
<b>Balance as at September 30, 2006</b>	<b>244,071,980</b>	<b>27,000,000</b>	<b>(194,761,180)</b>	<b>(167,761,180)</b>	<b>76,310,800</b>

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

**AFAQ JAMAL HUSSAIN**  
RECEIVER





## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006**

### **1. STATUS AND NATURE OF BUSINESS**

- 1.1 The Company was incorporated in Pakistan on July 09, 1989 as a Public Limited Company and its shares are quoted in Karachi and Lahore Stock Exchanges. The principal business of the Company is to manufacture and sale of sugar.
- 1.2 Pursuant to the order of The Honourable Lahore High Court, since July 02, 1998 the Receiver continues to manage and control the Mill as well as discharge all financial responsibilities. In 1999 the Ehtesab Bench of the Honourable Lahore High Court allowed the Receiver to comply with the requirements of section 158, 236 and 241 of the Companies Ordinance, 1984 in place of the Directors. The Receiver has accordingly authenticated the financial statements for the year.
- 1.3 The Company earned profit for the year amounting to Rs. 128,220,562/- (2005: loss Rs. 39,922,128/-). Its accumulated loss decreased to Rs. 194,761,180/- (2005: increased Rs. 310,778,143/-) and its current liabilities exceeds current assets by Rs. 233,899,935/- (2005: Rs. 340,766,660/-). The Company has survived amidst the crisis facing sugar industry in Sindh since the last three years caused by loss due to high cost of sugar cane. It continues to operate as a result of net cash generated from its operations based on advance sale of sugar to customers. During the year, the Company managed to repay Rs. 14,247,475 (2005: Rs. 33,362,691) towards long term finances and Rs. 2,900,428 (2005: Rs. 10,545,117) on account of mark-up thereon.

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

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

### **2 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Basis of preparation**

These financial statements have been prepared under the 'historical cost convention' except for the staff retirement benefit which is stated at fair value.

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

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

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



Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed in Note No.31 to these financial statements.

## **2.2 Statement of compliance**

These financial statements have been prepared in accordance with 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 differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## **2.3 New Accounting Standards and IFRIC Interpretations that are not yet Effective.**

The following standards amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1st October 2006 and are not expected to have a significant effect on the Company's financial statements:

- IAS 1 (Amendment), Presentation of Financial Statements Capital Disclosures;
- IAS 19(Amendment), Employee Benefits contractual agreement between the multi employer plan and defined benefit plans disclosures.
- IAS 39(Amendment), The Fair Value Option.
- IAS 21(Amendment), The Effect of Changes in Foreign Exchange Rates: net investment in foreign operation.
- IFRIC 4, Determining whether an Arrangement contains a Lease
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6, Liabilities arising from Participating in a specific market - Waste Electrical and Electronic Equipment
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 10, Interim Financial Reporting and Impairment.

## **2.4 Employees' retirement benefits**

### **(a) Provident Fund**

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

### **(b) Gratuity**

The company operates a gratuity fund for all of its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at September 30, 2006 using the Projected Unit Credit Method. For details (refer to Note No 6).



## 2.5 Provisions

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

## 2.6 Taxation

### Current

The provision for current taxation is based on taxable income at the current tax rates after considering admissible tax credits, or one half percent of turnover, whichever is higher.

### Deferred

Deferred tax liability/asset is accounted for using the liability method of all major taxable/deductible temporary differences. Deferred tax assets is recognized only to the extent that it is probable that future taxable profits will be available against which these can be utilized.

## 2.7 Property, Plant And Equipment

These are stated at cost less accumulated depreciation except freehold land which is stated at cost.

Depreciation is charged to income using the reducing balance method at the rates specified in fixed assets note, whereby the cost of an asset is written off over its estimated useful life.

Depreciation on additions is charged from the quarter in which the assets are put to use while no depreciation is charged in the quarter in which the assets are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets are included in income currently.

## 2.8 Inventories

The basis of valuation has been specified against each.

Stores, spares and loose tools:

- In hand - At moving average cost.
- In transit - Actual cost incurred upto the balance sheet date
- Stock in trade
- Sugar in process - At average cost of sugarcane consumed
- Finished sugar - At lower of cost and net realizable value
- Molasses - At net realizable value.

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



## **2.9 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances. Bad debts are written off when identified.

## **2.10 Financial assets**

Financial assets are loans, advances (excluding advance income tax), deposits, trade debts, other receivable and cash in hand and bank balances. These are initially recognized at its cost which represent the fair value of consideration given for it and subsequent to initial recognition financial assets are carried at cost, if fair value is not materially different at the balance sheet date.

## **2.11 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long-term finances, trade and other payables (excluding sales tax payable and withholding tax deducted).

All financial liabilities are initially recognized at cost, which represents fair value of the consideration received at initial recognition. After initial recognition financial liabilities are carried at fair value except long term finances which are measured at amortized cost.

## **2.12 Impairment of assets**

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

## **2.13 Offsetting**

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the assets and settle liability simultaneously.

## **2.14 Borrowing costs**

The borrowing costs are charged to profit and loss account in the year in which these are incurred except those incurred for purchase / import of plant and machinery which are added to the cost of respective assets upon completion of installation.

## **2.15 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalent comprise of cash in hand and cash at bank.

## **2.16 Revenue recognition**

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



### 3 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of Shares			2006	2005
2006	2005		Rupees	Rupees
Rupees	Rupees			
18,296,250	18,296,250	Fully paid ordinary shares of Rs. 10/- each issued for cash.	182,962,500	182,962,500
6,110,948	6,110,948	Fully paid ordinary shares of Rs. 10/- each issued as bonus shares	61,109,480	61,109,480
<u>24,407,198</u>	<u>24,407,198</u>		<u>244,071,980</u>	<u>244,071,980</u>

### 4 LONG TERM FINANCES (INTEREST BEARING)

	SECURED				2006	2005
	PICIC	NBP I	NBP II	NBP formerly NDFC		
	General Term Finance			Loan LCY		
	Rupees					
Opening balance	16,216,546	34,305,138	116,457,257	128,892,139	295,871,080	321,030,218
Repaid during the year	(4,985,000)	-	-	(1,255,840)	(6,240,840)	(25,159,138)
	<u>11,231,546</u>	<u>34,305,138</u>	<u>116,457,257</u>	<u>127,636,299</u>	<u>289,630,240</u>	<u>295,871,080</u>
Current Maturity						
Over due installment	-	(34,305,138)	(116,457,257)	(20,430,384)	(171,192,779)	(157,133,489)
Payable with in one year	(4,985,000)	-	-	(15,315,130)	(20,300,130)	(20,300,130)
	<u>6,246,546</u>	<u>-</u>	<u>-</u>	<u>91,890,785</u>	<u>98,137,331</u>	<u>118,437,461</u>

#### Significant terms and repayment :

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



#### **4 (i) Pakistan Industrial Credit and Investment Corporation**

**Security:**

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

The securities shall rank pari-passu with other creditors.

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

**Security:**

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

The securities shall rank pari-passu with other creditors.

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

The securities shall rank pari-passu with other creditors.

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

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

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

**Security:**

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

The securities shall rank pari-passu with other creditors.



## 5 LONG TERM FINANCES (INTEREST FREE)

	SECURED				Unsecured Loan From Sponsors	2006	2005
	L.C.Y.	DEMAND FINANCE	GENERAL TERM FINANCE				
	NBP formerly NDFC	ABL	PICIC	NBP			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Opening balance	206,045,916	5,992,466	13,600,411	171,201,578	2,200,000	399,040,371	407,243,924
Repaid during the year	-	(5,000,000)	(3,006,635)	-	-	(8,006,635)	(8,203,553)
	206,045,916	992,466	10,593,776	171,201,578	2,200,000	391,033,736	399,040,371
Current Maturity Over due	(21,311,316)	(992,466)	-	-	-	(22,303,782)	(15,922,751)
Payable with in one year	(14,678,300)	-	(3,704,535)	-	-	(18,382,835)	(14,211,757)
	170,056,300	-	6,889,241	171,201,578	2,200,000	350,347,119	368,905,863

### Significant terms and repayment :

Installment payment	Half Yearly	Quarterly	Quarterly
No. of installment	24	7	39
Date of first installment	31-10-2001	31-12-2003	01-10-1999
Sub note number	5 (i)	5 (ii)	4(i) 5 (iii)

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

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

### 5 (ii) Allied Bank Limited

The principal amount of loan has been paid back and balance represents only the freezed markup payable in quarterly installment of Rs.2.50 million each against which Rs.5 million is being paid in installments.

The loan was secured by way of floating charge on the current assets of the Company, personal guarantees of all the sponsoring directors and the guarantee of the Company.

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

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



		2006 Rupees	2005 Rupees
<b>6 DEFERRED LIABILITIES</b>			
Surcharge on road cess	6.1	7,639,722	7,639,722
Gratuity	6.2	<u>3,310,775</u>	<u>2,433,085</u>
		<u>10,950,497</u>	<u>10,072,807</u>
6.1 This represents surcharge on road cess payable to growers.			
6.2 Liability for gratuity arose in the following manner:			
Opening net liability		2,433,085	1,447,428
Expense for the year		1,496,490	1,545,334
Contributions paid		<u>(618,800)</u>	<u>(559,677)</u>
Closing net liability		<u>3,310,775</u>	<u>2,433,085</u>
<b>Reconciliation of the liability</b>			
Present value of defined benefit obligations		3,564,198	4,997,506
Actuarial gains to be recognized in later periods		1,476,651	30,691
Less: Un-recognized transitional liability		<u>(1,730,074)</u>	<u>(2,595,112)</u>
Total balance sheet liability		<u>3,310,775</u>	<u>2,433,085</u>
<b>Charge to profit and loss account</b>			
Current service cost		231,652	290,145
Interest cost		399,800	390,151
Additional liability/(asset) charged for the year		<u>865,038</u>	<u>865,038</u>
Total amount chargeable to P&L account		<u>1,496,490</u>	<u>1,545,334</u>
<b>Principal assumptions</b>			
Discount rate		9% per annum	8% per annum
Expected rate of eligible salary increase in future years		8% per annum	7% per annum

## 7 CURRENT PORTION OF LONG TERM FINANCES

### Overdue

Interest bearing	171,192,779	157,133,489
Interest free	22,303,782	15,922,751
	<u>193,496,561</u>	<u>173,056,240</u>

### Current Portion

Interest bearing	20,300,130	20,300,130
Interest free	18,382,835	14,211,757
	<u>38,682,965</u>	<u>34,511,887</u>
	<u>232,179,526</u>	<u>207,568,127</u>





		2006 Rupees	2005 Rupees
<b>8 TRADE AND OTHER PAYABLES</b>			
Quality premium	8.1	264,108,125	264,108,125
Other creditors		17,940,506	17,389,434
		282,048,631	281,497,559
Accrued expenses		3,385,104	2,976,341
		285,433,735	284,473,900
Other liabilities			
Advances from customers		21,109	30,216,449
Retention money		2,266,440	2,399,221
Sales tax payable		18,191,928	304,730
Withholding income tax		30,060	18,058
Workers' Profit Participation Fund		7,108,615	-
Employees Provident Fund		-	236,085
Others		3,621,518	2,761,730
		31,239,670	35,936,273
		316,673,405	320,410,173

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

## 9 CONTINGENCIES

- i) The Company is contesting two recovery suits filed during the period by National Bank of Pakistan. The Bank has claimed for recovery of Rs. 1,105.254 million against which Rs. 675.565 million is reflected in the Company's books. The difference of Rs. 429.689 million represents excessive amounts claimed on various accounts in the suits. The Company asserts that it has booked correct liability as per agreement with the bank and has not made provision there against.
- ii) Excise duty rebate on excess production during the crushing season 1992-93 over the previous three years average production amounting to Rs. 11.969 million refunded by the department had been claimed back by the Collector of Customs and Central Excise on the ground that the amount was erroneously refunded. The Company has filed appeal before the High Court against the decision of the Sales Tax Appellate Tribunal Karachi. No provision has been made in accounts as in view of legal advisor the Company expects a favorable outcome.
- iii) Excise duty rebate on excess production during the crushing season 1993-94 over the previous three years average production amounting to Rs. 22.40 million refunded by the department had been claimed back by the Collector of Customs and Central Excise on the ground that the amount was erroneously refunded. The Sales Tax Appellate Tribunal decided the case in favor of Company vide its order dated 20-10-2003. Against the said order the department has filed appeal before the High Court. The Company expects a favorable outcome of the case in view of legal advisor, hence no provision has been made in the accounts.
- iv) The Company is contesting a case relating to additional sales tax amounting to Rs. 10.364 million on account of in house consumption of baggase as fuel for production during season 1996-97. The matter was under appeal at the Sales Tax Appellate Tribunal which passed an unfavorable order dated 22-05-2004.



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

- v) The Company is contesting two cases before Collector (Appeals) on the issue of charge of further sales tax under section 3(1A) of the Sales Tax Act, 1990 amounting to Rs. 21.803 million and Rs. 2.924 million. The Company adjusted the previously charged further tax on the strength of decision of the High Court. However, upon an appeal, Supreme Court of Pakistan has set-aside the judgment of the High Court and remanded back the case to the assessing officer.

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

- vi) The Company is also contesting two orders passed by the Collector of sales tax raising demands of Rs. 20.407 million and Rs. 11.229 million by virtue of audits conducted by the sales tax auditors of the audit periods 2001-2002 and 2003 to 2005 respectively against. Against the above orders, the Company has preferred appeals before the Sales Tax Appellate Tribunal and the demand has been stayed. No provision has been made since the legal counsels of the Company are confident that all the observations raised in the orders will be set aside on merits of the cases.

## 10 PROPERTY PLANT AND EQUIPMENT

(Amount in Rupees)

PARTICULARS	C O S T			RATE %	D E P R E C I A T I O N			Book value AS ON September 30, 2006
	As at October 01, 2005	ADDITION/ (DISPOSALS)	As at September 30, 2006		As at October 01, 2005	FOR THE YEAR	As at September 30, 2006	
Freehold land	9,252,730	-	9,252,730		-	-	-	9,252,730
Factory building	128,285,523	-	128,285,523	5	51,345,964	3,846,978	55,192,942	73,092,581
Non-factory building	33,374,699	-	33,374,699	10	17,349,900	1,602,480	18,952,380	14,422,319
Plant and machinery	1,096,595,188	-	1,096,595,188	5	421,373,264	33,761,096	455,134,360	641,460,828
Electrical installation	8,825,781	-	8,825,781		4,425,713	440,007	4,865,720	3,960,061
Weighbridge	878,917	-	878,917		669,028	20,989	690,017	188,900
Office equipment & others	5,270,673	450,250 (78,500)	5,642,423	10	2,625,627	293,009 (16,505)	2,902,131	2,740,292
Electrical appliances	4,243,000	735,641	4,978,641		2,248,130	220,929	2,469,059	2,509,582
Furniture and fixtures	2,463,052	13,800	2,476,852	10	1,677,373	79,768	1,757,141	719,711
Vehicles	19,853,508	14,857,192 (3,739,721)	30,970,979	20	10,635,206	3,748,143 (2,487,920)	11,895,429	19,075,550
Tents and tarpaulins	3,262,737	10,316 (10,316)	3,262,737	33	2,354,645	300,732 (851)	2,654,526	608,211
Tools and tackles	1,877,053	116,468	1,993,521	33	1,567,405	114,695	1,682,100	311,421
<b>Rupees - 2006</b>	<b>1,314,182,861</b>	<b>16,183,667 (3,828,537)</b>	<b>1,326,537,991</b>		<b>516,272,255</b>	<b>44,428,826 (2,505,276)</b>	<b>558,195,805</b>	<b>768,342,186</b>
<b>Rupees - 2005</b>	<b>1,300,641,444</b>	<b>13,933,417 (392,000)</b>	<b>1,314,182,861</b>		<b>472,521,127</b>	<b>44,076,759 (325,631)</b>	<b>516,272,255</b>	<b>797,910,606</b>

10.1 Depreciation for the year has been allocated as under :-	2006 Rupees	2005 Rupees
Cost of sales	37,743,758	38,886,031
Administrative expenses	6,685,068	5,190,728
	<b>44,428,826</b>	<b>44,076,759</b>



## 10.2 DETAIL OF DISPOSAL OF OPERATING FIXED ASSETS

(Amount in Rupees)

PARTICULARS	Cost	Accumulated depreciation	W.D.V	Sales proceed	Gain/ (Loss) on Sale	Mode of disposal	Buyer
Toyota Corolla W-7752	513,000	477,747	35,253	50,000	14,747	Negotiation	Daman Ali
AFL-634	823,375	322,763	500,612	700,000	199,388	Insurance Claim	EFU
Laptop	78,500	16,505	61,995	64,000	2,005	Negotiation	Pearl Computers
ADP-935	709,846	300,975	408,871	425,000	16,129	Negotiation	Mohd.Sohail
ABZ-083	789,000	640,081	148,919	163,811	14,892	Negotiation	Aurangzeb
ACJ-226	869,000	714,094	154,906	175,000	20,094	Negotiation	Najma
T-8851	35,500	32,260	3,240	55,000	51,760	Negotiation	Naheed Shakoor
Tents and tarpulins	10316	851	9,465	-	-		Charge to P&L
Rupees - 2006	3,828,537	2,505,276	1,323,261	1,632,811	319,015		
Rupees - 2005	392,000	325,631	66,369	56,000	(10,369)		

	2006 Rupees	2005 Rupees
<b>11 LONG TERM LOANS</b>		
<b>- considered good</b>		
Vehicle loans to employees	519,265	187,708
Less: Current portion of long term loans shown under current assets	11.1 <u>(152,195)</u>	<u>(70,212)</u>
	<u>367,070</u>	<u>117,496</u>

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

## 12 STORES, SPARES AND LOOSE TOOLS

In hand		
-Stores	3,804,667	4,672,222
-Spares	16,953,022	17,506,182
-Loose tools	291,581	285,352
	<u>21,049,270</u>	<u>22,463,756</u>
In transit	273,615	34,680
	<u>21,322,885</u>	<u>22,498,436</u>

## 13 STOCK IN TRADE

Finished goods	53,739,071	7,267,040
Sugar in process	702,674	876,132
Molasses	76,318,802	34,996,317
	<u>130,760,547</u>	<u>43,139,489</u>



		2006 Rupees	2005 Rupees
<b>14 TRADE DEBTS-Unsecured considered good</b>			
Considered Good			
Trade debts		7,028,672	-
Considered bad			
Trade debts		7,972,431	7,972,431
Less: Provision for doubtful debts		(7,972,431)	(7,972,431)
		<u>7,028,672</u>	<u>-</u>
<b>15 LOANS AND ADVANCES - Unsecured - considered good</b>			
Current portion of vehicle loans	11.1	152,195	70,212
Advance to cane growers	15.1	54,740,357	29,500,097
Advance to suppliers and contractors		4,602,201	5,960,508
Advance to staff		1,175,160	-
Advance against expenses		769,515	727,309
Advance against salaries		533,384	1,488,795
Advance income tax		30,845,406	25,748,240
		92,666,023	63,424,949
Less: Provision for doubtful advances		(20,642,848)	(20,642,848)
		<u>72,175,370</u>	<u>42,852,313</u>
<b>15.1</b>	This includes advance of Rs 20.642 million outstanding since 1995. As a matter of prudence, the Company has made necessary provision there against though it expects positive result from its recovery efforts.		
<b>16 PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepayments		129,114	237,022
Other receivables	16.1	22,683,851	22,072,487
		<u>22,812,965</u>	<u>22,309,509</u>
<b>16.1</b>	This include amounts receivable from government on account of sales tax Rs 8.247 million, (2005: Rs. 8.247 million), excise duty Rs 1.570 million (2005: Rs 1.570 million) and Rs. 5.518 on account of mark up from Sakrand Sugar Mills Ltd (2005: Rs. 5.518 million). The management is confident of recovery of all amounts and considers these as good. No provision has hence been made against these old outstanding amounts.		
<b>17 CASH AND BANK BALANCES</b>			
Cash in hand		61,899	420,186
Cash with banks			
- in current account		121,705,462	88,300,386
- in deposit account	17.1	1,836,098	1,836,098
		123,541,560	90,136,484
		<u>123,603,459</u>	<u>90,556,670</u>



<b>18 SALES-Net</b>	<b>2006 Rupees</b>	<b>2005 Rupees</b>
Sugar	1,523,903,100	928,726,650
Molasses	50,810,935	27,878,036
Baggase	-	1,260,800
	1,574,714,035	957,865,486
Less :Sales tax	(205,822,572)	(124,960,270)
	(266,400)	(503,170)
Brokerage and commission	<u>1,368,625,063</u>	<u>832,402,046</u>
<b>19 COST OF SALES</b>		
Sugarcane consumed	1,130,942,298	652,457,385
Manufacturing expenses	19.1 <u>123,102,583</u>	<u>112,544,768</u>
	1,254,044,881	765,002,153
<b>Sugar in process</b>		
- opening	876,132	497,438
- closing	(702,674)	(876,132)
	173,458	(378,694)
	1,254,218,339	764,623,459
<b>Finished goods</b>		
- opening	7,267,040	91,369,479
- closing	(53,739,071)	(7,267,040)
	(46,472,031)	84,102,439
	1,207,746,308	848,725,898
<b>Molasses</b>		
- opening	34,996,317	-
- closing	(76,318,802)	(34,996,317)
	(41,322,485)	(34,996,317)
	<u>1,166,423,823</u>	<u>813,729,581</u>
<b>19.1 Manufacturing expenses</b>		
Stores and spares	19,291,468	15,001,727
Fuel and power	3,241,582	5,137,206
Salaries, wages including bonus and staff amenities	19.1.1 31,338,269	31,145,806
Repairs and maintenance	18,906,053	14,852,239
Vehicle maintenance	2,110,781	1,515,693
Insurance	4,247,656	4,251,932
Depreciation	37,743,758	38,886,031
Others	6,223,016	1,754,134
	<u>123,102,583</u>	<u>112,544,768</u>
<b>19.1.1</b> It includes Rs.742,711 (2005:Rs.878,832) in respect of contribution to employee benefits.		
<b>20 DISTRIBUTION COST</b>		
Advertisement	187,855	130,092
Loading and stacking	920,739	834,994
Others	3,770	200
	<u>1,112,364</u>	<u>965,286</u>



		2006 Rupees	2005 Rupees
<b>21</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries, including bonus and staff amenities	21.1 22,512,121	22,380,537
	Receiver remuneration	1,750,000	1,200,000
	Rent, rates and taxes	521,887	486,118
	Insurance	1,218,368	771,006
	Water, gas and electricity	2,039,551	1,983,618
	Printing and stationery	648,689	490,887
	Postage, telephone, telegrams and telex	1,071,663	1,214,604
	Vehicle maintenance	2,665,357	1,949,202
	Repairs and maintenance	1,282,074	1,703,652
	Traveling and conveyance	839,954	572,105
	Subscription, books and periodicals	267,774	388,968
	Legal and professional	2,226,980	1,834,290
	Entertainment	1,405,700	1,157,998
	Advertisement	86,676	75,868
	Depreciation	10.1 6,685,068	5,190,728
	Others	176,271	81,856
		<u>45,398,133</u>	<u>41,481,437</u>
<b>21.1</b> It includes Rs.419,578 (2005:Rs.336,037) in respect of contribution to employee benefits.			
<b>22</b>	<b>FINANCIAL COST</b>		
	Interest / mark-up on long term finances	12,575,804	13,018,859
	Bank charges	892,062	608,172
		<u>13,467,866</u>	<u>13,627,031</u>
<b>23</b>	<b>OTHER CHARGES</b>		
	Auditors' remuneration	23.1 286,449	260,114
	Charity and donation	23.2 375,437	61,115
	Provision for doubtful debts	-	5,922,366
		<u>661,886</u>	<u>6,243,595</u>
<b>23.1 Auditors' remuneration comprises of :</b>			
	Audit fees- Annual	150,000	135,000
	Half yearly review	50,000	40,000
	Cost audit fee-M/s.Mustaq Ahmad Management Consultants	40,000	40,000
	Certification -Code of Corporate Governance	20,000	15,000
	Out of pocket expenses	26,449	30,114
		<u>286,449</u>	<u>260,114</u>
<b>23.2</b> None of the directors or their spouses had any interest in the donees fund.			
<b>24</b>	<b>REVERSAL OF PRIOR PERIOD MARKUP</b>	-	(7,415,076)
<b>25</b>	<b>OTHER INCOME</b>		
	Interest on bank account	178,796	-
	Scrap sales	113,500	482,472
	Profit / (loss) on sale of fixed assets	319,015	(10,369)
		<u>611,311</u>	<u>472,103</u>



## 26 REMUNERATION OF CHIEF EXECUTIVE, RECEIVER AND EXECUTIVES

(Amount in Rupees)

Particulars	2 0 0 6			2 0 0 5		
	Receiver	Executives	Total	Receiver	Executives	Total
Meeting fee	-	-	-	-	-	-
Remuneration	1,750,000	1,298,400	3,048,400	1,200,000	1,330,900	2,530,900
Company's contribution to provident fund	-	67,916	67,916	-	64,974	64,974
Perquisites, benefits and utilities	-	234,100	234,100	-	138,650	138,650
Others	-	-	-	-	24,000	24,000
<b>TOTAL</b>	<b>1,750,000</b>	<b>1,600,416</b>	<b>3,350,416</b>	<b>1,200,000</b>	<b>1,558,524</b>	<b>2,758,524</b>
NO. OF PERSONS	1	1	2	1	2	3

## 27 TAXATION

### Current

Income tax assessments of the Company deemed to be finalized upto the accounting year 2005 corresponding to tax year 2006. The Company's tax losses amounted to Rs.791.679 million upto tax year 2006. Accordingly, provision for tax under section 113 of the Income Tax Ordinance, 2001 has been made in these financial statements.

### Deferred

There is no deferred tax liability of the Company as at September 30, 2006 (2005: Nil) as Company's unused tax losses are higher than deferred credit against accelerated tax depreciation of Rs. 683.719 million (2005 : Rs. 625.166 million) adjusted by deferred debits in respect of other assets and liabilities. The remaining loss is not recognized as their utilization against future taxable profit is not presently ascertainable.

	2006 Rupees	2005 Rupees
<b>27.1 Relationship between tax expense and accounting profit</b>		
Profit/ (loss) for the current year	<u>135,063,687</u>	<u>(35,757,705)</u>
Permanent differences	1,301,971	51,605,574
Temporary differences	<u>(12,974,308)</u>	<u>(59,113,152)</u>
Taxable income/ (loss)	123,391,350	(43,265,283)
Less: Carry forward loss	<u>(791,678,902)</u>	<u>(748,413,619)</u>
	<u>(668,287,552)</u>	<u>(791,678,902)</u>
Minimum tax liability u/s.113 as per Income Tax Ordinance, 2001	<u>6,843,125</u>	<u>(4,164,423)</u>

## 28 CAPACITY AND PRODUCTION

Years	CAPACITY		PRODUCTION		% of Capacity Attained
	Metric Tons	Days	Metric Tons	Days	
2006	86,400	160	49,520	114	57.31%
2005	86,400	160	37,782	123	43.73%

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



	<b>2006</b>	<b>2005</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>29 EARNING PER SHARE -Basic</b>		
Profit/(Loss) for the year	128,220,562	(39,922,128)
Number of ordinary shares	24,407,198	24,407,198
Earning per share	5.25	(1.64)

### 30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	<b>2006</b>			(Amount in Rupees)
	<b>Interest bearing</b>		<b>Non-interest bearing</b>	<b>Total</b>
	<b>One month to one year</b>	<b>One year to onwards</b>		
<b>Financial Assets</b>				
Long term loans	-	-	519,265	519,265
Long term deposits	-	-	936,426	936,426
Trade debts	-	-	7,028,672	7,028,672
Loans and advances	-	-	41,177,769	41,177,769
Other receivables	-	-	22,683,851	22,683,851
Cash and bank balances	1,836,098	-	121,767,361	123,603,459
	1,836,098	-	194,113,344	195,949,443
<b>Financial Liabilities</b>				
Long term finances	191,492,909	98,137,331	391,033,736	680,663,976
Trade and other payables	-	-	298,481,477	298,481,477
Accrued markup	-	-	20,168,618	20,168,618
Interim dividend Payable	-	-	12,203,599	12,203,599
	191,492,909	98,137,331	721,887,430	1,011,517,670
	<b>2005</b>			(Amount in Rupees)
	<b>Interest bearing</b>		<b>Non-interest bearing</b>	<b>Total</b>
	<b>One month to one year</b>	<b>One year to onwards</b>		
<b>Financial Assets</b>				
Long term loans	-	-	187,708	187,708
Long term deposits	-	-	448,526	448,526
Trade debts	-	-	-	-
Loans and advances	-	-	17,104,073	17,104,073
Other receivables	-	-	12,255,487	12,255,487
Cash and bank balances	1,836,098	-	88,720,572	90,556,670
	1,836,098	-	118,716,366	120,552,464
<b>Financial Liabilities</b>				
Long term finances	177,433,619	118,437,461	399,040,371	694,911,451
Trade and other payables	-	-	320,105,443	320,105,443
Accrued markup	-	-	9,601,179	9,601,179
	177,433,619	118,437,461	728,746,993	1,024,618,073





### **30.1 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.

### **30.2 Credit risk and concentration of credit risk**

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

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

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

### **30.3 Interest rate risk management**

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

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

### **30.4 Liquidity risk**

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

### **30.5 Fair value of financial assets and liabilities**

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

## **31 ACCOUNTING ESTIMATES AND JUDGMENTS**

### **31.1 Staff Retirement Benefits**

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

### **31.2 Property, Plant and Equipment**

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

### **31.3 Income Taxes**

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

## **32 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on December 23, 2006 by the Receiver.

## **33 GENERAL**

- Figures have been rounded off to the nearest rupee.

**(AFAQ JAMAL HUSSAIN)**  
RECEIVER



## SIX YEARS REVIEW AT A GLANCE

FINANCIAL RESULTS	2006	2005	2004	2003	2002	2001
	(Rs. in 000)					
Sales	1,368,625	832,402	894,972	980,623	628,500	855,343
Gross profit/(loss)	202,201	18,672	(4,245)	38,247	(29,767)	122,518
Operating profit/(loss)	155,691	(23,774)	(40,012)	712	(66,978)	75,261
Profit/(loss) before taxation	135,064	(35,758)	(92,890)	(61,327)	(117,243)	23,180
Profit/(loss) after taxation	128,221	(39,922)	(97,365)	(66,230)	(120,386)	18,903
Accumulated (loss) for the year	(194,761)	(310,778)	(270,856)	(257,050)	(190,819)	(70,433)
OPERATING RESULTS	2006	2005	2004	2003	2002	2001
	(Rs. in 000)					
Season started	02-12-2005	01-11-2004	30-11-2003	10-12-2002	09-11-2001	07-11-2000
Season closed	25-03-2006	03-03-2005	23-03-2004	06-04-2003	22-03-2002	15-03-2001
Days worked	114	123	115	117	134	129
Sugarcane crushed (tonnes)	485,294	378,689	587,108	633,048	403,469	442,853
Sugar recovery (%)	10.20	9.98	10	10	10	10
Sugar produced (tonnes)	49,520	37,782	59,520	64,065	40,632	43,355
Molasses recovery (%)	5.033	5.027	5.159	5.568	5.251	5.394
Molasses produced (tonnes)	24,430	19,032	30,288	35,252	21,194	23,881
ASSETS EMPLOYEED	2006	2005	2004	2003	2002	2001
	(Rs. in 000)					
Fixed capital expenditure	768,342	797,911	830,415	865,777	908,788	956,245
Long term loans and deposits	1,303	566	591	559	680	876
Current assets	377,704	221,356	311,538	243,095	268,126	236,154
<b>Total assets employed</b>	<b>1,147,350</b>	<b>1,019,833</b>	<b>1,142,544</b>	<b>1,109,431</b>	<b>1,177,594</b>	<b>1,193,275</b>
FINANCED BY	2006	2005	2004	2003	2002	2001
	(Rs. in 000)					
Shareholders' equity	76,311	(39,706)	216	14,022	80,253	200,638
Long term liabilities	448,484	487,343	521,855	624,311	639,006	623,446
Deferred liabilities	10,950	10,073	9,087	7,627	9,095	16,677
Current liabilities	611,604	562,123	611,386	463,471	449,240	352,514
<b>Total funds invested</b>	<b>1,147,350</b>	<b>1,019,833</b>	<b>1,142,544</b>	<b>1,109,431</b>	<b>1,177,594</b>	<b>1,193,275</b>
Break-up value per share (Rupees)	3.13	(1.63)	0.01	0.57	3.29	8.22
Earnings per share (Rupees)	5.25	(1.64)	(3.99)	(2.71)	(4.93)	0.77



## FORM OF PROXY

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

I/We \_\_\_\_\_

of \_\_\_\_\_

being a Member of Ansari Sugar Mills Limited and holder of \_\_\_\_\_

Ordinary Shares, as per Register Folio No. \_\_\_\_\_

hereby appoint \_\_\_\_\_

who is also a Member of the Company of as my/our Proxy to vote for me/us and on my/our behalf at the 17th Annual General Meeting of the Company to be held on \_\_\_\_\_ and at any adjournment thereof.

Signed \_\_\_\_\_ day of 2007.

**RUPEES FIVE  
REVENUE STAMP**

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

### NOTE :

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