



just add **sugar**

Annual Report  
2011



Mirpurkhas Sugar  
Mills Limited

A Ghulam Faruque Group Company

# introduction



When we think of sugar, we instantly think of added sweetness. However, this amazing product, its properties and by-products will surprise you.

Though in varying quantities, you will find sugar in most products; it is used to balance flavours, for instance the paradox of bitter sweet; it makes sour flavours more palatable; it intensifies saltiness.

Sugar is a preservative and makes foods last longer retaining food values, colour and freshness.

Sugar can also alter the chemical processes of non - food items. It is widely used in the construction and film industries.

From our first production 47 years ago to the final bag of every crushing season, we at Mirpurkhas Sugar Mills take pride in every gain of sugar produced. We are honoured to be manufacturers of one of the oldest and widest used commodities in the world.



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## alters flavours

Sugar creates a flavour change in sweet food products such as biscuits, chocolates, beverages, cakes, etc.









## fresher for longer

A spoonful of sugar helps flowers to stay fresher for longer when added to their water.







## boiling & freezing points

Sugar raises the boiling point or lowers the freezing point in certain recipes, for example, ice cream.









## slowly and surely

Sugar is added to concrete to slow down the setting process.









# VIS

## vision

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.



# DRD



# mission

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.







# strategic objectives

## Effective use of resources and management of operating cost:

- Effective use of resources and optimized capacity utilization;
- Modernization of production facilities to ensure the most efficient processing of sugar cane and better sucrose recovery;
- Sustaining costs, based on strong skills of continuous improvement in operations, development and implementation of effective technical solutions;
- Further improvement in corporate governance through optimization of management processes.

## Development of sugar cane and growth in sugar and allied businesses:

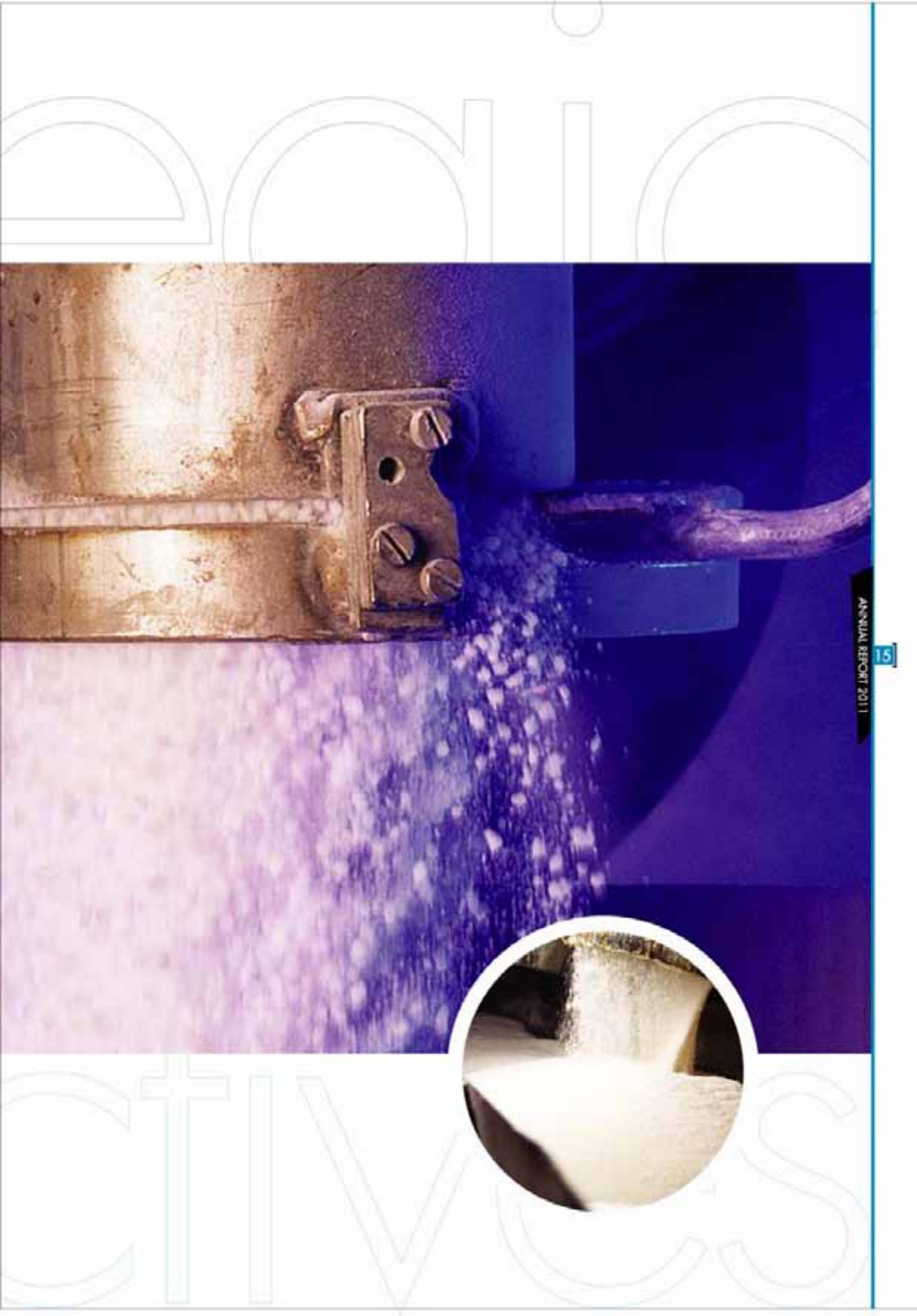
- Active participation in developing new varieties of sugar cane in adjoining areas;
- Search for growth opportunities for existing business through strategic acquisitions and establishing partnerships in prospective sectors of sugar and allied industry.

## Sustainable development in the region in which the Company operates:

- Personnel development, creating a proper environment for growth of highly skilled professionals, ensuring safe labor environment, competitive staff remuneration and social benefits in accordance with the scope and quality of their work;
- Compliance with environmental standards, both local and at the international level;
- Helping and implementing projects that lead to social and economic development of communities.









## 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 & 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.
- Keep the interest of the Company before that of the individual.





# 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. Muhammad Iqbal Hussain (NIT)	Director
Mr. Taufique Habib	Director

## Audit Committee

Mr. Akbarali Pesnani	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member
Mr. Maqbool H.H. Rahimtoola	Member

## Executive Director & Chief Financial Officer

Mr. Wasif Khalid

## Executive Director & Company Secretary

Mr. Abid A. Vazir

## Auditors

Hyder Bhimji & Co.  
Chartered Accountants

## Legal Advisor

K.M.S. Law Associates

## Share Registrar

Central Depository Company of Pakistan  
CDC House, 99 - B, Block - B, S.M.C.H.S.  
Main Shahrahe-Faisal, Karachi.

## Bankers

Allied Bank Ltd.  
Bank Alfalah Ltd.  
Bank Al Habib Ltd.  
Habib Bank Ltd.  
MCB Bank Ltd.  
Meezan Bank Ltd.  
National Bank of Pakistan  
NIB Bank Ltd.  
Soneri Bank Ltd.  
United Bank Ltd.

## Registered Office

Modern Motors House  
Beaumont Road  
Karachi - 75530.

## Factory

Post Office Jamrao  
District Mirpurkhas  
Sindh



only



not

# notice of annual general meeting

Notice is hereby given that the 47th Annual General Meeting of the Company will be held on Tuesday, January 31, 2012 at 3:00 p.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi, to transact the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended September 30, 2011 and the Reports of the Directors and the Auditors thereon.
2. To consider and approve the payment of cash dividend @10% (Re. 1 per share) for the financial year ended September 30, 2011 as recommended by the Board of Directors.
3. To approve the issuance of bonus shares @15% i.e. in the ratio of 15 bonus shares for every hundred (100) shares held.
4. To appoint Auditors for the year 2011/12 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

Abid A. Vazir  
Executive Director & Company Secretary

Karachi: December 15, 2011

## Ordinary Business - Item no. 3

It is proposed that the following resolution be passed with regard to the issuance of bonus shares:

Resolved that a sum of Rs. 12,649,824/- be capitalized out of the un-appropriated profits of the Company for the year 2010-11 to issue at par 1,264,982 ordinary shares of Rs. 10 each. Such shares shall be distributed as bonus shares to those members whose names appear in the register of members of the Company on January 16, 2012 @ 15% (15 shares for every 100 shares held); that the new shares shall rank pari passu with the existing shares of the Company for all purposes; that fraction shares arising thereof shall be disregarded and whole shares representing such fractions shall be disposed off in such manner as the Directors of the Company think fit and the proceeds shall be distributed in due proportion among the members of the Company entitled thereto in accordance with their respective rights; that the Directors be and are hereby authorized to sign the new share certificates and the common seal of the Company may be affixed in the presence of any two Directors; that the Directors be and are hereby authorized to give effect to this resolution and to do all such acts, deeds and things that may be necessary or required for the issuance, allotment or distribution of ordinary shares.

## 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. Keeping in view the financial requirements of Unicol Limited and the availability of credit facilities from banks, the Company has so far invested Rs. 104.99 million only. The remaining amount will be invested by Mirpurkhas Sugar Mills Limited (MSM) as and when required by Unicol Limited.





## NOTES:

1. The register of members of the Company will be closed from Tuesday, January 17, 2012 to Tuesday, January 31, 2012 (both days inclusive) and no transfers will be registered during that time. Shares received at the office of the Share Registrar of the Company M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi at the close of business on Monday, January 16, 2012 will be treated in time for the entitlement of 10% cash dividend and 15% bonus shares. The payment of dividend will be made on the existing paid-up capital of Rs. 84,332,160/-.
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. 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.
4. The shareholders of the Company are requested to immediately notify any change in their addresses to our share registrar M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.





# UNICOL

## UNICOL LIMITED

### The Company

Unicol Limited, a public unquoted company, is a joint venture with shares equally held among Faran Sugar Mills, Mehran Sugar Mills and Mirpurkhas Sugar Mills. All three companies are listed on the different Stock Exchanges of Pakistan.

Unicol commenced its operations in August 2007 and is producing ethanol from sugar cane molasses. The plant is located at Mirpurkhas, Sindh on a 98 acre plot and has designed capacity of 100,000 liters or 80 metric tons per day. The plant is designed by Maguin Interis, France ([www.maguin.com](http://www.maguin.com)) and the Bio Gas plant is designed by Proserpol, France ([www.proserpol.com](http://www.proserpol.com)); both these companies are well recognized in their respective fields.



Presently 100% of Unicol's ethanol is being exported with the majority destined for European markets. Unicol is presently in the process of being registered as a 'CDM project'.

Unicol, being part of economic development and providing employment in Pakistani rural areas, ensures the compliance of all health, safety, and environmental laws and procedures.

### **Products**

Unicol can produce different grades of ethanol, including ENA Anhydrous (99.9%), ENA (>96%) and B grade (>92%). The ethanol produced by Unicol has various uses in different industries like pharmaceuticals, air fresheners (aerosols), cleaning products, perfumes, personal care products, printing inks, fabric softeners, vinegar and yeast, paints and varnish, art fuel, preserving agents and chemical manufacturing.

## the board of directors

### Mr. Mahmood Faruque

Chairman

Mr. Mahmood Faruque is Chairman of the Company. He is also a Director of Cherat Packaging Ltd and Greaves Pakistan (Pvt.) Ltd.

For over 45 years Mr. Mahmood Faruque served as a member of the Board of Directors of New Jubilee Insurance Co. Ltd. He was appointed to serve as a member of the Privatization Commission of Pakistan.

### Mr. Aslam Faruque

Chief Executive

Mr. Aslam Faruque is a graduate from the University of Pacific, Stockton, USA, with a major in Marketing. He is the Chief Executive of Mirpurkhas Sugar Mills Ltd and Unicol Ltd. He is on the Board of Directors of Cherat Packaging Ltd, State Life Insurance Corporation of Pakistan, Greaves Pakistan (Pvt.) Ltd, Greaves Air-conditioning (Pvt.) Ltd and Zensoft (Pvt.) Ltd. In the past, he has served as the Chairman of Pakistan Sugar Mills Association – Sindh Zone, and Director of Sui Southern Gas Company Ltd as well as Pakistan Industrial Development Corporation.



# BOARD OF DIRECTORS

## Mr. Mohammed Faruque

Director

Mr. Mohammed Faruque is the Chairman of Cherat Packaging Ltd, Cherat Cement Co. Ltd and Greaves Pakistan (Pvt.) Ltd. He is a member of Board of Directors of Associated Constructors (Pvt.) Ltd.

In the past, Mr. Mohammed Faruque has served on the Boards of prestigious organizations like Sui Southern Gas Co. Ltd and Atlas Insurance Ltd as Director.

## Mr. Tariq Faruque

Director

Mr. Tariq Faruque graduated from Case Western Reserve University, USA. He holds a dual major in Economics and Political Science. He is a Director of Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd and Unicol Ltd. Mr. Tariq Faruque is also a Member of the Board of Directors of Oil and Gas Development Company as well as serving on the Board of Governors of Marie Adelaide Leprosy Centre.

## the board of directors

### Mr. Akbarali Pesnani

Director

Mr. Akbarali Pesnani is an MBA and a fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 35 years. Presently, he is the Chairman of First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and is a Director on the Board of New Jubilee Insurance Co. Ltd. His association with the Ghulam Faruque Group goes back almost 30 years. He currently serves on the Board of Directors of Cherat Cement Co. Ltd, Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd and Greaves CNG (Pvt.) Ltd.

### Mr. Arif Faruque

Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds master degrees in both law and business administration from the USA. He is the Chairman of Maersk Pakistan and the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is on the Board of Directors of Cherat Cement Co. Ltd, Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd, Zensoft (Pvt.) Ltd and IGI Investment Bank Ltd. Besides the above, he is a member of the Board of Governors of Lahore University of Management Sciences.

### Mr. Maqbool H.H. Rahimtoola

Director

Mr. Maqbool Rahimtoola, joined the Board of MSM in 1999 as the NIT nominee. Mr. Rahimtoola graduated from McGill University, Canada in Business and presently serves on the Boards of Berger Paints Pakistan Ltd, Ray Shipping Enterprises Ltd, PIDC, and Dadex Eternit Ltd. He is currently CEO of Bandenawaz (Pvt.) Ltd.

Mr. Rahimtoola has been a Caretaker Technocrat Minister in Sindh for 11 Ministries and Chairman of Lakhra Coal Development Authority, Sindh Small Industries Corporation, Karachi Transport Authority, Sindh Coal Authority, Sindh Employees Social Security. He is also a Former Member Board of Governors of Karachi Development Authority and the Sindh Wildlife Management Board.

### Mr. Muhammad Iqbal Hussain

Director

MR. Muhammad Iqbal Hussain, currently on the Board of Saudi-Pak Leasing Co., is Masters in Economics, Postgraduate Diploma in Development Finance and M.Sc. in Defence and Strategic Studies.

He has served in various positions from Section officer to Senior Joint Secretary (1972-2008) in Government of Pakistan in different Ministries and Corporations such as the Ministry of Finance, Ministry of Industries Production and PTDC.

Mr. Hussain has also served on the Board of such companies as PACO, NFC, HBFC, NIT, Saudi Pak Inv. Co.

### Mr. Taufique Habib

Director

Mr. Taufique Habib is a graduate of the University of Karachi. He has a rich work experience extending over 37 years in different National & Multinational companies in Pakistan. He is currently also serving on the Board of The Hub Power Company Ltd, Golden Arrow Selected Stocks Fund Ltd, Pakistan Reinsurance Company Ltd as an independently elected Director.

From 2002 to 2005, he has also served on the Board of Directors of Shell Pakistan Limited as independently elected director.

He has attended all prescribed courses of the Code of Corporate Governance conducted by the Pakistan Institute of Corporate Governance (PICG).





## directors' report to the members

for the year ended September 30, 2011

The Board of Directors place before you the annual report of the Company together with the audited accounts for the year ended September 30, 2011.

### Overview

Sugar cane plantation and crop improved during the season 2010/11 as the country had a total sugar production of 4.1 million metric tons. High price fixed by the Sindh Government for the season and competition for cane amongst the sugar mills resulted in substantial increase in price of sugar cane and hence the cost of production during the year 2010/11. However, the availability of sugar remained satisfactory for the year.

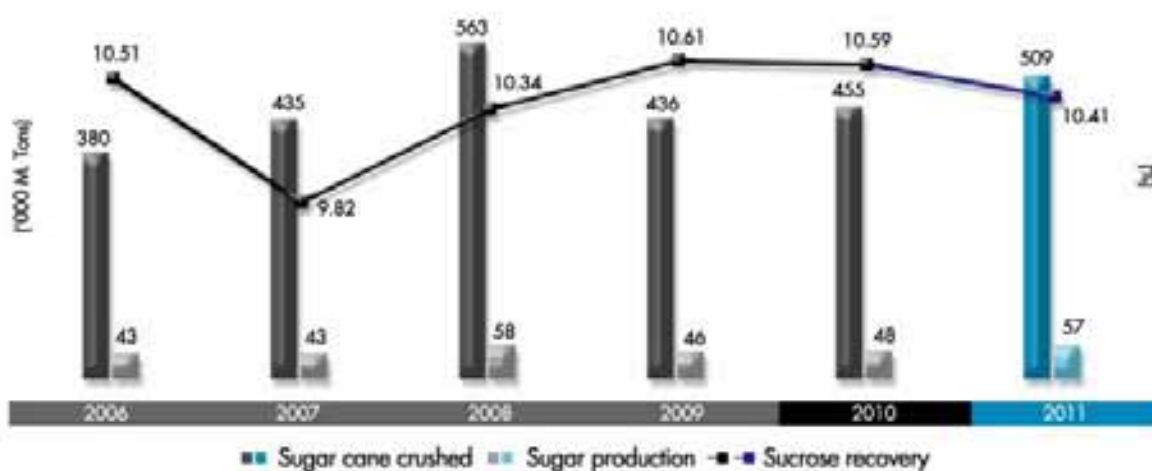


### Operating performance

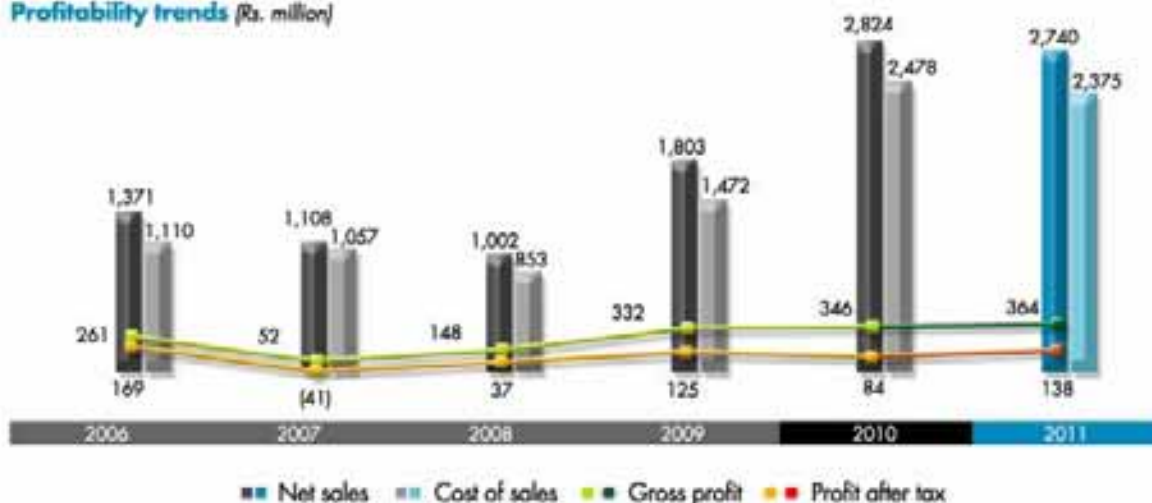
Your Company crushed 509,204 metric tons of sugarcane to produce 56,681 metric tons of sugar including 3,688 metric tons of sugar from imported raw sugar during its 144 days of operation. This compares favorably from last season when the Company crushed 455,129 metric tons of sugar cane to produce 48,202 metric tons sugar during 122 days it operated. During the season under review, the sucrose recovery was 10.41%. In its efforts to further improve its operational efficiencies and increase production volumes, the Company during the year had undertaken several measures involving major capital expenditures because of which improvements were witnessed in various key areas of the factory operations. During the year under review, the Company sold 43,244 metric tons of sugar. The production of molasses rose to 26,350 metric tons as against 22,180 metric tons last year. Key comparative data for the current year and that of previous year is as follows:

	2011	2010
Sugar cane crushed (metric tons)	509,204	455,129
Sugar production (metric tons)	56,681	48,202
Molasses production (metric tons)	26,350	22,180
Sucrose recovery	10.41%	10.59%

### Crushing, recovery & production



### Profitability trends (Rs. million)



### Financial performance

During the period under review, there was a 3% decline in the sales revenue of the Company from the corresponding period last year owing to lower volume of sugar sold. During the period, a sharp rise was witnessed in the cost of sugar cane because of high rate fixed by the government (at PKR 127 per 40 Kg, an increase of 25% over last year) and competition for sugar cane amongst sugar mills. Compared to the same time last year, the Company managed to sell 43,244 metric tons of sugar as against 53,603 metric tons sold last year. There was an improvement in selling prices of sugar, which helped improved financial results. There was an increase in finance cost due to higher working capital requirement and rise in interest rates during the period under review. During the period, the Company accounted for its one-third share of profit in Unicol Limited amounting to Rs. 42.83 million and adjusted its investment in the associate by the same amount. For the year under review, the after tax profit of the Company increased to Rs. 137.71 million from Rs. 84.30 million last year.

	2011	2010
	(Rupees in million)	
Turnover - net	2,739.67	2,823.67
Cost of sales	(2,375.30)	(2,477.78)
Gross profit	364.37	345.89
Other income	4.98	2.07
Share of profit in associate	42.83	8.29
Other expenses & taxes	(274.47)	(271.95)
Net profit	137.71	84.30



## Unicol Limited

The joint venture distillery project is operating at optimum capacity and is producing high quality ethanol for export. The distillery, during the year under review, exported 25,903 tons of ethanol and made an after tax profit of Rs. 128.46 million. We are confident that Unicol will bring further financial benefits to the Company and its shareholders in the years to come.



## Corporate social responsibility

Your Company actively participates in various social and welfare initiatives. During the year under review, despite difficult circumstances for business, the Company as a conscientious member of the corporate community, contributed generously to various social and charitable causes. During the year, the province of Sindh was hit by heavy rains and floods, which caused wide spread devastation to the lives and properties of the people of Sindh. Responsive to the sufferings of the people in this hour of grief, the Company launched relief efforts in various parts of the province. Cooked food, drinking water, dry rations, life-saving medicines, tents, clothes and other related items were provided on a daily basis in the relief camps. The employees of the Company also contributed their one day salary to the cause.

## Safety, health and environment

Being a responsible corporate citizen, the Company remained committed to continuous improvement in health and safety aspects. The production facility remained fully compliant with industry standards and safety requirements. Furthermore, the Company strongly believes in its environmental responsibilities and has been taking measures on an ongoing basis to improve the same.

## 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 year 2003/04 and 2006/07 due to operational losses.
- There is nothing outstanding against your company on account of taxes, duties, levies and other charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investment of the funds as on September 30, 2011.

• Provident Fund

PKR 115.52 million

• Gratuity Fund

PKR 31.82 million

- During the year, four meetings of the Board of Directors were held. The attendance record of each director is as follows:

Name of Director	Meetings attended
Mr. Mahmood Faruque	2
Mr. Mohammed Faruque	2
Mr. Akbarali Pesnani	4
Mr. Aslam Faruque	4
Mr. Arif Faruque	2
Mr. Tariq Faruque	4
Mr. Maqbool H.H. Rahimtoola	4
Mr. Naeemuddin Butt *	-
Mr. Muhammad Iqbal Hussain	4
Mr. Taufique Habib	3

- Mr. Taufique Habib was elected as a Director on December 30, 2010 in place of Mr. Naeemuddin Butt.
- Pattern of shareholding is annexed with the report.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary.
- Earnings per share for the year is Rs. 16.33 per share compared with Rs. 10.00 last year.

#### Contribution to national exchequer

The Company contributed around Rs. 160 million to the Government treasury in shape of excise duty, income tax and sales tax.

#### Future prospects

Sufficient availability of sugar cane and stability in sugar prices will shape the future prospects of the industry. Heavy monsoon rains during the month of August and September 2011 caused flooding in the province of Sindh. These floods not only damaged the standing crops but also caused wide spread destruction to the infrastructure including roads, housing and communication in the affected areas as economic activities were brought to a standstill as a result. While assessments are still being made about the extent of destruction, we estimate that about 20% of the sugar cane has been damaged because of the rains. The Sindh Government has fixed the price of sugar cane at PKR 154 per maund up from PKR 127 per maund last season, which will have a severe impact on the cost of production coupled with falling prices of sugar. During the past two months, the sugar prices have dropped from Rs. 70 per Kg to Rs. 48 per Kg. Furthermore, inflationary pressure on input items will also drive up the costs of production. We welcome the decision of the State Bank of Pakistan to reduce the discount rate, which would provide much required relief to the sugar industry.

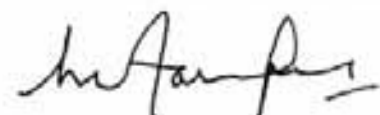
#### Auditors

The present auditors M/s. Hyder Bhimji and Co. (Chartered Accountants) retire and being eligible, offer themselves for reappointment.

#### Acknowledgment

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

For and on behalf of the Board of Directors



**Mahmood Faruque**  
Chairman

Korachi: December 15, 2011



# 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, three of whom 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 on 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 has been circulated to all 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 arranged by the Company to apprise directors of their duties and responsibilities. A director of the Company is also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).
10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit.
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 four members, three of whom are non-executive directors including the Chairman of the Committee.
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 and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
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. The Related Party transactions have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transactions.
21. 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



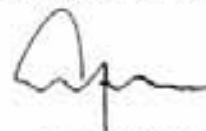
ASLAM FARUQUE  
Chief Executive

Karachi: December 15, 2011

## 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



ASLAM FARUQUE  
Chief Executive

Karachi: December 15, 2011

# review report to the members

on statement of compliance with the best practices of code of corporate governance



## HYDER BHIMJI & CO. CHARTERED ACCOUNTANTS

Member of  
KRESTON INTERNATIONAL  
with affiliated offices worldwide

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Shahrah-e-Faisal, Karachi-75530  
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Fax : +92-21-35640053  
Website : www.hyderbhimji.com

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2011 prepared by the Board of Directors of Mirpurkhas Sugar Mills Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended September 30, 2011.

HYDER BHIMJI & Co.  
Chartered Accountants  
Engagement Partner: Hyder Ali Bhimji

Karachi: December 15, 2011

**Lahore:** Amin Building 65-The Mall  
Phone: 042-37352661-37321043  
Fax #: 042-37359515

**Faisalabad:** 206, 1st Floor, Business Centre  
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# 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.

## 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.







# six years' statistics

		2011	2010	2009	2008	2007	2006
<b>Production data</b>							
Sugar cane crushed	(M. Tons)	509,204	455,129	435,690	563,057	434,778	379,618
Sucrose recovery	(%)	10.41	10.59	10.61	10.34	9.82	10.51
Sugar production	(M. Tons)	56,681	48,202	46,235	58,224	42,685	43,405
Molasses production	(M. Tons)	26,350	22,180	22,509	28,770	21,450	18,437
<b>Operating Results</b>							
Turnover - net	(Rs. '000)	2,739,671	2,823,671	1,803,234	1,001,635	1,108,436	1,371,398
Cost of sales	(Rs. '000)	2,375,297	2,477,780	1,471,620	853,136	1,056,801	1,109,903
Gross profit	(Rs. '000)	364,374	345,891	331,614	148,499	51,635	261,495
Operating profit	(Rs. '000)	270,778	252,018	268,278	83,154	15,200	266,862
Profit / (loss) before tax	(Rs. '000)	168,294	156,346	214,218	62,882	(50,519)	211,687
Profit / (loss) after tax	(Rs. '000)	137,714	84,299	125,440	37,350	(40,610)	169,252
<b>Proposed dividend*</b>							
Cash	(Rs. '000)	8,433	10,542	15,972	6,389	-	14,375
Bonus shares	(Rs. '000)	12,650	14,055	6,389	-	-	-
<b>Valuation</b>							
Earnings per share (before tax)**	(Rupees)	19.96	18.54	25.40	7.46	(5.99)	25.10
Earnings per share (after tax)**	(Rupees)	16.33	10.00	14.87	4.43	(4.82)	20.07
Cash dividend per share*	(Rupees)	1.00	1.50	2.50	1.00	-	2.25
Bonus issue*	(%)	15.00	20.00	10.00	-	-	-
Dividend yield ratio	(%)	4.64	6.01	4.93	0.97	-	2.93
Dividend payout ratio	(%)	15.31	29.18	17.83	17.11	-	8.49
Market price per share	(Rupees)	53.88	58.19	71.00	102.60	170.00	76.90
Price earning ratio	(Times)	3.30	5.82	4.77	23.17	(35.30)	3.83
Breakup value per share**	(Rupees)	58.78	45.25	38.00	25.83	37.05	42.36
<b>Financial Position</b>							
Reserves	(Rs. '000)	411,367	311,318	256,592	153,942	248,579	293,371
Current assets	(Rs. '000)	1,267,112	501,201	559,658	699,305	511,186	463,083
Current liabilities	(Rs. '000)	1,189,580	594,558	524,513	620,048	540,053	461,999
Working capital	(Rs. '000)	77,532	(93,357)	35,145	79,257	(28,867)	1,084
Property, plant & equipment	(Rs. '000)	963,153	807,230	584,948	417,044	398,069	322,115
Total assets	(Rs. '000)	2,454,667	1,487,440	1,313,135	1,252,409	1,004,232	1,067,982
Long term debt	(Rs. '000)	344,445	88,890	133,334	177,778	31,826	114,880
Shareholders' equity	(Rs. '000)	495,699	381,395	320,480	217,830	312,467	357,259
Share capital	(Rs. '000)	84,332	70,277	63,888	63,888	63,888	63,888
<b>Financial Performance</b>							
<b>Profitability</b>							
Gross margin	(%)	13.30	12.25	18.39	14.83	4.66	19.07
Operating margin	(%)	9.88	8.93	14.88	8.30	1.37	19.46
Pre tax margin	(%)	6.14	5.54	11.88	6.28	(4.56)	15.44
Net margin	(%)	5.03	2.99	6.96	3.73	(3.66)	12.34
Return on equity	(%)	27.78	22.09	39.14	17.15	(13.00)	47.38
Return on assets	(%)	5.61	5.67	9.55	2.98	(4.04)	15.85
(Decrease) / increase in net sales	(%)	(2.97)	56.59	80.03	(9.64)	(19.17)	77.18
Sugar cane & raw sugar cost to cost of goods manufactured	(%)	95.42	96.79	93.38	92.63	91.41	88.48
Labour cost to net sales	(%)	5.61	4.67	5.78	8.52	6.02	4.13
Administrative expenses to net sales	(%)	2.91	2.80	2.92	4.51	3.80	2.25
Distribution cost to net sales	(%)	0.22	0.18	0.14	3.26	0.13	0.13
Finance cost to net sales	(%)	5.30	3.68	4.80	5.62	5.41	4.02
Other operating expenses to net sales	(%)	0.47	0.42	0.78	0.23	0.03	0.91
<b>Operating performance/ liquidity</b>							
Total assets turnover	(Times)	1.12	1.90	1.37	0.80	1.10	1.28
Fixed assets turnover	(Times)	2.84	3.50	3.08	2.40	2.78	4.26
Inventory turnover	(Times)	4.69	15.07	4.67	2.80	4.06	4.15
Current ratio	(Times)	1.07	0.84	1.07	1.13	0.95	1.00
Quick ratio	(Times)	0.19	0.44	0.45	0.31	0.50	0.16
<b>Leverage</b>							
Long term debt to equity	(Times)	0.69	0.23	0.42	0.82	0.10	0.32
Total debt to total assets	(%)	72.76	62.71	65.77	78.89	64.25	62.19
Interest coverage	(Times)	2.16	2.50	3.47	2.12	0.16	4.84

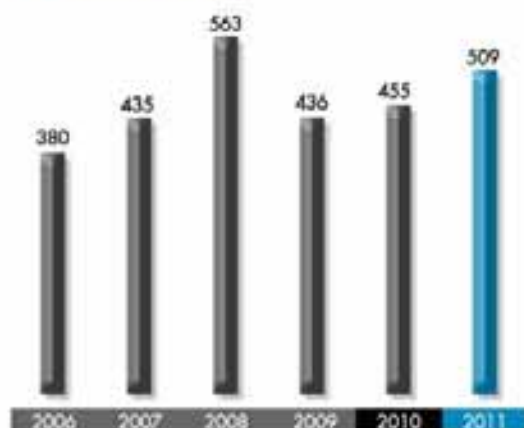
\* post balance sheet event

\*\*restated based on weighted average number of ordinary shares in issue

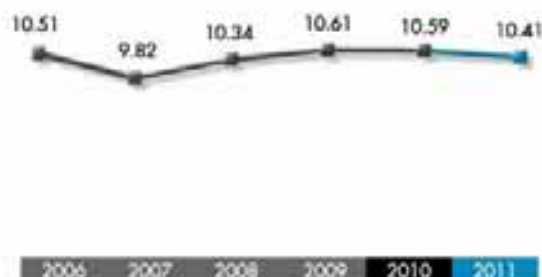
# production and financial highlights

## Production highlights

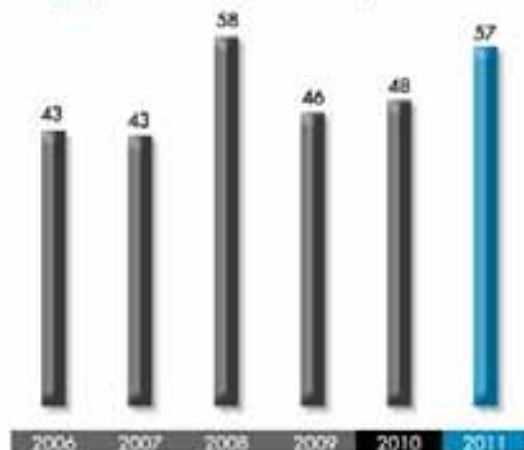
Sugar cane crushed ('000 M.Tons)



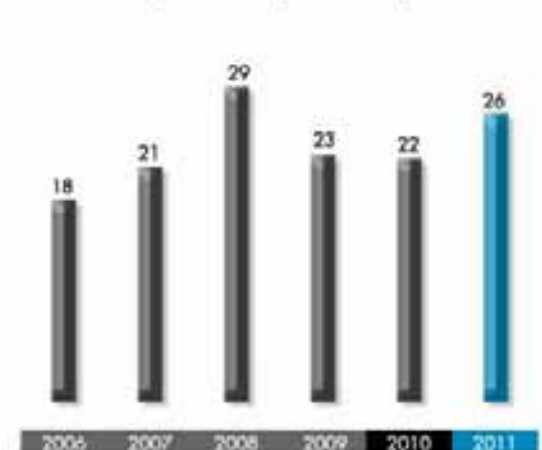
Recovery (%)



Sugar production ('000 M.Tons)

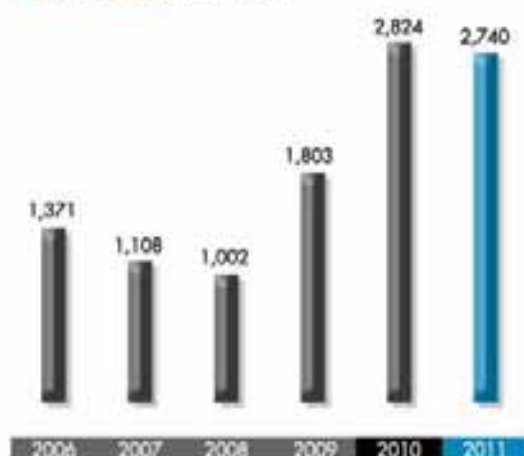


Molasses production ('000 M.Tons)

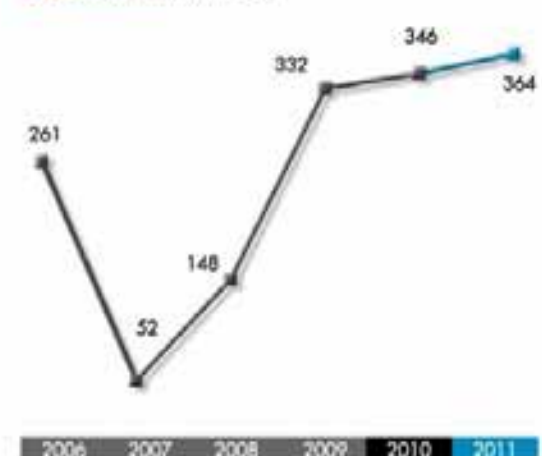


## Financial highlights

Turnover - net (Rs. million)

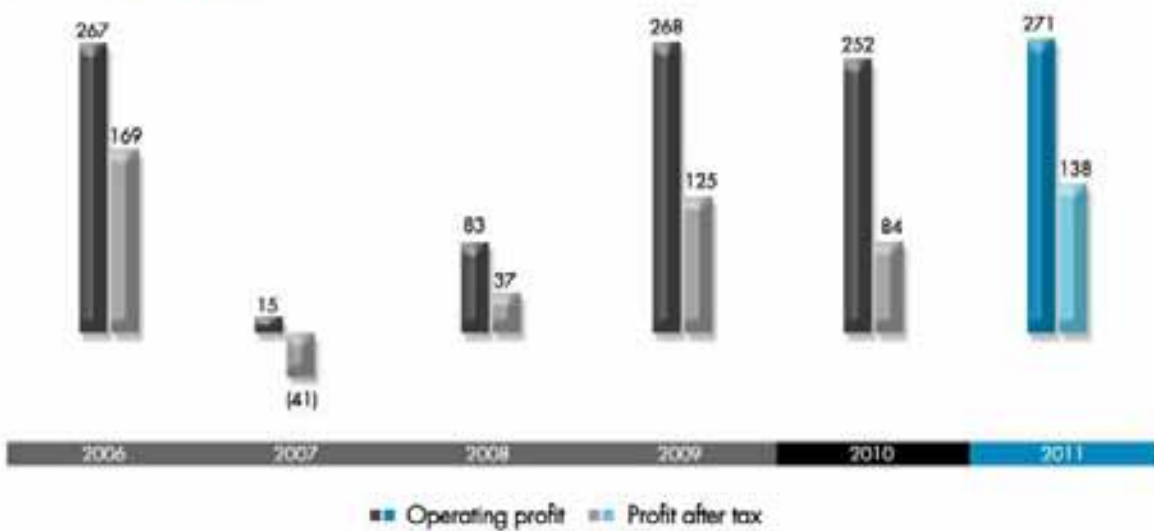


Gross profit (Rs. million)

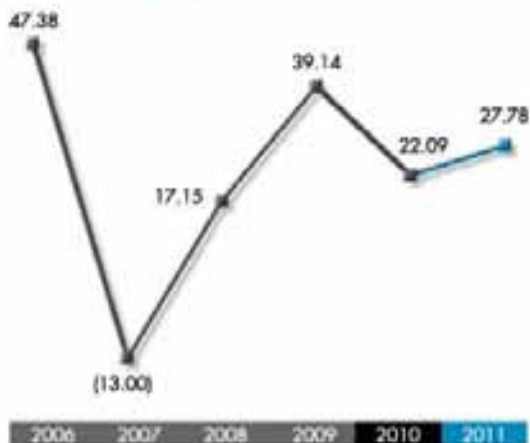




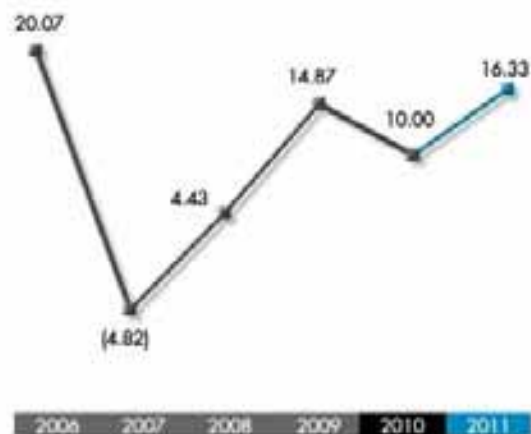
### Operating profit / PAT (Rs. million)



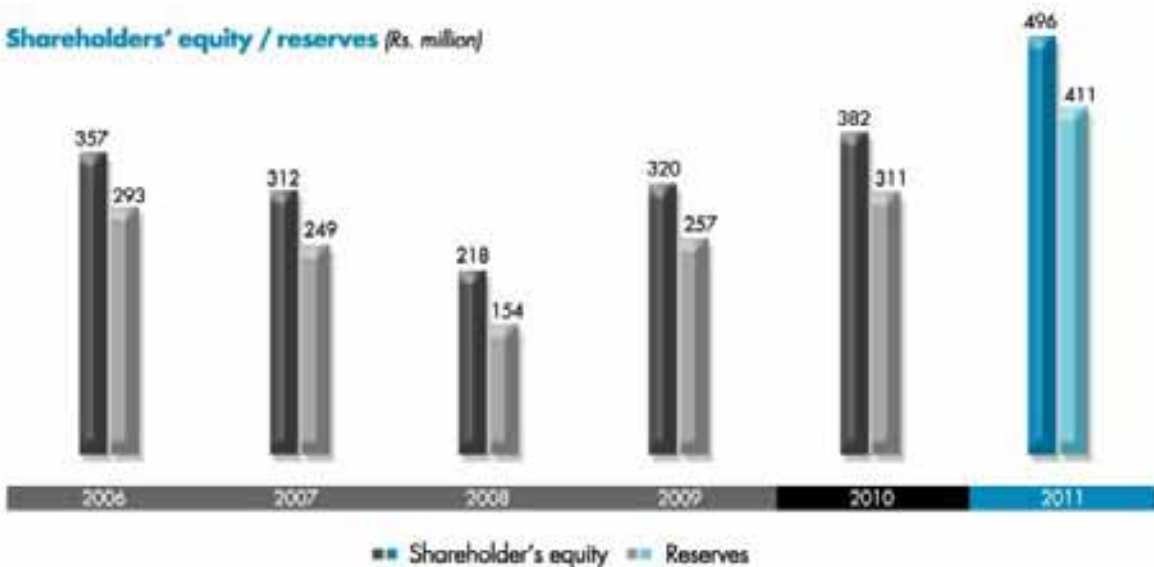
### Return on equity (%)



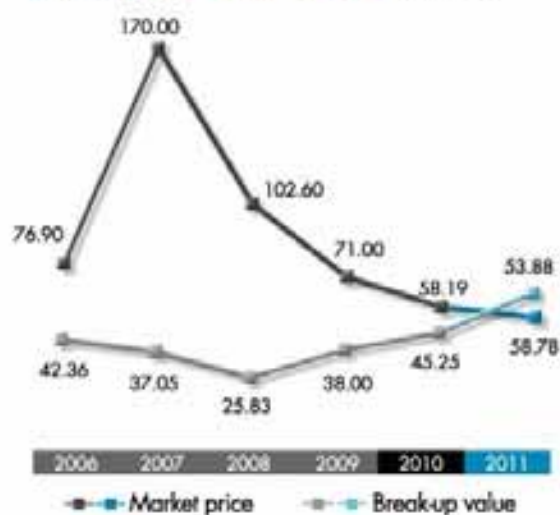
### Earning per share (Rs.)



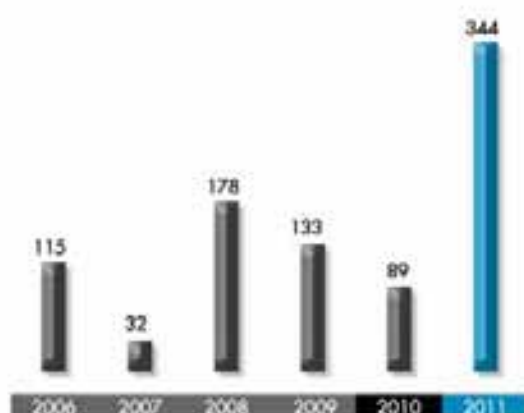
### Shareholders' equity / reserves (Rs. million)



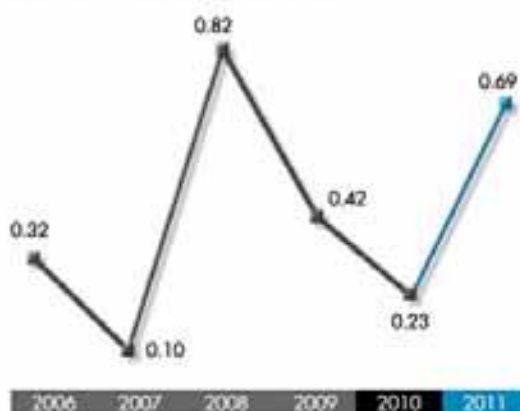
### Market price / break-up value (Rs./share)



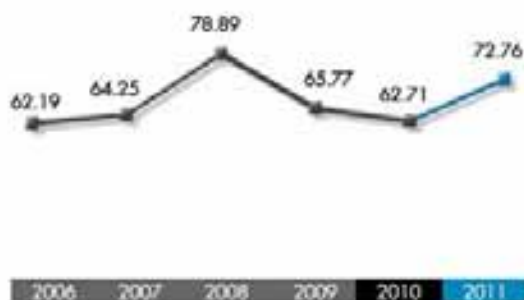
### Long-term debt (Rs. million)



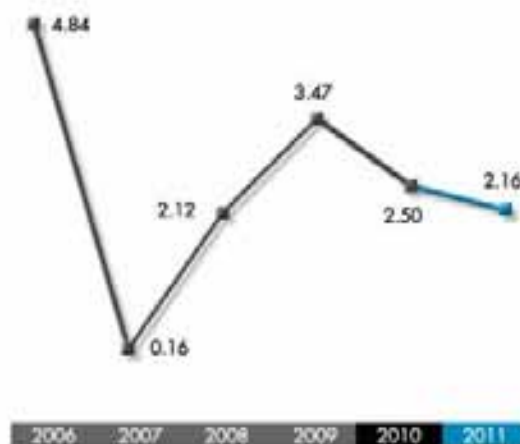
### Long-term debt to equity ratio (Times)



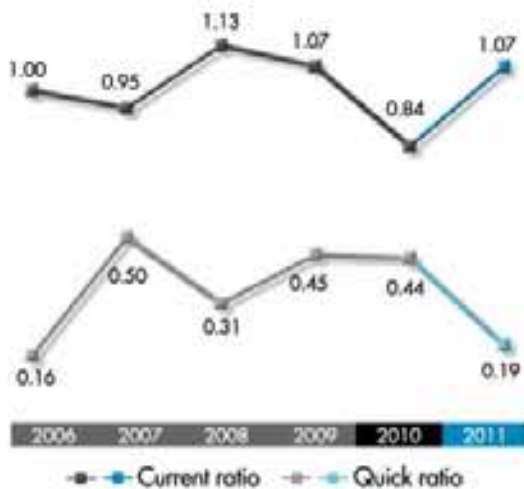
### Total debt to total assets (%)



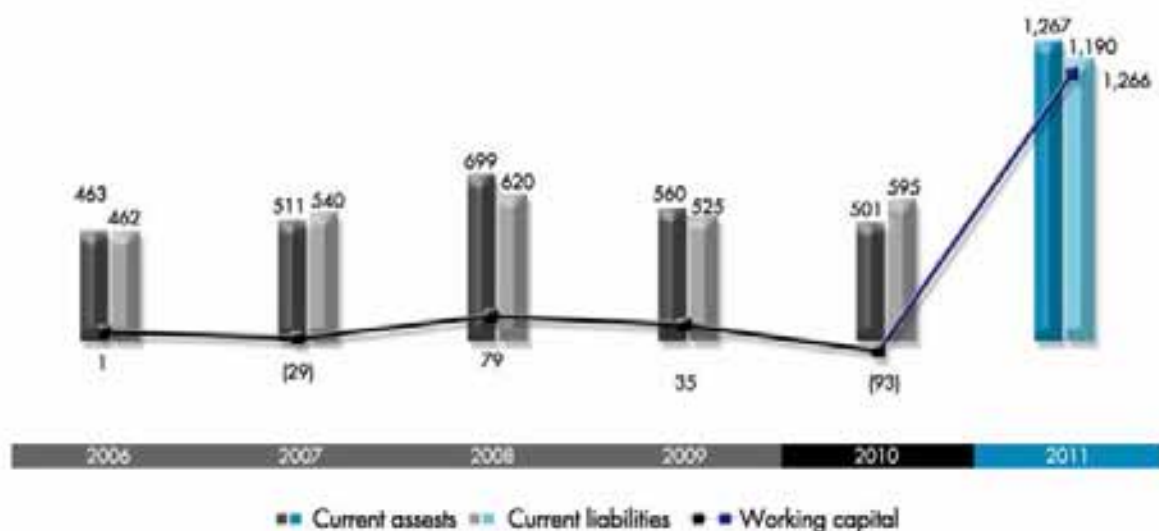
### Interest coverage (Times)



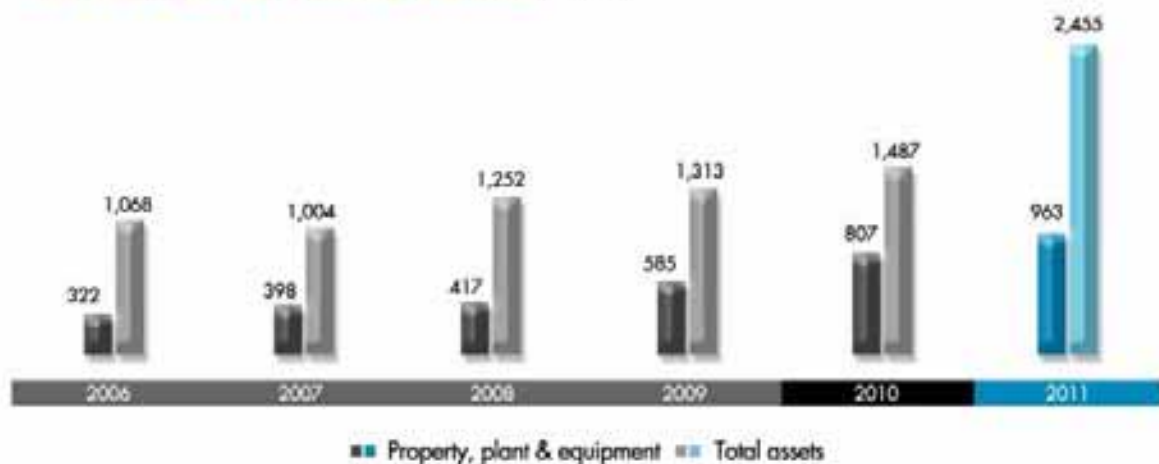
### Current/ quick ratio (Times)



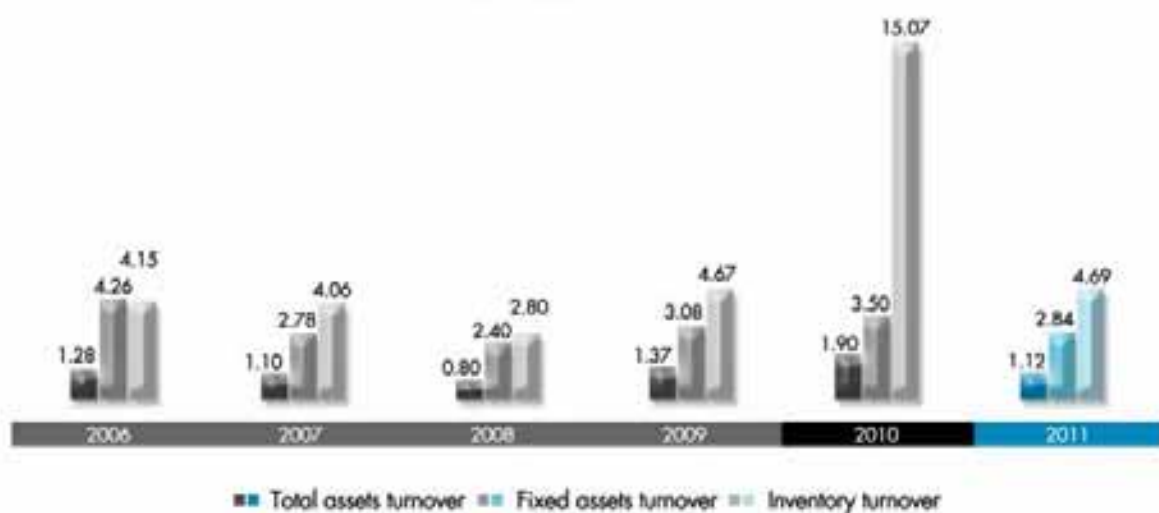
**Current assets / current liabilities / working capital (Rs. million)**



**Property, plant & equipment/ total assets (Rs. million)**



**Total assets / fixed assets / inventory turnover (Times)**





# statement of value addition

## WEALTH GENERATED

Gross sales  
Material and Services  
Other income  
Share of profit in an associate

## WEALTH DISTRIBUTED

### EMPLOYEES REMUNERATION

### GOVERNMENT AS:

Sales tax, special excise duty, & company taxation  
Workers' funds

### CHARITY & DONATIONS

### SHAREHOLDERS AS DIVIDEND

Cash dividend\*\*  
Bonus shares\*\*

### FINANCE COST

### RETAINED IN BUSINESS

Depreciation & amortization  
Retained profit

	2011		2010	
	(Rupees in '000)			
Gross sales	2,857,555		2,966,831	
Material and Services	(2,211,801)		(2,338,257)	
	645,754		628,574	
Other income	4,983		2,074	
Share of profit in an associate	42,826		8,286	
	<u>693,563</u>		<u>638,934</u>	
<b>EMPLOYEES REMUNERATION</b>	203,166	29%	175,728	28%
<b>GOVERNMENT AS:</b>				
Sales tax, special excise duty, & company taxation	154,287		231,720	
Workers' funds	9,299		10,974	
	163,586	24%	242,694	38%
<b>CHARITY &amp; DONATIONS</b>	2,997	*	389	*
<b>SHAREHOLDERS AS DIVIDEND</b>				
Cash dividend**	8,433		10,542	
Bonus shares**	12,650		14,055	
	21,083	3%	24,597	4%
<b>FINANCE COST</b>	145,310	21%	103,958	16%
<b>RETAINED IN BUSINESS</b>				
Depreciation & amortization	40,790		31,866	
Retained profit	116,631		59,702	
	157,421	23%	91,568	14%
	<u>693,563</u>	100%	<u>638,934</u>	100%

\*negligible

\*\*post balance sheet event



	Employees	Government	Shareholders	Finance cost	Retained in business
<b>2011</b>	29%	24%	3%	21%	23%
<b>2010</b>	28%	38%	4%	16%	14%

# auditors' report to the members



## HYDER BHIMJI & CO. CHARTERED ACCOUNTANTS

Member of  
KRESTON INTERNATIONAL  
with affiliated offices worldwide

Suite No. 1601, Kashif Centre,  
Shahrah-e-Faisal, Karachi-75530  
Phone : +92-21-35640050 - 52  
Fax : +92-21-35640053  
Website : www.hyderbhimji.com

We have audited the annexed Balance Sheet of M/s. MIRPURKHAS SUGAR MILLS LIMITED ("the Company") as at September 30, 2011 and the related Profit and Loss Account, Statement of Comprehensive Income, 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 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 accounts 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 the 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 and Profit and Loss Account, Statement of Comprehensive Income, 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, 2011 and of the profit, total comprehensive income, 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.

*Hyder Bhimji & Co.*

HYDER BHIMJI & Co.  
Chartered Accountants  
Engagement Partner: Hyder Ali Bhimji

Karachi: December 15, 2011

**Lahore:** Amin Building, 65 The Mall.  
Phone: 042-37352661-37321043  
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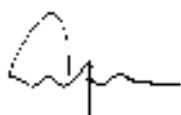
URL: <http://www.hyderbhimji.com>  
E-mail: [bhimji@cyber.net.pk](mailto:bhimji@cyber.net.pk)

# balance sheet

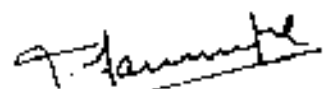
as at september 30, 2011

	Note	2011	2010
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	963,153	807,230
Intangible asset	5	4,767	2,200
Long-term investment	6	218,903	176,077
Long-term deposits	7	732	732
		1,187,555	986,239
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	151,795	111,144
Stock-in-trade	9	886,781	125,715
Trade debts	10	13,481	90,979
Loans and advances	11	112,852	77,412
Short-term prepayments	12	1,251	1,380
Other receivables	13	26,062	6,803
Short-term investments	14	58,180	56,616
Taxation - net	15	1,059	-
Cash and bank balances	16	15,651	31,152
		1,267,112	501,201
<b>TOTAL ASSETS</b>		<b>2,454,667</b>	<b>1,487,440</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	17	84,332	70,277
Reserves	18	411,367	311,318
		495,699	381,595
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	19	173,056	173,056
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	20	344,445	88,890
Deferred liabilities	21	251,887	249,341
		596,332	338,231
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	637,795	365,993
Accrued mark-up	23	32,309	14,843
Short-term borrowings	24	475,032	161,878
Current portion of long-term financings	20	44,444	44,444
Taxation - net		-	7,400
		1,189,580	594,558
<b>CONTINGENCIES AND COMMITMENTS</b>	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,454,667</b>	<b>1,487,440</b>

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



**ASLAM FARUQUE**  
Chief Executive



**TARIQ FARUQUE**  
Director

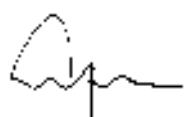


# profit and loss account

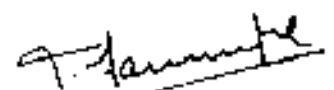
for the year ended september 30, 2011

	Note	2011	2010
(Rupees in '000)			
<b>Turnover - net</b>	26	2,739,671	2,823,671
Cost of sales	27	(2,375,297)	(2,477,780)
<b>Gross profit</b>		364,374	345,891
Distribution cost	28	(5,940)	(4,985)
Administrative expenses	29	(79,833)	(79,108)
Other operating expenses	30	(12,806)	(11,854)
		(98,579)	(95,947)
Other operating income	31	4,983	2,074
<b>Operating profit</b>		270,778	252,018
Finance cost	32	(145,310)	(103,958)
		125,468	148,060
Share of profit in an associate	6	42,826	8,286
<b>Profit before taxation</b>		168,294	156,346
<b>Taxation</b>			
Current		(30,194)	(30,734)
Prior		(386)	-
Deferred		-	(41,313)
	33	(30,580)	(72,047)
<b>Profit after taxation</b>		137,714	84,299
			(Restated)
Earnings per share - basic (Rupees)	34	16.33	10.00

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



**ASLAM FARUQUE**  
Chief Executive



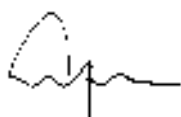
**TARIQ FARUQUE**  
Director

# statement of comprehensive income

for the year ended september 30, 2011

	Note	2011	2010
		(Rupees in '000)	
Profit after taxation		137,714	84,299
Fair value loss on available-for-sale securities		(13,068)	(7,212)
<b>Total comprehensive income for the year</b>		<b>124,646</b>	<b>77,087</b>

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



**ASLAM FARUQUE**  
Chief Executive



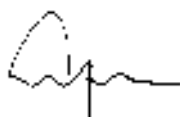
**TARIQ FARUQUE**  
Director

# cash flow statement

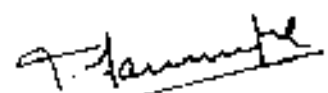
for the year ended september 30, 2011

	Note	2011	2010
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		168,294	156,346
Adjustments for :			
Depreciation	4.1.1	40,057	31,866
Amortization	5.1	733	-
Dividend income from a related party	31	(810)	-
Share of profit in an associate	6.1.2	(42,826)	(8,286)
Gain on disposal of operating property, plant and equipment	31	(443)	(23)
Finance cost	32	145,310	103,958
		142,021	127,515
<b>Operating profit before working capital changes</b>		310,315	283,861
<b>(Increase) / decrease in current assets</b>			
Stores, spare parts and loose tools		(40,651)	9,048
Stock-in-trade		(761,066)	77,456
Trade debts		77,498	(6,929)
Loans and advances		(35,440)	(54,901)
Short-term prepayments		129	1,391
Other receivables		(19,259)	13,150
		(778,789)	39,215
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		271,554	73,927
Short-term borrowings		313,154	(8,362)
		584,708	65,565
<b>Cash generated from operations</b>		116,234	388,641
Income tax paid - net		(39,039)	(15,188)
Decrease in long-term deposits		-	6
Increase in deferred liabilities		2,546	2,276
		(36,493)	(12,906)
<b>Net cash generated from operating activities</b>		79,741	375,735
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to operating property, plant and equipment	4.1 & 4.4	(198,163)	(210,189)
Intangible asset acquired	5	(3,300)	(2,200)
Sale proceeds of operating property, plant and equipment	4.2	2,626	64
Short-term investments		(14,632)	-
Dividend received from a related party	31	810	-
<b>Net cash used in investing activities</b>		(212,659)	(212,325)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance cost paid		(127,844)	(107,204)
Long-term financings-net		255,555	(44,444)
Payment of dividend		(10,294)	(15,646)
<b>Net cash generated from / (used) in financing activities</b>		117,417	(167,294)
<b>Net decrease in cash and cash equivalents</b>		(15,501)	(3,884)
<b>Cash and cash equivalents at the beginning of the year</b>		31,152	35,036
<b>Cash and cash equivalents at the end of the year</b>		15,651	31,152

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



**ASLAM FARUQUE**  
Chief Executive



**TARIQ FARUQUE**  
Director



# statement of changes in equity

for the year ended september 30, 2011

	Issued subscribed and paid-up capital	Reserves			Total	Total
		General reserves	Unappropriated profit	Fair value gain / (loss) on available- for-sale securities		
(Rupees in '000)						
<b>Balance as at October 01, 2009</b>	63,888	34,250	169,361	52,981	256,592	320,480
Total comprehensive income	-	-	84,299	(7,212)	77,087	77,087
Cash dividend for the year ended Sep. 30, 2009 @ Rs.2.50 per share (25%)	-	-	(15,972)	-	(15,972)	(15,972)
Issue of bonus shares @ 10% i.e 01 share for every 10 shares held	6,389	-	(6,389)	-	(6,389)	-
<b>Balance as at September 30, 2010</b>	<b>70,277</b>	<b>34,250</b>	<b>231,299</b>	<b>45,769</b>	<b>311,318</b>	<b>381,595</b>
<b>Balance as at October 01, 2010</b>	70,277	34,250	231,299	45,769	311,318	381,595
Total comprehensive income	-	-	137,714	(13,068)	124,646	124,646
Cash dividend for the year ended Sep. 30, 2010 @ Rs.1.50 per share (15%)	-	-	(10,542)	-	(10,542)	(10,542)
Issue of bonus shares @ 20% i.e 02 shares for every 10 shares held	14,055	-	(14,055)	-	(14,055)	-
<b>Balance as at September 30, 2011</b>	<b>84,332</b>	<b>34,250</b>	<b>344,416</b>	<b>32,701</b>	<b>411,367</b>	<b>495,699</b>

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

  
**ASLAM FARUQUE**  
Chief Executive

  
**TARIQ FARUQUE**  
Director

# notes to the financial statements

for the year ended september 30, 2011

## 1. STATUS AND NATURE OF BUSINESS

Mirpurkhas Sugar Mills Limited (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 manufacturing and selling 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, (the Ordinance), provisions 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 financial instruments and investments which are stated at their fair value, certain inventories which are valued at Net Realizable Value (NRV), certain employees retirement benefits that are based on actuarial valuation and free hold land which stands at revalued amount.

### 3.2 Significant accounting estimates, judgments and assumptions

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

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

#### a) Employees 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 rate of return on assets, future salary increases and mortality rates.

**b) Property, plant and equipment and intangible assets**

The Company reviews appropriateness of the rate of depreciation / amortization, useful life and residual value used in the calculation of depreciation / amortization. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses 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 and Intangible assets, with corresponding effects on the depreciation / amortization charge and impairment.

**c) Classification of investments**

The management has exercised its judgment in respect of classification of investments as disclosed in note 6 and 14 to the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

**d) Stock-in-trade, stores, spare parts and loose tools**

The Company reviews the NRV of stores, spare parts and loose tools to assess any diminution in their respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

**e) Trade debts, loans and advances and other receivables**

The Company reviews its doubtful trade debts, loans and advances and other receivables at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

**f) Taxation**

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by appellate authorities on certain issues in past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**g) Provision for impairment**

The Company reviews carrying amount of assets except deferred tax assets and inventories at balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

**h) Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

**3.3 Taxation****a) Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with 1% of turnover tax, calculated at applicable tax rates under section 113 of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.



## b) Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base 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 to the extent that it 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 can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will 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 (ICAP), if considered material.

## c) Sales tax and Federal excise duty (FED)

Revenues, expenses and assets are recognized net off amount of sales tax / FED except:

- Where amount incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the tax / duty is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables or payables that are stated with the amount of sales tax / FED included.

The net amount of sales tax and FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## 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 % of basic salary.

### b) Gratuity scheme

The Company operates an approved and funded gratuity scheme for all of its eligible permanent employees who have completed the minimum qualifying period of service. 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.

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

#### Principal actuarial assumptions used are as follows:

	2011	2010
	(% per annum)	
Valuation discount rate	12.50	12.50
Expected rate of return on plan assets	12.50	12.00
Expected rate of salary increase	11.50	11.50

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.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefit become vested. If benefits already have been vested, immediately following the introduction of, or change to the scheme, past service costs are recognized immediately.

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

Based on the actuarial valuation of gratuity scheme as of September 30, 2011, the fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	2011	2010
	(Rupees in '000)	
<b>Staff gratuity fund liability:</b>		
Present value of defined benefit obligation	46,379	30,298
Fair value of plan assets	(31,820)	(14,037)
Unrecognized actuarial loss	(9,187)	(5,862)
Liability recognized as at September 30	5,372	10,399
<b>Amounts charged to profit and loss account:</b>		
Current service cost	14,018	12,430
Interest cost	3,787	2,112
Expected return on plan assets	(1,755)	(1,990)
Actuarial gain recognized during the year	405	-
	16,455	12,552
<b>Movement in the liability recognized in the balance sheet:</b>		
Balance as at October 1	10,399	248
Net charge for the year	16,455	12,552
Contribution / benefit paid to the fund	(21,482)	(2,401)
Balance as at September 30	5,372	10,399
<b>Movement in the present value of defined benefit obligation:</b>		
Balance as at October 1	30,298	17,599
Current service cost	14,018	12,430
Interest cost	3,787	2,112
Benefits paid during the year	(1,482)	(2,401)
Actuarial losses	(242)	558
Balance as at September 30	46,379	30,298
<b>Movement in the fair value of plan assets:</b>		
Balance as at October 1	14,037	16,582
Expected return	1,755	1,990
Contributions	21,482	2,401
Benefits paid during the year	(1,482)	(2,401)
Actuarial losses	(3,972)	(4,535)
Balance as at September 30	31,820	14,037
<b>Composition of plan assets are as follows :</b>		
Special Saving Certificates (SSC's)	5,468	4,872
Listed securities	25,484	8,796
Amount in bank	868	369
	31,820	14,037

The expected return on plan assets was based on the market expectations and 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 on the basis of market conditions. Actual return on plan assets during 2011 was Rs.(0.734) million (2010: Rs. 2.54 million)

### Comparisons with past years :

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	46,379	30,298	17,599	14,781	13,494
Fair value of plan assets	(31,820)	(14,037)	(16,582)	(17,291)	(35,011)
	14,559	16,261	1,017	2,510	(21,517)
Experience adjustments arising on plan liabilities	(242)	558	705	340	1,632
Experience adjustments arising on plan assets	(2,490)	(4,535)	(2,463)	(6,165)	9,926
	(2,732)	(3,977)	(1,758)	(5,825)	11,558

### 3.5 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, except for furniture and fittings, office and other equipment and computer and accessories which are depreciated using straight line method at the rates mentioned in note 4 to the financial statements, which reflects the patterns in which the asset's economic benefits are consumed by the enterprise. Additions to assets are depreciated monthly while no depreciation is charged on assets disposed off during the month.

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 in the profit and loss account when incurred.

The carrying values of owned 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 held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of change on the net standing liability.

Depreciation is charged to the profit and loss account using the same basis as for owned assets.

#### c) Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such asset can also be measured reliably.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.



Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized when assets are available for use on straight line method. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

### **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 as adjusted for post acquisition changes in the Company's share of net assets of the associate and impairment in the value of investment 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**

These are non-derivative financial assets which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates .

These investments are initially measured at fair value plus transaction costs. After initial measurement, available-for-sale securities are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, and removed from the available-for-sale reserve.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

#### **c) Held-to-maturity investments**

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has the positive intent and ability to hold till maturity. These investments are recognized initially at fair value plus directly attributable cost and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

#### **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. Transaction costs are charged to profit and loss account when incurred.

### **3.7 Stores, spare parts and loose tools**

These are valued at lower of moving average cost and net realizable value. Provision / write off, if required is made for slow moving items where necessary to bring these down to approximate NRV and is recognized in profit and loss. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make sale. Loose tools are recorded at actual cost.

### **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 based on the management's assessment of customer's outstanding balances and credit worthiness. Bad debts are written-off, when there is no realistic prospect of recovery.

### 3.10 Trade and other payables

Liabilities for Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

### 3.11 Revenue recognition

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

### 3.12 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates to monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

### 3.13 Provisions

Provisions are recognized when the 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3.15 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in note 37 to the financial statements.

### 3.16 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 recorded in the profit and loss account for the period in which it arises.

### 3.17 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 offset accordingly.

### 3.18 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.

### 3.19 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. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
(Rupees in '000)			
Property, plant and equipment - owned	4.1	889,924	683,949
Capital work in progress	4.4	73,229	123,281
		<u>963,153</u>	<u>807,230</u>

4.1 Following are the statements of property, plant and equipment for current and prior year:

2011 Description	COST			DEPRECIATION			Book value as at Sep. 30, 2011	Depreciation rate % per annum	
	As at Oct. 01, 2010	Additions / (disposals)	As at Sep. 30, 2011	As at Oct. 01, 2010	Adjustment for depreciation on (disposals)	For the year			As at Sep.30, 2011
(Rupees in '000)									
<b>OWNED ASSETS</b>									
Free hold land (Note 4.3)	186,698	-	186,698	-	-	-	186,698	-	
Building on free hold land:									
- Factory	26,502	2,157	28,659	19,726	-	821	20,547	10	
- Non factory	22,409	775	23,184	16,792	-	613	17,405	10	
Plant & machinery	829,611	230,198	1,059,809	367,695	-	30,769	398,464	5	
Furniture & fittings	338	-	338	84	-	53	137	20	
Vehicles	38,653	13,160	48,175	22,220	(1,616)	5,197	25,801	20	
Office & other equipment	9,925	(3,638)	10,308	6,938	-	961	7,899	20	
Computers & accessories	6,369	1,542	7,614	3,101	(136)	1,643	4,608	33.33	
		(297)							
	<u>1,120,505</u>	<u>248,215</u>	<u>1,364,785</u>	<u>436,556</u>	<u>(1,752)</u>	<u>40,057</u>	<u>474,861</u>	<u>889,924</u>	
		<u>(3,935)</u>							



2010 Description	COST / REVALUATION			DEPRECIATION			Book value as at Sep. 30, 2010	Depreciation rate % per annum
	As at Oct. 01, 2009	Additions / revaluation / (disposals) / transfers	As at Sep. 30, 2010	As at Oct. 01, 2009	Adjustment for depreciation on (disposals) / (transfers)	For the year		
(Rupees in '000)								
<b>OWNED ASSETS</b>								
Free hold land (Note 4.3)	135,154	7,544 44,000	186,698	-	-	-	186,698	-
Building on free hold land:								
-Factory	23,274	4,116 (888)	26,502	19,352	(74)	448	19,726	6,776
-Non factory	21,521	888	22,409	16,094	74	624	16,792	5,617
Plant & machinery	674,219	155,392	829,611	346,403	-	21,292	367,695	461,916
Furniture & fittings	3,543	247 (3,452)	338	2,935	(3,452)	601	84	254
Vehicles	34,907	5,694 (1,948)	38,653	20,466	(1,907)	3,661	22,220	16,433
Office & other equipment	12,666	2,172 (4,913)	9,925	8,810	(4,913)	3,041	6,938	2,987
Computers & accessories	11,398	3,351 (8,380)	6,369	9,282	(8,380)	2,199	3,101	3,268
	916,682	178,516 44,000 (18,693)	1,120,505	423,342	(18,652)	31,866	436,556	683,949

		Note	2011	2010
(Rupees in '000)				
4.1.1	Depreciation charged for the year has been allocated as follows:			
	Cost of sales	27	35,918	25,400
	Distribution cost	28	183	-
	Administrative expenses	29	3,956	6,466
			40,057	31,866
4.1.2	Reconciliation of carrying amount:			
	Carrying amount at beginning of the year		683,949	493,340
	Addition during the year		248,215	178,516
	Revaluation of land		-	44,000
	Depreciation for the year		(40,057)	(31,866)
	Disposals / transfers during the year at carrying amount		(2,183)	(41)
			889,924	683,949

## 4.2 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain	Mode of disposal	Particulars of buyer
	(Rupees in '000)						
<b>Computers &amp; accessories</b>							
Computers	297	136	161	287	126	Insurance claim	EFU Geneneral Insurance Ltd.
<b>Vehicles</b>							
- Suzuki Mehran VXR Reg. # AKV-154	390	253	137	137	-	Employee car scheme	Mr. M. Naeem Employee
- Suzuki Alto VXR Reg. # APL-354	516	278	238	238	-	Employee car scheme	Mr. Wasim Akhtar Employee
- Honda Civic Reg. # ASF-414	1,800	455	1,345	1,650	305	Insurance claim	EFU Geneneral Insurance Ltd.
- Toyota Corolla XLI Reg. # AJR-378	920	618	302	302	-	Employee car scheme	Mr. A. R. Mallah Employee
	3,626	1,604	2,022	2,327	305		
<b>Aggregate of assets disposed-off having book value below Rs.50,000 each:</b>							
Vehicles (Motorcycle)	12	12	-	12	12		
<b>2011</b>	3,935	1,752	2,183	2,626	443		
<b>2010</b>	736	695	41	64	23		

**4.3** This includes Rs.173.05 million (2010 : Rs. 173.05 million) in respect of revaluation surplus (Refer note no.18). Had the revaluation not been carried out the freehold land would have been stated at Rs.1.39 million (2010 : Rs.1.39 million).

	2011	2010
	(Rupees in '000)	
<b>4.4 Capital work-in-progress</b>		
Civil work	1,019	2,268
Plant and machinery	72,210	121,013
	<u>73,229</u>	<u>123,281</u>

## 5. INTANGIBLE ASSET

Description	Cost			Amortization			Book Value as at Sep 30	Life
	As at Oct 01,	Additions	As at Sep 30,	As at Oct 01,	For the year	As at Sep 30,		
	(Rupees in '000)							
<b>2011 ERP System</b>	2,200	3,300	5,500	-	733	733	4,767	5 Years
<b>2010 ERP System (under development)</b>	-	2,200	2,200	-	-	-	2,200	-

**5.1** Amortization charged for the year has been allocated as follows:

	Note	2011	2010
(Rupees in '000)			
Cost of sales	27	440	-
Distribution cost	28	73	-
Administrative expenses	29	220	-
		<u>733</u>	<u>-</u>

**6. LONG TERM INVESTMENT - In Associate**

Unicol Limited

11,549,998 (Sep. 2010: 10,499,998 )

fully paid ordinary shares  
of Rs.10/- each

Equity held : 33.33 % (Sep. 2010 : 33.33%)	6.1	176,077	167,791
Share of profit	6.1.2	42,826	8,286
		<u>218,903</u>	<u>176,077</u>

**6.1 Unicol Limited**

The Company holds 33.33 % (2010: 33.33 %) interest in Unicol Limited, which is a public limited (Un-quoted) company. 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(a) . 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, 2011 .

**6.1.1** The Company's interest in assets & liabilities of an associate is as follows:

Tangible fixed assets	267,389	258,726
Other long term assets	6,607	19,651
Current assets	273,072	265,130
	<u>547,068</u>	<u>543,507</u>
Long term liabilities	(47,587)	(84,731)
Current liabilities	(280,578)	(282,699)
	<u>(328,165)</u>	<u>(367,430)</u>
Net assets	<u>218,903</u>	<u>176,077</u>

**6.1.2** The Company's share in profit and loss of an associate is as follows:

Sales	664,886	504,236
Cost of goods sold	(556,480)	(449,103)
	<u>108,406</u>	<u>55,133</u>
Other expenses, income and taxes	(65,580)	(46,847)
	<u>42,826</u>	<u>8,286</u>

**7. LONG TERM DEPOSITS**

These represent deposits paid by the Company for obtaining various services.



**8. STORES, SPARE PARTS AND LOOSE TOOLS**

	Note	2011	2010
(Rupees in '000)			
Stores		74,335	47,361
Spare parts		82,726	69,193
Loose tools		734	590
		157,795	117,144
Provision for obsolescence		(6,000)	(6,000)
		151,795	111,144

**9. STOCK-IN-TRADE**

Sugar	27	884,253	122,921
Sugar in process	27	2,528	2,794
		886,781	125,715

**10. TRADE DEBTS - Unsecured, considered good**

Related party:			
Unicol Limited		1,289	87,105
Others:		12,192	3,874
		13,481	90,979

**10.1** Trade receivable are non-interest bearing and aging analysis of trade debts is as follows:

Neither past due nor impaired	13,481	90,979
-------------------------------	--------	--------

**11. LOANS AND ADVANCES - Unsecured****Considered good:**

Against expenses	-	18
To suppliers	97,488	68,767
To employees classified as recoverable within next twelve months	437	244
To Provident fund trust	405	3,658
Against letters of credit	10,480	884
To sugar cane growers	763	763
To transport contractors	3,279	3,078
	112,852	77,412

**Considered doubtful:**

Sugar cane growers	5,400	5,400
Provision there against	(5,400)	(5,400)
	-	-
	112,852	77,412

**12. SHORT-TERM PREPAYMENTS**

Prepaid insurance	650	618
Prepaid rent	78	102
Prepaid others	523	660
	1,251	1,380

**13. OTHER RECEIVABLES**

Sales tax / federal excise duty on sale of sugar	24,880	5,896
Special excise duty on sale of sugar	713	737
Miscellaneous	469	170
	26,062	6,803

## 14. SHORT TERM INVESTMENTS

	Note	2011	2010
		(Rupees in '000)	
Available-for-sale securities - Related party			
Quoted:			
Cherat Cement Company Limited 3,427,502 (2010: 3,427,502) fully paid ordinary shares of Rs.10/- each		28,277	37,565
Cherat Packaging Limited ( formerly Cherat Papersack Limited) 854,613 (2010: 405,000) fully paid ordinary shares of Rs.10/- each		29,903	19,051
		<u>58,180</u>	<u>56,616</u>

## 15. TAXATION - NET

Income tax - net of provision		<u>1,059</u>	<u>-</u>
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## 16. CASH AND BANK BALANCES

With banks in:			
Current accounts		10,239	26,865
PLS accounts	16.1	4,200	3,077
		<u>14,439</u>	<u>29,942</u>
Cash in hand		1,212	1,210
		<u>15,651</u>	<u>31,152</u>

16.1 Effective profit rate in respect of PLS accounts is 5% per annum (2010: 5 % per annum).

## 17. SHARE CAPITAL

### 17.1 Authorized capital

2011	2010		2011	2010
Number of Shares			(Rupees in '000)	
<u>15,000,000</u>	<u>15,000,000</u>	Ordinary shares of Rs. 10/- each	<u>150,000</u>	<u>150,000</u>

### 17.2 Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10/- each

1,770,000	1,770,000	Issued for cash	17,700	17,700
5,257,680	4,618,800	Issued as fully paid bonus shares :		
1,405,535	638,880	-Opening balance	52,577	46,188
6,663,215	5,257,680	-Issued during the year	14,055	6,389
<u>8,433,215</u>	<u>7,027,680</u>		<u>66,632</u>	<u>52,577</u>
			<u>84,332</u>	<u>70,277</u>

**17.3** Following is the detail of shares held by the related parties.

	2011	2010
	Number of shares	
<b>Name of related parties</b>		
Faruque (Private) Limited	3,493,380	2,911,150
Greaves Pakistan (Private) Limited	201,229	167,691
	<u>3,694,609</u>	<u>3,078,841</u>

**18. RESERVES**

The detailed reconciliation of reserves is disclosed in the statement of changes in equity.

**19. SURPLUS ON REVALUATION OF FIXED ASSETS**

	2011	2010
	(Rupees in '000)	
Surplus on revaluation of free hold land	<u>173,056</u>	<u>173,056</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 July 21, 2009 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.

**20. LONG TERM FINANCINGS - Secured**

From commercial banks	Mode & commencement of repayment	Security	2011	2010	Rate
			(Rupees in '000)		
<b>Plant Expansion loans</b>					
Finance 1	Nine quarterly Installments commenced from September 2009	First pari-passu equitable hypothecation charge on plant & machinery	88,889	133,334	6 months average KIBOR + 1%
Finance 2	Ten quarterly Installments commencing from February 2013	First pari-passu equitable hypothecation charge on moveable fixed assets	300,000	-	6 months average KIBOR + 0.75%
			<u>388,889</u>	<u>133,334</u>	
Less: Current maturity			<u>44,444</u>	<u>44,444</u>	
			<u>344,445</u>	<u>88,890</u>	

**21. DEFERRED LIABILITIES**

	Note	2011	2010
		(Rupees in '000)	
Quality premium	25.1.2 and 25.1.3	78,985	78,985
Market committee fee	25.1.4	25,572	23,026
Surcharge on cess payable		3,547	3,547
Deferred tax liability - net	21.1	143,783	143,783
		<u>251,887</u>	<u>249,341</u>



## 21.1 DEFERRED TAX LIABILITY - NET

	Note	2011	2010
(Rupees in '000)			
Taxable temporary differences arising in respect of :			
- Accelerated tax depreciation allowance		188,898	188,898
Deductible temporary differences arising in respect of :			
- Liabilities written back		(1,575)	(1,575)
- Turnover tax		(43,540)	(43,540)
		(45,115)	(45,115)
		143,783	143,783

## 22. TRADE AND OTHER PAYABLES

Creditors			
- For goods supplied		133,185	132,175
- Others		-	6,800
Accrued liabilities		22,404	11,838
Advances from customers		450,692	179,603
Deposits		145	145
Unclaimed dividend		2,942	2,694
Other liabilities	22.1	28,427	32,738
		637,795	365,993

### 22.1 Other liabilities

Suppliers income tax		138	94
Staff income tax		1,436	661
Sales tax with held payable		1,245	409
Sales tax		5,731	6,163
Special excise duty		45	911
Workers' profit participation fund	22.1.1	6,738	7,952
Workers' welfare fund		5,583	3,022
Others		7,511	13,526
		28,427	32,738

#### 22.1.1 Workers' Profit Participation Fund

Balance as on October 01		7,952	9,757
Interest there on	32	292	345
		8,244	10,102
Less: Payment during the year		(8,244)	(10,102)
		-	-
Add: Contribution for the year		6,738	7,952
		6,738	7,952

## 23. ACCRUED MARK-UP

On long-term financing		9,292	5,177
On short-term borrowings		23,017	9,666
		32,309	14,843

## 24. SHORT TERM BORROWINGS-SECURED

This represents utilised portion of running finance facilities aggregating Rs.1,569 million (2010 : 1,199 million) obtained from various commercial banks. These carry mark-up ranging from 1 month KIBOR + 1.75 % to 3 month KIBOR + 0.75 % per annum. The facilities are secured against registered first pari passu hypothecation charge over various assets of the Company. These facilities are repayable / renewable annually.

## 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 % 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) paisas per forty (40) Kg cane for each 0.1 % of excess sucrose recovery above the benchmark of 8.7 % 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 upto September 30, 2008, 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. Pending judgement of the Sindh High Court, the Company has provided the liability in this regard. As judgement is still pending the government has suspended the levy of quality premium for crushing season 2008-09, 2009-10 and 2010-11.
- 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 todate provision of Rs.25.57 million (2010: Rs.23.03 million) has been made as a matter of prudence, which includes Rs.2.54 million for the crushing season 2010-11.
- 25.1.5 a) The Company challenged levy of further sales tax @1.5 % under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the 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.
- 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 June 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. In previous years, Honourable Supreme Court of Pakistan had set asided 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.0.93 million (2010: Rs.0.85 million). The Company is confident that the same is not likely to materialize.
- 25.1.7 The Company in 2010, has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honourable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. Therefore, there are no financial implications related to this at the moment.

25.1.8 The Company in 2010, has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs. 1.40 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. No provision has been made in this regard since the management is confident that the outcome would be in Company's favor as the amount is insignificant and is not likely to materialize.

## 25.2 Commitments

	Note	2011	2010
(Rupees in '000)			
25.2.1	Letters of credit issued by commercial banks	2,983	2,775
25.2.2	Corporate guarantee issued on behalf of Unicol Limited.	138,000	138,000

## 26. TURNOVER - NET

Local Sales		2,857,555	2,966,831
Less: Sales tax / federal excise duty		(103,397)	(122,850)
Special excise duty		(14,487)	(20,310)
		(117,884)	(143,160)
		2,739,671	2,823,671

## 27. COST OF SALES

Sugar cane cost		2,775,576	2,325,031
Raw sugar consumed		217,549	-
Stores and spare parts consumed		95,341	64,391
Packing material and expenses		22,977	16,744
Salaries, wages and other benefits	27.1	153,734	131,797
Water, fuel and power		25,630	13,705
Insurance		4,765	3,424
Repairs and maintenance		19,243	10,952
Vehicles expenses		10,034	7,824
Sugar handling expenses		1,709	1,018
Other expenses		8,622	5,545
Depreciation	4.1.1	35,918	25,400
Amortization	5.1	440	-
		3,371,538	2,605,831
Sugar-in-process			
- opening		2,794	1,693
- closing	9	(2,528)	(2,794)
		266	(1,101)
		3,371,804	2,604,730
Less: - sale of molasses	27.2	220,475	152,332
- stock adjustment		-	(2,938)
- sale of bagasse	27.2	14,700	53,175
		235,175	202,569
Cost of goods manufactured		3,136,629	2,402,161
Finished goods - opening		122,921	198,540
- closing	9	(884,253)	(122,921)
		(761,332)	75,619
		2,375,297	2,477,780

**27.1** This includes Rs. 13.36 million (2010: Rs.8.85 million) in respect of staff retirement benefits.



**27.2** These figures are net off sales tax and special excise duty of Rs. Nil (2010 : Rs.4.60 million) in respect of molasses and Rs.2.64 million (2010 : Rs. 9.19 million) in respect of bagasse.

## 28. DISTRIBUTION COST

	Note	2011	2010
(Rupees in '000)			
Salaries, wages and other benefits	28.1	2,279	1,672
Insurance		2,229	2,703
Sugar dispatch expenses		-	43
Forwarding expenses		692	472
Brokerage and commission		69	95
Other expenses		415	-
Depreciation	4.1.1	183	-
Amortization	5.1	73	-
		<u>5,940</u>	<u>4,985</u>

**28.1** This includes Rs. 0.201 million (2010: Rs. 0.068 million) in respect of staff retirement benefits.

## 29. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	29.1	47,153	43,448
Directors' fee		460	160
Rent, rates and taxes		1,241	2,159
Communication expense		2,298	1,979
Conveyance and travelling		7,453	5,628
Printing and stationery		1,048	1,149
Entertainment		1,038	687
Vehicles expenses		1,785	3,133
Insurance		1,551	1,443
Repairs and maintenance		2,613	3,519
Subscription		1,510	504
Legal and professional charges		4,692	6,236
General expenses		731	486
Utilities		2,084	2,111
Depreciation	4.1.1	3,956	6,466
Amortization	5.1	220	-
		<u>79,833</u>	<u>79,108</u>

**29.1** This includes Rs. 8.43 million (2010: Rs. 7.38 million) in respect of staff retirement benefits.

## 30. OTHER OPERATING EXPENSES

Auditors' remuneration	30.1	510	491
Workers' profit participation fund	22.1	6,738	7,952
Workers' welfare fund	22.1	2,561	3,022
Charity and donation	30.2	2,997	389
		<u>12,806</u>	<u>11,854</u>

### 30.1 Auditors' Remuneration

Audit fee	285	265
Cost audit fee	125	105
Out of pocket expenses	100	121
	<u>510</u>	<u>491</u>

**30.2** None of the directors or their spouses had any interest in the donees.

### 31. OTHER OPERATING INCOME

	Note	2011	2010
(Rupees in '000)			
<b>Income from financial assets</b>			
Dividend income from a related party		810	-
Profit on PLS and deposit accounts with banks		678	855
Mark-up on provident fund balance		205	195
Mark-up on growers' loans		80	191
		1,773	1,241
<b>Income from non-financial assets</b>			
Gain on disposal of operating property, plant and equipment	4.2	443	23
<b>Other</b>			
Miscellaneous		2,767	810
		4,983	2,074

### 32. FINANCE COST

Mark-up on long-term financing		22,556	22,395
Mark-up on short-term borrowings		121,050	79,760
Interest on workers' profit participation fund	22.1.1	292	345
Bank charges		1,412	1,458
		145,310	103,958

### 33. PROVISION FOR TAXATION

The assessments of the Company for and upto the tax year 2011 have been completed or deemed to be assessed. In view of unabsorbed losses, the Company is only liable to pay minimum tax and final tax in the current year, therefore, no numerical tax reconciliation is given.

### 34. EARNINGS PER SHARE- BASIC

Profit after taxation	137,714	84,299
Weighted average number of ordinary shares in issue during the year	8,433,215	8,433,215
Earnings per share - basic (Rupees)	16.33	10.00 *
* restated		

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has exposed to the following financial risks from the use of financial instruments :

- Market risk including currency risk, interest rate risk and price risk.
- Credit risk
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. It is the company policy that no trading in derivatives for speculative purpose shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below :

### **35.1 Market risk**

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. The Company has exposed to market risks such as interest rate risk and price risk.

Financial instruments affected by market risk include short-term investments (available-for-sale), long term financing and short-term borrowings.

#### **a) Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the change in foreign exchange rates. The Company's exposure to the risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

#### **b) Interest rate risk**

Interest rate risk is the risk that fair value or future cash flows of the financial instruments will fluctuate due to change in the market interest rates. The Company interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in functional currencies. Applicable interest rates of financial instruments are given in respective notes.

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 20.31 million (2010: Rs.13.86 million) in profit & loss account before taxation. The analysis made based on the assumption that all other variable remains constant.

#### **c) Price risk**

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk). The Company has exposed to other price risk like equity risk that arise from Company's investment in listed securities that are classified as available-for-sale investments. Listed securities are susceptible to market price risk arising from uncertainties about future returns of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 58.18 million (2010: Rs.56.62 million). A decrease in 10% in the share price of the listed securities would have an impact of approximately Rs.5.82 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed securities would impact equity in the similar amount but will not have an effect on income unless there is an impairment charge associated with it.

### **35.2 Credit Risk**

Credit risk is the risk of financial loss to the Company if counter parties to a financial instrument fails to meet its contractual obligations. The Company does not have significant exposure in relation to individual customers. Aging analysis of trade debts is disclosed in note no.10 of this financial statements. The Company exposure to credit risk is minimal as the Company receives advance against sale of goods to customers.



The maximum exposure to credit risk at the reporting date is as follows :

	2011	2010
	(Rupees in '000)	
Long-term deposits	732	732
Trade debts	13,481	90,979
Advances	101,530	72,608
Short-term investments	58,180	56,616
Bank balances	14,439	29,942
	<u>188,362</u>	<u>250,877</u>

### 35.2.1 Credit quality of financial assets

The credit policy of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates :

	2011	2010
	(Rupees in '000)	
<b>Trade debts</b>		
Customers with no default in the past one year	13,481	90,979
<b>Advances</b>		
Counter parties without credit rating	101,530	72,608
<b>Short-term investments</b>		
Counter parties without credit rating	58,180	56,616
<b>Cash at bank</b>		
A1 +	14,439	29,942

### 35.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at balance sheet date, the Company has unused credit facilities of Rs.1,094 million (2010 : Rs.1,037 million)

Table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Interest bearing			Non-interest bearing			2011	2010
	Less than one year	One to five years	Sub total (a)	Less than one year	One to five years	Sub total (b)	Total (a+b)	
	(Rupees in '000)							
<b>Financial liabilities:</b>								
Long term financing	44,444	344,445	388,889	-	-	-	388,889	133,334
Deferred liabilities	-	-	-	-	108,104	108,104	108,104	105,558
Short-term borrowings	475,032	-	475,032	-	-	-	475,032	161,878
Trade & other payables	-	-	-	619,290	-	619,290	619,290	347,536
Accrued mark-up	-	-	-	32,309	-	32,309	32,309	14,843
	<u>519,476</u>	<u>344,445</u>	<u>863,921</u>	<u>651,599</u>	<u>108,104</u>	<u>759,703</u>	<u>1,623,624</u>	<u>763,149</u>

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

### 35.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Total	Level 1	Level 2	Level 3
(Rupees in '000)				
<b>Financial assets measured at fair value</b>				
<b>30 September 2011</b>				
Investment at fair value (available-for-sale securities)	58,180	58,180	-	-
<b>30 September 2010</b>				
Investment at fair value (available-for-sale securities)	56,616	56,616	-	-

### 35.5 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at Sep. 30, 2011 and 2010 were as follows

	2011	2010
(Rupees in '000)		
<b>Total Long term debt</b>	388,889	133,334
<b>Share Capital</b>	84,332	70,277
Reserves	411,367	311,318
Total Equity	495,699	381,595
<b>Total Equity and Long term debt</b>	884,588	514,929
<b>Gearing ratio</b>	43.96%	25.89%

### 36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

Particulars	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Remuneration & bonus	14,675	18,461	7,150	14,175	17,711	9,540
Housing allowance	1,320	3,024	2,336	1,303	2,894	2,841
Utilities	250	629	519	250	604	631
Leave fare assistance	840	840	-	780	780	-
Retirement benefits	1,836	1,836	1,013	1,635	1,635	1,252
	18,921	24,790	11,018	18,143	23,624	14,264
No. of persons	1	2	7	1	2	9

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

### 37. TRANSACTIONS WITH RELATED PARTIES :

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

Relationship	Nature of Transaction	2011	2010
		(Rupees in '000)	
<b>Group Companies</b>	Services received	3,307	2,473
	Goods purchased	1,533	1,619
	Goods sold	247,574	203,299
	Dividend received	810	-
	Investment made	14,632	-
	Dividend paid	4,619	6,997
<b>Other related parties</b>	Insurance premium	1,765	1,609
	Contribution to staff provident and gratuity funds	20,521	16,298

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

### 38. RECENT ACCOUNTING DEVELOPMENTS

**38.1** Standards and interpretations issued but not yet effective from the current financial year.

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation:



<b>Standard or Interpretation</b>		<b>Effective dates</b> (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements- Amendments to revise the way other comprehensive income is presented	01 July 2012
IFRS 7	Financial Instruments: Disclosures- Amendments enhancing disclosure about transfers of financial assets.	01 July 2011
IAS 12	Income tax (Amendment) - Deferred Taxes: Recovery of Underlying Assets	01 January 2012
IAS 19	Employee benefits - Amended Standards resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IAS 24	Related Party Disclosure (Revised)	01 January 2011
IFRIC 14	Prepayments of a minimum Funding Requirement (Amendment)	01 January 2011
IFRIC 15	Agreements for the Construction of Real Estate	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	
IFRIC 17	Distributions of Non-cash Assets to Owners	
IFRIC 18	Transfers of Assets from Customers	

The Company expects that the adoption of the above revision, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application, except certain additional disclosures.

In addition to above amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements of the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan

<b>Standard or Interpretation</b>		<b>IASB Effective dates</b> (annual periods beginning on or after)
IFRS 9	Financial Instruments	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interest in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

### 39. CAPACITY AND PRODUCTION

	2011	2010
No. of days mill operated	144	121
Crushing capacity per day (M.tons)	5,000	4,500
Total crushing capacity on the basis of no. of days (M.tons)	720,000	544,500
Actual crushing (M.tons)	509,204	455,129
Sugar production (M.tons)	52,993	48,202

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.

### 40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on December 15, 2011 by the Board of Directors of the Company.

### 41. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended September 30, 2011, the Board of Directors has approved/ proposed the following in its meeting held on December 15, 2011 for the approval of the members at the Annual General meeting.

	2011	2010
	(Rupees in '000)	
Proposed cash dividend @ Re. 1 per share (2010: @ Rs.1.50 per share)	8,433	10,542
Proposed bonus shares @ 15% (2010: 20%)	12,650	14,055

### 42. CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary for the purpose of comparison. Reclassifications have been made in note 27 to the financial statements & Cost audit fee that has been transferred from administrative expenses to other operating expenses.

### 43. GENERAL

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

  
**ASLAM FARUQUE**  
Chief Executive

  
**TARIQ FARUQUE**  
Director

# pattern of shareholding

as at september 30, 2011

Number of shareholders	Shareholding		Shares held	%
	From	To		
1,023	1	100	22,555	0.2675
372	101	500	96,110	1.1397
122	501	1000	92,221	1.0935
148	1001	5000	366,426	4.3450
35	5001	10000	262,246	3.1097
5	10001	15000	60,452	0.7168
3	15001	20000	54,991	0.6521
2	20001	25000	47,634	0.5648
2	25001	30000	53,755	0.6374
1	35001	40000	35,503	0.4210
1	85001	90000	85,857	1.0181
1	95001	100000	95,016	1.1267
1	105001	110000	109,648	1.3002
1	170001	175000	170,900	2.0265
1	200001	205000	201,228	2.3861
1	215001	220000	216,212	2.5638
2	230001	235000	464,962	5.5135
1	340001	345000	343,233	4.0700
1	505001	510000	509,864	6.0459
1	565001	570000	568,713	6.7437
1	1080001	1085000	1,082,310	12.8339
1	3490001	3495000	3,493,380	41.4241
1,726			8,433,216	100.0000

# categories of shareholders

as at september 30, 2011

Categories	Number of shareholders	Number of shares held	%
Individuals	1,678	1,575,898	18.6868
Financial Institutions	19	2,113,953	25.0670
Insurance Company	1	216,212	2.5638
Investment Companies	3	852	0.0101
Charitable Trusts	4	15,027	0.1782
Joint Stock Companies	3	3,706,195	43.9476
Others	18	805,079	9.5465
	1,726	8,433,216	100.0000

# pattern of shareholding

as at september 30, 2011

## ADDITIONAL INFORMATION

<b>Shareholders' Category</b>	<b>Shares held</b>
<b>Associated companies</b>	
Faruque (Private) Limited	3,493,380
Greaves Pakistan (Private) Limited	201,228
<b>Government Institutions</b>	
National Bank of Pakistan (Trustee of NIT)	1,082,310
Investment Corporation of Pakistan (ICP)	464
<b>Directors and Chief Executive and their spouses</b>	
Mr. Mahmood Faruque	109,648
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	13,723
Mr. Mohammed Faruque	1
Mr. Aslam Faruque	6,270
Mr. Akbarali Pesnani	25,885
Mr. Arif Faruque	18,600
Mr. Tariq Faruque	8,707
Mr. Taufique Habib	1,200
<b>Executives</b>	
	-
<b>Banks, Development Financial Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds</b>	
	1,248,243
<b>Shareholders holding 10% or more voting interest</b>	
Faruque (Private) Limited	3,493,380
National Bank of Pakistan (Trustee of NIT)	1,082,310





MIRPURKHAS SUGAR MILLS LTD  
 47<sup>th</sup> Annual General Meeting  
 2011

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.

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

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 47<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday, January 31, 2012 at 03:00 p.m. and at any adjournment thereof.

WITNESSES:

1. Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 \_\_\_\_\_  
 CNIC or Passport No. \_\_\_\_\_

Signature of  
Shareholder

Please affix  
Revenue  
Stamp

2. Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 \_\_\_\_\_  
 CNIC or Passport No. \_\_\_\_\_

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

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)



GHULAM PARUQI  
GROUP



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Karachi-75530 Pakistan

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