



GHULAM FARUQUE
GROUP

Registered Office:

Modern Motors House
Beaumont Road
P.O. Box No. 5379
Karachi-75530, Pakistan
Web: www.gfg.com.pk
UAN: 92-21-111-354-111
Fax: 92-21-5688036



Mirpurkhas
Sugar Mills
Limited



annual
report
2008

Contents

2	Vision Statement
4	Mission Statement
6	Strategic Objectives
8	Core Values
10	Company Information
12	Notice of Annual General Meeting



13	Directors' Report to the Members
17	Statement of Compliance with The Best Practices of Code of Corporate Governance
18	Statement of Compliance with The Best Practices of Transfer Pricing
19	Review Report to the Members on Statement of Compliance with The Best Practices of Code of Corporate Governance
20	Statement of Ethics & Business Practices
21	Corporate Social Responsibility
22	Statistical Data
23	Production and Financial Highlights
25	Statement of Value Addition
26	Auditors' Report to the Members
27	Balance Sheet
28	Profit and Loss Account
29	Cash Flow Statement
30	Statement of Changes in Equity
31	Notes to the Financial Statements
53	Pattern of Shareholding
	Proxy Form



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.



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 sugarcane 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 restructuring of assets and optimization of management process.

Development of sugarcane and growth in sugar and allied businesses:

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

Support of stable 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 or exceed the expectations of our stakeholders.
- Inculcate efficient, ethical and time tested business practices in our management.
- Work as a team and support each other.
- Put the interest of the Company before that of the 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	Director
Mr. Naemuddin Butt	Director

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Wasif Khalid

COMPANY SECRETARY

Mr. Abid A. Vazir

AUDITORS

Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISER

K.M.S. Law Associates

SHARE REGISTRAR

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

BANKERS

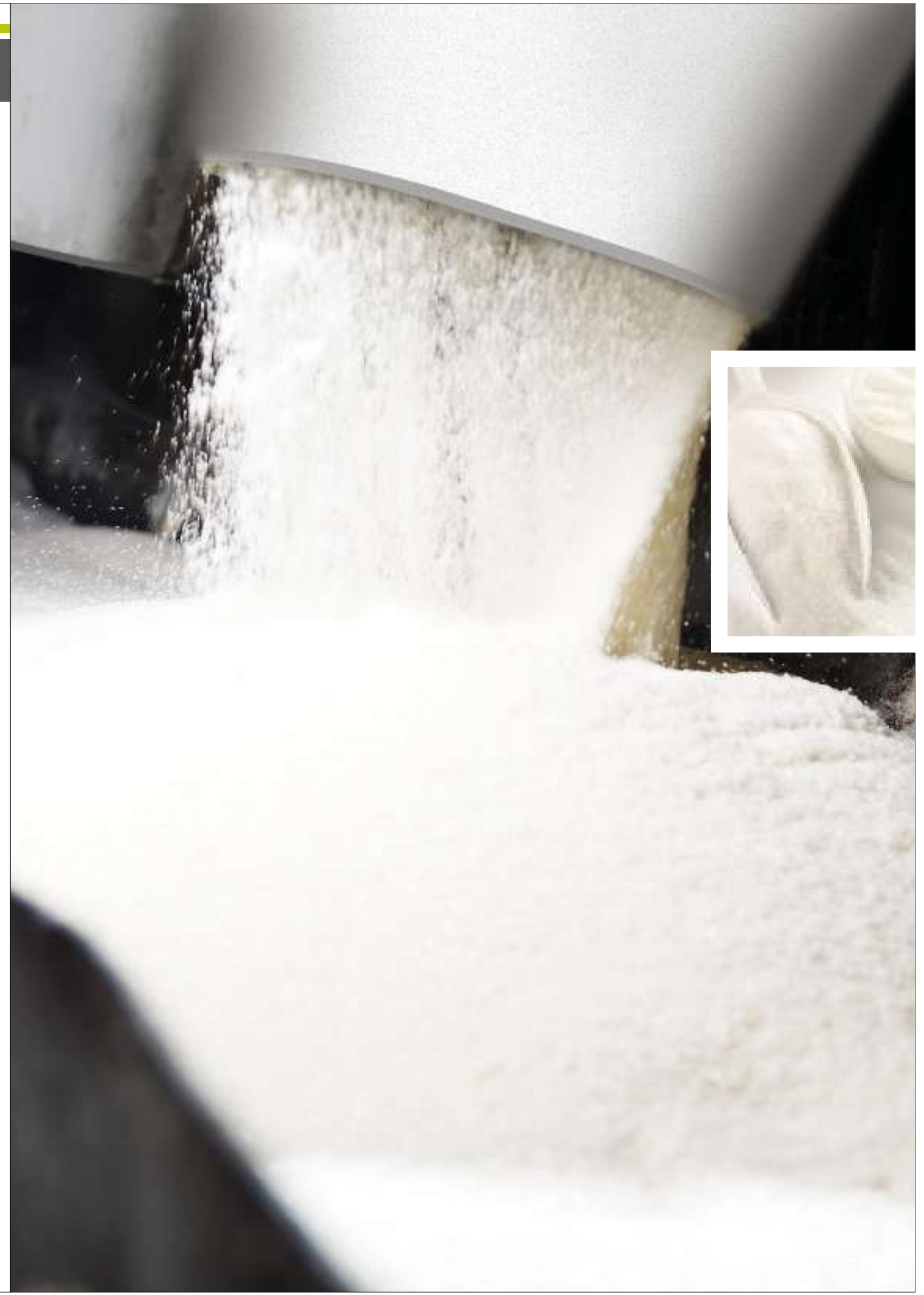
MCB Bank Ltd.
Habib Bank Ltd.
United Bank Ltd.
NIB Bank Ltd.
Bank Al-Habib Ltd.
Allied Bank Ltd.
National Bank of Pakistan

REGISTERED OFFICE

Modern Motors House,
Beaumont Road,
Karachi-75530.

FACTORY

Post Office Jamrao,
District Mirpurkhas.



Notice is hereby given that the 44th Annual General Meeting of the Company will be held on Thursday, January 29, 2009 at 10:00 a.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended September 30, 2008 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, 2008 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2008/09 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS:

5. To approve the placement of the quarterly accounts of the Company on its website.

A statement under Section 160 of the Companies Ordinance 1984, pertaining to the above-mentioned Special Business, has been sent to the Members with the Notice.

By Order of the Board of Directors

Abid A. Yazir
Company Secretary

Karachi: December 24, 2008

NOTES:

1. The register of members of the Company will remain closed from Thursday, January 15, 2009 to Thursday, January 29, 2009 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the close of business on Wednesday, January 14, 2009 will be treated in time for the entitlement of 10% cash dividend.
2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the company 48 hours before the Meeting.
3. 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 the Company of any change in their addresses.

Statement U/S 160 of the Companies Ordinance, 1984

This statement sets out material facts concerning "Special Business" to be transacted at the 44th Annual General Meeting of the Company to be held on January 29, 2009.

The approval of the Members of the Company will be sought for:

Item no. 5: Placement of quarterly accounts on website

Securities and Exchange Commission of Pakistan (SECP) vide Circular no. 19 dated 14th April 2004 has allowed the listed companies to place quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders beside saving cost associated with printing and dispatch of the accounts by post.

The Company is maintaining its website www.gfg.com.pk. The website contains the latest financial results together with the Company's profile. Permission of the SECP would be sought for transmitting the quarterly accounts through company's website after the approval of the shareholders. The Company, however, will supply printed copies of the accounts to the shareholders on demand at their registered addresses free of charge.

For the said purpose, the Directors propose that the following resolution be passed as special resolution.

"Resolved that the company be and is hereby authorized to place the quarterly accounts on its website instead of sending the same to members by post, as allowed by the Securities and Exchange Commission of Pakistan."

STATUS OF SPECIAL RESOLUTION PASSED IN PREVIOUS ANNUAL GENERAL MEETINGS

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.



The Board of Directors place before you the Annual Report of the Company together with the audited accounts for the year ended September 30, 2008.

OVERVIEW

During the season 2007/08, the sugar industry crushed 52.78 million metric tons of sugarcane to produce 4.74 million metric tons of sugar compared to 40.48 million metric tons cane crushed last season to produce 3.52 million metric tons of sugar. The average sucrose recovery of the industry remained at 8.98% compared to 8.69% last season. Higher availability of sugarcane during the season 2007/08 due to favorable weather conditions resulted in an increased sugar production.

At the start of the season, Sindh Government had fixed the price of sugarcane at an exorbitant rate of Rs. 67 per maund, which was linked with a selling price of Rs. 29 per kg. However, as a result of the representations made by the Pakistan Sugar Mills Association, the rate was subsequently reduced to Rs. 63 per maund with effect from January 21, 2008 for the remaining period. During the year under review the Company was able to crush 563,057 metric tons of sugarcane, which is 30% higher than last year, but due to depressed sugar market profit from sugar operations were low. However, profit from share of associate i.e. Unicol Limited helped the Company's final financial position.

OPERATING PERFORMANCE

The crushing for the season 2007/08 commenced on November 15, 2008. During the year, the Company crushed 563,057 metric tons of sugarcane to produce 58,224 metric tons of sugar at a much improved sucrose recovery of 10.34%. This compares favorably with 434,778 metric tons of sugarcane crushed during last season to produce 42,685 metric tons sugar at a sucrose recovery of 9.82%. During the season under review, the overall crushing and production volumes rose, due to measures taken by the Company to bring overall improvement in the operations of the plant and increase its efficiencies.

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

	2007/08	2006/07
Crushing days	138	146
Sugarcane crushed (metric tons)	563,057	434,778
Sucrose recovery	10.34%	9.82%
Sugar production (metric tons)	58,224	42,685
Molasses production (metric tons)	28,770	21,450

SALES

During the year 2007/08, the Company sold 45,134 metric tons of sugar, including export sales of 7,850 metric tons compared with 47,095 metric tons sold last year. Previous year's sales figure also included 11,469 metric tons of imported sugar. During the year, the Company entered into a forward sale agreement with Trading Corporation of Pakistan for sale of 11,351 metric tons of sugar.

FINANCIAL PERFORMANCE

During the year 2007/08, the Company achieved a turnover of PKR 1,001.64 million compared with PKR 1,108.44 million last year, reflecting a decline of PKR 106.80 million i.e. 10%. The reduction in turnover was mainly on account of reduction in quantity of sugar sold and depressed selling prices for most part of the year compared to last year. During the year, the financial results were also affected due to payment of additional sales tax at a higher rate and imposition of special excise duty. After accounting for the factors explained above, the after tax profit for the year comes to Rs. 37.35 million, which reflects a substantial improvement when compared to last year.

	2007/08 (Rs. in million)	2006/07 (Rs. in million)	Variance
Net sales	1,001.64	1,108.44	(10%)
Cost of sales	(853.14)	(1,056.80)	(19%)
Gross profit	148.50	51.64	188%
Other income	14.88	7.44	100%
Share of profit / (loss) in associate	36.02	(5.76)	725%
Other expenses & taxes	(162.05)	(93.93)	73%
Net profit	37.35	(40.61)	192%

DIVIDEND FOR THE YEAR

The Board of Directors at its meeting held on December 24, 2008 has recommended cash dividend @ 10% (Re. 1/- per share) for the year ended September 30, 2008. The approval of the share holders for cash dividend will be obtained at the Annual General Meeting to be held on January 29, 2009.

UNICOL LIMITED

The joint venture distillery project set up by the Company in collaboration with Mehran Sugar Mills Ltd. and Faran Sugar Mills Ltd. is operating at 100% production capacity and is producing high quality ethanol for export. The distillery, during the year under review, exported 24,934 tons of ethanol and made an after tax profit of Rs. 110.36 million. The Company has taken its share of profit of Rs. 36.02 million, being its one-third share, and adjusted its investment by the amount of profit in associate. We are hopeful that Unicol will bring further financial benefits to the Company and its shareholders in the years ahead.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the Company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- The system of internal control has been effectively implemented and is continuously reviewed and monitored.
- The Company is a going concern and there are no doubts about its ability to continue.
- There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is attached.
- The Company has been declaring regular dividends to its shareholders. However, it could not do so for the years 2000/01, 2001/02, 2002/03, 2003/04 & 2006/07 because of operational losses.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on September 30, 2008.

Provident Fund	Rs. 88,699,066
Gratuity Fund	Rs. 17,291,000



- The attendance record of each director for the meetings held during the year 2007/08 is as follows:

Name of Director	Meetings Attended
Mr. Mahmood Faruque	2
Mr. Mohammed Faruque	3
Mr. Akbarali Pesnani	4
Mr. Aslam Faruque	4
Mr. Arif Faruque	2
Mr. Tariq Faruque	4
Mr. Maqbool H.H. Rahimtoola	4
Mr. Gul Nawaz	4
Mr. Rana Ahmad Khan *	1
Mr. Naeemuddin Butt	1

* Mr. Rana Ahmad Khan retired from the Board on 31st December 2007. In his place, Mr. Naeemuddin Butt was elected as a Director.

- Pattern of shareholding is annexed.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary.
- Earnings per share during the year is Rs. 5.85 per share compared with loss of Rs. (6.36) last year.

FUTURE PROSPECTS

Because of water scarcity, shortage of fertilizer and fewer rains, the initial estimates for next year suggest that there will be a shortage of sugarcane crop due to decline in yield per acre, which could result in higher prices for cane. The costs are also likely to go up because of increase in minimum wages by the Government and other inflationary pressures on input items, which will result in an increase in the cost of production. For the season 2008/09, Sind Government has fixed the support price for sugarcane at an exorbitant rate of Rs. 81 per maund. Like any other industry, sugar industry is already under tremendous pressure because of increase in the interest rates by banks. The future prospects of the industry are dependant on the stability in the selling price of sugar. In this scenario, we would like to urge the Government to link the price of sugarcane with that of sugar to save the industry from the current crisis. We also request the Government of Sind to resolve other critical issues like Market Committee Fee and Quality Premium, which at present remains suspended till decision of Supreme Court / consensus on uniform formula is developed in MINFAL. the Government is urged to resolve the issue on a permanent basis to enable the sugar mills to provide reasonable return to their shareholders.

AUDITORS

The present auditors M/s. Hyder Bhimjee 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.

On behalf of the Board of Directors



MAHMOOD FARUQUE
Chairman

Karachi: December 24, 2008

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:

- The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board includes six non-executive directors, of whom two are independent.
- The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 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.
- No casual vacancy occurred in the Board during the year.
- The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by the employees of the Company.
- The Board has developed vision and mission statement/ overall corporate strategy and significant policies of the Company.
- 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.
- 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.
- 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.
- The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
- 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.
- The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
- 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.
- The Company has complied with all the corporate and financial reporting requirements of the Code.
- The Board has formed an audit committee. It presently comprises of three members, two of whom are non-executive directors including the Chairman of the Committee.

Statement of Compliance with The Best Practices of Code of Corporate Governance

16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function which is working on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

For and on behalf of the Board of Directors


MAHMOOD FARUQUE
Chairman

Karachi: December 24, 2008

Statement of Compliance with the Best Practices of Transfer Pricing

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

For and on behalf of the Board of Directors


MAHMOOD FARUQUE
Chairman

Karachi: December 24, 2008

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

Standard Insurance House
I.I. Chundrigar Road
P.O. Box 6904
Phones: 2417585 - 87
Cable: TAXCONSULT
Fax: 92-21-2423954

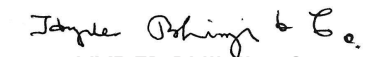
We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MIRPURKHAS SUGAR MILLS LIMITED to comply with the Listing Regulation No. 37, of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2008.

Karachi: December 24, 2008


HYDER BHIMJI & Co.
Chartered Accountants

KARACHI: Email: bhimji@multinet.com.pk
Website: <http://www.bhimji.com.pk>
www.kreston.com

LAHORE: Amin Building, 65 The Mall. Phone: 7353392, 7352661, 7321043. Fax: 92-42-7122378

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

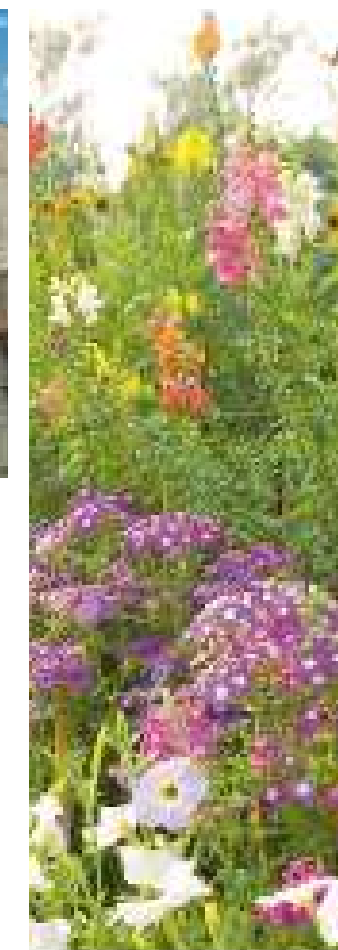
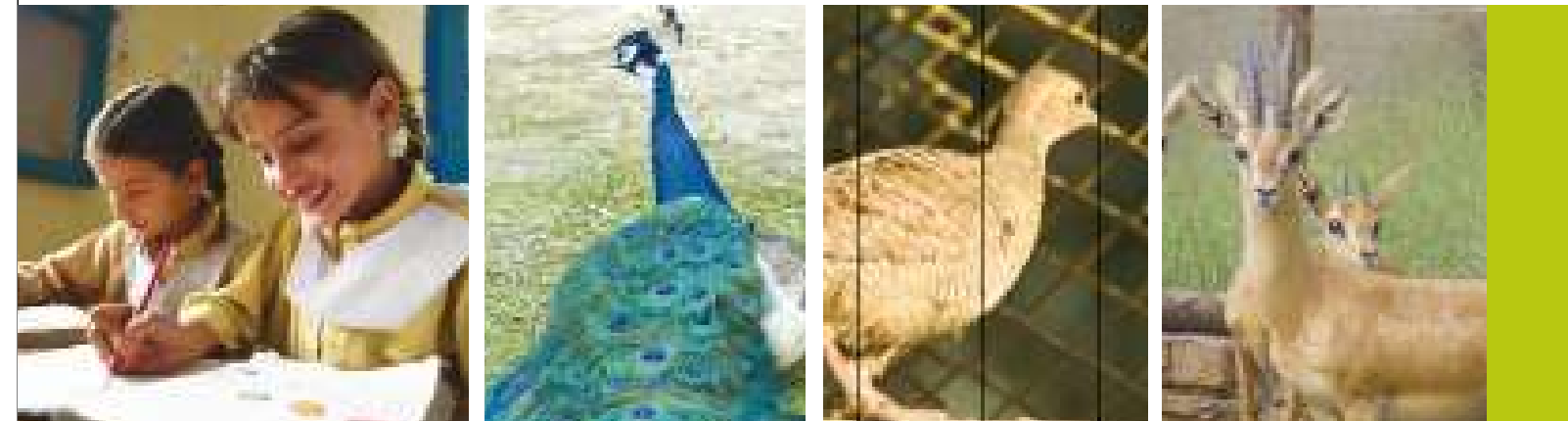
- We at Mirpurkhas Sugar Mills Limited, recognize the need of working at the highest standards to meet the expectations of all our stakeholders.
- We conduct the business of the Company with integrity and supply only quality and credible information.
- We produce and supply goods and information with 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.

For the land that has so generously given to the Group's development, we have expressed our gratitude by the reintroduction of indigenous flora and fauna, by encouraging reforestation, by re-establishing herds of the majestic Urial Sheep, the Hog Deer, the Chinkara Gazelle and by repopulating flocks of partridge and peacock, all victims of over hunting.

Each industry within the group actively develops housing and, more importantly through expansion, generates continuous opportunities for local employment.

We recognize our on-going commitment to the people and localities which support our businesses.

The Ghulam Faruque Group has spurred the setup of local infrastructure in collaboration with the Aga Khan University Hospital, Marie Adelaide Leprosy Centre, Layton Rahmatullah Benevolent Trust for eye clinics and The Citizen's Foundation for education.

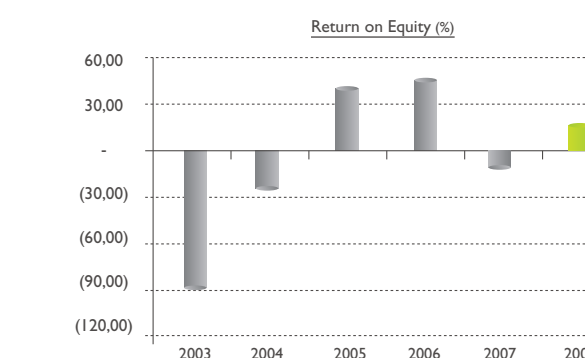
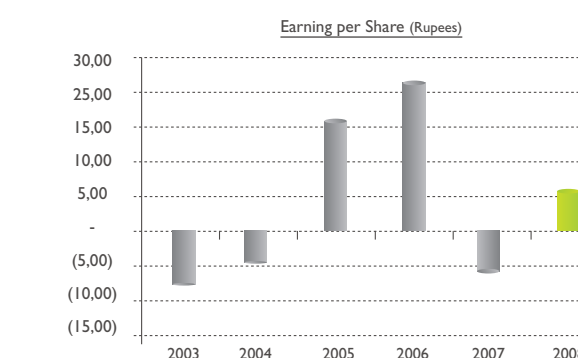
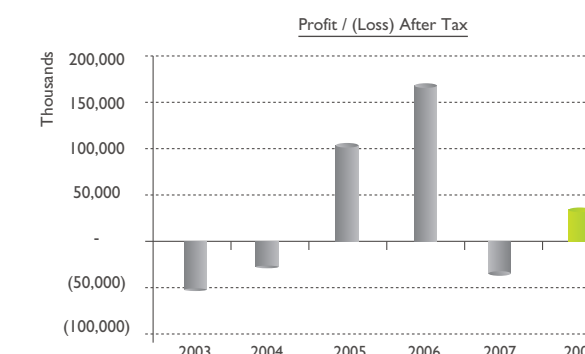
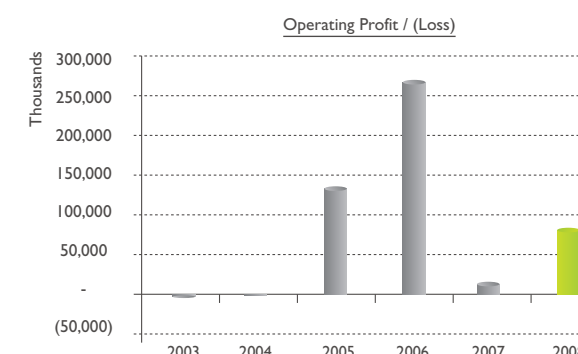
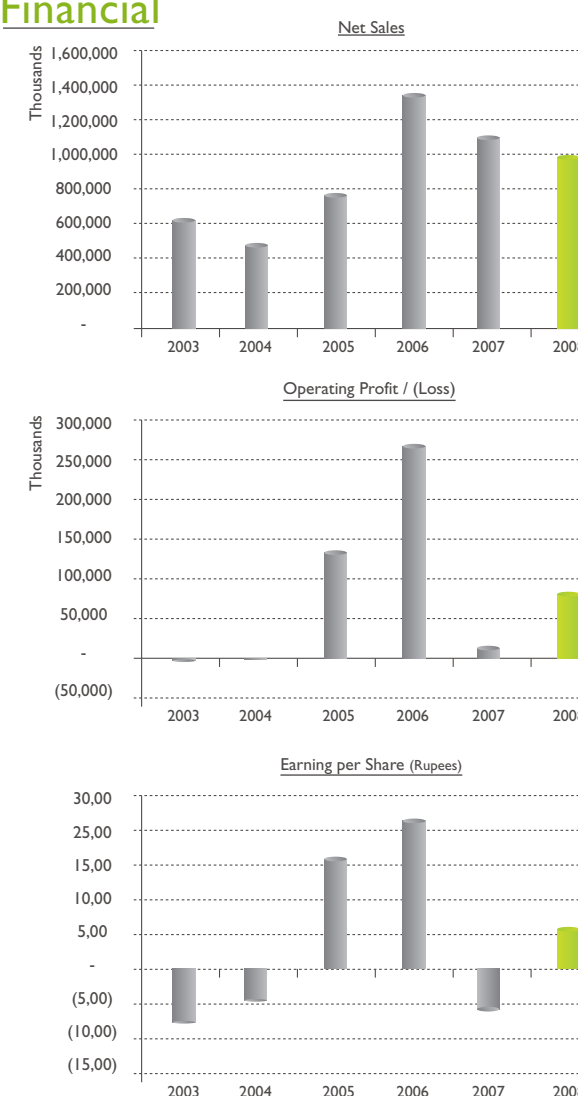


		2008	2007	2006	2005	2004	2003
Production Data							
Sugarcane crushed	(M. Tons)	563,057	434,778	379,618	317,931	498,424	415,111
Sucrose recovery	(%)	10.34	9.82	10.51	10.35	9.52	9.61
Sugar production	(M. Tons)	58,224	42,685	39,910	32,913	47,456	39,898
Molasses production	(M. Tons)	28,770	21,450	18,437	15,353	24,858	20,683
Operating Results							
Net sales	(Rs. '000)	1,001,635	1,108,436	1,371,398	774,017	496,833	633,967
Cost of sales	(Rs. '000)	853,136	1,056,801	1,109,903	645,194	494,053	616,695
Gross profit	(Rs. '000)	148,499	51,635	261,495	128,823	2,780	17,272
Operating profit / (loss)	(Rs. '000)	83,154	15,200	266,862	136,730	(217)	(1,471)
Profit / (loss) before tax	(Rs. '000)	62,882	(50,519)	211,687	101,942	(31,091)	(59,619)
Profit / (loss) after tax	(Rs. '000)	37,350	(40,610)	169,252	104,005	(31,100)	(54,672)
Proposed dividend	(Rs. '000)	6,389	-	14,375	7,986	-	-
Valuation							
Earnings per share (before tax)	(Rupees)	9.84	(7.91)	33.13	15.96	(4.87)	(9.33)
Earnings per share (after tax)	(Rupees)	5.85	(6.36)	26.49	16.28	(4.87)	(8.56)
Cash dividend per share	(Rupees)	1.00	-	2.25	1.25	-	-
Dividend yield ratio	(%)	0.97	-	2.93	5.90	-	-
Dividend payout ratio	(%)	17.11	-	8.49	7.68	-	-
Market price per share	(Rupees)	102.60	170.00	76.90	21.20	17.20	8.95
Price earning ratio	(Times)	17.54	(26.73)	2.90	1.30	(3.53)	(1.05)
Break-up value per share	(Rupees)	34.10	48.91	55.92	38.92	18.63	9.35
Financial Position							
Reserves	(Rs. '000)	153,942	248,579	293,371	184,765	55,110	(4,184)
Current assets	(Rs. '000)	699,305	511,186	463,083	364,007	387,826	212,430
Current liabilities	(Rs. '000)	620,048	540,053	461,999	357,746	495,061	308,274
Net current assets / (liabilities)	(Rs. '000)	79,257	(28,867)	1,084	6,261	(107,235)	(95,844)
Property, plant & equipment	(Rs. '000)	417,044	398,069	322,115	308,051	309,608	286,643
Total assets	(Rs. '000)	1,252,409	1,004,232	1,067,982	940,254	989,554	649,964
Long term debt	(Rs. '000)	177,778	31,826	114,880	217,314	221,162	222,845
Shareholders' equity	(Rs. '000)	217,830	312,467	357,259	248,653	118,998	59,704
Share capital	(Rs. '000)	63,888	63,888	63,888	63,888	63,888	63,888
Financial Performance							
Profitability							
Gross margin	(%)	14.83	4.66	19.07	16.64	0.56	2.72
Operating margin	(%)	8.30	1.37	19.46	17.66	(0.04)	(0.23)
Pre tax margin	(%)	6.28	(4.56)	15.44	13.17	(6.26)	(9.40)
Net margin	(%)	3.73	(3.66)	12.34	13.44	(6.26)	(8.62)
Net profit / (loss) to total assets	(%)	2.98	(4.04)	15.85	11.06	(3.14)	(8.41)
Return on Equity	(%)	17.15	(13.00)	47.38	41.83	(26.13)	(91.57)
Return on Assets	(%)	2.98	(4.04)	15.85	11.06	(3.14)	(8.41)
(Decrease) / increase in net sales	(%)	(9.64)	(19.17)	77.18	55.79	(21.63)	22.86
Sugarcane cost to Cost of goods manufactured							
Labour cost to net sales	(%)	8.52	6.02	4.13	5.82	8.79	6.43
Administrative expenses to net sales	(%)	4.51	3.80	2.25	3.29	5.49	4.56
Distribution cost to net sales	(%)	3.26	0.13	0.15	0.13	0.13	0.09
Finance cost to net sales	(%)	5.62	5.41	4.02	4.49	6.21	9.17
Other operating expenses to net sales	(%)	0.23	0.03	0.91	1.12	0.35	0.17
Operating performance / Liquidity							
Total assets turnover	(Times)	0.80	1.10	1.28	0.82	0.50	0.98
Fixed assets turnover	(Times)	2.40	2.78	4.26	2.51	1.60	2.21
Current ratio	(Times)	1.13	0.95	1.00	1.02	0.78	0.69
Inventory turnover	(Times)	2.80	4.06	4.15	2.80	2.72	5.03
Leverage							
Long term debt to equity	(Times)	0.82	0.10	0.32	0.87	1.86	3.73
Total debt to total assets	(%)	78.89	64.25	62.19	68.97	83.62	90.81
Interest coverage	(Times)	2.12	0.16	4.84	3.93	(0.01)	(0.03)

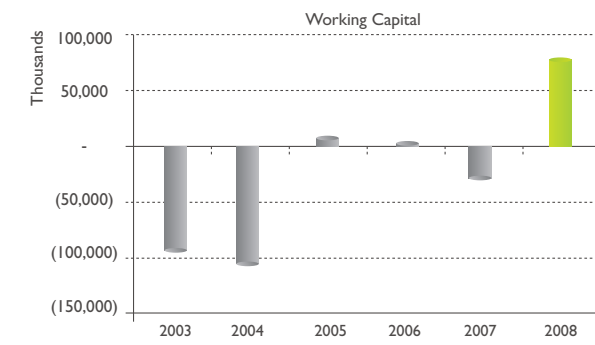
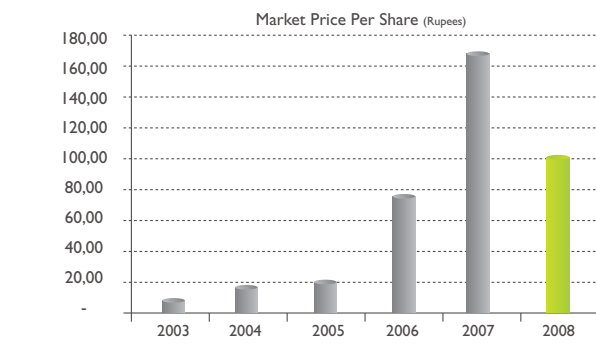
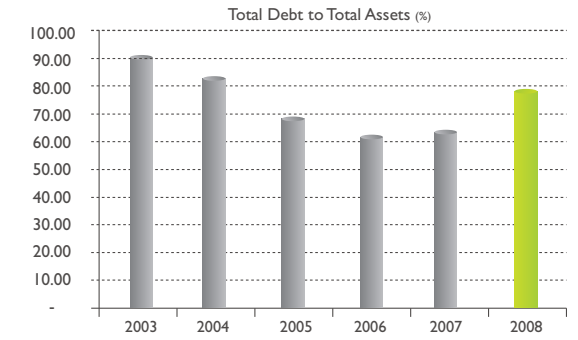
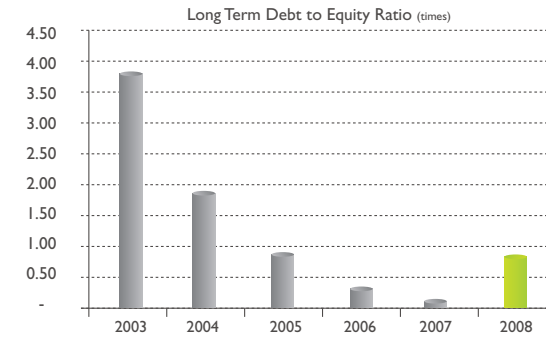
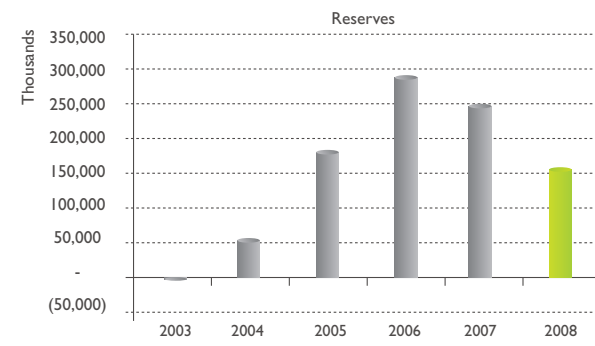
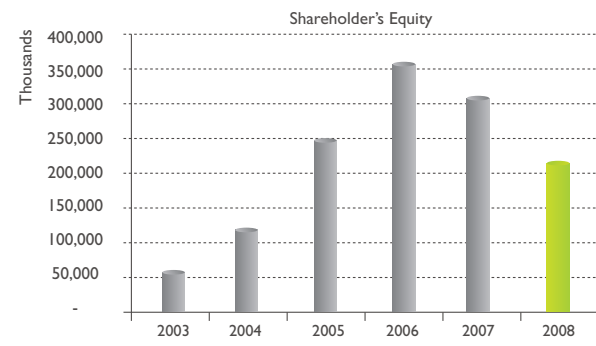
Production



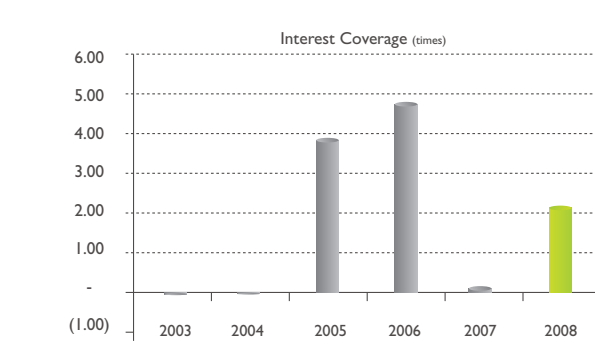
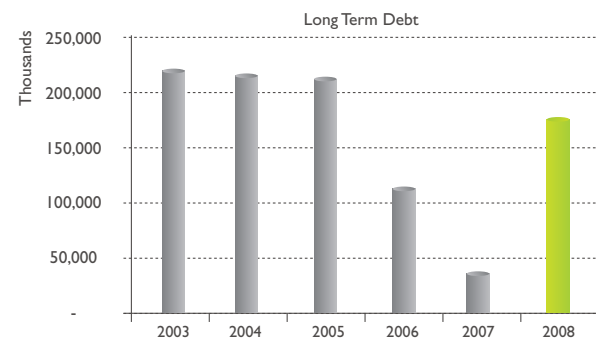
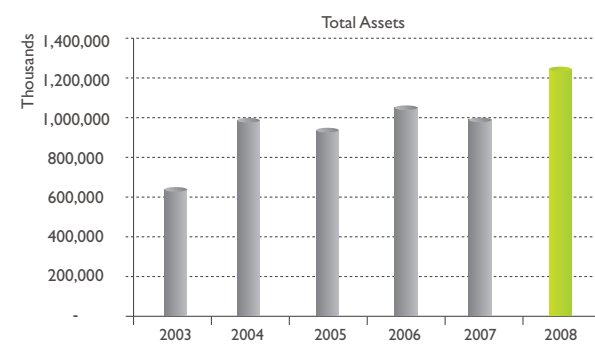
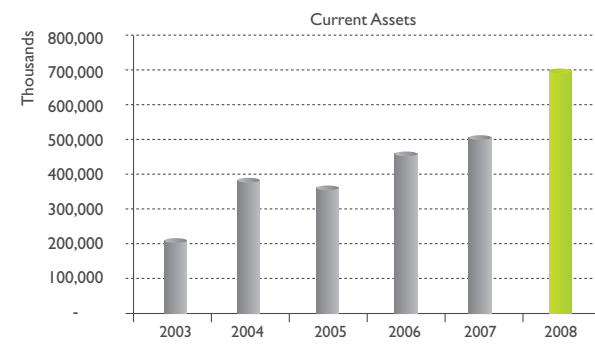
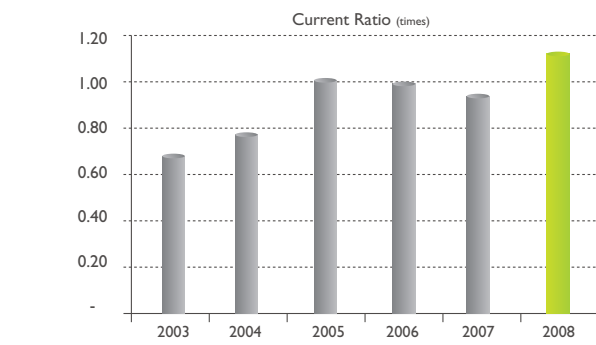
Financial



Production and Financial Highlights



Statement of Value Addition



VALUE ADDED

Gross sales
Material and services
Other income
Share of profit / (loss) in an associate

DISTRIBUTION

EMPLOYEES REMUNERATION
GOVERNMENT AS:

Sales tax, Special excise duty, & Company taxation
Workers' funds

CHARITY & DONATIONS

SHAREHOLDERS AS DIVIDEND

FINANCE COST

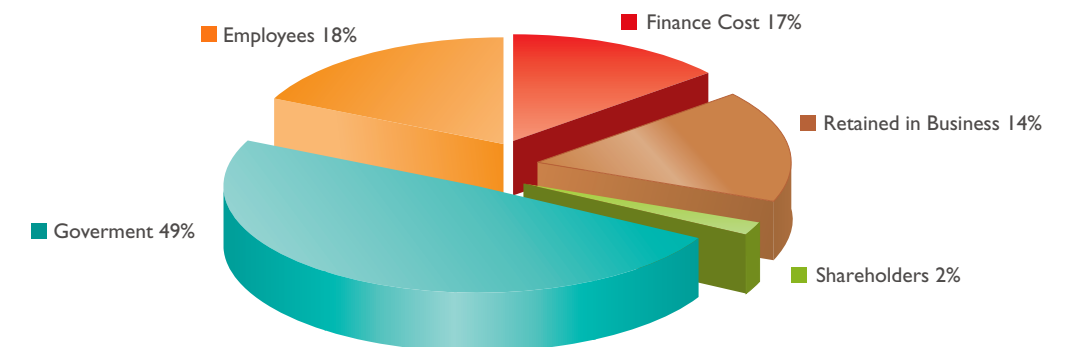
RETAINED IN BUSINESS

Depreciation
Retained profit / (loss)

* Negligible

	2008	2007
	(Rupees in '000)	
Gross sales	1,128,856	1,294,507
Material and services	(849,825)	(1,017,849)
Other income	279,031	276,658
Share of profit / (loss) in an associate	14,879	7,441
	36,020	(5,763)
	<u>329,930</u>	<u>278,336</u>
EMPLOYEES REMUNERATION	58,840 18%	56,994 20%
GOVERNMENT AS:		
Sales tax, Special excise duty, & Company taxation	161,330	185,104
Workers' funds	2,022	-
	163,352 49%	185,104 67%
CHARITY & DONATIONS	48 *	85 *
SHAREHOLDERS AS DIVIDEND	6,389 2%	- -
FINANCE COST	56,292 17%	59,956 22%
RETAINED IN BUSINESS		
Depreciation	14,048	16,807
Retained profit / (loss)	30,961	(40,610)
	45,009 14%	(23,803) (9%)
	<u>329,930</u> 100%	<u>278,336</u> 100%

DISTRIBUTION 2008



HYDER BHIMJI & CO.

CHARTERED ACCOUNTANTS

Member of
KRESTON INTERNATIONAL
with affiliated offices worldwide

Standard Insurance House
I.I. Chundrigar Road
P.O. Box 6904
Phones: 2417585 - 87
Cable: TAXCONSULT
Fax: 92-21-2423954

We have audited the annexed Balance Sheet of MIRPURKHAS SUGAR MILLS LIMITED as at September 30, 2008 and related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. The Financial Statements of the company for the year ended September 30, 2007 were audited by another firm Chartered Accountants who have issued an unqualified report dated December 03, 2007.

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

- a) in our opinion, proper books of 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, 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, 2008 and of the profit, its Cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Hyder Bhimji & Co.
HYDER BHIMJI & Co.
Chartered Accountants

Karachi: December 24, 2008

KARACHI: Email: bhimji@multinet.com.pk
Website: http://www.bhimji.com.pk
www.kreston.com

LAHORE: Amin Building, 65 The Mall. Phone: 7353392, 7352661, 7321043. Fax: 92-42-7122378

	Note	2008	2007
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	417,044	398,069
Long-term investment	5	135,257	94,237
Long-term deposits	6	803	740
		553,104	493,046
CURRENT ASSETS			
Stores, spare parts and loose tools	7	75,483	56,776
Stock-in-trade	8	426,595	183,799
Loans and advances	9	43,087	25,294
Trade deposits and short-term prepayments	10	48,743	14,749
Other receivables	11	91	4,691
Short-term investments	12	80,229	212,216
Taxation-net	13	11,780	3,597
Cash and bank balances	14	13,297	10,064
		699,305	511,186
TOTAL ASSETS		1,252,409	1,004,232
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	63,888	63,888
Reserves	16	153,942	248,579
		217,830	312,467
SURPLUS ON REVALUATION OF FIXED ASSETS	17	46,559	46,559
NON-CURRENT LIABILITIES			
Long-term financing	18	177,778	31,826
Deferred liabilities	19	190,194	73,327
		367,972	105,153
CURRENT LIABILITIES			
Trade and other payables	20	456,517	124,581
Accrued mark-up	21	9,729	12,106
Short-term borrowings	22	99,754	320,361
Current portion of long-term liabilities	23	54,048	83,005
		620,048	540,053
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		1,252,409	1,004,232

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


ASLAM FARUQUE
Chief Executive


TARIQ FARUQUE
Director

Profit & Loss Account

For the year ended September 30, 2008

	Note	2008	2007
(Rupees in '000)			
Turnover - net	25	1,001,635	1,108,436
Cost of sales	26	(853,136)	(1,056,801)
Gross profit		148,499	51,635
Distribution cost	27	(32,673)	(1,426)
Administrative expenses	28	(45,219)	(42,163)
Other operating expenses	29	(2,332)	(287)
		(80,224)	(43,876)
Other operating income	30	14,879	7,441
Operating profit		83,154	15,200
Finance cost	31	(56,292)	(59,956)
		26,862	(44,756)
Share of profit / (loss) in an associate	5.1.2	36,020	(5,763)
Profit / (loss) before taxation		62,882	(50,519)
Taxation			
Current - for the year		(2,454)	(6,064)
- prior years		555	953
Deferred		(23,633)	15,020
	32	(25,532)	9,909
Profit / (loss) after taxation		37,350	(40,610)
Earnings per share - basic (Rs.)	33	5.85	(6.36)

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, 2008

	Note	2008	2007
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		62,882	(50,519)
Adjustment for :			
Depreciation	4.1.1	22,006	20,695
Dividend income from related parties	30	(3,946)	(3,369)
Gain on disposal of property, plant and equipment	30	(2,025)	(585)
Finance cost	31	56,292	59,956
		72,327	76,697
Operating profit before working capital changes		135,209	26,178
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(18,707)	(5,505)
Stock-in-trade		(242,796)	152,609
Loans and advances		(17,793)	25,744
Trade deposits and short-term prepayments		(33,994)	(6,954)
Other receivables		4,600	(164)
		(308,690)	165,730
Increase / (decrease) in current liabilities			
Trade and other payables		331,965	19,611
Short-term borrowings		(220,607)	73,883
		111,358	93,494
Cash (used in) / generated from operations		(62,123)	285,402
		(10,082)	(8,708)
Income tax paid - net		(63)	-
Increase in long-term deposits		93,233	1,062
Increase in deferred liabilities		83,088	(7,646)
Net cash generated from operating activities		20,965	277,756
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	4.1	(43,363)	(97,312)
Sale proceeds of property, plant and equipment - owned	4.2	4,407	1,248
Long-term investment-net		(41,020)	(14,237)
Decrease in long-term deposits		-	21
Dividend received from related parties	30	3,946	3,369
Net cash used in investing activities		(76,030)	(106,911)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(191)	(537)
Finance cost paid		(58,663)	(56,252)
Long-term financing-net		117,181	(101,986)
Dividend paid		(29)	(14,050)
Net cash generated from / (used in) financing activities		58,298	(172,825)
Net increase / (decrease) in cash and cash equivalents		3,233	(1,980)
Cash and cash equivalents at the beginning of the year		10,064	12,044
Cash and cash equivalents at the end of the year		13,297	10,064

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, 2008

	Share capital	Reserves			Total	Total
		General reserves	Fair value gain / (loss) on available-for-sale securities	Unappropriated profit		
(Rupees in '000)						
Balance as at October 01, 2006	63,888	14,250	191,176	87,945	293,371	357,259
Fair value changes on available-for-sale securities	-	-	10,193	-	10,193	10,193
Cash dividend for the year ended Sep. 30, 2006 @ Rs. 2.25 per share (22.50%)	-	-	-	(14,375)	(14,375)	(14,375)
Loss after taxation for the year	-	-	-	(40,610)	(40,610)	(40,610)
Balance as at September 30, 2007	<u>63,888</u>	<u>14,250</u>	<u>201,369</u>	<u>32,960</u>	<u>248,579</u>	<u>312,467</u>
Balance as at October 01, 2007	63,888	14,250	201,369	32,960	248,579	312,467
Fair value changes on available-for-sale securities	-	-	(131,987)	-	(131,987)	(131,987)
Profit after taxation for the year	-	-	-	37,350	37,350	37,350
Balance as at September 30, 2008	<u>63,888</u>	<u>14,250</u>	<u>69,382</u>	<u>70,310</u>	<u>153,942</u>	<u>217,830</u>

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, 2008

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on May 27, 1964 as a Public Limited Company and its shares are quoted on Karachi Stock Exchange. Principal activity of the Company is 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 (IFRS) issued by the International Accounting Standards Board as notified under the Companies Ordinance, 1984, (the Ordinance), provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for derivatives financial instruments and investments which are stated at their fair value, certain inventories which are valued at Net Realizable Value (NRV), certain employees benefits that are based on actuarial valuation and free hold land which stands at revalued amount.

3.2 Significant accounting estimates and judgments

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

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

a) Staff retirement benefits

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

b) Property, plant and equipment

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

c) Classification of investments

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

3.3 Taxation

a) Current

The Company falls under the final tax regime under sections 150, 154 and 169 of the Income Tax Ordinance, 2001 to the extent of dividend income and direct export sales. Provision for tax on other income and local sales is based on taxable income at the rate applicable for the current tax year, after considering the rebates and tax credits available, if any.

b) Deferred

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

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

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

3.4 Employees retirement benefits

a) Provident fund scheme

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

b) Gratuity scheme

The Company operates an approved and funded gratuity scheme for all of its eligible permanent employees. The 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:

Discount rate
Expected rate of return on plan assets
Expected rate of salary increase

	2008	2007
	(% per annum)	
Discount rate	14	10
Expected rate of return on plan assets	10	10
Expected rate of salary increase	13	9

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

Based on the actuarial valuation of gratuity scheme as of September 30, 2008, the fair value of scheme's assets and the present value of obligation under the scheme at the Balance Sheet date were as follows:

Staff Gratuity Fund

Present value of defined benefit obligation
Fair value of plan assets
Unrecognized actuarial gain
Benefits payable
Loan given to gratuity fund
Balance sheet net asset

	2008	2007
	(Rupees in '000)	
Present value of defined benefit obligation	14,781	13,494
Fair value of plan assets	(17,291)	(35,011)
Unrecognized actuarial gain	2,510	13,300
Benefits payable	-	9,000
Loan given to gratuity fund	-	(5,388)
Balance sheet net asset	-	(4,605)

Amounts charged to profit and loss account

Current service cost
Interest cost
Expected return on plan assets
Actuarial loss / (gain) recognized during the year

Current service cost	1,048	915
Interest cost	1,349	1,743
Expected return on plan assets	(3,501)	(2,386)
Actuarial loss / (gain) recognized during the year	1,104	(291)
	-	(19)

Reconciliation at September 30

Opening net asset
Expense recognized as above
Payments made on behalf of gratuity fund during the year
Contribution during the year
Closing net asset

Opening net asset	(4,605)	(3,418)
Expense recognized as above	-	(19)
Payments made on behalf of gratuity fund during the year	(1,364)	(1,168)
Contribution during the year	5,969	
Closing net asset	-	(4,605)

Composition of plan assets are as follows :

Defence Saving Certificates (DSC's)
Mutual Funds
Listed Securities
Amount in Bank
Loan of gratuity fund payable to the Company

Defence Saving Certificates (DSC's)	-	27,397
Mutual Funds	3,242	12,532
Listed Securities	12,598	-
Amount in Bank	1,451	470
Loan of gratuity fund payable to the Company	-	(5,388)
	17,291	35,011

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.

Actual return on plan assets

Expected return on plan assets
Actuarial (loss) / gain on plan assets
Actual return on plan assets

Expected return on plan assets	3,501	2,387
Actuarial (loss) / gain on plan assets	(6,165)	9,925
Actual return on plan assets	(2,664)	12,312

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, which reflects the patterns in which the asset's economic benefits are consumed by the enterprise. Additions to fixed assets are depreciated quarterly while no depreciation is charged on fixed assets disposed off during the quarter.

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

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

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

b) Assets subject to finance lease

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

3.6 Investment

a) In Associate

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

b) Available-for-sale securities

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

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

c) Held-to-maturity investments

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

d) Designated investments at fair value through profit or loss

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

3.7 Stores, spare parts and loose tools

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

3.8 Stock-in-trade

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

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

3.9 Trade debts

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

3.10 Revenue recognition

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

3.11 Foreign currency transactions and translations

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

3.12 Provisions

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

3.13 Borrowing costs

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

3.14 Related party transactions

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length.

3.15 Financial instruments

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

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

3.16 Offsetting of financial assets and liabilities

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

3.17 Cash and cash equivalents

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

3.18 Dividend and appropriation to reserves

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

		2008	2007
		(Rupees in '000)	
4.	PROPERTY, PLANT AND EQUIPMENT		
	Property, plant and equipment - owned	417,044	397,281
	Assets subject to finance lease	-	788
		417,044	398,069

4.1 Following is a statement of property, plant and equipment

2008 Description	COST			DEPRECIATION			Book value as at Sep. 30, 2008	Rate % per annum	
	As at Oct. 01, 2007	Additions / (disposals)/ transfers	As at Sep. 30, 2008	As at Oct. 01, 2007	Adjustment for depreciation on (disposals) / transfers	For the year			As at Sep.30, 2008
(Rupees in '000)									
OWNED ASSETS									
Free hold land (Note 4.3)	48,157	-	48,157	-	-	-	-	48,157	-
Building on free hold land:									
-Factory	21,030	2,244	23,274	18,588	-	328	18,916	4,358	10
-Non factory	20,925	251	21,176	15,960	-	503	16,463	4,713	10
Plant & machinery	639,196	35,490 (4,460)	670,226	318,731	(2,662)	16,604	332,673	337,553	5
Furniture & fittings	3,558	10 (25)	3,543	2,815	(22)	75	2,868	675	10
Vehicles	28,989	3,571 (1,438) 1,722	32,844	13,861	934 (872)	3,474	17,397	15,447	20
Office & other equipment	11,650	1,011 (52)	12,609	7,958	(37)	460	8,381	4,228	10
Computers & accessories	9,808	786	10,594	8,119	-	562	8,681	1,913	25
Total Owned Assets	783,313	43,363 (5,975) 1,722	822,423	386,032	(3,593) 934	22,006	405,379	417,044	
ASSETS SUBJECT TO FINANCE LEASE									
Vehicles	1,722	(1,722)	-	934	(934)	-	-	-	20
	785,035	45,085 (7,697)	822,423	386,966	(3,593)	22,006	405,379	417,044	

Notes to the Financial Statements

For the year ended September 30, 2008

2007 Description	COST			DEPRECIATION			Book value as at Sep. 30, 2007	Rate % per annum
	As at Oct. 01, 2006	Additions / (disposals)/ transfers	As at Sep. 30, 2007	As at Oct. 01, 2006	Adjustment for depreciation on (disposals) / transfers	For the year		
(Rupees in '000)								
OWNED ASSETS								
Free hold land (Note 4.3)	46,957	1,200	48,157	-	-	-	48,157	-
Building on free hold land:								
-Factory	20,700	330	21,030	18,317	-	271	18,588	2,442
-Non factory	17,526	3,399	20,925	15,691	-	269	15,960	4,965
Plant & machinery	545,944	93,252	639,196	303,153	-	15,578	318,731	320,465
Furniture & fittings	3,493	65	3,558	2,735	-	80	2,815	743
Vehicles	27,656	3,701 (2,368)	28,989	12,172	(1,705)	3,394	13,861	15,128
Office & other equipment	10,532	1,118	11,650	7,579	-	379	7,958	3,692
Computers & accessories	9,297	511	9,808	7,592	-	527	8,119	1,689
Total Owned Assets	682,105	103,576 (2,368)	783,313	367,239	(1,705)	20,498	386,032	397,281
ASSETS SUBJECT TO FINANCE LEASE								
Vehicles	1,722	-	1,722	737	-	197	934	788
	683,827	103,576 (2,368)	785,035	367,976	(1,705)	20,695	386,966	398,069

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

	Note	2008	2007
(Rupees in '000)			
Manufacturing Expenses	26	20,406	19,440
Administrative Expenses	28	1,600	1,255
		22,006	20,695

4.2 Disposal of Property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Sold to
(Rupees in '000)							
VEHICLES							
Suzuki Baleno Reg # AGM-235	739	433	306	306	-	Employee Car Scheme	Syed Shaukat Hussain Bukhari Karachi (Employee)
Suzuki Alto Reg # AJG-568	499	241	258	258	-	Employee Car Scheme	Mr. Tahir Bashir, Mirpurkhas (Employee)
	1,238	674	564	564	-		
PLANT & MACHINERY							
635 KVA Dawson & Keith deisel generator	4,460	2,662	1,798	3,700	1,902	Insurance Claim	EFU General Insurance Limited
	4,460	2,662	1,798	3,700	1,902		

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

FURNITURE & FIXTURE	25	22	3	13	10
VEHICLES	200	198	2	110	108
OFFICE EQUIPMENTS	52	37	15	20	5
	277	257	20	143	123

2008	5,975	3,593	2,382	4,407	2,025
2007	2,368	1,705	663	1,248	585

4.3 This includes Rs.46.56 million (2007 : Rs.46.56 million) in respect of revaluation surplus (Refer note no.17). Had the revaluation not been carried out the freehold land would have been stated at Rs.0.39 million (2007 : Rs.0.39 million).

5. LONG TERM INVESTMENT - In Associate

Unicol Limited
10,499,998 (2007: 9,999,998)
fully paid ordinary shares
of Rs.10/- each
Equity held : 33.33 % (2007 : 33.33%)
Share of profit / (loss) in an associate

Note

	2008	2007
(Rupees in '000)		
	105,000	100,000
	30,257	(5,763)
	135,257	94,237

5.1 Unicol Limited

The Company holds 33.33 percent (2007: 33.33 percent) interest in Unicol Limited, which is a public limited (Unquoted) company. On May 17, 2007, the shareholders in Extra Ordinary General Meeting have given approval for further investment of Rs. 40 million (in addition to investment of Rs. 88.67 million already approved by the shareholders of the Company in the equity of Unicol Limited). During the current year the Company has further invested Rs. 5 million, thus taking the aggregate investment to Rs. 105 million. Unicol Limited has started its operations from August 01, 2007. Share of profit / loss arising from the associate has been taken to profit and loss account in accordance with the accounting policy as mentioned in note no. 3.6 to the financial statements. The share of Company in the net assets has been determined on the basis of the audited financial statements for the year ended September 30, 2008.

Notes to the Financial Statements

For the year ended September 30, 2008

		2008	2007
		(Rupees in '000)	
5.1.1	The Company's interest in assets & liabilities of an associate is as follows:		
	Tangible fixed assets	287,633	251,232
	Other long term assets	20,149	17,127
	Current assets	104,213	63,974
		411,995	332,333
	Long term liabilities	(136,907)	(178,527)
	Current liabilities	(139,831)	(59,569)
		(276,738)	(238,096)
	Net assets	135,257	94,237
5.1.2	The Company's share in profit and loss of an associate is as follows:		
	Sales	297,814	19,732
	Cost of goods sold	(233,894)	(16,845)
		63,920	2,887
	Other expenses, income and taxes	(27,900)	(8,650)
		36,020	(5,763)
6.	LONG TERM DEPOSITS		
	These represent deposits paid by the Company for obtaining various services.		
7.	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores	36,651	19,481
	Spare parts	44,292	42,721
	Loose tools	540	574
		81,483	62,776
	Provision for obsolescence	(6,000)	(6,000)
		75,483	56,776
8.	STOCK-IN-TRADE		
	Sugar	425,460	179,603
	Sugar in process	1,135	1,312
	Molasses	-	2,884
		426,595	183,799
8.1	This stock includes a quantity of 11,351 metric tons, which is being held on behalf of Trading Corporation of Pakistan (TCP). The forward sale contracts in this regard were entered during the current year.		
9.	LOANS AND ADVANCES - Unsecured		
	Considered good:		
	Against expenses	44	14
	To suppliers	14,652	9,660
	Due from a related party	16,036	7,825
	To employees classified as recoverable within next twelve months	1,244	148
	To Provident fund trust	1,753	1,617
	Against letters of credit	4,881	-
	To sugarcane growers	4,477	6,030
		43,087	25,294
	Considered doubtful:		
	Sugar cane growers	5,400	5,400
	Provision there against	(5,400)	(5,400)
		-	-
		43,087	25,294

9.1 The maximum aggregate amount due from a related party at the end of any month during the year was Rs.49.50 million (2007: Rs.25 million)

		2008	2007
		(Rupees in '000)	
10.	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
	Deposits	11,894	500
	Prepayments	5,654	1,685
	Sales tax on sale of sugar	28,993	11,926
	Special excise duty	2,202	638
		48,743	14,749
10.1	This represent security deposits being paid to TCP against forward sales contracts entered during the current year (2007 : Nil).		
11.	OTHER RECEIVABLES		
	Receivable from employees' gratuity trust	-	4,605
	Other receivables	91	-
		91	4,691
12.	SHORT TERM INVESTMENTS		
	Available-for-sale securities-Related party Quoted:		
	Cherat Cement Company Limited 3,427,502 (2007: 3,427,502) fully paid ordinary shares of Rs.10/- each Equity held : 3.58 % (2007: 3.58%)	54,497	156,294
	Cherat Papersack Limited 324,000 (2007:259,200) fully paid ordinary shares of Rs.10/- each Equity held : 4.41% (2007: 4.41%)	25,732	55,922
		80,229	212,216
12.1	Quoted investments in related parties are stated at fair value. Unrealized gain of Rs. 69.38 million (2007: 201.37 million) from a change in the fair value of available-for-sale securities has been recognized directly in equity. Refer note no. 3.6(b) of the notes to the financial statements		
13.	TAXATION - NET		
	Income tax - net of provision	11,780	3,597
14.	CASH AND BANK BALANCES		
	With banks in:		
	Current accounts	2,684	6,123
	PLS accounts	10,474	3,812
		13,158	9,935
	Cash in hand	139	129
		13,297	10,064
14.1	Effective profit rate in respect of PLS accounts ranges from 1 to 5 percent per annum (2007: 1 to 2 percent per annum).		

Notes to the Financial Statements

For the year ended September 30, 2008

		Note	2008	2007
(Rupees in '000)				
15.	SHARE CAPITAL			
15.1	Authorized capital:			
			2008	2007
			Number of Shares	
			15,000,000	15,000,000
		Ordinary shares of Rs. 10/- each	150,000	150,000
15.2	Issued, subscribed and paid-up capital			
	Fully paid ordinary shares of Rs. 10/- each			
			2008	2007
			Number of Shares	
			1,770,000	1,770,000
		Issued for cash	17,700	17,700
			4,618,800	4,618,800
		Issued as fully paid bonus shares	46,188	46,188
			6,388,800	6,388,800
15.3	Following is the detail of shares held by the related parties:			
	Names of related parties		Number of shares	
	Faruque (Private) Limited		2,646,500	2,524,678
	Greaves Pakistan (Private) Limited		151,646	151,646
			2,798,146	2,676,324
16.	RESERVES			
	The detailed reconciliation of reserves is disclosed in the statement of changes in equity.			
17.	SURPLUS ON REVALUATION OF FIXED ASSETS			
	Surplus on revaluation of free hold land		46,559	46,559
	It represents revaluation of free hold land which has been carried out by independent valuers M/s Engineering Pakistan Int'l (Pvt.) Limited as of June 30, 2006 to determine the present (realizable) market value by enquiring from local active realtors. This has been credited to surplus on revaluation of fixed assets account.			
18.	LONG TERM FINANCING - Secured			
	From banks:			
	Term Loan			
	Finance - I	18.1	31,826	95,478
	Finance - II		-	19,167
	Finance - III	18.2	200,000	-
			231,826	114,645
	Less: Current maturity	23	54,048	82,819
			177,778	31,826
18.1	a) It represents finance from a commercial bank in order to secure borrowings at competitive rates. This finance carries mark-up at 6 months average KIBOR + 1 percent and is chargeable and payable quarterly.			
	b) The above finance is repayable in 14 quarterly installments which commenced from October 07, 2005 with a grace period of 6 months.			

- c) The above finance is secured by registered pari passu equitable hypothecation charge over the plant and machinery of the Company.
- 18.2 a) It represents finance from a commercial bank in order to secure borrowings at competitive rates. This finance carries mark-up at 6 months average KIBOR + 1 percent and is chargeable and payable quarterly.
- b) The above finance had a grace period of one year and is repayable in 9 quarterly installments which will commence from September 23, 2009.
- c) The above finance is secured by registered pari passu equitable hypothecation charge over the fixed assets of the Company.

		Note	2008	2007
(Rupees in '000)				
19.	DEFERRED LIABILITIES			
	Quality premium	24.1.2 and 24.1.3	143,246	52,819
	Market committee fee	24.1.4	18,571	15,756
	Surcharge on cess payable		3,547	3,556
	Deferred tax liability - net	19.1	24,830	1,196
			190,194	73,327
19.1	Deferred tax liability - net			
	Taxable temporary differences arising in respect of :			
	- Accelerated tax depreciation allowance		110,815	105,963
	- Leased assets		-	210
			110,815	106,173
	Deductible temporary differences arising in respect of :			
	- Unabsorbed tax Losses		(71,170)	(84,815)
	- Liabilities written back		(1,575)	(1,575)
	- Turnover tax		(13,240)	(18,587)
			(85,985)	(104,977)
			24,830	1,196
20.	TRADE AND OTHER PAYABLES			
	Creditors			
	- For goods supplied		39,708	16,047
	- Others		383	565
	Accrued liabilities		6,253	6,131
	Advances from customers			
	- Trading Corporation of Pakistan		225,989	-
	- Others		178,724	81,776
	Deposits		143	144
	Unclaimed dividend		2,226	2,255
	Other liabilities	20.1	3,091	17,663
			456,517	124,581
20.1	Other liabilities			
	Suppliers income tax		103	90
	Staff income tax		86	387
	Sales tax		-	15,395
	Special excise duty		-	1,029
	Workers' profit participation fund	20.1.1	1,444	-
	Workers' welfare fund		578	-
	Others		880	762
			3,091	17,663

Notes to the Financial Statements

For the year ended September 30, 2008

	Note	2008	2007
(Rupees in '000)			
20.1.1	Workers' Profit Participation Fund		
	Balance as on October 01	-	11,141
	Interest there on	-	651
		-	11,792
	Less: Payment during the year	-	11,792
		-	-
	Add: Contribution for the year	1,444	-
		1,444	-
21.	ACCRUED MARK-UP		
	On long-term financing	1,901	2,900
	On short-term borrowings	7,828	9,204
	On finance lease	-	2
		9,729	12,106

22. SHORT TERM BORROWINGS - SECURED

This represents utilized portion of running finance facilities aggregating Rs. 749 million (2007 : 574 million) obtained from various commercial banks. These carry mark-up ranging from 1 month KIBOR + 1.15 % to 3 month KIBOR + 1 % per annum. The facilities are secured against registered joint pari -passu hypothecation charge over stock and other current assets. These facilities are repayable / renewable annually.

		2008	2007
(Rupees in '000)			
23.	CURRENT PORTION OF LONG TERM LIABILITY		
	Long-term financing	54,048	82,819
	Liabilities against assets subject to finance lease	-	186
		54,048	83,005

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies:

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

24.1.2 The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty (50) paisas per forty (40) Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent determined on over all sucrose recovery of each mill. The Company challenged the levy of quality premium before the Honourable High Court of Sindh, which decided the matter against the Company. Aggrieved with the judgment, the Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court, the Honorable Supreme Court granted stay. The Punjab government is not charging any quality premium in view of an earlier decision of Lahore High Court in a similar case in which the Court had declared the demand of quality premium as unlawful. The Company has recognised the financial impact, as a matter of prudence as described in note 24.1.3.

24.1.3 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 judgment of the Sindh High Court, the Company has provided the liability in this regard in the financial statements (refer note no. 19), as a prudent accounting policy.

24.1.4 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchased at the factory. The Sindh High Court has granted status quo. Full provision of Rs.18.57 million (2007:15.76 million) has been made till date as a matter of prudence, which includes Rs.2.81 million for the crushing season 2007-08.

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

b) The amendment brought in vide Finance Ordinance 2001 in the Sales Tax Act with the intention to nullify the decision of the High Court on levy of further tax @3% w.e.f 18/06/2001 does not change the legal position of further tax. However, the Company made the payment of 3% further tax under protest in order to avoid the Additional Tax and penalties. During last year, Honourable Supreme Court of Pakistan had set aside the case and referred it to the tribunal level, where the Company appeal is pending. In view of the contingencies involved in this case, the Company has not accounted for as refund an amount of Rs.50.97 million being the further Sales Tax paid in this behalf.

24.1.6 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.0.69 million (2007: Rs.0.61 million). The Company is confident that the same is not likely to materialize.

24.2 Commitments

24.2.1 Letters of credit issued by commercial banks

24.2.2 Corporate guarantee issued on behalf of Unicol Limited

	2008	2007
(Rupees in '000)		
24.2.1	20,943	-
24.2.2	138,000	138,000

Notes to the Financial Statements

For the year ended September 30, 2008

		2008	2007
		(Rupees in '000)	
25.	TURNOVER - NET		
	Local sales	927,144	1,294,507
	Less: Sales tax	119,314	183,381
	Special excise duty	7,907	2,690
		127,221	186,071
	Export Sales	799,923	1,108,436
		201,712	-
		1,001,635	1,108,436
26.	COST OF SALES		
	Sugar cane crushed (including procurement and development expenses)	1,017,975	828,519
	Stores and spare parts consumed	45,414	25,063
	Packing material and expenses	17,686	10,363
	Salaries, wages and other benefits	85,301	66,702
	Water, fuel and power	8,918	8,699
	Insurance	2,127	1,482
	Repairs and maintenance	4,068	4,029
	Vehicles expenses	5,163	5,306
	Sugar handling expenses	623	274
	Other expenses	6,455	2,672
	Depreciation	20,406	19,440
		1,214,136	972,549
	Sugar-in-process - Opening	1,312	1,098
	- Closing	(1,135)	(1,312)
		177	(214)
		1,214,313	972,335
	Less: - Sale of molasses	104,665	55,569
	- Stock adjustment	(2,884)	(2,360)
	- Sale of bagasse	13,539	12,788
		115,320	65,997
	Cost of goods manufactured	1,098,993	906,338
	Finished goods - Opening	179,603	330,066
	- Closing	(425,460)	(179,603)
		(245,857)	150,463
		853,136	1,056,801

26.1 This includes Rs. 1.54 million (2007: Rs.2.13 million) in respect of staff retirement benefits.

26.2 These figures are net off sales tax of Rs. 2.68 million (2007 : Rs. 3.81 million) in respect of molasses and Rs. 2.06 million (2007 : Rs. 1.92 million) in respect of bagasse.

		2008	2007
		(Rupees in '000)	
27.	DISTRIBUTION COST		
	Salaries, wages and other benefits	328	297
	Insurance	2,402	836
	Sugar dispatch expenses	29,625	-
	Forwarding expenses	244	201
	Brokerage and commission	74	92
		32,673	1,426
27.1	This includes Rs. 0.013 million (2007: Rs. 0.013 million) in respect of staff retirement benefits.		
27.2	This represents expenses related to sugar cartage and freight for export purposes.		
28.	ADMINISTRATIVE EXPENSES		
	Salaries, wages and other benefits	29,491	23,875
	Directors' fee	190	105
	Rent, rates and taxes	941	2,914
	Postage, telegram and telephones	976	817
	Conveyance and travelling	2,437	2,813
	Printing and stationery	1,020	431
	Entertainment	566	493
	Vehicles expenses	1,863	1,676
	Insurance	1,006	1,068
	Repairs and maintenance	1,303	2,335
	Subscription	557	368
	Legal and professional charges	1,928	1,894
	General expenses	138	929
	Electricity and water	1,203	1,190
	Depreciation	1,600	1,255
		45,219	42,163
28.1	This includes Rs. 1.24 million (2007: Rs. 0.91 million) in respect of staff retirement benefits.		
29.	OTHER OPERATING EXPENSES		
	Auditors' remuneration	262	202
	Workers' profit participation fund	1,444	-
	Worker's welfare fund	578	-
	Charity and donation	48	85
		2,332	287

Notes to the Financial Statements

For the year ended September 30, 2008

	Note	2008	2007
(Rupees in '000)			
29.1	Auditors' Remuneration		
	Annual audit fee	150	125
	Other services	50	50
	Out of pocket expenses	62	27
		<u>262</u>	<u>202</u>
29.2	None of the Directors or their spouses had any interest in the donees.		
30.	OTHER OPERATING INCOME		
	Income from financial assets		
	Dividend Income from related parties	3,946	3,369
	Profit on PLS and deposit accounts with banks	95	686
	Mark-up on provident fund balance	205	741
	Mark-up on growers' loans	221	346
		<u>4,467</u>	<u>5,142</u>
	Income from Non-financial assets		
	Gain on disposal of property, plant and equipment	2,025	585
	Other		
	Miscellaneous receipts	4,207	1,714
	Exchange gain on export sales.	4,180	-
		<u>8,387</u>	<u>1,714</u>
		<u>14,879</u>	<u>7,441</u>
31.	FINANCE COST		
	Mark-up on long-term financing	8,155	18,501
	Mark-up on short-term borrowings	43,130	33,186
	Mark-up on loan from a related party	-	7,085
	Financial charges on finance lease	4	34
	Interest on Workers' profit participation fund	-	651
	Bank charges	5,003	499
		<u>56,292</u>	<u>59,956</u>

32. PROVISION FOR TAXATION

Effective from tax year 2009 an amendment was made in the Income Tax Ordinance 2001 through Finance Act 2008 whereas minimum tax payable on declared turnover under section 113 was withdrawn. Since the Company has no taxable Income during current year hence no charge for current year taxation on normal income is provided in these financial statements. Tax on dividend and export sales is calculated under final tax regime. The assessment of the Company have been finalized up to tax year 2008.

	2008	2007	
(Rupees in '000)			
32.1	Relationship between accounting profit and taxation:		
	Profit / (loss) before tax	62,882	(50,519)
	Tax calculated @ 35% (2007: 35%)	-	-
	Tax effect of income exempt from tax	-	-
	Effect of income appearing under final tax regime	(2,454)	(168)
	Tax effects of prior years' tax adjustments	555	953
	Effects of turnover tax	-	(5,896)
	Computational adjustments	(9,988)	(12,890)
	Tax effect of carried forward unabsorbed business losses	(13,645)	27,910
		<u>(25,532)</u>	<u>9,909</u>
33.	EARNINGS PER SHARE- basic		
	Profit / (loss) after taxation for the year	37,350	(40,610)
	Weighted average number of ordinary shares in issue during the year	6,388,800	6,388,800
	Earnings per share (Rs.)	5.85	(6.36)
34.	FINANCIAL INSTRUMENTS		
34.1	Interest rate risk		
	The Company's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities as of September 30, 2008 are summarised as follows:		

	INTEREST BEARING			NON-INTEREST BEARING			2008 Total (a+b)	2007
	Less than one year	One to five years	Sub Total (a)	Less than one year	One to five years	Sub Total (b)		
(Rupees in '000)								
Financial assets:								
Long-term Investments	-	-	-	-	135,257	135,257	135,257	94,237
Loans & advances	7,474	-	7,474	35,613	-	35,613	43,087	25,294
Deposits & prepayments	-	-	-	11,894	803	12,697	12,697	1,240
Other receivables	-	-	-	91	-	91	91	4,691
Short-term Investments	-	-	-	80,229	-	80,229	80,229	212,216
Cash & bank balances	10,474	-	10,474	2,823	-	2,823	13,297	10,064
	<u>17,948</u>	<u>-</u>	<u>17,948</u>	<u>130,650</u>	<u>136,060</u>	<u>266,710</u>	<u>284,658</u>	<u>347,742</u>
Financial Liabilities:								
Long term financing	54,048	177,778	231,826	-	-	-	231,826	114,645
Liabilities against assets								
subject to finance lease	-	-	-	-	-	-	-	186
Deferred liabilities	-	-	-	-	165,364	165,364	165,364	72,131
Short-term borrowings	99,754	-	99,754	-	-	-	99,754	320,361
Trade & other payables	-	-	-	454,495	-	454,495	454,495	108,157
Accrued mark-up	-	-	-	9,729	-	9,729	9,729	12,106
	<u>153,802</u>	<u>177,778</u>	<u>331,580</u>	<u>464,224</u>	<u>165,364</u>	<u>629,588</u>	<u>961,168</u>	<u>627,586</u>

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

34.2 Liquidity risk

Liquidity risk represents where an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. At balance sheet date the Company has unused credit facilities of Rs.649 million (2007: Rs.254 million).

34.3 Foreign exchange risk management

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

34.4 Concentration of credit risk

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

34.5 Price risk

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

34.6 Fair value of financial instruments

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

34.7 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, 2008 and 2007 were as follows:

	2008	2007
	(Rupees in '000)	
Total long-term debt	231,826	114,831
Share capital	63,888	63,888
Reserves	153,942	248,579
Total equity	217,830	312,467
Total equity and long-term debt	449,656	427,298
Gearing ratio	51.56%	26.87%

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

Particulars	2008			2007		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
(Rupees in '000)						
Remuneration & bonus	7,375	10,182	4,656	5,883	9,687	3,499
Housing allowance	1,080	2,343	1,785	725	2,074	1,356
Utilities	250	530	397	462	271	301
Retirement benefits	531	531	286	483	850	252
Fees	-	190	-	20	85	-
	9,236	13,776	7,124	7,573	12,967	5,408
No. of persons (other than for fees)	1	2	3	1	2	2

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.

36. 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	2008	2007
		(Rupees in '000)	
Group Companies	Services received	1,393	707
	Goods purchased	7,637	470
	Goods sold	119,868	54,918
	Dividend received	3,946	3,369
	Dividend paid	-	6,022
	Loan received / paid during the year from a Public Limited. Co.	-	120,000
	Mark-up on loan paid to a Public Limited. Co.	-	7,085
Other related parties	Investment made	5,000	20,000
	Insurance premium	1,730	898
	Contribution to staff provident and gratuity funds	2,793	3,054

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

37. RECENT ACCOUNTING DEVELOPMENTS

The following revised standards & interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standards and interpretations.

Description	Effective date (accounting period beginning on or after)
IAS-1 Presentation of Financial Statements (Revised)	January 1, 2009
IAS-23 Borrowing Costs (Revised)	January 1, 2009
IAS-27 Consolidated and Separate Financial Statements (Revised)	January 1, 2009
IAS-29 Financial Reporting in Hyperinflationary Economics	January 1, 2009
IAS-32 Financial Instruments	January 1, 2009
IFRS-2 Share - based Payment	January 1, 2009
IFRS-3 Business Combinations	January 1, 2009
IFRS-8 Operating Segments	January 1, 2009
IFRIC-12 Service Concession Arrangements	January 1, 2009
IFRIC-13 Customer loyalty Programs	July 1, 2008
IFRIC-14 The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions.	January 1, 2008

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in the presentation and disclosures.

38. CAPACITY AND PRODUCTION

Year	No. of days mill operated	Crushing Capacity		Actual Crushing
		M. Tons per day	Total crusing on the basis of no. of days mill operated (M. Tons)	
2008	138	4,500	621,000	563,057
2007	146	4,500	657,000	434,778

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

Year	M. Tons
2008	58,224
2007	42,685

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on December 24, 2008 by the Board of Directors of the Company.

40. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended September 30, 2008 the Board of Directors has proposed the following in the meeting held on December 24, 2008 for the approval of the members at the Annual General Meeting:

	2008	2007
	(Rupees in '000)	
Proposed final cash dividend @ Re. 1/- per share (2007: Nil)	6,389	-

41. CORRESPONDING FIGURES

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

42. GENERAL

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


ASLAM FARUQUE
Chief Executive


TARIQ FARUQUE
Director

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1,037	1	100	23,348	0.3655
343	101	500	86,538	1.3545
93	501	1,000	65,687	1.0282
131	1,001	5,000	287,915	4.5066
23	5,001	10,000	150,215	2.3512
5	10,001	15,000	62,360	0.9761
3	15,001	20,000	55,698	0.8718
1	20,001	25,000	24,500	0.3835
1	80,001	85,000	83,068	1.3002
4	100,001	105,000	472,000	7.3879
1	130,001	135,000	133,500	2.0896
1	140,001	145,000	140,700	2.2023
1	150,001	155,000	151,646	2.3736
1	160,001	165,000	163,798	2.5638
1	175,001	180,000	176,797	2.7673
1	815,001	820,000	819,932	12.8339
1	840,001	845,000	844,598	13.22001
1	2,645,001	2,650,000	2,646,500	41.4241
1,649			6,388,800	100.0000

CATEGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 2008

Categories	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1,604	1,374,081	21.5077
Financial Institutions	15	1,681,971	26.3269
Insurance Companies	4	171,429	2.6833
Private Companies	5	161,145	2.5223
Charitable Trust	2	5,269	0.0825
Joint Stock Companies	10	2,802,984	43.8734
Investment Companies	4	1,060	0.0166
Others	5	190,861	2.9874
	1,649	6,388,800	100.0000

ADDITIONAL INFORMATION

Shareholders' Category	Shares held
Associated companies	
Faruque (Private) Limited	2,646,500
Greaves Pakistan (Private) Limited	151,646
Government Institutions	
National Bank of Pakistan (Trustee of NIT)	819,932
National Bank of Pakistan (Trustee of NIT)	844,598
Investment Corporation of Pakistan (ICP)	387
National Investment Trust Limited (NIT)	45
National Investment Trust Limited (Administration Fund)	13,028
Directors and Chief Executive and their spouses	
Mr. Mahmood Faruque	83,068
Mr. Mohammed Faruque	2,500
Mr. Aslam Faruque	4,750
Mr. Akbarali Pesnani	19,610
Mr. Arif Faruque	14,091
Mr. Tariq Faruque	6,597
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	10,397
Executives	-
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	176,515
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	2,646,500
National Bank of Pakistan (Trustee of NIT)	819,932
National Bank of Pakistan (Trustee of NIT)	844,598

44th Annual
General Meeting
2008



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.

Register 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 44th Annual General Meeting of the Company to be held on Thursday, January 29, 2009 at 10:00 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature _____
Name _____
Address _____
CNIC or Passport No. _____

2. Signature _____
Name _____
Address _____
CNIC or Passport No. _____

Signature of
Shareholder

Please affix
Five Rupees
Revenue
Stamp

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)