



43rd Annual Report 2007



**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

CHIEF FINANCIAL OFFICER

Mr. Wasif Khalid

COMPANY SECRETARY

Mr. Abid A. Vazir

AUDITORS

Gardezi & Co.
Chartered Accountants

LEGAL ADVISER

K.M.S. Law Associates

BANKERS

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

REGISTERED OFFICE

Modern Motors House,
Beaumont Road,
Karachi-75530

FACTORY

Jamrao District,
Mirpurkhas.



MIRPURKHAS SUGAR MILLS LIMITED



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 43rd Annual General Meeting of the Company will be held on Monday, December 31, 2007 at 6:00 p.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on May 17, 2007.
2. To receive and consider the Audited Accounts of the Company for the year ended September 30, 2007 and the Reports of the Directors and the Auditors thereon.
3. To elect nine (9) directors of the company as fixed by the Board of Directors u/s 178(1) of the Companies Ordinance, 1984. The names of the retiring directors are (1) Mr. Mohammed Faruque (2) Mr. Mahmood Faruque (3) Mr. Akbarali Pesnani (4) Mr. Aslam Faruque (5) Mr. Arif Faruque (6) Mr. Tariq Faruque (7) Mr. Maqbool H. H. Rahimtoola - NIT (8) Mr. Gul Nawaz - NIT and (9) Mr. Rana Ahmed Khan - NIT.
4. To appoint Auditors for the year 2007/08 and to fix their remuneration. The retiring Auditors M/s. Gardezi & Co. (Chartered Accountants) have merged with M/s. Hyder Bhimji & Co. (Chartered Accountants). Therefore, M/s. Hyder Bhimji & Co. have given their consent to act as auditors of the Company for the year 2007/08.
5. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

**Abid A. Vazir
Company Secretary**

Karachi: December 3, 2007

NOTES:

1. The share transfer books of the company will remain closed from Monday, December 24, 2007 to Monday, December 31, 2007 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Registered Office of the company at the close of business on Friday, December 21, 2007 will be treated in time.
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. Any person, who intends to contest the election to the office of the Director or otherwise, file with the Company at its Registered Office not later than fourteen (14) days before the date of Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director.
4. The shareholders of the company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 are to be followed.
5. The shareholders of the company are requested to immediately notify the company of any change in their addresses.

STATUS OF INVESTMENT IN UNICOL LIMITED:

The Company had obtained the approval of its shareholders for investment of Rs. 128.67 million in Unicol Limited. However, keeping in view the financial requirements of Unicol Limited and the availability of credit facilities from banks, the Company has so far invested Rs. 100 million only. The remaining amount will be invested by Mirpurkhas Sugar Mills Limited (MSM) as and when required by Unicol Limited.



MIRPURKHAS SUGAR MILLS LIMITED



DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED SEPTEMBER 30, 2007

The Board of Directors place before you the financial results of the company together with the audited accounts for the year ended September 30, 2007.

OVERVIEW

The economy of the country continued to make steady progress with growth being witnessed in many sectors. During the year under review, owing to improved crop the company was able to crush 434,778 metric tons of sugarcane, reflecting an increase of almost 15% from last year. However, the effect of increased crushing could not be translated into higher profitability due to rise in production cost owing to low sucrose recovery and decline in the selling price of sugar. Sale of imported sugar at lower than anticipated price and imposition of additional sales tax and special excise duty also had an adverse impact on the financial position of the company. We closed the year with a net loss of Rs. 40.61 million as of September 30, 2007.

OPERATING PERFORMANCE

The crushing for the season 2006/07 commenced on November 12, 2006 compared with November 26 2005, last year. During the year, 434,778 metric tons of sugarcane was crushed compared with 379,618 metric tons of sugarcane crushed last year.

Key comparative data for the current year and that of previous year is as follows:

	Sep. 30, 2007	Sep. 30, 2006
• Crushing days	146	118
• Sugar cane crushed (metric tons)	434,778	379,618
• Raw sugar processed (metric tons)	-	3,660
• Sugar production (metric tons)	42,685	43,405
• Molasses production (metric tons)	21,450	18,549
• Sucrose recovery	9.82%	10.51%

SALES

During the year 2006/07, the company sold 47,095 metric tons of sugar, including 11,469 metric tons of imported sugar compared with 54,750 metric tons sold last year. However, selling price of sugar remained depressed during the year.

FINANCIAL PERFORMANCE

Compared with last year, sales in financial terms declined by Rs. 263 million, owing to lower volume and selling price. The gross profit margin also declined from 19% last year to 5% this year due to lower sale price coupled with increase in the overall cost of production and lower sucrose recovery. The overall financial results were further adversely affected due to payment of additional sales tax at a higher amount and imposition of special excise duty. Additionally, this year there was reduction in the Other Income as last year the company had benefited from capital gain on sale of shares. After accounting for the factors explained above, the net loss for the year comes to Rs. 40.61 million.

	Sep. 30, 2007 (Rs. in million)	Sep. 30, 2006 (Rs. in million)	Variance (In % age)
Net Sales	1,108.44	1,371.40	(19%)
Cost of Sales	(1,056.80)	(1,109.90)	(5%)
Gross Profit	51.64	261.50	(80%)
Other Income	7.44	50.74	(85%)
Other expenses & taxes	(99.69)	(142.99)	30%
Net (loss) / profit	(40.61)	169.25	(124%)



MIRPURKHAS SUGAR MILLS LIMITED



UNICOL LIMITED

The joint venture distillery project set up by the company in collaboration with Mehran Sugar Mills Ltd. and Faran Sugar Mills Ltd., commenced operations during the year and so far, we have exported 2,043 tons of ethanol. We are hopeful that Unicol will bring financial benefits to the company and its shareholders in the years ahead.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- The system of internal control has been effectively implemented and is continuously reviewed and monitored.
- The company is a going concern and there are no doubts about its ability to continue.
- There has been no material departure from the best practices of the code of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is attached.
- The company has been declaring regular dividends to its shareholders. However, it could not do so for the years 2000/01, 2001/02, 2002/03 & 2003/04 because of financial losses.
- The company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on September 30, 2007.

▪ Provident Fund	Rs. 91,101,345
▪ Gratuity Fund	Rs. 35,011,444

- In the year 2006/07, the Board of Directors of the company held five (5) meetings. The attendance record of each director is as follows:

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

- The pattern of shareholding is annexed.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary.
- Earnings per share during the year is Rs. (6.36) per share compared with Rs. 26.49 last year.

FUTURE PROSPECTS

Initial estimates for next year suggest that there will be an improved sugarcane crop in terms of yield per acre. However, this is likely to put further pressure on the selling price of sugar. The future prospects/results are also dependant on the stability in the selling price of sugar. In this scenario, we would like to urge the government to link the price of sugarcane with that of sugar to save the industry from the current crisis. We also request the government of Sind to resolve other critical issues like Quality Premium and Market Committee Fee. The government is also urged to readjust the rate for payment of sales tax. All these measures would enable the sugar mills to provide reasonable return to their shareholders.



MIRPURKHAS SUGAR MILLS LIMITED



Due to unprecedented increase in world oil prices, the demand for ethanol is likely to appreciate, which will benefit the company and its shareholders in the form of dividends from Unicol Ltd.

AUDITORS

The previous auditors M/s. Gardezi & Co., Chartered Accountants have merged into Hyder Bhimjee and Co. (Chartered Accountants). It is therefore proposed that M/s. Hyder Bhimjee and Co. (Chartered Accountants) be appointed as the auditors of the company for the year 2007/08.

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 staff for their dedication, loyalty and hard work.

On behalf of the Board of Directors


(MAHMOOD FARUQUE)
Chairman

Karachi: December 3, 2007



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 six 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 vision and mission statement/overall corporate strategy and significant policies of the Company.
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 Directors of Mirpurkhas Sugar Mills Ltd. are professionally qualified and experienced persons and are well aware of their duties and responsibilities. Further, an orientation course for Directors was conducted by the Company during the year to apprise Directors 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 3, 2007

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 3, 2007



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, 2007 prepared by the Board of Directors of Mirpurkhas Sugar Mills Limited to comply with the Listing Regulation No. 37, of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

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

Karachi: December 3, 2007

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 fulfills all statutory requirements of the Government and follows all applicable laws of the country.

Environmental Protection

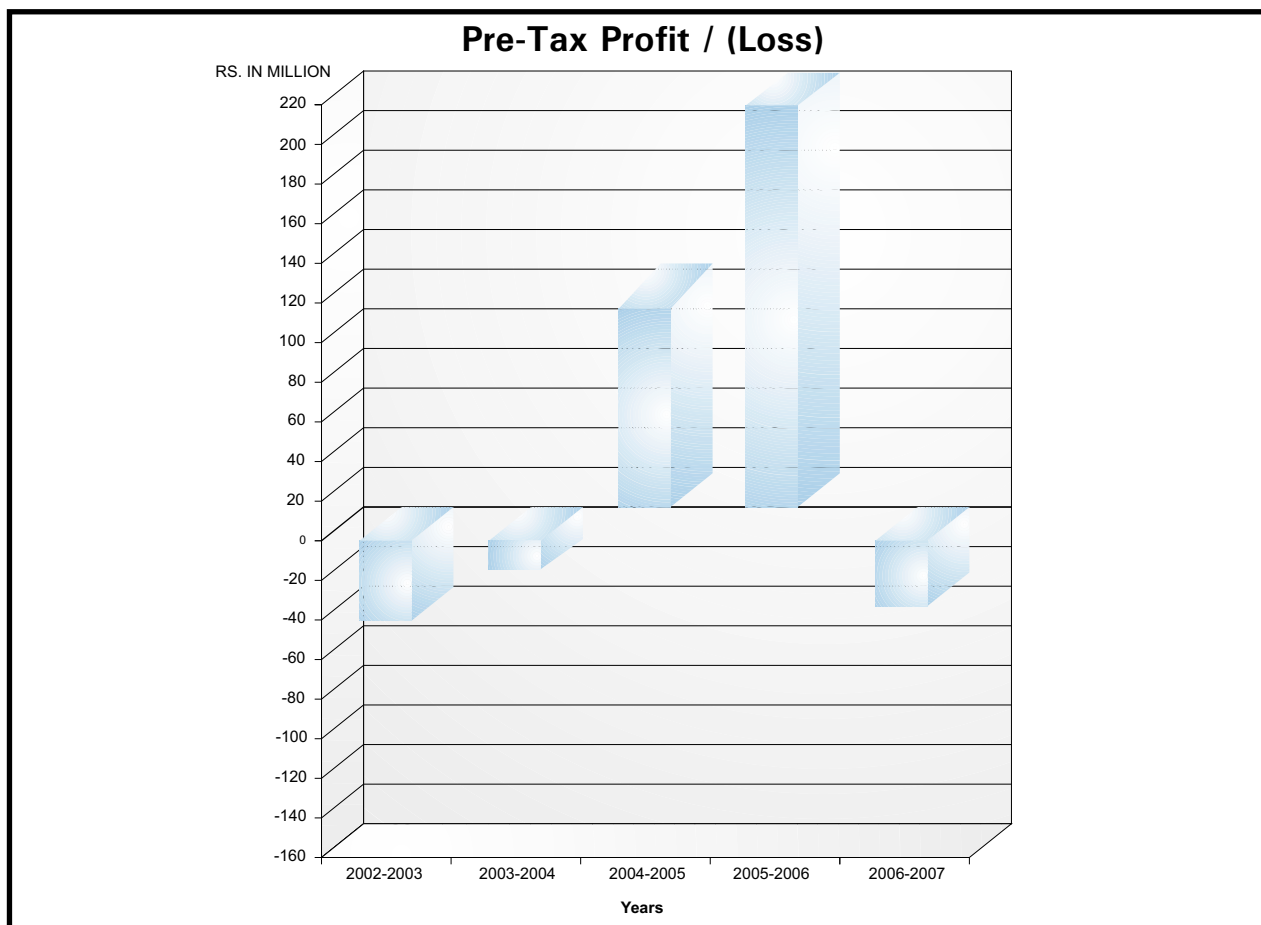
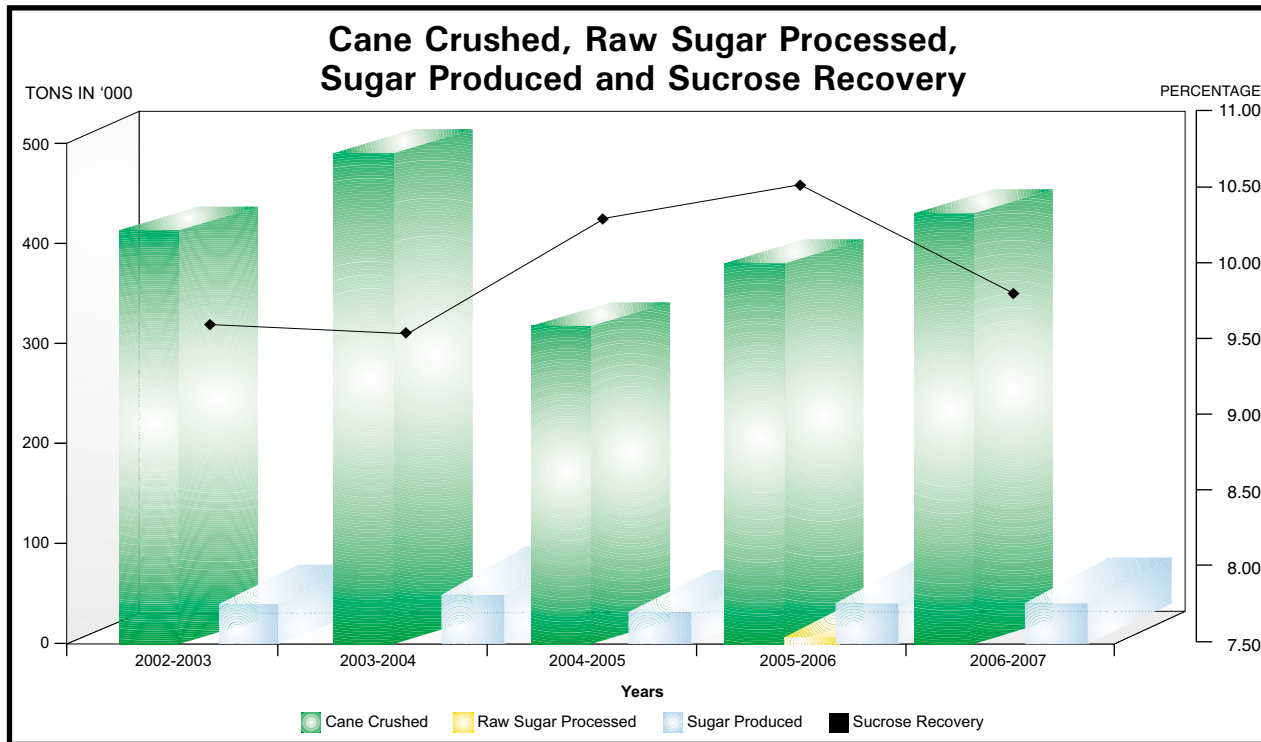
- The Company uses all means to protect the environment and to ensure health and safety of the work force. We have, and will continue to attain, necessary technology to ensure protection of the environment and well being of the people living in adjoining areas of our plant.

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.

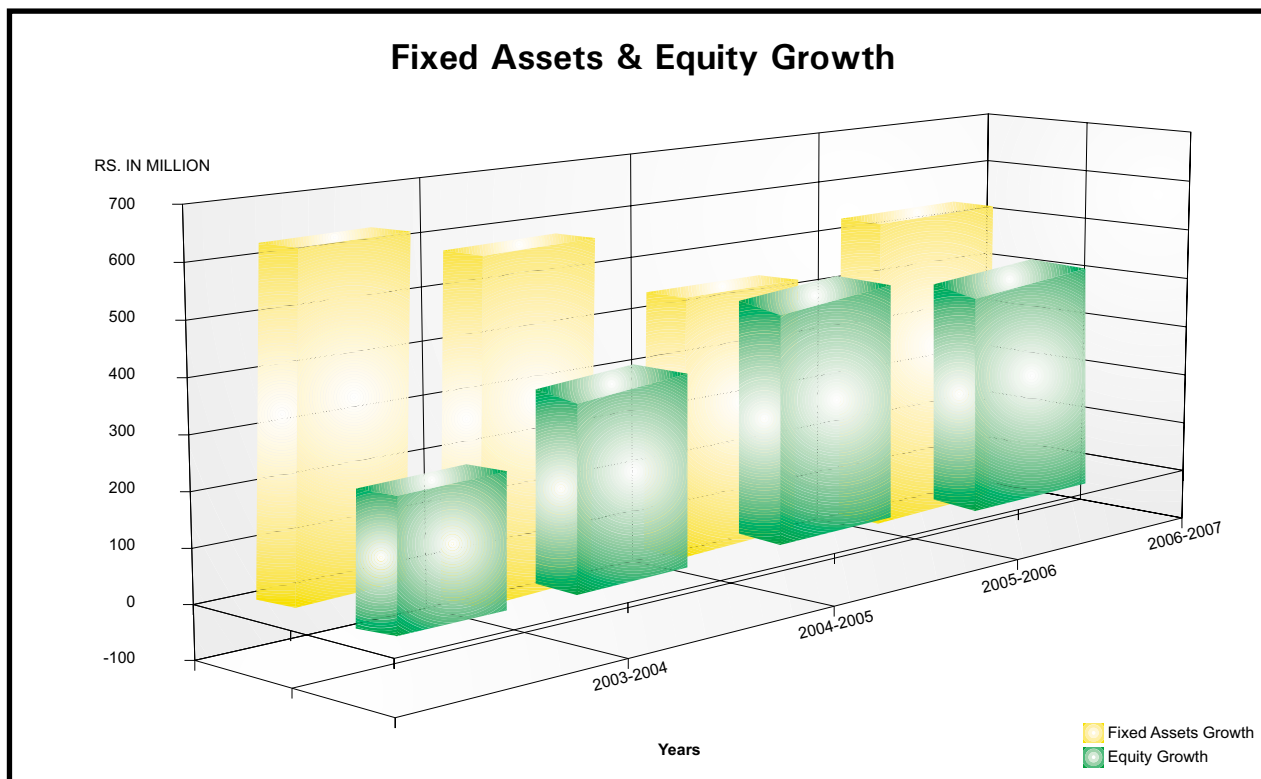
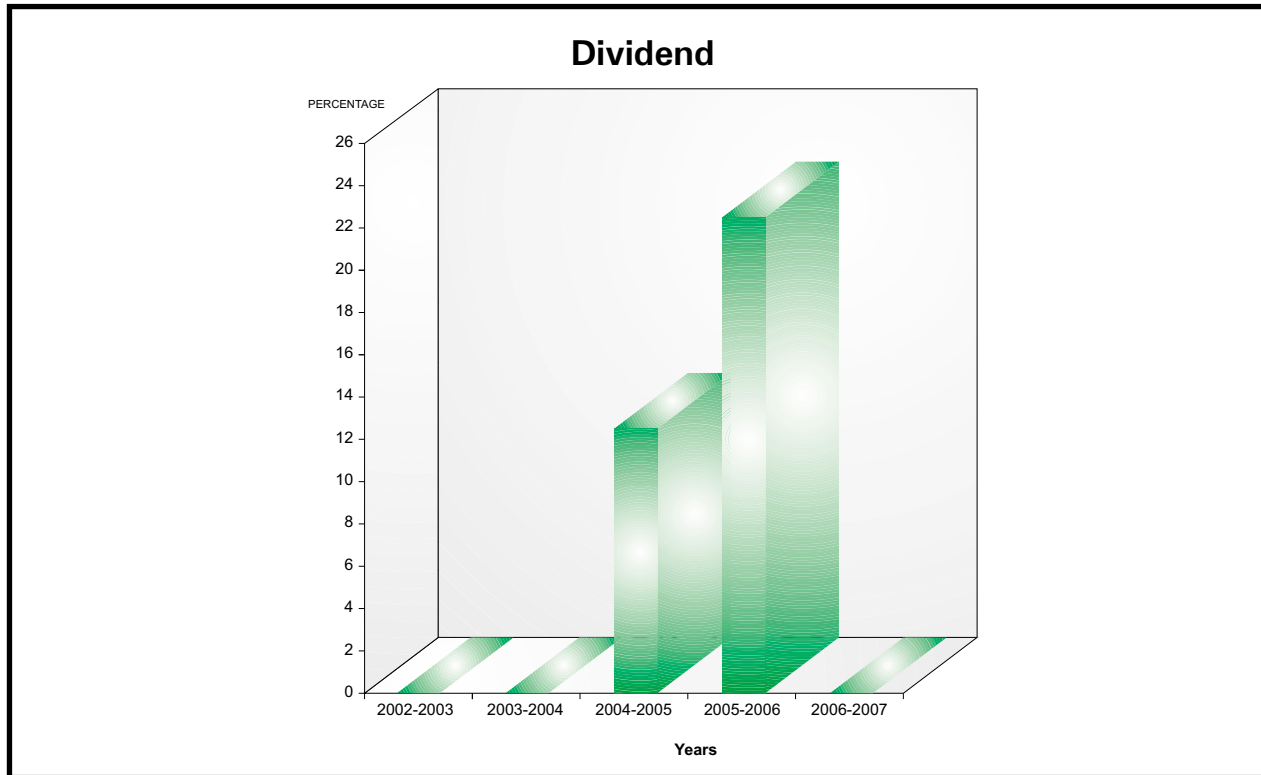


MIRPURKHAS SUGAR MILLS LIMITED





MIRPURKHAS SUGAR MILLS LIMITED





MIRPURKHAS SUGAR MILLS LIMITED



YEARWISE STATISTICAL SUMMARY

	2007	2006	2005	2004	2003	2002
	(Metric Tons)					
Sugarcane crushed	434,778	379,618	317,931	498,424	415,111	272,427
Sucrose recovery percentage	9.82	10.51	10.35	9.52	9.61	9.02
Sugar production	42,685	39,910	32,913	47,456	39,898	24,570
Molasses production	21,450	18,437	15,353	24,858	20,683	14,878
Imported raw sugar processed	-	3,660	-	-	-	-
Sugar made from raw sugar	-	3,495	-	-	-	-
Molasses produced from raw sugar	-	112	-	-	-	-
Refined Sugar imported	-	11,675	-	-	-	-
ASSETS EMPLOYED						
Tangible fixed assets - property plant and equipment	398,069	322,115	308,051	309,608	286,643	303,915
Long-term investments, loans, advances, deposits and deferred tax asset	94,977	80,761	268,196	292,120	150,891	20,629
Current assets	511,186	665,106	364,007	387,826	212,430	265,668
Total assets employed	<u>1,004,232</u>	<u>1,067,982</u>	<u>940,254</u>	<u>989,554</u>	<u>649,964</u>	<u>590,212</u>
FINANCED BY						
Shareholders equity	312,467	357,259	248,653	118,998	59,704	(13,416)
Surplus on revaluation of fixed assets	46,559	46,559	43,112	43,112	-	-
Long-term liabilities	31,826	114,880	217,314	221,162	222,845	14,193
Deferred liabilities	73,327	87,285	69,489	111,221	59,141	11,346
Current liabilities	540,053	461,999	361,686	495,061	308,274	578,089
Total funds invested	<u>1,004,232</u>	<u>1,067,982</u>	<u>940,254</u>	<u>989,554</u>	<u>649,964</u>	<u>590,212</u>
TURNOVER & PROFIT						
Turnover (net)	1,108,436	1,371,398	774,017	496,833	633,967	515,997
Operating profit / (loss)	15,200	266,862	136,730	(217)	(12,237)	(126,218)
(Loss) / profit before taxation	(50,519)	211,687	101,942	(31,091)	(59,619)	(148,443)
(Loss) / profit after taxation	(40,610)	169,252	104,005	(31,100)	(54,672)	(132,956)
Proposed dividend	-	14,375	7,986	-	-	-



MIRPURKHAS SUGAR MILLS LIMITED



RATIO ANALYSIS OF ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2007	2006
PROFITABILITY:		
Gross profit (percentage)	4.66	19.07
Operating profit (percentage)	1.37	19.46
(Loss) / profit before tax (percentage)	(4.56)	15.44
Net (loss) / profit after tax (percentage)	(3.66)	12.34
Earnings per share (before tax)	(7.91)	33.13
Earnings per share (after tax)	(6.36)	26.49
Net (loss) / profit after tax to total assets (average) (percentage)	(3.92)	16.86
(Decrease) / increase in net sales (percentage)	(19.17)	77.18
Labour cost percent of net sales	6.02	4.13
Raw & packing material as percent of cost of goods manufactured	92.56	96.40
Administrative expenses percent of net sales	3.80	2.25
Distribution cost percent of net sales	0.13	0.15
Finance cost percent of net sales	5.41	4.02
Other operating expenses percent of net sales	0.03	0.91
SHORT TERM SOLVENCY :		
Working capital ratio	0.95 : 1	1.43 : 1
Acid test ratio	0.61 : 1	0.71 : 1
Inventory turn over / times	4.06	4.15
OVERALL VALUATION AND ASSESSMENT:		
Return on equity after tax (percentage)	(13.00)	47.38
Book value per share	48.91	55.92
Long term debt to equity ratio	0.10	0.32



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, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion :
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2007 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: December 3, 2007

Gardezi & Co.
Chartered Accountants



MIRPURKHAS SUGAR MILLS LIMITED



BALANCE SHEET AS AT SEPTEMBER 30, 2007

	Note	2007 — (Rupees in '000) —	2006
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets - Property, plant and equipment	4	398,069	322,115
Long-term investment	5	94,237	80,000
Long-term deposits	6	740	761
		493,046	402,876
CURRENT ASSETS			
Stores, spare parts and loose tools	7	56,776	51,271
Stock-in-trade	8	183,799	336,408
Loans and advances	9	25,294	51,038
Deposits and prepayments	10	14,749	7,795
Other receivables	11	4,691	4,527
Short-term investments	12	212,216	202,023
Taxation-net	13	3,597	-
Cash and bank balances	14	10,064	12,044
		511,186	665,106
TOTAL ASSETS		1,004,232	1,067,982
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	15	150,000	150,000
Issued, subscribed and paid-up capital	15	63,888	63,888
Reserves	16	248,579	293,371
		312,467	357,259
SURPLUS ON REVALUATION OF FIXED ASSETS	17	46,559	46,559
NON - CURRENT LIABILITIES			
Long-term financing	18	31,826	114,645
Liabilities against assets subject to finance lease	19	-	235
Deferred liabilities	20	73,327	87,285
CURRENT LIABILITIES			
Trade and other payables	21	124,581	104,645
Accrued mark-up	22	12,106	8,439
Short-term borrowings	23	320,361	246,478
Current portion of long-term liabilities	24	83,005	102,437
		540,053	461,999
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		1,004,232	1,067,982

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, 2007

	Note	2007 — (Rupees in '000) —	2006
Turnover - net	26	1,108,436	1,371,398
Cost of sales	27	(1,056,801)	(1,109,903)
Gross profit		51,635	261,495
Distribution cost	28	(1,426)	(2,076)
Administrative expenses	29	(42,163)	(30,831)
Other operating expenses	30	(287)	(12,463)
		(43,876)	(45,370)
Other operating income	31	7,441	50,737
Operating profit		15,200	266,862
Finance cost	32	(59,956)	(55,175)
		(44,756)	211,687
Share of loss in associate	5.1.2	(5,763)	-
(Loss) / profit before taxation		(50,519)	211,687
Provision for taxation			
- Current		(6,064)	(7,771)
- Prior		953	-
- Deferred		15,020	(34,664)
	33	9,909	(42,435)
Net (loss) / profit after taxation		(40,610)	169,252
Earnings per share - basic and diluted (Rupees)	34	(6.36)	26.49

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, 2007

	Note	2007	2006
		— (Rupees in '000) —	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(50,519)	211,687
Adjustments for :			
Depreciation	4.1.1	20,695	16,796
Provision for doubtful growers' loan	30	-	500
Dividend income from related parties	31	(3,369)	(8,545)
Gain on disposal of property, plant and equipment	31	(585)	(3,701)
Capital gain on sale of investment	31	-	(33,870)
Finance cost	32	59,956	55,175
		<u>76,697</u>	<u>26,355</u>
Operating profit before working capital changes		26,178	238,042
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(5,505)	(7,926)
Stock-in-trade		152,609	(137,603)
Loans and advances		25,744	(27,297)
Deposits and prepayments		(6,954)	9,022
Other receivables		(164)	(1,343)
		<u>165,730</u>	<u>(165,147)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		19,611	(144,690)
Short-term borrowings		73,883	246,478
		<u>93,494</u>	<u>101,788</u>
Cash generated from operations		285,402	174,683
Finance cost paid		(56,252)	(53,142)
Income tax paid - net		(8,708)	3,999
Increase / (decrease) in deferred liabilities		1,062	(2,360)
		<u>(63,898)</u>	<u>(51,503)</u>
Net cash generated from operating activities		221,504	123,180
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(97,312)	(27,822)
Sale proceeds of property, plant and equipment-owned	4.2	1,248	4,111
Long-term Investment - net		(14,237)	8,045
Decrease in long-term loans and advances		-	25
Decrease in long-term deposits		21	83
Dividend received	31	3,369	8,545
Net cash used in investing activities		(106,911)	(7,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(537)	(488)
Long-term financing		(101,986)	(101,986)
Payment of dividend		(14,050)	(7,514)
Net cash used in financing activities		(116,573)	(109,988)
Net (decrease) / increase in cash and cash equivalents		(1,980)	6,179
Cash and cash equivalents at the beginning of the year		12,044	5,865
Cash and cash equivalents at the end of the year		<u>10,064</u>	<u>12,044</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, 2007

	Issued subscribed and paid-up capital	Reserves			Total	
		General Reserves	Fair value gain / (loss) on available-for- sale securities	Accumulated Profit / (Loss)		Total Reserves
(Rupees in ' 000)						
Balance as at October 01, 2005	63,888	14,250	243,836	(73,321)	184,765	248,653
Gain realized on sale of available-for-sale securities	-	-	(33,870)	-	(33,870)	(33,870)
Un-realized loss due to change in fair value of available-for-sale securities	-	-	(18,790)	-	(18,790)	(18,790)
Cash dividend for the year ended Sep. 30, 2005 @ Rs. 1.25 per share (12.50%)	-	-	-	(7,986)	(7,986)	(7,986)
Net profit for the year ended Sep. 30, 2006	-	-	-	169,252	169,252	169,252
Balance as at September 30, 2006	63,888	14,250	191,176	87,945	293,371	357,259
Balance as at October 01, 2006	63,888	14,250	191,176	87,945	293,371	357,259
Un-realized gain due to change in fair value of available-for-sale securities	-	-	10,193	-	10,193	10,193
Cash dividend for the year ended Sep. 30, 2006 @ Rs. 2.25 per share (22.50%)	-	-	-	(14,375)	(14,375)	(14,375)
Net loss for the year ended Sep. 30, 2007	-	-	-	(40,610)	(40,610)	(40,610)
Balance as at September 30, 2007	63,888	14,250	201,369	32,960	248,579	312,467

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, 2007

1. STATUS AND NATURE OF THE BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

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 derivatives and investments which are stated at their fair value, certain inventories which are valued at Net Realizable Value (NRV), certain employees benefits that are based on actuarial valuation and free hold land which stands at revalued amount.

3.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.4 to the financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.



MIRPURKHAS SUGAR MILLS LIMITED



b) Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

c) Classification of investments

The management has exercised its judgment in respect of classification of investments as disclosed in note 5 and 12 to the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

3.3 Taxation

a) Current

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

b) Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

3.4 Employees Retirement Benefits

a) Provident fund scheme

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

b) Gratuity scheme

The Company operates an approved and funded gratuity scheme for all of its eligible permanent employees. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with the actuarial valuation using Projected Unit Credit (PUC) method.



MIRPURKHAS SUGAR MILLS LIMITED



The PUC method used the following significant assumptions for the valuation of the scheme.

	2007	2006
	(% per anum)	
Discount rate	10	9
Expected rate of return on plan assets	10	10
Expected rate of salary increase	9	8

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized 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 recognized over the expected remaining working lives of the employees participating in the scheme.

Based on the actuarial valuation of gratuity scheme as of September 30, 2007. The fair value of scheme's assets and the present value of obligation under the scheme at the Balance Sheet date were as follows:

	2007	2006
	(Rupees in '000)	
Staff Gratuity Fund		
Present value of defined benefit obligation	13,494	19,370
Fair value of plan assets	(35,011)	(23,865)
Unrecognized actuarial gain	13,300	5,298
Benefits payable	9,000	-
Loan given to gratuity fund	(5,388)	(4,221)
Balance sheet net asset	<u>(4,605)</u>	<u>(3,418)</u>

Expense recognized

Current service cost	915	949
Interest cost	1,743	1,743
Expected return on plan assets	(2,386)	(2,387)
Actuarial gains recognized during the year	(291)	(305)
Expense recognized in the profit & loss account	<u>(19)</u>	<u>-</u>

Reconciliation at September 30

Opening net asset	(3,418)	(1,972)
Expense recognized as above	(19)	-
Payments made on behalf of gratuity fund during the year	(1,168)	(1,446)
Closing net asset	<u>(4,605)</u>	<u>(3,418)</u>

Composition of plan assets are as follows :

Defence Saving Certificates (DSC's)	27,397	27,404
Mutual funds	12,532	-
Amount in Bank	470	113

The expected return on plan assets was based on the market expectations & depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation. The return on plan assets was assumed to equal the discount rate.

	2007	2006
	(Rupees in '000)	
Actual return on plan assets		
Expected return on plan assets	2,387	2,387
Actuarial gain / (loss) on plan assets	9,925	(262)
Actual return on plan assets	<u>12,312</u>	<u>2,125</u>



MIRPURKHAS SUGAR MILLS LIMITED



3.5 Fixed Assets - Property, plant and equipment

a) Owned assets

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

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

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

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

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amount.

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

a) In Associate

Investment in an associate is accounted for using the equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the Profit and Loss Account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held. Profit / loss from material transactions with associate is eliminated. The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

b) Available-for-sale securities

Investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

After initial recognition, these are stated at fair values (except for unquoted investments where market does not exist) with any resulting gains or losses being taken directly to equity until the investment is disposed or impaired. At the time of disposal, the respective gain or loss is transferred to Profit and Loss Account.

c) Held-to-maturity investments

These represent investments with fixed maturity in respect of which the Company has the positive intent and ability to hold till maturity. These investments are carried at amortized cost.



MIRPURKHAS SUGAR MILLS LIMITED



d) Designated investments at fair value through profit or loss

Designated investments at fair value through profit or loss are initially recognized at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to Profit and Loss Account.

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 NRV. The cost of sugar in process includes cost of sugarcane and proportionate manufacturing expenses.

NRV 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 recognized and carried at original invoice amount less provision for any uncollectible amounts. Provision for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written-off, when there is no realistic prospect of recovery.

3.10 Revenue recognition

- a) Sales are recorded on dispatch of goods to customers.
- b) Income / return on investments, loans and advances and bank deposits is recognized on an accrual basis.
- c) Dividend income on equity investment is recognized, when the right to receive the same is established.
- d) Capital gains or losses on sales of investment are recognized in the period in which they arise.
- e) Mark-up on growers' loans is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.

3.11 Foreign currency transactions and translations

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into Pak Rupees at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling at the balance sheet date. Exchange differences are taken into the Profit and Loss Account.

3.12 Provisions

Provisions are recognized 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 recognized 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 capitalized for the period till the asset is commissioned for commercial use.

3.14 Related party transactions

All transactions with related parties are carried out by the Company using the methods prescribed under the Ordinance. Related party transactions are stated at arm's length basis substantiated in the manner given in Note no. 37 to the financial statements.

3.15 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

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

3.16 Offsetting of financial assets and liabilities

A financial asset and financial liability is only offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Incomes and expenses arising from such assets and liabilities are also accordingly offset.

3.17 Cash and cash equivalents

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

3.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4. TANGIBLE FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

Operating property, plant and equipment - owned
Assets subject to finance lease

Capital work-in-progress

4.1 Following is a statement of operating assets

2007 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 30-09-2007
	As at 01-10-2006	Additions/ (disposals) / transfers	As at 30-09-2007	As at 01-10-2006		Adjustment for depreciation on (disposals) / transfers	For the year	As at 30-09-2007	
OWNED ASSETS									
Land (free hold) (Note 4.3)	46,957	1,200	48,157	-	-	-	-	-	48,157
Building on free hold land:									
-Factory	20,700	330	21,030	10	18,317	-	271	18,588	2,442
-Non factory	17,526	3,399	20,925	10	15,691	-	269	15,960	4,965
Plant & machinery	545,944	93,252	639,196	5	303,153	-	15,578	318,731	320,465
Furniture & fittings	3,493	65	3,558	10	2,735	-	80	2,815	743
Computers & accessories	9,297	511	9,808	25	7,592	-	527	8,119	1,689
Office & other equipment	10,532	1,118	11,650	10	7,579	-	379	7,958	3,692
Vehicles	27,656	3,701 (2,368)	28,989	20	12,172	(1,705)	3,394	13,861	15,128
Total Owned Assets	682,105	103,576 (2,368)	783,313		367,239	(1,705)	20,498	386,032	397,281
OBTAINED UNDER FINANCE LEASE									
Vehicles	1,722	-	1,722	20	737	-	197	934	788
	683,827	103,576 (2,368)	785,035		367,976	(1,705)	20,695	386,966	398,069

2006 Particulars	C O S T / R E V A L U A T I O N				Rate of depreciation	D E P R E C I A T I O N			Book value as at 30-09-2006
	As at 01-10-2005	Additions/ (disposals) / transfers / revaluation	As at 30-09-2006	As at 01-10-2005		Adjustment for depreciation on (disposals) / transfers	For the year	As at 30-09-2006	
OWNED ASSETS									
Land (free hold) (Note 4.3)	43,509	3,448	46,957	-	-	-	-	-	46,957
Building on free hold land:									
-Factory	20,700	-	20,700	10	18,052	-	265	18,317	2,383
-Non factory	17,526	-	17,526	10	15,487	-	204	15,691	1,835
Plant & machinery	538,905	7,039	545,944	5	290,379	-	12,774	303,153	242,791
Furniture & fittings	3,493	-	3,493	10	2,651	-	84	2,735	758
Computers & accessories	8,894	582 (179)	9,297	25	7,242	(152)	502	7,592	1,705
Office & other equipment	10,198	408 (74)	10,532	10	7,330	(53)	302	7,579	2,953
Vehicles	16,290	13,529 (2,163)	27,656	20	11,554	(1,801)	2,419	12,172	15,484
Total Owned Assets	659,515	25,006 (2,416)	682,105		352,695	(2,006)	16,550	367,239	314,866
OBTAINED UNDER FINANCE LEASE									
Vehicles	1,722	-	1,722	20	491	-	246	737	985
	661,237	25,006 (2,416)	683,827		353,186	(2,006)	16,796	367,976	315,851

2007 Particulars	Note	2007 —(Rupees in '000)—	
		2007	2006
Operating property, plant and equipment - owned		397,281	314,866
Assets subject to finance lease	4.1	788	985
		398,069	315,851
Capital work-in-progress	4.4	-	6,264
		398,069	322,115

2006 Particulars	Note	2006 —(Rupees in '000)—	
		2006	2007
Manufacturing Expenses	27	19,440	15,704
Administrative Expenses	29	1,255	1,092
		20,695	16,796



MIRPURKHAS SUGAR MILLS LIMITED



Chitwan Tarouque
Group



MIRPURKHAS SUGAR MILLS LIMITED



4.2 Disposal of Property, Plant and Equipment

(Rupees in '000)

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to
VEHICLES							
Toyota Corolla Reg # AAM-406	783	699	84	270	186	Negotiation	Mr Riaz ul Haq (Outside Party) Lahore
Honda Civic Reg # ACR-235	995	797	198	485	287	Tender	Mr Salim Aziz (Outside Party) Karachi
Suzuki cultus Reg # AJJ-320	590	209	381	493	112	Tender	Mr Wasim Mirza (Outside Party) Karachi
2007	<u>2,368</u>	<u>1,705</u>	<u>663</u>	<u>1,248</u>	<u>585</u>		
2006	<u>2,416</u>	<u>2,006</u>	<u>410</u>	<u>4,111</u>	<u>3,701</u>		

4.3 Cost of free hold land includes Rs.46.56 million (2006 : Rs.46.56 million) in respect of revaluation surplus (Refer note no.17). Had the revaluation not been carried out the freehold land would have been stated at Rs.0.39 million (2006 : Rs.0.39 million).

4.4 Capital work-in-progress

	Note	2007 — (Rupees in '000) —	2006
Civil work		-	1,449
Plant & machinery		-	4,815
		<u>-</u>	<u>6,264</u>

5. LONG TERM INVESTMENT - In Associate

Unicol Limited 9,999,998 (2006: 7,999,998) fully paid ordinary shares of Rs.10/- each Equity held : 33.33 % (2006 : 33.33%)	5.1	100,000	80,000
Share of loss in associate	5.1.2	(5,763)	-
		<u>94,237</u>	<u>80,000</u>

5.1 Unicol Limited

The Company holds 33.33 percent (2006: 33.33 percent) interest in Unicol Limited, which is a public limited (Un-quoted) company. On May 17, 2007, the shareholders in Extra Ordinary General Meeting have given approval for further investment of Rs. 40 million (in addition to investment of Rs. 88.67 million already approved by the share holders of the Company in the equity of Unicol Limited. Subsequent to the approval of share holders, during the year the Company has made investment of Rs. 20 million as mentioned above. Unicol Limited has started its operations from August 01, 2007. Share of profit / loss arising from the associate has been taken to profit and loss account in accordance with the accounting policy as mentioned in note no. 3.6 to the financial statements. The share of Company in the net assets has been determined on the basis of the Un-audited financial statements for the year ended September 30, 2007.



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	Note	2007 — (Rupees in '000) —	2006
5.1.1	The Company's interest in assets & liabilities of an associate is as follows:		
Tangible fixed assets		251,232	101,105
Other long term assets		17,127	8,079
Current assets		63,974	13,999
		<u>332,333</u>	<u>123,183</u>
Long term liabilities		(178,527)	(31,899)
Current liabilities		(59,569)	(11,284)
		<u>(238,096)</u>	<u>(43,183)</u>
Net assets		<u>94,237</u>	<u>80,000</u>
5.1.2	The Company's share in profit and loss of an associate is as follows:		
Sales		19,732	-
Cost of goods sold		(16,845)	-
		<u>2,887</u>	<u>-</u>
Other expenses, income and taxes		(8,650)	-
		<u>(5,763)</u>	<u>-</u>
6.	LONG TERM DEPOSITS		
	These represent deposits for leases and other security deposits.		
7.	STORES, SPARE PARTS AND LOOSE TOOLS		
Stores		19,481	22,379
Spare parts		42,721	34,198
Loose tools		574	694
		<u>62,776</u>	<u>57,271</u>
Provision for obsolescence		(6,000)	(6,000)
		<u>56,776</u>	<u>51,271</u>
8.	STOCK-IN-TRADE		
Sugar	8.1 & 27	179,603	330,066
Sugar in process	27	1,312	1,098
Molasses		2,884	5,244
		<u>183,799</u>	<u>336,408</u>
8.1	The stock includes Nil metric tons (2006: 11,479 metric tons of imported sugar), valuing Rs.Nil (2006: Rs.302.23 million) at Net Realizable Value (NRV).		
9.	LOANS AND ADVANCES - Unsecured		
Considered good:			
Against expenses		14	39
To suppliers		9,660	21,252
Due from a related party	9.1	7,825	-
To employees classified as recoverable within next twelve months		148	44
Advance to staff against salary		-	174
To Provident fund trust		1,617	10,306
Against letters of credit		-	13,964
To sugar cane growers		6,030	5,021
To transport contractors		-	238
		<u>25,294</u>	<u>51,038</u>
Considered doubtful:			
Sugar cane growers	30	5,400	5,400
Provision there against		(5,400)	(5,400)
		<u>-</u>	<u>-</u>
		<u>25,294</u>	<u>51,038</u>



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9.1 The maximum aggregate amount due from a related party at the end of any month during the year was Rs.25 million (2006: Rs.Nil)

	Note	2007 — (Rupees in '000) —	2006
10. DEPOSITS AND PREPAYMENTS			
Deposits		500	500
Prepayments		1,685	1,671
Sales tax on sale of sugar		11,926	5,624
Special excise duty		638	-
		<u>14,749</u>	<u>7,795</u>
11. OTHER RECEIVABLES			
Sales tax on fixed assets	11.1	-	1,023
Receivable from employees' gratuity trust		4,605	3,418
Miscellaneous		86	86
		<u>4,691</u>	<u>4,527</u>

11.1 During the year, the Honourable Supreme Court of Pakistan has decided the case in favour of the department regarding sales tax on sales of fixed assets amounting to Rs. 1.023 million. Since the sum is already paid by the Company therefore, no liability will arise in this respect to the Company, while the expense has recognized during the year.

12. SHORT TERM INVESTMENTS

Available-for-sale securities-Related party Quoted:

Cherat Cement Company Limited
3,427,502 (2006: 2,980,437)
fully paid ordinary shares
of Rs.10/- each

Equity held : 3.58 % (2006: 3.58%) 12.1 156,294 190,748

Cherat Papersack Limited
259,200 (2006:259,200)
fully paid ordinary shares
of Rs.10/- each

Equity held : 4.41% (2006: 4.41%) 12.1 55,922 11,275
212,216 202,023

12.1 Quoted investments in related parties are stated at fair value. Unrealized gain of Rs. 201.369 million (2006: 191.176 million) from a change in the fair value of available-for-sale securities has been recognized directly in equity. Refer note no. 3.6(b) of the notes to the financial statements.

13. TAXATION - NET

Income tax - net of provision 3,597 -

14. CASH AND BANK BALANCES

With banks in:
Current accounts 14.1 6,123 938
PLS accounts 3,812 11,072
9,935 12,010
Cash in hand 129 34
10,064 12,044

14.1 Effective profit rate in respect of PLS accounts ranges from 1 to 2 percent per annum (2006: 1 to 2 percent per annum).



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	Note	2007	2006
		— (Rupees in '000) —	
15. SHARE CAPITAL			
15.1 Authorized capital:			
		Number of Shares	
		2007	2006
		<u>15,000,000</u>	<u>15,000,000</u>
	Ordinary shares of Rs. 10/- each	<u>150,000</u>	<u>150,000</u>
15.2 Issued, subscribed and paid-up capital:			
		Fully paid ordinary shares of Rs. 10/- each.	
		Number of Shares	
		1,770,000	1,770,000
	Issued for cash	<u>17,700</u>	<u>17,700</u>
		4,618,800	4,618,800
	Issued as fully paid bonus shares	<u>46,188</u>	<u>46,188</u>
		<u>6,388,800</u>	<u>6,388,800</u>
15.3	Following is the detail of shares held by the related parties.		
	Name of related parties	Number of shares	
	Faruque (Private) Limited	<u>2,524,678</u>	<u>2,524,678</u>
	Greaves Pakistan (Private) Limited	<u>151,646</u>	<u>151,646</u>
		<u>2,676,324</u>	<u>2,676,324</u>
16. RESERVES			
	The detailed reconciliation of reserves is disclosed in the statement of changes in equity.		
17. SURPLUS ON REVALUATION OF FIXED ASSETS			
	Surplus on revaluation of free hold land	<u>46,559</u>	<u>46,559</u>
	It represents revaluation of free hold land which has been carried out by independent valuers M/s Engineering Pakistan Int'l (Pvt.) Limited as of June 30, 2006 to determine the present (realizable) market value by enquiring from local active realtors. Revaluation surplus was credited to surplus on revaluation of fixed assets account.		
18. LONG TERM FINANCING - Secured			
	From banks :		
	Term Loan		
	Finance - I	18.1	95,478
	Finance - II	18.2	19,167
		<u>114,645</u>	<u>216,631</u>
	Less: Current maturity	24	82,819
		<u>31,826</u>	<u>114,645</u>
18.1	a)	It represents finance from a commercial bank in order to secure borrowings at competitive rates. This finance carries mark-up at 6 months average KIBOR + 1 percent and is chargeable and payable quarterly.	
	b)	The above finance is repayable in 14 quarterly installments which commenced from October 07, 2005 with a grace period of 6 months.	



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- c) The above finance is secured by registered pari passu equitable hypothecation charge over the plant and machinery of the Company.
- 18.2** a) It represents finance from a commercial bank in order to secure borrowings at competitive rates. This finance carries mark-up at 6 months treasury bills cut-off yield + 2.5 percent with floor of 6 percent and cap of 15 percent and is chargeable and payable quarterly.
- b) The above finance had a grace period of one year and is repayable in 6 semi-annual installments which commenced from August 25, 2005.
- c) The above finance is secured by registered pari passu equitable hypothecation charge over the fixed assets of the Company.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represents finance leases entered into with leasing companies for vehicles. The total lease rentals due under various lease agreements aggregate to Rs.0.191 million (2006: Rs.0.728 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 (2006: 7.75 to 10 percent per annum) 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 the lease term. The detail of finance lease liability is as follows:

	2007		2006	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	(Rupees in '000)			
With in one year	191	186	488	451
After one year but not more than five years	-	-	240	235
Total minimum lease payments	191	186	728	686
Less: Amount representing finance cost	5	-	42	-
Present value of minimum lease payments	186	186	686	686
Less: Current portion (note no. 24)	186	186	451	451
	-	-	235	235

	Note	2007	2006
		(Rupees in '000)	

20. DEFERRED LIABILITIES

Quality premium	25.1.2 and 25.1.3	52,819	55,283
Market committee fee	25.1.4	15,756	11,895
Surcharge on cess payable		3,556	3,891
Deferred tax liability - net	20.1	1,196	16,216
		<u>73,327</u>	<u>87,285</u>



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	Note	2007 — (Rupees in '000) —	2006
20.1 DEFERRED TAX LIABILITY - NET			
Taxable temporary differences arising in respect of :			
- Accelerated tax depreciation allowance		105,963	87,116
- Leased assets		210	104
- Provisions		-	-
		106,173	87,220
Deductible temporary differences arising in respect of :			
- Unabsorbed tax Losses		(84,815)	(56,906)
- Liabilities written back		(1,575)	(1,575)
- Turnover tax		(18,587)	(12,523)
		(104,977)	(71,004)
		<u>1,196</u>	<u>16,216</u>
21. TRADE AND OTHER PAYABLES			
Creditors			
- For goods supplied		16,047	20,986
- Others		565	1,209
Accrued liabilities		6,131	7,855
Advances from customers		81,776	41,864
Deposits		144	169
Unclaimed dividend		2,255	1,930
Other liabilities	21.1	17,663	30,632
		<u>124,581</u>	<u>104,645</u>
21.1 Other liabilities			
Suppliers income tax		90	681
Staff income tax		387	175
Sales tax		15,395	18,103
Special excise duty		1,029	-
Workers' profit participation fund	21.1.1	-	11,141
Others		762	532
		<u>17,663</u>	<u>30,632</u>
21.1.1 Workers' Profit Participation Fund			
Balance as on October 01		11,141	5,365
Interest there on	32	651	289
		<u>11,792</u>	<u>5,654</u>
Less: Payment during the year		11,792	5,654
		-	-
Add: Contribution for the year		-	11,141
		-	<u>11,141</u>
22. ACCRUED MARK-UP			
On long-term financing		2,900	4,930
On short-term borrowings		9,204	3,504
On finance lease		2	5
		<u>12,106</u>	<u>8,439</u>
23. SHORT TERM BORROWINGS			
Short-term running finances			
Under mark-up arrangements - secured	23.1	320,361	126,478
From a related party	23.2	-	120,000
		<u>320,361</u>	<u>246,478</u>



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23.1 The above finances are secured against hypothecation of sugar in bags duly insured and collaterally secured by pari-passu charge on other current assets of the Company. These finances carry mark-up ranging between 10.57 to 11.59 percent per annum (2006: 9.62 to 10.22 percent per annum) payable quarterly. The Company has total running finance facility of Rs.574 million (2006: Rs. 374 million), which is repayable / renewable annually.

23.2 This represents financing facility from a related party, Rs.Nil (2006: 120 million) for which all the corporate requirements have been duly complied in this regard by both the Companies. The rate is ranging from 11.06 to 11.41 percent per annum (2006: 9.77 to 10.20 percent per annum). The amount of loan is repayable within a period of three years or as and when required by the related party from time to time. Since the amount is repayable on demand, the management considers it to be a current liability.

	Note	2007	2006
(Rupees in '000)			
24. CURRENT PORTION OF LONG TERM LIABILITY			
Long-term financing	18	82,819	101,986
Liabilities against assets subject to finance lease	19	186	451
		<u>83,005</u>	<u>102,437</u>

25. CONTINGENCIES AND COMMITMENTS

25.1 CONTINGENCIES:

25.1.1 The Company has filed suits before the Honourable High Court of Sindh against the arbitrary action of Collector of Customs and Central Excise for denying the rebate claim related to the financial years 1991-92 and 1992-93. The Company is entitled to get 50 percent rebate in Excise Duty which amounts to Rs.11.15 million and Rs.1.14 million respectively on account of excess production during the years over the preceding years production. The Company has paid the amount demanded by the Government. The amount has already been charged off in the accounts. The management of the Company is of the view that outcome of the suit would be in favour of the Company.

25.1.2 The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty (50) paise per forty (40) Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent determined on over all sucrose recovery of each mill. The Company challenged the levy of quality premium before the Honorable High Court of Sindh, which decided the matter against the Company. Aggrieved with the judgment, the Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court, the Honorable Supreme Court granted stay. The Punjab government is not charging any quality premium in view of an earlier decision of Lahore High Court in a similar case in which the Court had declared the demand of quality premium as unlawful. The Company has recognised the financial impact, as a matter of prudence as described in note 25.1.3.

25.1.3 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.60.87 million pertaining to current season and Rs.2.46 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 financial statements (refer note no. 20), as a prudent accounting policy.

25.1.4 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchased at the factory. The Sindh High Court has granted status quo. Full provision of Rs.15.77 million (2006:13.57 million) has been made as a matter of prudence, which includes Rs.2.17 million for the crushing season 2006-07.

25.1.5 a) The Company challenged levy of further sales tax @1.5 percent under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the Honourable Supreme Court, and got stay order. The Honourable Supreme Court of Pakistan has set aside the case and referred it to the lower level. No provision is made in this regard since the management is confident that the outcome would be in Company's favour.



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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. During the year, Honourable Supreme Court of Pakistan has set aside the case and referred it to the tribunal level, where the Company appeal is pending. 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.

25.1.6 The Company challenged levy of professional tax under Finance Act 1999 in the Sindh High Court. Accepting Company's contention, the Honourable High Court granted relief. The Government has filed appeal against the judgment in the Honourable Supreme Court of Pakistan. No provision has been made since 1999-2000 for levy totaling Rs.0.61 million (2006: Rs.0.53 million). The Company is confident that the same is not likely to materialize.

	Note	2007	2006
		(Rupees in '000)	
25.2 COMMITMENTS			
25.2.1 Letters of credit issued by commercial banks for:			
- Capital work in progress		-	9,930
- Spare parts		-	8,748
		<u>-</u>	<u>18,678</u>
25.2.2 Corporate guarantee issued on behalf of Unicol Limited.		<u>138,000</u>	<u>138,000</u>
26. TURNOVER - NET			
Gross sales		1,294,507	1,591,383
Less: Sales tax		183,381	219,985
Special excise duty		2,690	-
		<u>186,071</u>	<u>219,985</u>
		<u>1,108,436</u>	<u>1,371,398</u>
27. COST OF SALES			
Sugar cane crushed (including procurement and development expenses)		828,519	799,253
Raw sugar consumed		-	61,362
Stores and spare parts consumed		25,063	37,683
Packing material and expenses		10,363	10,199
Salaries, wages and other benefits	27.1	66,702	56,669
Water, fuel and power		8,699	8,290
Insurance		1,482	1,479
Repairs and maintenance		4,029	3,919
Vehicles expenses		5,306	5,752
Sugar handling expenses		274	689
Other expenses		2,672	2,512
Depreciation	4.1.1	19,440	15,704
		<u>972,549</u>	<u>1,003,511</u>
Sugar-in-process - Opening		1,098	1,005
- Closing	8	(1,312)	(1,098)
		<u>(214)</u>	<u>(93)</u>
		<u>972,335</u>	<u>1,003,418</u>
Less: - Sale of molasses	27.2	55,569	85,300
- Stock adjustment		(2,360)	5,226
- Sale of bagasse	27.2	12,788	9,565
		<u>65,997</u>	<u>100,091</u>
Cost of goods manufactured		<u>906,338</u>	<u>903,327</u>
Purchase of finished goods	27.2	-	338,860
Finished goods - Opening		330,066	197,782
- Closing	8	(179,603)	(330,066)
		<u>150,463</u>	<u>(132,284)</u>
		<u>1,056,801</u>	<u>1,109,903</u>



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27.1 Salaries, wages and other benefits include Rs. 2.13 million (2006: Rs.1.28 million) in respect of staff retirement benefits.

27.2 These figures are net off sales tax of Rs. 3.81 million (2006 : Rs.12.79 million) in case of molasses, Rs.1.92 million (2006 : Rs. 1.43 million) in case of bagasse and Rs. Nil (2006: Rs. 46.79 million) in case of purchase of finished goods.

	Note	2007 — (Rupees in '000)—	2006
28. DISTRIBUTION COST			
Salaries, wages and other benefits	28.1	297	238
Insurance		836	1,152
Sugar dispatch expenses		-	349
Forwarding expenses		201	274
Brokerage and commission		92	63
		<u>1,426</u>	<u>2,076</u>

28.1 Salaries, wages and other benefits include Rs. 0.013 million (2006: Rs. 0.01 million) in respect of staff retirement benefits.

29. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	29.1	23,875	18,347
Directors' fee	36	105	111
Rent, rates and taxes		2,914	1,458
Postage, telegram and telephones		817	777
Conveyance and travelling		2,813	2,197
Printing and stationery		277	367
Entertainment		493	423
Vehicles expenses		1,676	774
Insurance		1,068	491
Repairs and maintenance		2,335	1,328
Subscription		368	365
Legal and professional charges		1,894	1,281
General expenses		783	326
Electricity and water		1,190	885
Meeting expenses		300	609
Depreciation	4.1.1	1,255	1,092
		<u>42,163</u>	<u>30,831</u>

29.1 Salaries, wages and other benefits include Rs. 0.91 million (2006: Rs. 0.52 million) in respect of staff retirement benefits.



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	Note	2007 — (Rupees in '000) —	2006
30. OTHER OPERATING EXPENSES			
Auditors' remuneration	30.1	202	218
Provision for doubtful growers' loans	9	-	500
Workers' profit participation fund	21.1	-	11,141
Charity and donation	30.2	85	604
		<u>287</u>	<u>12,463</u>
30.1 Auditors' Remuneration			
Annual audit fee		125	125
Other services		50	50
Out of pocket expenses		27	43
		<u>202</u>	<u>218</u>
30.2	None of the Directors or their spouses had any interest in the donees.		
31. OTHER OPERATING INCOME			
Dividend income from related parties:			
Cherat Cement Co. Limited		2,980	7,573
Cherat Papersack Limited		389	972
		<u>3,369</u>	<u>8,545</u>
Miscellaneous receipts		1,714	1,966
Profit on PLS and deposit accounts with banks		686	630
Mark-up on provident fund balance		741	830
Gain on disposal of property, plant and equipment	4.2	585	3,701
Capital gain on sale of investment		-	33,870
Mark-up on growers' loans		346	1,195
		<u>7,441</u>	<u>50,737</u>
32. FINANCE COST			
Mark-up on long-term financing		18,501	27,432
Mark-up on short-term borrowings		33,186	14,889
Mark-up on loan from a related party		7,085	11,654
Financial charges on finance lease		34	76
Interest on Workers' profit participation fund	21.1.1	651	289
Bank charges		499	835
		<u>59,956</u>	<u>55,175</u>
33. PROVISION FOR TAXATION			
Since the Company has no taxable income hence, provision for current year taxation is based on minimum tax U/S 113 of the Income Tax Ordinance, 2001. Tax on dividend is calculated under final tax regime. The assessment of the company have been finalized up to tax year 2007.			



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	Note	2007 — (Rupees in '000) —	2006
33.1 Relationship between tax expense and accounting profit			
(Loss) / profit before tax		<u>(50,519)</u>	<u>211,687</u>
Tax calculated @ 35% (2006: 35%)		-	74,090
Tax effect of income exempt from tax		-	(11,854)
Effect of applicability of lower tax rate on certain income		(168)	(2,564)
Tax effects of prior years' tax adjustments		953	-
Effects of turnover tax		(5,896)	(5,179)
Computational adjustments		(12,890)	20,023
Tax effect of carried forward unabsorbed business losses		<u>27,910</u>	<u>(116,951)</u>
		<u>9,909</u>	<u>(42,435)</u>
34. EARNINGS PER SHARE- basic and diluted			
Net (loss) / profit for the year after taxation (Rs. in '000)		<u>(40,610)</u>	<u>169,252</u>
Weighted average number of ordinary shares in issue during the year		<u>6,388,800</u>	<u>6,388,800</u>
Earnings per share (Rupees)		<u>(6.36)</u>	<u>26.49</u>

35. FINANCIAL INSTRUMENTS

35.1 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, 2007 are summarised as follows:

	INTEREST / MARK-UP BEARING			NON-INTEREST / MARK-UP BEARING			2007 Total (a+b)	2006
	Less than one year	One to five years	Sub Total (a)	Less than one year	One to five years	Sub Total (b)		
Financial assets:	(Rupees in '000)							
Long-term Investments	-	-	-	-	94,237	94,237	94,237	80,000
Loans & advances	7,795	-	7,795	17,499	-	17,499	25,294	15,371
Long-term deposits	-	-	-	500	740	1,240	1,240	1,261
Other receivables	-	-	-	4,691	-	4,691	4,691	3,504
Short-term Investments	-	-	-	212,216	-	212,216	212,216	202,023
Cash & bank balances	3,812	-	3,812	6,252	-	6,252	10,064	12,044
	<u>11,607</u>	<u>-</u>	<u>11,607</u>	<u>241,158</u>	<u>94,977</u>	<u>336,135</u>	<u>347,742</u>	<u>314,203</u>
Financial Liabilities:								
Long term financing	82,819	31,826	114,645	-	-	-	114,645	216,631
Liabilities against assets subject to finance lease	186	-	186	-	-	-	186	686
Short-term borrowings	320,361	-	320,361	-	-	-	320,361	246,478
Trade & other payables	-	-	-	108,157	-	108,157	108,157	86,542
Accrued mark-up	-	-	-	12,106	-	12,106	12,106	8,439
Deferred liabilities	-	-	-	-	73,327	73,327	73,327	87,285
	<u>403,366</u>	<u>31,826</u>	<u>435,192</u>	<u>120,263</u>	<u>73,327</u>	<u>193,590</u>	<u>628,782</u>	<u>646,061</u>

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



MIRPURKHAS SUGAR MILLS LIMITED



35.2 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.254 million (2006: Rs.248 million). The company has arranged loan / guarantee facilities of up to Rs. 200 million from one of its related parties during the last year.

35.3 Foreign exchange risk management

Foreign currency risk arises where financial instruments contain receivables & payables in foreign currency. The Company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate.

35.4 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.

35.5 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.

35.6 Fair value of financial instruments

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

Particulars	2007				(Rupees in '000) 2006		
	Chief Executives	Directors	Executives	Total	Directors	Executives	Total
Remuneration & bonus	5,883	9,687	3,499	19,069	8,222	2,448	10,670
Housing allowance	725	2,074	1,356	4,155	1,909	937	2,846
Utilities	462	271	301	1,034	271	208	479
Retirement benefits	483	850	252	1,585	750	79	829
Fees	20	85	-	105	111	-	111
	<u>7,573</u>	<u>12,967</u>	<u>5,408</u>	<u>25,948</u>	<u>11,263</u>	<u>3,672</u>	<u>14,935</u>
No. of persons (other than for fees)	<u>1</u>	<u>2</u>	<u>2</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>4</u>

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.

No remuneration was paid to the Chief Executives during last year.

37. TRANSACTIONS WITH RELATED PARTIES

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



MIRPURKHAS SUGAR MILLS LIMITED



Relationship	Nature of Transaction	2007 (Rupees in '000)	2006
Group Companies	Services received	707	646
	Goods purchased	470	149
	Goods sold	54,918	-
	Dividend received	3,369	8,545
	Dividend paid	6,022	3,345
	Loan received / paid during the year from a Private Limited. Co.	-	61,000
	Loan received / paid during the year from a Public Limited. Co.	120,000	-
	Mark-up on loan paid to a Private Limited. Co.	-	3,178
	Mark-up on loan paid to a Public Limited. Co.	7,085	-
	Investment made	20,000	27,000
	Other related parties	Insurance premium	898
Contribution to staff provident and gratuity funds		3,054	1,800

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

38. RECENT ACCOUNTING DEVELOPMENTS

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

Description	Effective from accounting period beginning on or after
IAS-1 Presentation of Financial Statements amendments relating to capital disclosures	January 1, 2007
IAS-23 (Revised) Borrowing Costs	January 1, 2009
IAS-41 Agriculture	January 1, 2009
IFRS-2 Share based payment	December 6, 2006
IFRS-3 Business combinations	December 6, 2006
IFRS-5 Non current Assets Held for Sale and Discontinued Operations	December 6, 2006
IFRS-6 Exploration for and Evaluation of Mineral Resources	December 6, 2006

In addition, interpretation in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Institute of Chartered Accountants of Pakistan has also issued a standard IFAS-2 (Ijarah), which has been notified by the SECP and is effective from accounting period beginning on or after July 01, 2007.

The Company expects that the adoption of the above standards, amendments and interpretations will have no material impact on the Company's financial statements.



MIRPURKHAS SUGAR MILLS LIMITED



39. CAPACITY AND PRODUCTION

Year	No. of days Mill operated	Crushing Capacity		Actual Crushing
		M.Tons Per day	Total crushing on the basis of No. of days mill operated M.Tons	M.Tons
2007	146	4,500	657,000	434,778
2006	118	4,000	472,000	379,618

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
2007	42,685
2006	43,405

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on December 3, 2007 by the Board of Directors of the Company.

41. CORRESPONDING FIGURES

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

42. GENERAL

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


ASLAM FARUQUE
Chief Executive


TARIQ FARUQUE
Director



MIRPURKHAS SUGAR MILLS LIMITED



PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2007

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1033	1	100	22,978	0.3597
354	101	500	89,323	1.3981
90	501	1000	63,191	0.9891
135	1001	5000	294,885	4.6157
26	5001	10000	174,526	2.7317
5	10001	15000	59,860	0.9370
3	15001	20000	55,698	0.8718
1	80001	85000	83,168	1.3018
1	100001	105000	104,600	1.6372
1	150001	155000	151,746	2.3752
1	160001	165000	163,798	2.5638
1	175001	180000	176,797	2.7673
1	635001	640000	637,200	9.9737
1	815001	820000	819,932	12.8339
1	840001	845000	844,598	13.2200
1	2645001	2650000	2,646,500	41.4241
1655			6,388,800	100.0000

CATEGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 2007

Categories	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1,608	1,415,688	22.1589
Financial Institutions	16	1,682,097	26.3288
Insurance Companies	3	171,429	2.6833
Private Companies	5	9,500	0.1487
Charitable Trust	3	11,115	0.1740
Joint Stock Companies	11	2,917,896	45.6721
Investment Companies	4	1,060	0.0166
Others	5	180,015	2.8177
	1,655	6,388,800	100.0000



MIRPURKHAS SUGAR MILLS LIMITED



PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2007 ADDITIONAL INFORMATION

SHAREHOLDERS' CATEGORY	NUMBER OF SHARES HELD
Associated companies	
Faruque (Private) Limited	2,646,500
Greaves Pakistan (Private) Limited	151,746
Government Institutions	
National Bank of Pakistan (Trustee of NIT)	819,932
National Bank of Pakistan (Trustee of NIT)	844,598
Investment Corporation of Pakistan (ICP)	387
National Investment Trust Limited (Administration Fund)	13,028
Directors, Chief Executive and their spouses	
Mr. Mahmood Faruque	83,168
Mr. Mohammed Faruque	2,500
Mr. Aslam Faruque	4,750
Mr. Akbarali Pesnani	19,610
Mr. Arif Faruque	14,091
Mr. Tariq Faruque	6,597
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	10,397
Executives	-
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	190,056
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	2,646,500
National Bank of Pakistan (Trustee of NIT)	819,932
National Bank of Pakistan (Trustee of NIT)	844,598



MIRPURKHAS SUGAR MILLS LIMITED



43rd 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 43rd Annual General Meeting of the Company to be held on Monday, 31st December, 2007 at 06:00 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.....2007

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

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

Circular No.1 of 2000

Sub : GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

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

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

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

B. Appointment of Proxies :

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

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



MIRPURKHAS SUGAR MILLS LTD.

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UAN: 111-354-111 Tel: 021-5682565-67, 5682569-70
Fax: 92-21-5682839, 5688036, 5683425