

*41<sup>st</sup>  
Annual Report  
2005*



**MIRPURKHAS SUGAR MILLS LTD.**



GHULAM FARUQUE  
GROUP



## 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 of Pakistan 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 41st Annual General Meeting of the company will be held on Thursday, January 26, 2006 at 3:00 p.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, 2005 and the Reports of the Directors and the Auditors thereon.
2. To consider and approve the payment of cash dividend @ 12.50% (Rs. 1.25 per share) for the financial year ended September 30, 2005 as recommended by the Board of Directors.
3. To appoint the Auditors for the year 2005/06 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

Karachi: December 21, 2005

Abid A. Vazir  
Company Secretary

#### Notes:

1. The share transfer books of the company will be closed from Thursday, January 12, 2006 to Thursday, January 26, 2006 (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 11, 2006 will be treated in time for the entitlement of 12.50% 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 computerised 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 computerised national identity card to the company are requested to send the same at the earliest.



## MIRPURKHAS SUGAR MILLS LIMITED



### DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED SEPTEMBER 30, 2005

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, 2005.

#### OVERVIEW

Improvement in the macro economic environment over the past few years has generated higher growth momentum in the country. 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 evidenced by higher manufacturing output, increased private investment and robust export volumes.

Compared to last year, the performance of the sugar industry remained below par during the current year as sugarcane crushing declined by 26% to 32.10 million tons and production of sugar dropped by 27% to 2.92 million tons. In Sind especially, lack of irrigation water resulted in the shortage of cane crop, which led to an unprecedented rise in the price of sugarcane during the year 2004/05.

#### OPERATING PERFORMANCE

Commencing operation on October 30, 2004, the plant operated for 108 days during the year 2004/05 as compared to 132 days last season. During the season, the company crushed 317,931 metric tons of cane to produce 32,913 metric tons of sugar compared to 498,424 metric tons of cane crushed last season to produce 47,456 metric tons sugar. This reflects a decline in the production of sugar by 31%. During the year, the company achieved highest sucrose recovery in Sind of 10.35%, which was second highest in the country.

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

	<u>2004-05</u> <u>(In metric tons)</u>	<u>2003-04</u> <u>(In metric tons)</u>	<u>Variance</u> <u>(In %age)</u>
• Sugar cane crushed	317,931	498,424	(36%)
• Sugar produced	32,913	47,456	(31%)
• Molasses produced	15,353	24,858	(38%)

#### 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. Trading Corporation of Pakistan, which had forward purchased 17,855 tons of sugar from the company, lifted 5,538 tons from last year's carry over stock.

#### FINANCIAL PERFORMANCE

During the year under review, the sales revenue of the company increased by Rs. 277 million from last year, reflecting a rise of 56%. Increase in the price of sugar and sale of last year's stock, contributed towards the gross profitability of the company, which improved from 1% last year to 17% of sales this year. During the year, the operating profit of the company also increased because of sale of long-term investments to meet the immediate financial and working capital requirements of the company and receipt of dividend income. After taking into consideration various expenses and government taxes, the company earned an after tax profit of Rs. 104 million for the year under review.



## MIRPURKHAS SUGAR MILLS LIMITED



	<u>2004-05</u> <u>(Rs. in million)</u>	<u>2003-04</u> <u>(Rs. in million)</u>	<u>Variance</u> <u>(in %age)</u>
Net Sales	774.02	496.83	56%
Cost of Sales	<u>(645.15)</u>	<u>(494.05)</u>	31%
Gross Profit	128.87	2.78	4,536%
Expenses & taxes	<u>(24.87)</u>	<u>(33.88)</u>	(27%)
Net Profit / (Loss)	<u>104.00</u>	<u>(31.10)</u>	434%

### DIVIDEND FOR THE YEAR

After several years of incurring losses, the company has returned to profitability during the year under review. The Board of Directors has, therefore, at its meeting held on December 21, 2005 decided to recommend a cash dividend @ 12.50% (Rs. 1.25 per share) for the year ended September 30, 2005. However, the final dividend has not been recognised in the accounts as explained in note no. 3.2 to the financial statements.

The Board of Directors believes that the suggested dividend prudently takes into account the long-term interests of the company including the consolidation of its financial position. It particularly reflects the cash requirements of the company in connection with the repayment of its financial debt in the coming periods and that there are still losses from previous years to be carried forward.

The approval of the shareholders for cash dividend will be obtained at the Annual General Meeting to be held on January 26, 2006.

### JOINT VENTURE DISTILLERY PROJECT

The company is constantly reviewing the status of the joint venture distillery project, established by our company in collaboration with Mehran Sugar Mills Ltd. and Faran Sugar Mills Ltd. Due to the unprecedented rise in steel and molasses prices, work on the project has been stopped temporarily. However, as soon as the situation improves, work on the project will restart.

### 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, except for the change as stated in note 3.2 to the financial statements, in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- 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 code of corporate governance, as detailed in the listing regulations.
- The 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 funds as on September 30, 2005.

• Provident Fund	Rs. 73,108,952/-
• Gratuity Fund	Rs. 30,827,000/-

- In the year 2004/05, the Board of Directors of the company held four (4) meetings. The attendance record of each director is as follows:



## MIRPURKHAS SUGAR MILLS LIMITED



Name of Director	Meetings Attended
• Mr. Mohammed Faruque	2/4
• Mr. Mahmood Faruque	3/4
• Mr. Iqbal Faruque *	1/1
• Mr. Akbarali Pesnani	1/4
• Mr. Aslam Faruque	4/4
• Mr. Arif Faruque *	1/3
• Mr. Tariq Faruque	4/4
• Mr. Maqbool H.H. Rahimtoola (NIT)	4/4
• Mr. Gul Nawaz (NIT)	4/4
• Mr. Rana Ahmad Khan (NIT)	3/4

\* *Mr. Arif Faruque was elected as a Director of the company on 26th January 2005 in place of Mr. Iqbal Faruque, who retired at the end of the term.*

- The pattern of shareholding is annexed.
- No trading in the shares of the Company were made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary.
- Earnings per share during the year is Rs. 16.28 per share compared to loss per share of Rs. (4.87) last year.

### FUTURE PROSPECTS

Owing to shortage of cane crop during the year 2004/05, the prices of sugarcane remained record high. The initial estimates for the next year suggest that prices of cane will remain high, which is likely to cast an adverse impact on the operating profitability of the company. We are thankful to the Sind government for the issuance of notification on reduction in the rate of sugarcane development cess and deletion of surcharge on cess with retrospective effect and for waiving the market committee fee for the season 2004/05.

However, we would like to urge the government to link the price of sugarcane with sugar to save the sugar 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.

### 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 for 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

Karachi: December 21, 2005

  
(MAHMOOD FARUQUE)  
Chairman



## 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 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 / 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 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 21, 2005

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### 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 21, 2005



## 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, 2005 prepared by the Board of Directors of Mirpurkhas Sugar Mills Limited to comply with the Listing Regulation No. 37, of the Karachi Stock Exchange 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 inquire of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2005.

Karachi: December 21, 2005

**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**

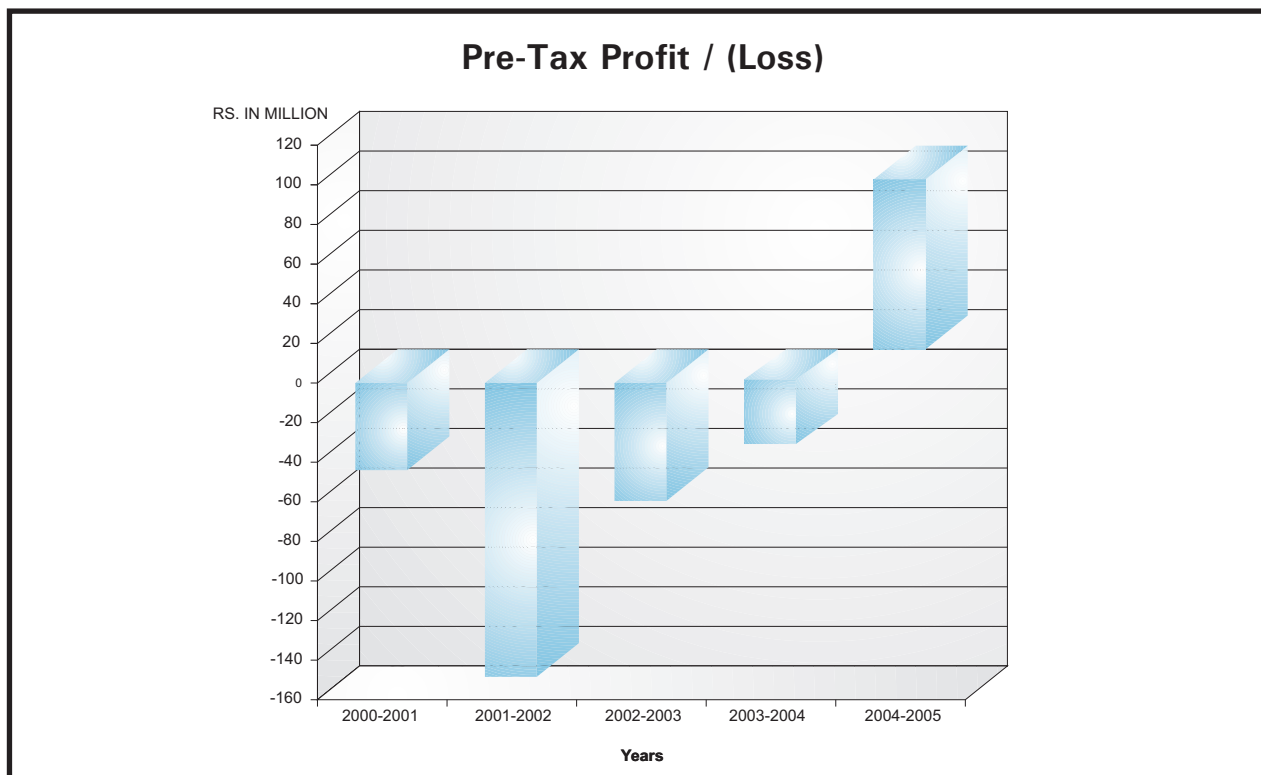
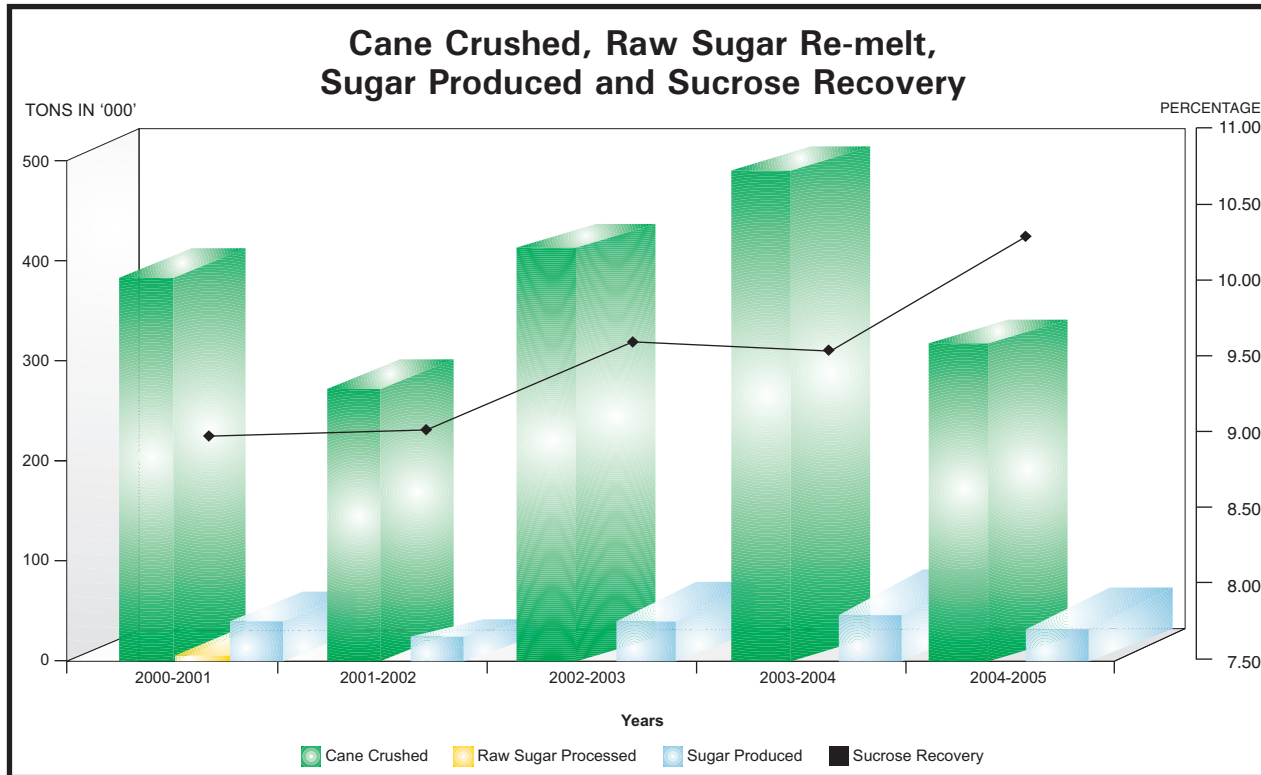
- The Company uses all means to protect the environment and to ensure health and safety of the work force. We have, and will continue to attain, necessary technology to ensure protection of the environment and well being of the people living in adjoining areas of our plant.

### **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.

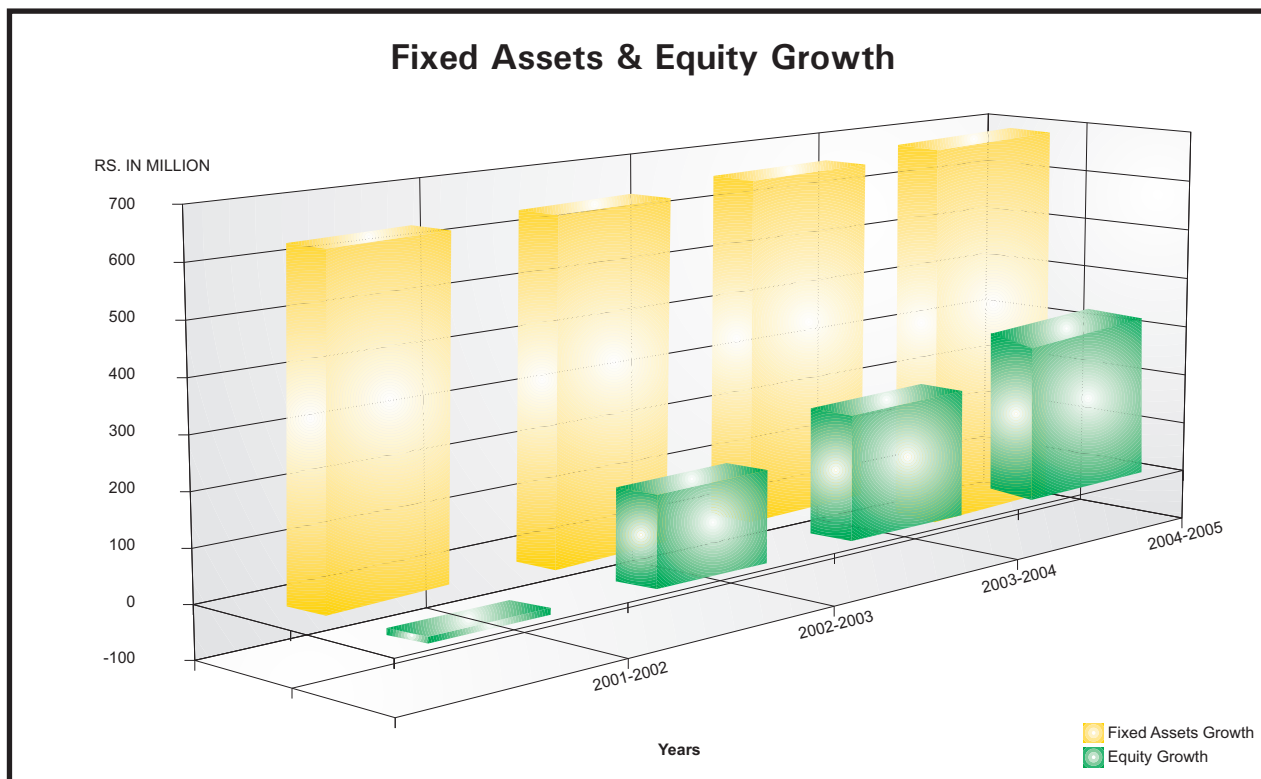
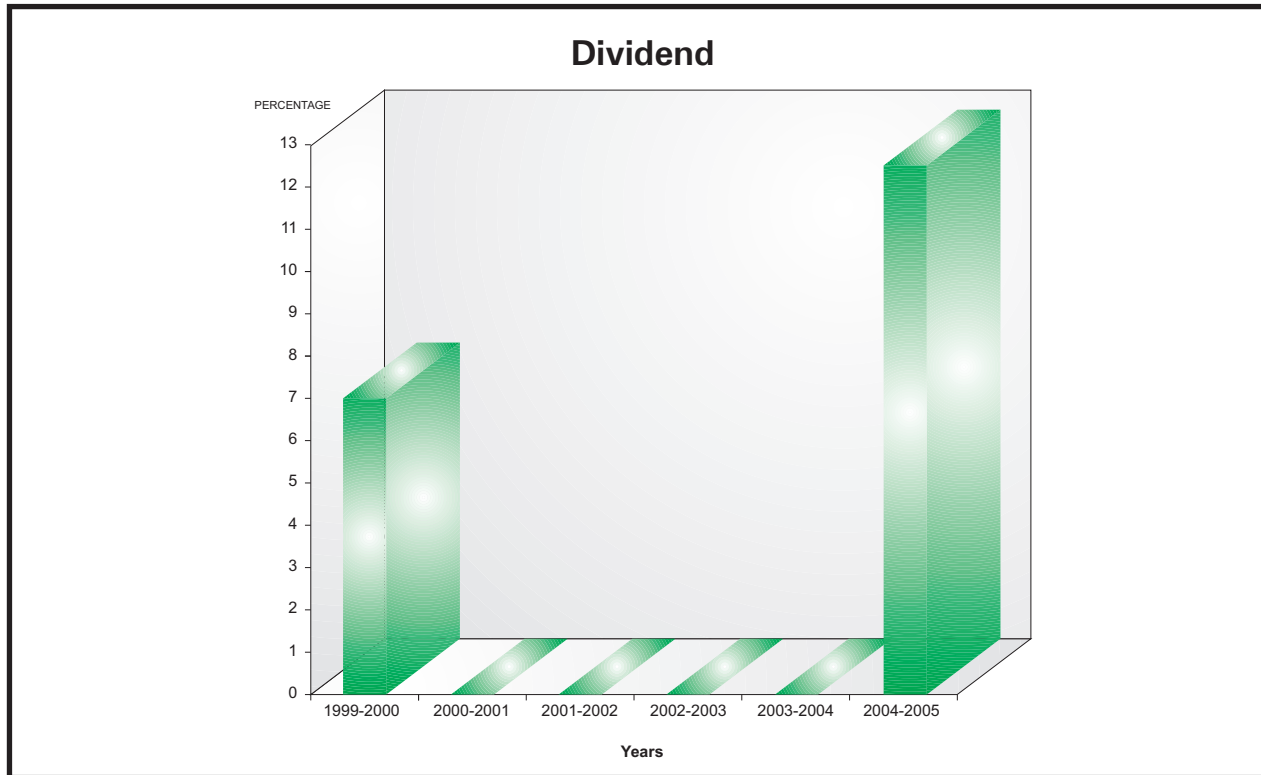


# MIRPURKHAS SUGAR MILLS LIMITED





# MIRPURKHAS SUGAR MILLS LIMITED





## MIRPURKHAS SUGAR MILLS LIMITED



### YEARWISE STATISTICAL SUMMARY

	2005	2004	2003	2002	2001	2000 (Metric Tons)
Sugarcane crushed	317,931	498,424	415,111	272,427	383,144	337,448
Sucrose recovery percentage	10.35	9.52	9.61	9.02	8.97	9.13
Sugar production	32,913	47,456	39,898	24,570	34,479	30,774
Molasses production	15,353	24,858	20,683	14,878	21,307	18,154
Imported raw sugar processed	-	-	-	-	6,399	-
Sugar made from raw sugar	-	-	-	-	5,904	-
Molasses produced from raw sugar	-	-	-	-	288	-
<b>ASSETS EMPLOYED</b>						<b>(Rs '000')</b>
Tangible fixed assets - property, plant and equipment	308,051	309,608	286,643	303,915	314,475	323,154
Long-term investments, loans, advances, deposits and deferred tax asset	268,196	292,120	150,891	20,629	29,407	30,099
Current assets	364,007	387,826	212,430	265,668	442,506	144,232
<b>Total assets employed</b>	<b>940,254</b>	<b>989,554</b>	<b>649,964</b>	<b>590,212</b>	<b>786,388</b>	<b>497,485</b>
<b>FINANCED BY</b>						
Shareholders equity	248,653	118,998	59,704	(13,416)	119,540	156,459
Surplus on revaluation of fixed assets	43,112	43,112	-	-	-	-
Long-term liabilities	217,314	221,162	222,845	14,193	50,686	74,226
Deferred liabilities	69,489	111,221	59,141	11,346	61,027	88,213
Current liabilities	361,686	495,061	308,274	578,089	555,135	178,587
<b>Total funds invested</b>	<b>940,254</b>	<b>989,554</b>	<b>649,964</b>	<b>590,212</b>	<b>786,388</b>	<b>497,485</b>
<b>TURNOVER &amp; PROFIT</b>						
Turnover (Net)	774,017	496,833	633,967	515,997	500,893	558,055
Operating profit / (loss)	136,730	(217)	(12,237)	(126,218)	12,201	25,215
Profit / (loss) before taxation	101,942	(31,091)	(59,619)	(148,443)	(44,032)	7,813
Profit / (loss) after taxation	104,005	(31,100)	(54,672)	(132,956)	(36,918)	(9,065)
Proposed dividend	7,986	-	-	-	-	4,472





## MIRPURKHAS SUGAR MILLS LIMITED



### RATIO ANALYSIS OF ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2005	2004
<b>PROFITABILITY:</b>		
Gross profit (percentage)	16.65	0.56
Operating profit / (loss) (percentage)	17.67	(0.04)
Net profit / (loss) before tax (percentage)	13.17	(6.26)
Net profit / (loss) after tax (percentage)	13.44	(6.26)
Earnings / (loss) per share (before tax)	15.96	(4.87)
Earnings / (loss) per share (after tax)	16.28	(4.87)
Net profit / (loss) after tax to total assets (average) (percentage)	10.78	(3.79)
Increase / (decrease) in net sales (percentage)	55.79	(21.64)
Direct labour percent of net sales	5.82	8.79
Raw & packing material as percent of cost of goods manufactured	90.71	88.67
Administrative expenses percent of net sales	3.30	5.50
Distribution cost percent of net sales	0.14	0.14
Finance cost percent of net sales	4.50	6.21
Other operating expenses percent of net sales	1.12	0.34
<b>SHORT TERM SOLVENCY :</b>		
Working capital ratio	1.01 : 1	0.78 : 1
Acid test ratio	0.46 : 1	0.25 : 1
Inventory turn over /times	2.80	2.72
<b>OVERALL VALUATION AND ASSESSMENT:</b>		
Return on equity after tax	0.42	(0.26)
Book value per share	38.92	18.62
Long term debt to equity ratio	0.87	1.86



## 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, 2005 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 except for the change as stated in note no. 3.2 to the financial statements with which we concur;
  - (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, 2005 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).

Karachi: December 21, 2005

**Gardezi & Co.**  
Chartered Accountants



## MIRPURKHAS SUGAR MILLS LIMITED



### BALANCE SHEET AS AT SEPTEMBER 30, 2005

	Note	2005 Rupees	2004 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets - Property, plant and equipment	4	308,050,854	309,608,418
Long-term investments	5	248,858,975	279,816,658
Long-term loans and advances	6	24,310	27,184
Long-term deposits	7	844,199	796,699
Deferred tax asset	8	18,468,170	11,478,829
		576,246,508	601,727,788
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	9	43,345,382	47,949,870
Stock-in-trade	10	198,805,053	262,330,745
Loans and advances	11	24,241,040	16,201,550
Deposits and prepayments	12	16,816,742	17,074,837
Other receivables	13	3,183,998	7,242,840
Tax refunds due from the Government	14	11,750,287	23,901,458
Income Tax - net of provision		-	9,809,800
Short-term investments	5	60,000,000	-
Cash and bank balances	15	5,864,574	3,314,931
		364,007,076	387,826,031
<b>TOTAL ASSETS</b>		<b>940,253,584</b>	<b>989,553,819</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital	16.1	150,000,000	150,000,000
Issued, subscribed & paid-up capital	16.2	63,888,000	63,888,000
Reserves	17	14,250,305	134,250,305
Un-realised gain on remeasurement of investments in related parties		243,836,435	218,186,080
Accumulated loss		(73,321,989)	(297,326,685)
		184,764,751	55,109,700
		248,652,751	118,997,700
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	18	43,111,621	43,111,621
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing	19	216,630,715	220,065,038
Liabilities against assets subject to finance lease	20	683,364	1,097,224
Deferred liabilities	21	69,488,951	111,221,331
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	252,801,919	327,659,369
Accrued mark-up	23	6,484,787	2,011,091
Short-term borrowings	24	-	97,228,416
Current portion of long-term borrowings	25	102,399,476	68,162,029
		361,686,182	495,060,905
<b>CONTINGENCIES &amp; COMMITMENTS</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>940,253,584</b>	<b>989,553,819</b>

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, 2005

	Note	2005 Rupees	2004 Rupees
Turnover-net	27	774,016,575	496,833,205
Cost of sales	28	(645,148,003)	(494,052,950)
<b>Gross profit</b>		<b>128,868,572</b>	<b>2,780,255</b>
Distribution cost	29	(1,058,169)	(687,263)
Administrative expenses	30	(25,478,978)	(27,324,792)
Other operating expenses	31	(8,650,749)	(1,678,143)
		(35,187,896)	(29,690,198)
Other operating income	32	43,049,590	26,693,118
<b>Operating profit / (loss)</b>		<b>136,730,266</b>	<b>(216,825)</b>
Finance cost	33	(34,788,160)	(30,873,796)
<b>Net profit / (loss) before taxation</b>		<b>101,942,106</b>	<b>(31,090,621)</b>
Provision for taxation	34	2,062,590	(9,745)
<b>Net profit / (loss) after taxation</b>		<b>104,004,696</b>	<b>(31,100,366)</b>
Earnings / (loss) per share - basic and diluted	35	16.28	(4.87)

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

  
**ASLAM FARUQUE**  
Chief Executive

  
**TARIQ FARUQUE**  
Director



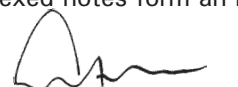
## MIRPURKHAS SUGAR MILLS LIMITED



### CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Note	2005 Rupees	2004 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit / (loss) before taxation		101,942,106	(31,090,621)
Adjustments :			
Depreciation	4	15,711,336	15,919,402
Provision for stores obsolescence	31	2,500,000	1,200,000
Provision for doubtful growers' loans	31	600,000	300,000
Dividend income	32	(11,005,120)	(4,755,350)
Gain on disposal of property, plant and equipment	32	(1,891,570)	(19,886,390)
Gain on remeasurement of investments	32	-	(12,081)
Capital gain on sale of investments	32	(28,406,990)	-
Finance cost	33	34,788,160	30,873,796
		<u>12,295,816</u>	<u>23,639,377</u>
		114,237,922	(7,451,244)
<b>(Increase) / decrease in current assets</b>			
Stores, spare parts and loose tools		2,104,488	(5,862,890)
Stock-in-trade		63,525,692	(161,210,278)
Trade debts		-	2,241,624
Loans and advances		(8,639,490)	(3,839,242)
Deposits and prepayments		258,095	(3,757,318)
Tax refunds received		17,508,710	-
Other receivables		4,058,842	(2,575,003)
		<u>78,816,337</u>	<u>(175,003,107)</u>
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		(74,857,450)	201,838,370
Short-term borrowings		(97,228,416)	(32,771,584)
		<u>(172,085,866)</u>	<u>169,066,786</u>
<b>Cash generated from / (used in) operations</b>			
		20,968,393	(13,387,565)
Finance cost paid		(30,212,137)	(39,378,865)
Income taxes paid		(474,489)	(11,733,731)
Decrease in long-term loans and advances		2,874	48,552
(Increase) / decrease in long-term deposits		(47,500)	51,325
(Decrease) / increase in deferred liabilities		(41,732,380)	52,080,558
		<u>(72,463,632)</u>	<u>1,067,839</u>
<b>Net cash used in operating activities</b>			
		(51,495,239)	(12,319,726)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	4	(17,876,402)	(729,694)
Sale proceeds of property, plant and equipment	4.2	5,614,200	26,564,191
Investments - net		25,015,028	(48,000,000)
Dividend received	32	11,005,120	4,755,350
<b>Net cash generated from / (used in) investing activities</b>			
		23,757,946	(17,410,153)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		(546,023)	(14,962,790)
Long-term financing-net		30,832,959	37,783,375
<b>Net cash generated from financing activities</b>			
		30,286,936	22,820,585
<b>Net changes in cash and cash equivalents</b>			
		2,549,643	(6,909,294)
<b>Cash and cash equivalents at the beginning of the year</b>			
		3,314,931	10,224,225
<b>Cash and cash equivalents at the end of the year</b>			
		<u>5,864,574</u>	<u>3,314,931</u>

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, 2005

	(Rupees)				
	Share Capital	General Reserves	Un-realised Gain on Investments in Related Parties	Accumulated Loss	Total
Balance at October 01, 2003	63,888,000	134,250,305	127,791,930	(266,226,319)	59,703,916
Un-realised gain due to change in fair value of investments in related parties	-	-	90,394,150	-	90,394,150
Net Loss for the year ended September 30, 2004	-	-	-	(31,100,366)	(31,100,366)
Balance at September 30, 2004	63,888,000	134,250,305	218,186,080	(297,326,685)	118,997,700
Gain realised on sale of investments in related party	-	-	(27,622,790)	-	(27,622,790)
Un-realised gain due to change in fair value of investments in related parties	-	-	53,273,145	-	53,273,145
Reserves adjusted against accumulated loss (Refer note no.17)	-	(120,000,000)	-	120,000,000	-
Net Profit for the year ended September 30, 2005	-	-	-	104,004,696	104,004,696
Balance at September 30, 2005	<u>63,888,000</u>	<u>14,250,305</u>	<u>243,836,435</u>	<u>(73,321,989)</u>	<u>248,652,751</u>

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, 2005

#### 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 the 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 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 Change in Accounting Policy

The revision of fourth schedule to the Companies Ordinance, 1984 has resulted in the change in the accounting policy pertaining to recognition of dividend and other appropriations declared subsequent to the year end. Dividend and other appropriations of profit are now recognised in the period in which these are declared. Till the previous year, dividend declared and appropriations made after the balance sheet date but before the authorisation of financial statements for issue, were recognised as of the balance sheet date. The change in accounting policy has been applied retrospectively. However, there is no comparative information presented required to be restated. Had there been no change in the accounting policy, the unappropriated profit would have been lower by Rs.7.99 million (2004: Nil) and current liabilities would have been higher by Rs.7.99 million (2004: Nil). This change in accounting policy has not resulted in any change in the profit after tax for the current year and prior years.

##### 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 which ever is higher is provided in the financial statements.



## MIRPURKHAS SUGAR MILLS LIMITED



### 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 are recognised only to the extent that it is probable that the future profits will be available against which these 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% 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 using the following significant assumptions was used for the valuation of the scheme.

	2005	2004
	(% per annum)	
Discount rate	9	8
Expected rate of return on plan assets	10	9
Expected rate of salary increase	8	7

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.

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

	2005	2004
	Rs. '000	
Present value of defined benefit obligation	19,370	18,648
Less : Fair value of plan assets	(23,865)	(22,587)
Unrecognised actuarial gain	5,298	5,137
Unrecognised transitional obligation	-	(822)
Loan given to Gratuity Fund	(2,775)	(1,974)
Balance sheet net asset	<u>(1,972)</u>	<u>(1,598)</u>





## MIRPURKHAS SUGAR MILLS LIMITED



	2005	2004
	Rs. '000	
<b>Expense recognised</b>		
Current service cost	633	1,257
Interest cost	1,492	1,450
Expected return on plan assets	(2,258)	(1,951)
Actuarial gains recognised during the year	(262)	(180)
Liability / (asset) charged due to application of IAS-19	822	822
Expense recognised in the profit & loss account	<u>427</u>	<u>1,398</u>
<b>Reconciliation at September 30, 2005</b>		
Opening net asset	(1,598)	(1,022)
Expense recognised as above	427	1,398
Payments made on behalf of Gratuity Fund during the year	(801)	(1,974)
Closing net asset	<u>(1,972)</u>	<u>(1,598)</u>
<b>Actual return on plan assets</b>		
Expected return on plan assets	2,258	1,951
Actuarial (loss) / gain on plan assets	(180)	1,806
Actual return on plan assets	<u>2,078</u>	<u>3,757</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 are capitalised and assets so replaced, if any, are retired. Gain or loss on disposal of fixed assets is included in current year's income.

#### 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.

### 3.6 Investments

#### Available for Sale

##### 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).



## MIRPURKHAS SUGAR MILLS LIMITED



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 & loss for the period.

### 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.

### 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% subject to final settlement with the respective grower.

### 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 in to the profit & 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.



## MIRPURKHAS SUGAR MILLS LIMITED



### 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 associated 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 of current and PLS accounts with the commercial banks.



# MIRPURKHAS SUGAR MILLS LIMITED



## 4. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

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 during the year	Disposals during the year	Revaluation		As at 01-10-2004	Transfer	On disposals	For the year	
<b>OWN ASSETS</b>										
Land (Free Hold) (Note 4.3)	43,509,200	-	-	-	-	-	-	-	-	43,509,200
Building on Free Hold Land:-										
-Factory	20,700,248	-	-	-	10	17,758,378	-	284,187	18,052,565	2,647,683
-Non Factory	17,525,901	-	-	-	10	15,260,910	-	226,499	15,487,409	2,038,492
Plant & Machinery	529,398,805	14,052,226	4,546,466	-	5	278,468,975	-	1,255,527	290,378,169	248,526,396
Furniture & Fittings	3,476,860	16,000	-	-	10	2,557,966	-	92,693	2,650,659	842,201
Computers & Accessories	7,956,796	596,240	41,000	-	25	6,546,416	221,017	35,869	7,241,812	1,652,524
Office & Other Equipment	9,743,678	453,936	-	-	10	7,031,527	-	297,660	7,329,207	2,868,407
Vehicles	16,161,738	2,758,000	2,629,260	-	20	12,939,094	-	2,202,700	11,554,267	4,736,211
Sub - Total	648,473,226	17,876,402	382,300	7,216,726	-	340,563,266	221,017	3,494,096	352,694,088	306,821,114
<b>OBTAINED UNDER FINANCE LEASE</b>										
Vehicles	1,721,500	-	-	-	20	184,325	-	307,435	491,760	1,229,740
Computers & Accessories	382,300	-	(382,300)	-	25	221,017	(221,017)	-	-	-
Sub - Total	2,103,800	-	(382,300)	-	-	405,342	(221,017)	307,435	491,760	1,229,740
<b>Rupees 2005</b>	<b>650,577,026</b>	<b>17,876,402</b>	<b>-</b>	<b>7,216,726</b>	<b>-</b>	<b>340,968,608</b>	<b>-</b>	<b>3,494,096</b>	<b>353,185,848</b>	<b>308,050,854</b>
<b>Rupees 2004</b>	<b>626,359,114</b>	<b>2,451,194</b>	<b>-</b>	<b>21,344,903</b>	<b>43,111,621</b>	<b>339,716,308</b>	<b>-</b>	<b>14,667,102</b>	<b>340,968,608</b>	<b>309,608,418</b>

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

	2005	2004
	Rupees	Rupees
Manufacturing Expenses	note 28	14,755,629
Administrative Expenses	note 31	1,163,773
		<u>15,919,402</u>



## MIRPURKHAS SUGAR MILLS LIMITED



### 4.2 Disposal of Property, Plant and Equipment

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

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds / Insurance Claim	Gain / (loss)	Sold to / Insurance claim received from
<b>VEHICLES</b>						
Honda Civic VTi	924,560	806,673	117,887	504,000	386,113	Mr Zahid Hussain Qadri R-536, 15-A/4, Bufferzone, Khi.
Honda Civic VTi	984,000	835,421	148,579	580,000	431,421	Mr Taza Gul H # 160, PIB Colony, Khi.
	<b>1,908,560</b>	<b>1,642,094</b>	<b>266,466</b>	<b>1,084,000</b>	<b>817,534</b>	
<b>PLANT &amp; MACHINERY</b>						
Quad Reduction Gear	4,546,466	1,255,527	3,290,939	3,802,500	511,561	E.F.U General Insurance
	<b>4,546,466</b>	<b>1,255,527</b>	<b>3,290,939</b>	<b>3,802,500</b>	<b>511,561</b>	
Aggregate of assets disposed-off having book value below Rs.50,000 each						
<b>VEHICLES</b>	720,700	560,606	160,094	720,700	560,606	
<b>COMPUTERS &amp; ACCESSORIES</b>	41,000	35,869	5,131	7,000	1,869	
	<b>761,700</b>	<b>596,475</b>	<b>165,225</b>	<b>727,700</b>	<b>562,475</b>	
<b>Rupees 2005</b>	<b>7,216,726</b>	<b>3,494,096</b>	<b>3,722,630</b>	<b>5,614,200</b>	<b>1,891,570</b>	
<b>Rupees 2004</b>	<b>21,344,903</b>	<b>14,667,102</b>	<b>6,677,801</b>	<b>26,564,191</b>	<b>19,886,390</b>	

4.3 Cost of free hold land includes Rs.43.11 million (2004: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 (2004:Rs.0.39 million).



## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>5. LONG TERM INVESTMENTS</b>			
Available for sale			
In related parties:			
<b>Quoted:</b>			
Cherat Cement Company Limited 2,704,350 (2004: 2,508,280) fully paid ordinary shares of Rs.10/- each Equity held : 4.06 % (2004 : 4.72%)	5.1	239,334,975	215,712,080
Cherat Papersack Limited 216,000 (2004:180,000) fully paid ordinary shares of Rs.10/- each Equity held : 4.41 % (2004 : 4.41%)	5.1	16,524,000	16,074,000
<b>Un - Quoted:</b>			
Unicol Limited 5,300,000 (2004: 4,800,000 ) fully paid ordinary shares of Rs.10/- each Equity held : 33.33 % (2004 : 33.33%)		53,000,000	48,000,000
<b>Others - Quoted:</b>			
Latif Jute Mills Limited Nil (2004: 3,775) fully paid ordinary shares of Rs.10/- each		-	30,578
		<u>308,858,975</u>	<u>279,816,658</u>
<b>Less:</b>			
Classified under short-term investments as available for sale	5.2	<u>(60,000,000)</u>	-
		<u>248,858,975</u>	<u>279,816,658</u>
<b>5.1</b>	Quoted investments in associated companies are stated at fair value. Unrealised gain of Rs. 243.836 million (2004: 218.186 million) from a change in the fair value of investments available for sale has been recognised directly in equity. Refer note no. 3.6.a of the notes to the financial statements.		
<b>5.2</b>	It represents the fair value of 677,966 shares (2004: Nil) of Cherat Cement Company Limited, in respect of which the management has an intention of selling during the next financial year.		
<b>6. LONG TERM LOANS AND ADVANCES - secured</b>			
<b>Considered good:</b>			
Due from employees other than Chief Executive, Directors & Executives		82,604	75,736
Recoverable within next twelve months shown under current assets	11	<u>(58,294)</u>	<u>(48,552)</u>
Recoverable within next three years		<u>24,310</u>	<u>27,184</u>
<b>6.1</b>	The above loans and advances are secured against retirement benefits of respective employees.		
<b>7. LONG TERM DEPOSITS</b>			
It represents deposits for leases and other security deposits.			



## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>8. DEFERRED TAX ASSET</b>			
On accelerated depreciation rates		(82,298,093)	(77,897,547)
On assets obtained under finance lease		(46,380)	(55,139)
On liabilities written back		2,070,926	2,595,927
On accounting provisions		1,085,000	525,000
On unabsorbed tax losses		97,656,717	86,310,588
		<u>18,468,170</u>	<u>11,478,829</u>
<b>8.1</b>	Deferred tax asset has been recognised to the extent of unabsorbed tax depreciation available to the Company, in respect of which there is no limitation for carry forward as per Income Tax Law and the management expects to have enough profits to utilise it. At the year end, unabsorbed losses of Rs.49.62 million (2004: Rs.108.39 million) have not been recognised on account of uncertainty in future. These losses can be carried forward for next three to six years.		
<b>9. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		19,067,569	19,052,488
Spare parts		29,720,789	31,799,405
Loose tools		557,024	597,977
		<u>49,345,382</u>	<u>51,449,870</u>
Provision for obsolescence	31	(6,000,000)	(3,500,000)
		<u>43,345,382</u>	<u>47,949,870</u>
<b>10. STOCK-IN-TRADE</b>			
Sugar	10.1 & 28	197,782,255	261,466,244
Sugar in process	28	1,005,106	863,350
Molasses		17,692	1,151
		<u>198,805,053</u>	<u>262,330,745</u>
<b>10.1</b>	Included in the stock is a quantity of 12,317 metric tons, which is being held on behalf of Trading Corporation of Pakistan. The forward sale contracts in this regard were entered during last year. This stock is now valued at average cost except for 1,317 metric tons valuing Rs.18.57 million, which has been valued at net realisable value being lower than the average cost of the stock.		
<b>11. LOANS AND ADVANCES - Unsecured</b>			
<b>Considered good:</b>			
Against expenses		45,076	122,051
To suppliers		5,517,027	5,446,914
To employees classified as recoverable with in next twelve months	6	58,294	48,552
Advance to staff against salary		330,116	230,677
To Provident Fund Trust		6,072,021	1,277,121
Against letters of credit		1,178,369	11,394
To sugar cane growers		8,530,672	6,603,996
To transport contractors	11.1	2,509,465	2,460,845
		<u>24,241,040</u>	<u>16,201,550</u>
<b>Considered doubtful:</b>			
Sugar cane growers		4,900,000	4,300,000
Provision there against		(4,900,000)	(4,300,000)
		<u>24,241,040</u>	<u>16,201,550</u>
<b>11.1</b>	It represents amounts advanced to transporters on behalf of cane growers and are adjustable from sugar cane payments.		
<b>11.2</b>	The maximum aggregate amount due from related parties at the end of any month during the year is Rs.Nil (2004: Rs.1.39 million).		



## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>12. DEPOSITS AND PREPAYMENTS</b>			
Deposits		13,902,275	13,940,505
Prepayments		802,137	1,012,255
Sales tax on sale of sugar		2,112,330	2,122,077
		<u>16,816,742</u>	<u>17,074,837</u>
<b>13. OTHER RECEIVABLES</b>			
Sales tax on fixed assets	26.1.5	1,022,836	1,022,836
Receivable from Employees' Gratuity Trust	3.4 (b)	1,972,227	1,598,713
Miscellaneous		188,935	4,621,291
		<u>3,183,998</u>	<u>7,242,840</u>
<b>14. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Determined income tax refunds - net of provision		11,750,287	23,901,458
<b>15. CASH AND BANK BALANCES</b>			
With banks in:			
Current accounts		2,538,219	2,042,474
PLS accounts		3,279,089	1,236,099
		<u>5,817,308</u>	<u>3,278,573</u>
Cash in hand		47,266	36,358
		<u>5,864,574</u>	<u>3,314,931</u>
<b>16. SHARE CAPITAL</b>			
<b>16.1 Authorised capital:</b>			
		<b>Number of Shares</b>	
		2004	2005
		<u>15,000,000</u>	<u>15,000,000</u>
			Ordinary shares of Rs. 10/- each
			<u>150,000,000</u>
<b>16.2 Issued, subscribed &amp; paid-up capital:</b>			
		1,770,000	1,770,000
			Ordinary shares of Rs. 10/- each fully paid issued for cash
			<u>17,700,000</u>
		4,618,800	4,618,800
			Ordinary shares of Rs. 10/- each issued as fully paid bonus shares
			<u>46,188,000</u>
		<u>6,388,800</u>	<u>6,388,800</u>
			<u>63,888,000</u>
<b>16.3</b>	Following is the detail of shares held by the associated companies.		
	<b>Name of associated companies</b>	<b>Number of shares</b>	
	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>





## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>17. RESERVES</b>			
Revenue reserve - general		<u>14,250,305</u>	<u>134,250,305</u>
It represents accumulation made out of profits in prior years and is kept in order to meet future exigencies. The Board of Directors in its meeting held on July 27, 2005 has decided to set off Rs.120 million against the accumulated loss.			
<b>18. SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Surplus on revaluation of free hold land		<u>43,111,621</u>	<u>43,111,621</u>
It represents revaluation of free hold land which has been carried out by independent valuers M/s Harvester Services (Pvt.) Limited as of June 30, 2004 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.			
<b>19. LONG TERM FINANCING - Secured</b>			
From banks :			
Term Loan			
Finance - I	19.1	<u>222,783,000</u>	<u>222,783,374</u>
Finance - II	19.2	<u>95,833,333</u>	<u>65,000,000</u>
		<u>318,616,333</u>	<u>287,783,374</u>
Less: Current maturity	25	<u>101,985,618</u>	<u>67,718,336</u>
		<u>216,630,715</u>	<u>220,065,038</u>
<b>19.1</b>	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 % and is chargeable & payable quarterly. During the year, the Company has swapped the term loan which was earlier taken from another commercial bank. This swap was primarily done to get better financing rates.		
	b) The above finance is repayable in 14 quarterly installments commencing 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 & machinery of the Company.		
<b>19.2</b>	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% with floor of 6% and cap of 15% 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 1st registered pari pasu equitable hypothecation charge over the fixed assets of the Company.		
<b>20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
This represents finance leases entered into with leasing companies for vehicles. The total lease rentals due under various lease agreements aggregate to Rs.1.217 million (2004: Rs.1.753 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 (2004: 7.75 to 17.25%) 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:			



## MIRPURKHAS SUGAR MILLS LIMITED



	2005		2004	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
With in one year	488,464	413,858	507,790	443,693
After one year but not more than five years	728,891	683,364	1,245,699	1,097,224
Total minimum lease payments	1,217,355	1,097,222	1,753,489	1,540,917
Less: Amount representing finance cost	120,133	-	212,572	-
Present value of minimum lease payments	1,097,222	1,097,222	1,540,917	1,540,917
Less: Current portion (note no. 25)	413,858	413,858	443,693	443,693
	<u>683,364</u>	<u>683,364</u>	<u>1,097,224</u>	<u>1,097,224</u>

	Note	2005 Rupees	2004 Rupees
<b>21. DEFERRED LIABILITIES</b>			
Quality premium	26.1.2 & 26.1.3	58,074,920	98,307,300
Market committee fee	26.1.4	11,414,031	12,914,031
		<u>69,488,951</u>	<u>111,221,331</u>
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors			
-- For goods supplied		17,220,003	14,271,660
-- Others		139,473	2,138,323
Accrued liabilities		5,854,162	3,550,696
Advances from customers			
-- Trading Corporation of Pakistan	22.1	200,760,933	250,837,000
-- Others		10,105,791	42,547,573
Deposits		1,199,805	196,305
Unclaimed dividend		1,457,282	1,460,120
Other liabilities	22.2	16,064,470	12,657,692
		<u>252,801,919</u>	<u>327,659,369</u>
<b>22.1</b>	During last year, the Company entered into agreements with Trading Corporation of Pakistan for forward sale of sugar. As per the accounting policy for revenue recognition of the Company, the sales in this regard has not been booked in these financial statements to the extent of unlifted quantity. As of September 30, 2005, sugar stock of 12,317 metric tons (2004:17,855 metric tons) was lying at factory.		
<b>22.2 Other liabilities</b>			
Surcharge on Cess payable		3,939,898	7,919,311
Suppliers income tax		67,654	25,304
Staff income tax		8,814	7,992
Sales tax		6,307,628	3,841,319
Workers' profits participation fund	22.2.1	5,365,374	-
Others		375,102	863,766
		<u>16,064,470</u>	<u>12,657,692</u>
<b>22.2.1</b>	This represents contribution for the current year. There is no outstanding liability relating to prior years in this regard.		



## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>23. ACCRUED MARK-UP</b>			
On long-term financing		6,382,407	320,548
On short-term running finance		95,180	1,680,836
On finance lease		7,200	9,707
		<u>6,484,787</u>	<u>2,011,091</u>
<b>24. SHORT TERM BORROWINGS</b>			
Short-term running finance			
Under mark-up arrangements - secured			
From commercial banks		-	97,228,416
		<u>-</u>	<u>97,228,416</u>
<b>Security:</b>			
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.			
<b>Mark-up:</b>			
These finances carry mark-up ranging between 9.25% to 9.40 % per annum (2004: 6% to 7.75%) payable quarterly.			
<b>Extent of facility</b>		<u>180 Million</u>	<u>180 Million</u>
Purchase price is repayable/renewable annually.			
<b>25. CURRENT PORTION OF LONG TERM BORROWINGS</b>			
Long-term financing	19	101,985,618	67,718,336
Liabilities against assets subject to finance lease	20	413,858	443,693
		<u>102,399,476</u>	<u>68,162,029</u>
<b>26. CONTINGENCIES AND COMMITMENTS</b>			
<b>26.1 CONTINGENCIES:</b>			
<b>26.1.1</b>	The Company has filed suits before the Honorable 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% 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.		
<b>26.1.2</b>	The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty paisas per forty Kg of sugar 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.		



## MIRPURKHAS SUGAR MILLS LIMITED



- 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.65.59 million pertaining to current season and Rs.40.23 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 Honorable 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.11.41 million (2004:12.91 million) has been made as a matter of prudence. The Government of Sindh has withdrawn the levy of market committee fee for the crushing season 2004-05.
- 26.1.5** Assistant Collector (Sales Tax Audit) raised demand of Rs.1.02 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% 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. No provision is made, as the management is confident that the outcome of the case 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% w.e.f 18/06/2001 does not change the legal position of further tax. However, the Company made the payment of 3% 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 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 case is pending with the Sindh High Court. Provision to the extent of payment has been made in the accounts as the Company is of the view that it is a fit and proper case which will be decided in favour of the Company, Pending outcome of the case, differential amount of the claim has not been recognised
- 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.0.45 million (2004:Rs.0.37 million). The Company is confident that the same is not likely to materialise.

### 26.2 COMMITMENTS

- 26.2.1** The Company has two forward sale contracts with Trading Corporation of Pakistan Limited (TCP) for an amount of Rs. 199.97 million (2004: Rs.278.04 million). The stock in this respect is already under custody of muccaddam appointed by the TCP.

	2005 Rupees	2004 Rupees
<b>26.2.2</b> Letters of credit issued by commercial banks for:		
- Capital expenditures	4,812,427	11,700,000
- Spares	2,782,520	1,900,000
- Raw sugar	62,207,915	-
	<u>69,802,862</u>	<u>13,600,000</u>



## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>27. TURNOVER - NET</b>			
Sugar			
Local		890,119,061	564,106,168
Export		-	5,665,480
		<u>890,119,061</u>	<u>569,771,648</u>
Less: Sales tax		<u>116,102,486</u>	<u>72,938,443</u>
		<u><u>774,016,575</u></u>	<u><u>496,833,205</u></u>
<b>28. COST OF SALES</b>			
Sugar cane crushed (including procurement & development expenses)		491,718,774	572,247,461
Stores and spare parts consumed		37,726,666	36,441,136
Packing material & expenses		7,392,997	8,772,708
Salaries, wages & other benefits	28.1	45,047,005	43,684,566
Water, fuel and power		9,077,455	8,385,644
Insurance		1,023,953	850,373
Repairs and maintenance		2,343,596	2,394,610
Vehicles expenses		4,098,014	3,936,734
Sugar handling expenses		228,054	317,214
Other expenses		2,461,471	1,991,757
Depreciation	4.1	14,584,216	14,755,629
		<u>615,702,201</u>	<u>693,777,832</u>
Sugar-in-process -Opening		863,350	829,920
-Closing	10	(1,005,106)	(863,350)
		<u>(141,756)</u>	<u>(33,430)</u>
		<u>615,560,445</u>	<u>693,744,402</u>
Less:			
Sale of molasses	28.2	60,765,556	35,589,386
Stock adjustment		16,541	483
Sale of bagasse	28.2	4,565,200	2,925,218
		<u>65,347,297</u>	<u>38,515,087</u>
Cost of goods manufactured		<u>550,213,148</u>	<u>655,229,315</u>
Purchase of finished goods	28.2	31,250,866	-
Finished goods - Opening		261,466,244	100,289,879
-Closing	10	(197,782,255)	(261,466,244)
		<u>63,683,989</u>	<u>(161,176,365)</u>
		<u><u>645,148,003</u></u>	<u><u>494,052,950</u></u>

**28.1** Salaries, wages & benefits Include Rs. 1.23 million (2004: Rs.1.05 million) in respect of staff retirement benefits.

**28.2** These figures are net off sales tax of Rs.9.11 million (2004 : Rs.5.34 million) in case of molasses, Rs.0.68 million (2004 : Rs. 0.44 million) in case of bagasse and Rs. 4.69 million (2004: Nil) in case of purchase of finished goods.



## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>29. DISTRIBUTION COST</b>			
Salaries, wages & other benefits	29.1	230,511	217,492
Insurance		558,955	234,123
Forwarding expenses		195,423	180,233
Brokerage & commission		73,280	55,415
		<u>1,058,169</u>	<u>687,263</u>
29.1	Salaries, wages & benefits include Rs. 0.01 million (2004: Rs.0.003 million) in respect of staff retirement benefits.		
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits	30.1	16,711,903	17,392,294
Directors' fee	37	42,000	36,000
Rent, rates and taxes		642,393	1,053,831
Postage, telegram and telephones		746,162	952,601
Conveyance and travelling		281,994	1,433,445
Printing and stationery		319,342	224,576
Entertainment		351,895	453,636
Vehicles expenses		603,727	711,458
Insurance		579,038	671,736
Repairs and maintenance		1,018,216	707,288
Subscription		287,795	201,720
Legal & professional charges		1,466,436	1,071,555
General expenses		166,298	106,212
Electricity and water		798,269	839,921
Meeting expenses		336,390	304,746
Depreciation	4.1	1,127,120	1,163,773
		<u>25,478,978</u>	<u>27,324,792</u>
30.1	Salaries, wages & benefits include Rs. 0.74 million (2004: Rs.1.21 million) in respect of staff retirement benefits.		
<b>31. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	31.1	161,375	131,345
Provision for stores obsolescence	9	2,500,000	1,200,000
Provision for doubtful growers' loans	11	600,000	300,000
Workers' profits participation fund	22.2	5,365,374	-
Charity and donation	31.2	24,000	46,798
		<u>8,650,749</u>	<u>1,678,143</u>
31.1 <b>Auditors' Remuneration</b>			
Annual audit fee		100,000	75,000
Half yearly review fee		35,000	35,000
Out of pocket expenses		26,375	21,345
		<u>161,375</u>	<u>131,345</u>
31.2	None of the Directors or their spouses had any interest in the donees.		



## MIRPURKHAS SUGAR MILLS LIMITED



	Note	2005 Rupees	2004 Rupees
<b>32. OTHER OPERATING INCOME</b>			
Dividend income from related parties:			
Cherat Cement Co. Limited		10,033,120	3,135,350
Cherat Papersack Limited		972,000	1,620,000
		11,005,120	4,755,350
Miscellaneous receipts		724,902	666,044
Profit on short-term investments		139,818	131,011
Mark-up on Provident fund balance		703,889	540,400
Gain on disposal of property, plant and equipment	4.2	1,891,570	19,886,390
Capital gain on sale of investments		28,406,990	-
Mark-up on growers' loans		177,301	701,842
Gain on remeasurement of investment		-	12,081
		<u>43,049,590</u>	<u>26,693,118</u>
<b>33. FINANCE COST</b>			
Mark-up on long-term financing		26,628,375	21,363,219
Mark-up on short-term borrowings		7,378,270	8,516,290
Financial charges on finance lease		99,820	500,451
Bank charges		681,695	493,836
		<u>34,788,160</u>	<u>30,873,796</u>
<b>34. PROVISION FOR TAXATION</b>			
Current		(4,751,316)	(2,932,001)
Prior years		(175,434)	-
Deferred		6,989,340	2,922,256
		<u>2,062,590</u>	<u>(9,745)</u>
<b>34.1</b>	The assessments of the company have been finalised up to tax year 2005.		
<b>34.2 Relationship between tax expense &amp; accounting profit</b>			
Profit before tax		<u>101,942,106</u>	<u>(31,090,621)</u>
Tax calculated @ 35% (2004: 35%)		35,679,737	-
Tax effect of income exempt from tax		(9,942,447)	-
Effect of applicability of lower tax rate on certain income		(3,301,536)	(1,426,605)
Tax effects of prior years' tax adjustments		175,434	-
Minimum tax provision		4,201,060	2,694,233
Computational adjustments		(1,332,426)	(1,277,373)
Tax effect of carried forward unabsorbed business losses		(23,417,232)	-
		<u>2,062,590</u>	<u>(9,745)</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 dividends is calculated under final tax regime.			
<b>35. EARNINGS/ (LOSS) PER SHARE- basic &amp; diluted</b>			
Net profit / (loss) for the year after taxation		<u>104,004,696</u>	<u>(31,100,366)</u>
Weighted average number of ordinary shares in issue during the year		<u>6,388,800</u>	<u>6,388,800</u>
Earnings / (loss) per share		<u>16.28</u>	<u>(4.87)</u>



## MIRPURKHAS SUGAR MILLS LIMITED



### 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, 2005 are summarised as follows:

	INTEREST / MARK-UP BEARING			NON-INTEREST / MARK-UP BEARING			(Rupees)	
	Less than one year	One to five years	Sub Total a	Less than one year	One to five years	Sub Total b	2005 Total (a+b)	2004
<b>Financial assets:</b>								
Investments	-	-	-	60,000,000	248,858,975	308,858,975	308,858,975	279,816,658
Loans & advances	8,588,966	24,310	8,613,276	-	-	-	8,613,276	6,679,732
Deposits	-	-	-	13,902,275	844,199	14,746,474	14,746,474	14,737,204
Other Receivables	-	-	-	2,161,162	-	2,161,162	2,161,162	6,220,004
Cash & Bank Balances	3,279,089	-	3,279,089	2,585,485	-	2,585,485	5,864,574	3,314,931
	<u>11,868,055</u>	<u>24,310</u>	<u>11,892,365</u>	<u>78,648,922</u>	<u>249,703,174</u>	<u>328,352,096</u>	<u>340,244,461</u>	<u>310,768,529</u>
<b>Financial Liabilities:</b>								
Long-term financing	101,985,618	216,630,715	318,616,333	-	-	-	318,616,333	287,783,374
Liabilities against assets subject to finance lease	413,858	683,364	1,097,222	-	-	-	1,097,222	1,540,917
Short-term borrowings	-	-	-	-	-	-	-	97,228,416
Trade & other payables	-	-	-	241,128,917	-	241,128,917	241,128,917	323,818,050
Accrued mark-up	-	-	-	6,484,787	-	6,484,787	6,484,787	2,011,091
Deferred liabilities	-	-	-	-	69,488,951	69,488,951	69,488,951	111,221,331
	<u>102,399,476</u>	<u>217,314,079</u>	<u>319,713,555</u>	<u>247,613,704</u>	<u>69,488,951</u>	<u>317,102,655</u>	<u>636,816,210</u>	<u>823,603,179</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.180 million (2004: Rs.167.762 million). Subsequent to the year end the company has arranged loan / guarantee facilities of up to Rs. 200 million from one of its associated companies.

#### 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 TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2005				2004				(Rupees)
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total	
	Fees	-	42,000	-	42,000	-	36,000	-	36,000
Remuneration & bonus	-	6,364,310	2,552,826	8,917,136	2,700,000	2,813,000	2,835,150	8,348,150	
Housing allowance	-	1,493,952	840,528	2,334,480	396,786	300,000	1,167,807	1,864,593	
Utilities	-	180,488	186,780	367,268	128,600	109,600	338,390	576,590	
Leave fare assistance	-	-	-	-	-	-	116,136	116,136	
Retirement benefits	-	614,608	113,558	728,166	180,000	165,000	217,157	562,157	
Others (Reimbursement of expenses)	-	151,674	-	151,674	34,263	84,824	-	119,087	
	-	<u>8,847,032</u>	<u>3,693,692</u>	<u>12,540,724</u>	<u>3,439,649</u>	<u>3,508,424</u>	<u>4,674,640</u>	<u>11,622,713</u>	
No. of persons (other than for fees)	-	2	3	5	1	2	3	6	

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.

37.1 Due to revision in the fourth schedule to the Companies Ordinance, 1984, the definition of executive has been changed. As per the new definition, executive means an employee, other than the chief executive and director, whose basic salary exceeds five hundred thousand rupees in the financial year. Previously, the threshold of basic salary was one hundred thousand rupees.

37.2 No remuneration was paid to the Chief Executive of the company.

### 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. Material transactions with related parties are given below :

Relationship	Nature of Transaction	2005 Rupees	2004 Rupees
Associated Companies	Services received	385,200	473,700
	Goods purchased	193,453	24,438
	Dividend received	11,005,120	4,755,350
	Loan received and paid during the year from a Private Ltd. Co.	43,500,000	-
	Mark-up paid on loan received from a Private Ltd. Co.	1,359,169	-
	Investment made	5,000,000	48,000,000
	Fixed assets sold - cost	-	9,736,666
	Insurance premium	482,988	288,329
Other related Parties	Charge for staff provident and gratuity funds	1,972,597	2,259,355



## MIRPURKHAS SUGAR MILLS LIMITED



### 39. 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	
2005	108	4,000	432,000	317,931
2004	132	4,000	528,000	498,424

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
2005	32,913
2004	47,456

### 40. NUMBER OF EMPLOYEES

The number of permanent employees at the balance sheet date is 227 (2004: 231).

### 41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on December 21, 2005 by the Board of Directors of the Company.

### 42. DIVIDEND APPROPRIATION

Subsequent to the year ended September 30, 2005, the Board of Directors has proposed a final cash dividend of Rs.1.25 per share, amounting to a total dividend of Rs.7.99 million (2004 : Nil), in its meeting held on December 21, 2005 for approval of the members at the Annual General Meeting. These financial statements do not reflect this dividend payable as explained in note 3.2.

### 43. GENERAL

43.1 Figures have been rounded off to the nearest rupee.

43.2 Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. Material reclassifications done for better presentation are as follows:

- Charity & donation has been reclassified from Administrative expenses to Other operating expenses.
- Brokerage & commission has been reclassified from Sales to Distribution cost.
- Selling expenses have been renamed as Distribution cost.

  
ASLAM FARUQUE  
Chief Executive

  
TARIQ FARUQUE  
Director



## MIRPURKHAS SUGAR MILLS LIMITED



### PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2005

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1,048	1	100	22,951	0.3592
446	101	500	118,556	1.8557
132	501	1,000	100,948	1.5801
210	1,001	5,000	470,317	7.3616
51	5,001	10,000	345,442	5.4070
12	10,001	15,000	144,077	2.2551
2	15,001	20,000	36,088	0.5649
2	20,001	25,000	50,000	0.7826
1	30,001	35,000	30,320	0.4746
1	60,001	65,000	64,042	1.0024
1	80,001	85,000	83,168	1.3018
1	105,001	110,000	108,500	1.6983
1	130,001	135,000	132,942	2.0809
1	150,001	155,000	151,646	2.3736
1	160,001	165,000	163,798	2.5638
1	175,001	180,000	176,797	2.7673
1	1,660,001	1,665,000	1,664,530	26.0539
1	2,520,001	2,525,000	2,524,678	39.5172
<b>1,913</b>			<b>6,388,800</b>	<b>100.0000</b>

### CATEGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 2005

Categories	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1,868	1,441,662	22.5655
Financial Institutions	15	1,692,247	26.4877
Insurance Companies	7	374,913	5.8683
Private Companies	7	2,685,885	42.0405
Charitable Trusts	2	5,269	0.0825
Joint Stock Companies	5	4,748	0.0743
Modaraba	1	3,000	0.0470
Investment Companies	6	180,862	2.8309
Others	2	214	0.0033
	<b>1,913</b>	<b>6,388,800</b>	<b>100.0000</b>



## MIRPURKHAS SUGAR MILLS LIMITED



### PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2005 ADDITIONAL INFORMATION

<b>SHAREHOLDERS' CATEGORY</b>	<b>NUMBER OF SHARES HELD</b>
<b>Associated Companies</b>	
Faruque (Private) Limited	2,524,678
Greaves Pakistan (Private) Limited	151,646
<b>Government Institutions</b>	
National Bank of Pakistan (Trustee Department)	1,664,530
Investment Corporation of Pakistan (ICP)	10,462
National Investment Trust Limited (NIT)	45
National Investment Trust Limited (Administration Fund)	13,028
<b>Directors, Chief Executive and their spouses</b>	
Mr. Mahmood Faruque	83,168
Mr. Mohammed Faruque	2,500
Mr. Aslam Faruque	4,750
Mr. Akbarali Pesnani	610
Mr. Arif Faruque	2,500
Mr. Tariq Faruque	6,597
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	10,397
<b>Executives</b>	-
<b>Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds</b>	382,591
<b>Shareholders holding 10% or more voting interest</b>	
Faruque (Private) Limited	2,524,678
National Bank of Pakistan (Trustee Department)	1,664,530



# MIRPURKHAS SUGAR MILLS LIMITED



## 41<sup>st</sup> 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 41<sup>st</sup> Annual General Meeting of the Company to be held on Thursday, 26th January, 2006 at 3:00 p.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.....2006

**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.**

Modern Motors House,  
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Fax: 92-21-5682839, 5688036, 5683425