MIRZA SUGAR MILLS LTD.

19TH ANNUAL REPORT 2008

CONTENTS	Page No.

COMPANY PROFILE

BOARD OF DIRECTORS:

DR. (MRS). FEHMIDA MIRZA	Chairperson & Chief Executive
MIR GHULAMULLAH TALPUR	
MR. ARSHAD ABID ABBASI	
MS. FAREHA ABID KAZI	
MIR FURQAN ALI TALPUR	
MIRZA SAULAT RAZA	
MR. IRSHAD HUSSAIN MIRZA	

AUDIT COMMITTEE:

MR. MIRZA SAULAT RAZA	-	Chairman
MIR GHULAMULLAH TALPUR	-	Member
MR. IRSHAD HUSSAIN MIRZA	-	Member

CHIEF FINANCIAL OFFICER
& COMPANY SECRETARY:

MR. TARIQ MAHMOOD

LEGAL ADIVOSR:

MR. GHULAM QADIR ZARGAR

AUDITORS:

M / S. KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ & CO.
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY:

HABIB BANK LIMITED
MCB BANK LTD.
ALLIED BANK LTD.
NATIONAL BANK OF PAKISTAN
PICIC COMMERCIAL BANK LTD.

SHARES REGISTRAR:

M / S. TECHNOLOGY TRADE (PVT) LIMITED
DAGIA HOUSE, 241-C,
BLOCK-2, P.E.C.H.S.
OFF: SHAHRAH-E-QUAIDEEN,
KARACHI. TEL NO. 021-4391316-7

REGISTERED OFFICE:

10TH FLOOR, PORTION ‘B’
LAKSON SQUARE, BUILDING NO. 1,
SARWAR SHAHEED ROAD, KARACHI.

MILLS:

DEH CHHARO TAPPO, LOWARI SHARIFF
DISTRICT BADIN, SINDH.

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.mirzasugar.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **19th Annual General Meeting** of the Company will be held on **Thursday, January 29, 2009 at 12:00 noon** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), near Sidco Avenue Centre, opposite Libra Autos CNG Pump, Maulana Deen Mohammad Wafai Road, Karachi to transact the following business:

1. To confirm the Minutes of the 18th Annual General Meeting of the Company held on December 31, 2007.
2. To receive, consider and adopt the Annual Audited Accounts of the Company alongwith the Directors' and Auditors' Reports thereon for the year ended September 30, 2008.
3. To appoint Auditors of the Company for the year ending September 30, 2009 and fix their remuneration. The retiring Auditors, M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq & Co., Chartered Accountants, have not offered their services. M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have given their consent and offered themselves for appointment as Auditors of the Company for the year ending September 30, 2009.
4. To elect 7 (seven) Directors in accordance with the provisions of Section 178 of the Companie Ordinance 1984 for a term of three (3) years commencing January 29, 2009.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board,

TARIQ MAHMOOD
Company Secretary

Karachi, January 05, 2009

NOTES:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from **January 20, 2009 to January 29, 2009** (both days inclusive).
2. In pursuance of Section 178 (1) of the Companies Ordinance 1984 the Board of Directors has fixed the number of elected Directors at 7 (seven). The names of retiring Directors, who are eligible for re-election, are as follows:

   1. Dr. (Mrs) Fehmida Mirza
   2. Mir Ghulamullah Talpur
   3. Mr. Arshad Abid Abbasi
   4. Ms. Fareha Abid Abbasi
   5. Mir Furqan Ali Talpur
   6. Mirza Saulat Raza
   7. Mr. Irshad Hussain Mirza

3. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.

   Form of Proxies, in order to be valid, must be received at the Registered Office of the Company 48 hours before the scheduled time of Meeting. A Proxy must be a member of the Company.

4. Account holders and sub-account holders of CDC are requested to bring their original National Identity Cards/Passports for the purpose of identification to attend the meeting.
5. Shareholders are requested to notify any change in address immediately.

DIRECTORS' REPORT

Dear Shareholders:

Your directors are pleased to present the Company's Annual Audited Financial Statements with Auditors' Report thereon for the year ended September 30, 2008.

GENERAL

The Crushing Season 2007-08 started after mid of November 2007 and lasted till middle of April, 2008. The crop availability was substantially better than last year (approx. increase of 59%). Our mill performed satisfactorily.

Quality of cane was, however, poor, reflected in lower sucrose recovery achieved. The Government of Sindh reduced the support price of cane from Rs.67 / 40 kg to Rs.63 / 40 kg effective January 21, 2008 as the market price of sugar remained low during entire crushing season 2007-08.

On overall basis company's operational performance was quite satisfactory during the season under review.

OPERATING RESULTS

The mills crushed a total quantity of 334,735 tons of cane compared to 210,622 tons of cane crushed during previous season showing an increase of 58.92%. A total quantity of 31,090 tons of sugar was produced during the season compared to 20,131 tons produced during last season, showing an increase of 54.44%. Overall sucrose recovery achieved was 9.280% during the season under review compared to 9.56% achieved during previous season. Molasses production of 17,520 tons at a recovery rate of 5.230% recorded an increase of 69.52% compared to 10,335 tons produced during previous season.

Due to depressed price of sugar in local market, sugar mills explored the export market. A number of sugar mills entered into export contracts with foreign buyers. MSML also entered in such an export deal and exported 1250 tons of sugar to Bangladesh at US$ 331 / ton F.O.B. Karachi.

The operating results of your Company for the season are as under :-

		2007-2008	2006-2007
Season started		19-11-2007	20-11-2006
Season closed		14-04-2008	05-04-2007
Days worked		148	137
Sugarcane crushing	(Tons)	334,735	210,622
" "	(Maunds) / 40 kg	8,368,386	5,265,559
Sugar recovery	(%)	9.280	9.563
Sugar production	(Tons)	31,090	20,131
Molasses recovery	(%)	5.230	4.999
Molasses production	(Tons)	17,520	10,335

FINANCIAL RESULTS

The Company's financial results are appended below :-

	2007-2008	2006-2007
Profit/(Loss) for the year	33,396,010	(44,745,165)
Provision for taxation	–	(2,500,000)
Profit/(Loss) after taxation	33,396,010	(47,245,165)
Accumulated loss brought forward	(970,967,942)	(923,722,777)
Accumulated loss carried forward	(937,571,932)	(970,967,942)
Earning /(loss) per share – basic	2.37	(3.35)

Company's satisfactory performance is also reflected in financial results. The Company posted a gross profit of Rs.26,104,813/- at close of September 30, 2008 compared to a gross loss of Rs.3,850,045/- during the corresponding period last year. Company's net profit was Rs.33,396,010/- as of September 30, 2008 against a net loss of Rs.47,245,165/- during the corresponding period last year.

SEASON 2007-2008

Reportedly, there is over-all shortage of cane in the entire province of Sindh. During Spring sowing, market price of rice was attractive and farmers went towards sowing rice. Likwise, during entire autumn plantation, farmers were reportedly sowing cotton. During Season 2008-09, sugarcane shortage may vary from 25% to 50%. Sugarcane crop is also weak which may affect sucrose recovery as well.

Government's Notification dated October 11, 2008 to bring sugar under mandatory list of standards may also become an impediment to the industry during 2008-09. The law is to become effective from January 1, 2009. PSMA-Centre as well as Zonal Offices have taken up this issue with Government to enforce this law from Season 2009-10 as there are many flaws in the present PSQCA Act relating to sugar. Likewise National Environment Quality Standards is also being implemented with its stringent conditions during Season 2008-09. PSMA has also taken up this issue with Government to modify the law before implementation.

HEALTH, SAFETY AND ENVIRONMENT

Appropriate facilities existed for safeguarding the health of employees in accordance with the Factories Act 1948 and National Environment Quality Standard (N.E.Q.S.) for Sugar Industry. We are collaborating with Environmental Protection Agency, Government of Sindh and facilities are being developed at site to minimize the emissions to the desired standard level. The plant has also been registered with the Agency as per "SMART", Self Monitoring and Reporting Tool.

INFORMATION TECHNOLOGY

Improvement and up-gradation of the existing instruments are being continuously made to coupe with the requirements of technological advancement in this field.

AUDIT REPORTS

The audit report of M/s. Khalid Majid Rahman Sarfaraz Rahim Rafiq & Co. has placed a qualification regarding the ability of the company to continue as a "Going Concern"..

The management is trying its best for settlement of long-term liabilities with other banks as done by MCB on the FSV of Rs.218 million (Refer Note No.6.3).

We have been successful in paying off the entire dues of ABL and have thus gain a benefit of reversal of Rs.62.00 million, which has been shown as Deferred Income in the financial statements for the year under review. We shall soon be getting benefit of reversal of liabilities & loss of a further amount of about

Rs.90.00 million on final repayments of dues to MCB and ZTBL (Refer Note No.7). We are also expecting another reversal of liabilities of Rs.13.7 million against ICP (Refer Note No.6.2).

If the settlement is reached with other banks on the revised FSV of Rs.218.00 million, there would be a further reversal of liability and loss.

In view of the above, the Going Concern assumption used in the preparation of the financial statements is based on valid ground.

There is another qualification regarding non-receipt of balance confirmation from some of the banks/ DFIs for their respective loans. We are in litigation with these banks/DFIs in the court of law and this may be the reason for their not confirming the loan balances.

BOARD OF DIRECTORS

There has been no change so far in the Board of Directors since after its constitution through Election of Directors on January 30, 2006 for a term of 3 (three) years commencing February 27, 2006.

AUDITORS

The retiring Auditors – M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq & Co., Chartered Accountants, have not offered their services. M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have given their consent and offered themselves for appointment as Auditors of the Company for the year ending September 30, 2009.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the Code of Corporate Governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the major mandatory provisions and welcome the government step to more fully disclose and monitor the corporate sector. We hope it will go a long way in confidence building of small investors and will boost corporate investment.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

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

b. Proper books of accounts of the company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

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

e. The system of internal control, which was in place, is sound in design and has been effectively implemented and monitored. However, it is being continuously reviewed by internal audit and other officers handling such procedures. The process of review will continue and any weaknesses in controls will be removed. The function of Internal Audit has been implemented and operating successfully.

f. The Company's ability to continue as a going concern is being watched carefully, all events affecting the going concern basis are under constant review.

g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h. The operational results during the year under review show marked improvement over last year, the company's performance reflects positive features as net profit during the year of Rs.33.396 million compared to net loss of Rs.47.245 million last year. The profit is due to the reversal of deferred liability of ABL against settlement of their dues in full. In fact there is still operational loss, the attributable factors of loss were beyond company's control.

i. Key operating and financial data for last six (6) years in summarized form is annexed.

j. Because of the accumulated losses, the Company has not declared any dividend or issued bonus shares for the year.

k. Outstanding taxes and levies are being accrued and paid as per law.

l. Value of investments based on audited accounts of Provident Fund is Rs. 15.610 million.

m. During the year, 4 (four) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of Director	No. of Meetings Attended
Dr. (Mrs) Fehmida Mirza	2
Mir Ghulamullah Talpur	4
Mr. Arshad Abid Abbasi	-
Ms. Fareha Abid Kazi	-
Mir Furqan Ali Talpur	4
Mirza Saulat Raza	4
Mr. Irshad Hussain Mirza	4

Leave of absence is granted in all cases to the directors.

n. The pattern of shareholding is annexed.

o. There was no trading in shares of MSML held by its directors, CEO, CFO, Company Secretary and their spouses and minor children.

FUTURE PROSPECTS

Future prospects of sugar industry still remains under the clouds of uncertainty primarily because of absence of any medium or long-term sugar policy. Dichotomy of imbalance in price of sugar and price of sugarcane, the millers and growers, the two stake-holders, remain at loggerheads, ultimately hurting the industry and also adversely affecting the growers. There is, therefore, need to frame a sugar policy including its pricing mechanism and also linking the price of sugarcane to its sucrose content.

VARIATION IN REMUNERATION OF CHIEF EXECUTIVE & WHOLE TIME DIRECTORS

Abstract of variation in the remuneration of the Chief Executive and whole time directors is annexed.

ACKNOWLEDGEMENT

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearance, as well as the assistance and cooperation to the management during these hard days.

We would also like to thank our valued dealers, suppliers, financiers and shareholders for their cooperation and the trust reposed in our Company.

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

On behalf of the Board

MIRZA SAULAT RAZA Director

IRSHAD HUSSAIN MIRZA Director

Karachi: December 24, 2008

Note: The Chief Executive being out of station, the Directors' Report has been signed by two directors.

ABSTRACT OF VARIATION IN THE REMUNERATION / TERM OF THE CHIEF EXECUTIVE AND WHOLE-TIME DIRECTORS
(Section 218 of the Companies Ordinance, 1984)

Following are the approved limit of remunerations at a maximum for the Chief Executive and the below mentioned Executive (whole time) Directors (including all allowances, benefits / perquisites, utilities etc.) along with transport and its maintenance for their official and personal use :

	Entitlement as on March 10, 2003 Rs. (per annum)	Entitlement as on May 29, 2007 Rs. (Per annum)
Dr. (Mrs) Fehmida Mirza Chairman & Chief Executive	1,800,000	2,000,000
Mir Ghulamullah Talpur Director	600,000	780,000

Monthly remunerations paid to Chief Executive and Executive Directors :

	With effect from March 2007	With effect from March 2008
Dr. (Mrs.) Fehmida Mirza Chairperson & Chief Executive	120,900	120,900
Mir Ghulamullah Talpur Director	20,250	20,250

PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 2008

Number of Share Holders	Shareholding From	To	Total Shares Held	Percentage
396	1	100	38,330	0.27
678	101	500	335,035	2.38
137	501	1,000	134,922	0.96
244	1,001	5,000	762,066	5.40
76	5,001	10,000	635,400	4.51
27	10,001	15,000	359,100	2.55
28	15,001	20,000	524,500	3.72
17	20,001	25,000	412,500	2.93
10	25,001	30,000	286,500	2.03
4	30,001	35,000	131,000	0.93
4	35,001	40,000	155,700	1.10
13	45,001	50,000	642,500	4.56
3	50,001	55000	157,000	1.11
5	55,001	60,000	300,000	2.13
2	60,001	65,000	126,000	0.89
3	65,001	70,000	210,000	1.49
2	75,001	80,000	160,000	1.13
1	90,001	95,000	90,900	0.64
14	95,001	100,000	1,400,000	9.93
1	100,001	105,000	100,500	0.71
1	125,001	130,000	125,500	0.89
2	135,001	140,000	275,600	1.95
3	145,001	150,000	450,000	3.19
1	175,001	180,000	175,277	1.24
1	195,001	200,000	200,000	1.42
1	245,001	250,000	250,000	1.77
1	370,001	375,000	370,500	2.63
1	260,001	265,000	262,090	1.86
3	375,001	380,000	1,140,000	8.09
1	495,001	500,000	499,220	3.54
1	745,001	750,000	748,800	5.31
1	1,260,001	1,265,000	1,261,060	8.94
1	1,375,001	1,380,000	1,380,000	9.79
1,683			14,100,000	100.00

CATEGORIES OF SHAREHOLDINGS (30-09-2008)
ADDITIONAL INFORMATION

Categories of Shareholders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	–	–
NIT and ICP		
National Bank of Pakistan (Trustee Deptt.)	100	0.00
Investment Corporation of Pakistan (ICP)	700	0.00
Directors, CEO and their Spouses and minor Children		
Dr. (Mrs). Fehmida Mirza (Chief Executive)	1,380,000	9.79
Mir Ghulamullah Talpur (Director)	200,000	1.42
Mr. Arshad Abid Abbasi (Director)	100,000	0.71
Ms. Fareha Abid Kazi (Director)	100,000	0.71
Mir Furqan Ali Talpur (Director)	9,000	0.06
Mirza Saulat Raza (Director)	8,500	0.06
Mr. Irshad Hussain Mirza	1,000	0.01
Dr. Zulfiqar Ali Mirza (Husband of Dr. (Mrs.) Fehmida Mirza)	380,000	2.70
Executives	–	–
Public sector companies and corporations	–	–
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds:		
MCB Bank Ltd.	9,000	0.06
Industrial Development Bank of Pakistan	4,396	0.03
The Bank of Punjab	17,500	0.12
State Life Insurance Corp. of Pakistan	175,277	1.24
National Insurance Company Ltd.	100,000	0.71
EFU General Insurance Limited	7,500	0.05
Premier Insurance Company Limited	241	0.00
Pakistan Reinsurance Company Limited	3,485	0.02
Shareholders holding ten percent or more voting interest in the company	–	–
Joint Stock Companies		
M/s. Asonix Ind. (Pvt) Ltd.	700	0.00
M/s. Sarfaraz Mahmood (Pvt.) Ltd.	500	0.00
Y.S. Securities & Services (Pvt) Ltd.	500	0.00
Time Securities (Pvt) Ltd.	14,500	0.10
Harvest Smartrend Securities (Pvt) Ltd.	500	0.00
128 Securities (Pvt) Ltd.	500	0.00
Invest Capital Securities (Pvt) Ltd.	405	0.00
Darson Securities (Pvt) Ltd. (LHR)	2,500	0.02
Darson Securities (Pvt) Ltd. (KHI)	125,500	0.89
Sat Securities (Pvt) Ltd.	18,000	0.13
Excel Securities (Pvt) Ltd.	37,500	0.27
Progresive Securities (Pvt) Ltd.	3,000	0.02
Ace Securities (Pvt) Ltd.	18,500	0.13
Live Securities (Pvt) Ltd.	1,000	0.01
Cliktrade Limited	15,500	0.11
M.R. Securities (SMC-Pvt) Ltd.	10,000	0.07
Durvesh Securities (Pvt) Ltd.	17,500	0.12
Individual	11,336,696	80.40
TOTAL	**14,100,000**	**100.00**

CORPORATE VISION / MISSION STATEMENT

VISION

The Company, one of the leading sugar mills in Sindh, aims at producing international quality white refined sugar for local consumption and export purpose. Our vision is to transform MSML into a modern and dynamic industry, highly indulgent in the well being of the investors, workforce and the agriculture community of the area. We want to fully equip the company to play a meaningful role on sustainable basis in the economic and social development of the country and protect the environment.

MISSION

Our mission is to promote agriculture and to achieve operating & financial stability for our company. This would help us to have meaningful role for a sound and dynamic industrial system to achieve sustainable and equitable economic growth of the Country. We would like to transform the agriculture community of the area into an exemplary force to become a role model for others. We would endeavor to enhance the value of our shareholders, to provide a secure place of work to our employees and to be an ethical partner to all our business associates.

SIX YEARS DATA AT A GLANCE

Rupees in Thousand

	PARTICULARS		2008	2007	2006	2005	2004	2003
	FINANCIAL DATA							
1	**Financial Position**							
	Paid up Capital	Rs.	141,000	141,000	141,000	141,000	141,000	141,000
	Accumulated(Loss)/Profit	Rs.	(937,572)	(970,968)	(923,723)	(903,094)	(790,277)	(663,413)
	Long term Loan	Rs.	261,997	319,294	357,867	424,659	573,060	653,733
	Deferred Inbcome	Rs.	90,814	153,301	153,301	153,301	–	–
	Liabilities Against Assets subject to Finance Lease	Rs.	–	–	–	–	–	120
	Fixed Assets (At Cost)	Rs.	694,223	689,506	688,212	688,058	689,395	689,013
	Accumulated Depreciation	Rs.	473,103	450,157	425,373	398,067	369,047	336,439
	Long term Advance/Deposits	Rs.	1,427	1,427	1,427	1,427	1,427	1,622
	Current Assets	Rs.	86,257	51,145	43,474	164,549	85,514	58,273
	Current Liabilities	Rs.	752,565	649,293	579,295	640,102	483,506	281,208
2	**Income**							
	Sales	Rs.	627,212	484,426	557,272	197,756	331,961	426,298
	Gross Profit/(Loss)	Rs.	26,105	(3,850)	36,189	(49,985)	(45,484)	(5,923)
	Other Income	Rs.	62,490	7,653	62	68	481	–
	Pre-Tax (Loss)/Profit	Rs.	33,396	(44,745)	(17,828)	(111,835)	(125,170)	(84,257)
	Taxation	Rs.	–	(2,500)	(2,800)	(982)	(1,693)	231
3	**Statistics and Ratios**							
	Gross Profit/(Loss) to Sales	%	4.16	(0.79)	6.49	(25.28)	(13.70)	(1.39)
	Pre-tax Profit/(Loss) to Sales	%	5.32	(9.24)	(3.20)	(56.55)	(37.71)	(19.76)
	Pre-Tax Profit/(Loss) to Capital	%	23.69	(31.73)	(12.64)	(79.32)	(88.77)	(59.76)
	Current Ratio		1:8.72	1:12.69	1:13.32	1:3.89	1:5.65	1:4.83
	Paid-up Value per Share	Rs.	10	10	10	10	10	10
	Earnings per Share	Rs.	2.37	(3.35)	(1.46)	(8.00)	(8.65)	(5.96)
	Cash Dividend	Rs.	–	–	–	–	–	–
	Market Value per Share	Rs.	1.81	3.15	2.85	2.95	4.50	2.50
	OPERATING DATA							
	Season Started		19-11-2007	20-11-2006	05-12-2005	20.11.2004	30.11.2003	20-12-2002
	Season Closed		14-04-2008	05-04-2007	06-03-2006	21.02.2005	09.03.2004	08-04-2003
	Days Worked		148	137	92	94	101	110
	Sugarcane Crushed	M.T	334,735	210,622	147,279	145,189	269,560	288,080
	Sugarcane Crushed	Mds	8,368,386	5,265,559	3,681,973	3,889,940	7,222,118	7,718,295
	Sugar Recovery	%	9.280	9.563	9.869	9.300	9.985	9.841
	Sugar Production	M.T	31,090	20,131	14,612	13,426	26,928	28,350
	Molasses Recovery	%	5.230	4.909	4.912	5.002	5.092	5.458
	Molasses Production	M.T	17,520	10,335	7,254	7,237	13,728	15,726

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE
(See Clause XIV)

Name of Company : **MIRZA SUGAR MILLS LIMITED**
Year Ended : **30th September, 2008**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, Chapter XI of Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Lahore Stock Exchange (Guarantee) Limited Listing Regulations for the purpose of establishing a frame-work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 (five) non-executive directors and 2 executive directors including the CEO.
2. The directors have confirmed that none of them is serving as a director in more than 10 (ten) listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company is member of any Stock Exchange.
4. No casual vacancy occurred in the Board of Directors during the period under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. The Board held four meetings during the year. 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 meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors to apprise them of their duties and responsibilities. The directors of the company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of Stock Exchanges.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises 3 (three) members including the Chairman of whom 2 (two) are non-executive directors. Names of Committee Members are :

Mirza Saulat Raza	Chairman
Mir Ghulamullah Talpur	Member
Mr. Irshad Hussain Mirza	Member

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. As there is no related party transaction, the statement regarding Transfer Pricing, in pursuance of SECP directive as communicated by Karachi Stock Exchange (Guarantee) Ltd. vide its Notice No. KSE / N-5260 dated November 5, 2003, is not applicable to our Company.
21. We confirm that all other material principles contained in the Code have been complied with.

DIRECTOR **DIRECTOR**

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Mirza Sugar Mills Limited** to comply with the Listing Regulations No. 37 and Chapter XIII of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

Based on our review, except for non-compliance observed against serial No. 17 of the statement of compliance with the code of Corporate Governance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended on **September 30, 2008.**

Karachi:
December 24 , 2008

KHALID MAJID REHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MIRZA SUGAR MILLS LIMITED** as at **September 30, 2008**, and the related profit & 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.

Except as discussed in the following paragraphs 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 the 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:

1. The financial statements of the Company reflects huge amount of, accumulated loss of Rs. 937.57 million (2007: Rs. 970.96 million), equity is negative by Rs. 796.57 million (2007: Rs. 829.97 million), current liability exceeds current assets by Rs. 666.30 million (2007: Rs. 598.15 million) and total liabilities exceeded total assets by Rs.796.57 million (2007: 829.97 million). The Company's financing arrangement expired several years ago and it is defendant in suits filed by financial institutions for recovery of loans as referred to in detail in notes 6.1 to 6.7. There are contingencies disclosed in note 10 in detail, the ultimate outcome of which cannot presently be determined. These conditions indicate existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The going concern assumption used in the preparation of these financial statements is dependent on the ultimate outcome of the matters disclosed to in note 1.2. No adjustment has been made in the financial statements that may be required should the Company be unable to continue as a going concern.

2. We did not receive direct confirmation in respect of long term loans from banks and financial institutions namely Investment Corporation of Pakistan, Habib Bank Limited and Saudi Pak Commercial Bank Limited (refer note 6).

(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 accounts and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(d) except for the effect of the matters referred to in paragraphs 1 and 2 above and those disclosed in note 10 to the financial statements of the company, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & 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

(e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants

Karachi:
Dated: December 24, 2008

BALANCE SHEET AS AT

	Note	2008 Rupees	2007 Rupees
SHARE CAPITAL			
Authorised Capital			
15,000,000 (2007: 15,000,000) Ordinary shares of Rs. 10 / = each		150,000,000	150,000,000
Issued, subscribed and paid up capital			
14,100,000 (2007: 14,100,000) Ordinary shares of Rs. 10 / - each fully paid in cash	5	141,000,000	141,000,000
Accumulated loss		(937,571,932)	(970,967,942)
		(796,571,932)	(829,967,942)
NON-CURRENT LIABILITIES			
LONG TERM LOANS	6	261,996,796	319,294,075
DEFERRED INCOME	7	90,814,000	153,301,062
CURRENT LIABILITIES			
Current portion of long term liabilities	8	520,540,427	449,629,877
Trade and other payables	9	202,848,930	170,487,926
Accrued Mark up on loans		18,991,927	18,991,927
Taxation		10,183,279	10,183,279
		752,564,563	649,293,009
CONTINGENCIES & COMMITMENTS	10	–	–
		308,803,427	291,920,204

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

Note : As required under section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in absence of Chief Executive of the Company who is for the time being out of city.

SEPTEMBER 30, 2008

	Note	2008 Rupees	2007 Rupees
NON CURRENT ASSETS			
PROPERTY, PLANT & EQUIPMENT	11	221,119,546	239,348,527
LONG TERM DEPOSITS	12	1,426,886	1,426,886
CURRENT ASSETS			
Stores, spares and loose tools	13	12,094,745	9,551,228
Stock in trade	14	44,856,317	7,207,713
Trade debtors - unsecured	15	1,591,577	8,199,044
Loans and advances	16	26,067,919	24,240,956
Deposits, prepayments and other receivable	17	309,886	274,653
Cash and bank balances	18	1,336,551	1,671,196
		86,256,995	51,144,790
		308,803,427	291,920,204

DIRECTOR

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Note	2008 Rupees	2007 Rupees
Sales - net	19	627,211,961	484,425,941
Cost of goods sold	20	(601,107,148)	(488,275,986)
Gross profit / (loss)		26,104,813	(3,850,045)
Operating expenses			
Administrative and general	21	35,387,302	26,862,950
Selling and distribution	22	2,360,370	439,020
		(37,747,672)	(27,301,970)
Operating profit / (loss)		(11,642,861)	(31,152,015)
Financial charges	23	(17,451,240)	(21,246,137)
Other Income	24	62,490,110	7,652,987
		45,038,870	(13,593,150)
Profit / (loss) before taxation		33,396,010	(44,745,165)
Provision for taxation:			
Current	26	–	(2,500,000)
Profit / (loss) after taxation		33,396,010	(47,245,165)
Earning / (loss) per share-Basic & Diluted	25	2.37	(3.35)

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

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008 Rupees	2007 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	33,396,010	(44,745,165)
Adjustment for :		
Depreciation	22,945,531	24,784,951
Deferred income	(62,487,062)	–
Finance cost	17,451,,240	21,246,137
	(22,090,291)	46,031,088
Operating cash inflows / (outflows) before working capital changes	11,305,718	1,285,923
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(2,543,517)	678,922
Stock in trade	(37,648,604)	(5,587,146)
Loans and advances	1,517,656	7,968,575
Prepayments and other receivables	(35,233)	225,347
Trade debtors - unsecured	6,607,467	(8,049,228)
Increase / (Decrease) in current liabilities		
Trade and other payables	32,361,004	3,795,331
	258,774	(968,199)
Cash generated from operations	11,564,493	317,724
Taxes paid	(3,344,616)	(2,524,466)
Financial charges paid	(1,254,222)	(941,489)
	(4,598,838)	(3,465,955)
Net cash generated / (used) in operating activities - carried forward	6,965,655	(3,148,231)

	2008 Rupees	2007 Rupees
Net cash generated / (used) in operating activities - brought forward	6,965,655	(3,148,231)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in operating fixed assets	(4,716,550)	(1,293,950)
Net cash (used in) investing activities	(4,716,550)	(1,293,950)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan received	–	25,000,000
Repayment of long term loans	(2,583,750)	(7,975,243)
Repayment of short term loan	–	(12,200,000)
Net cash (used in) / generated from financing activities	(2,583,750)	4,824,757
(Decrease) / Increase in cash and cash equivalent	(334,645)	382,576
Cash and bank balances at beginning of the year	1,671,196	1,288,620
Cash and bank balances at end of the year	1,336,551	1,671,196

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

DIRECTOR

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Share Capital Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at September 30, 2006	141,000,000	(923,722,777)	(782,722,777)
Loss for the year	–	(47,245,165)	(47,245,165)
Balance as at September 30, 2007	141,000,000	(970,967,942)	(829,967,942)
Profit for the year	–	33,396,010	33,396,010
Balance as at September 30, 2008	141,000,000	(937,571,932)	(796,571,932)

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

DIRECTOR DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan as a Public Limited Company on January 16, 1990 and its shares are quoted at Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacture and sale of white sugar. The registered office of the company is situated at 10th Floor, Portion- B, Lakson Square Building No.1, Sarwer Shaheed Road, Karachi and its factory is located at Deh Chharo, Tappo Lowari Sharif, District Badin, Sindh.

1.2 These financial statements disclosed as on the balance sheet date an accumulated loss of Rs.937.57 million (2007 : 970.96 million), negative equity of Rs.796.57 million (2007 : 829.97 million). Current liabilities exceeding current assets by Rs.666.30 million (2007 :598.15 million) and total liabilities exceeded total assets by Rs.796.57 million (2007 :829.97 million).

In the year 2004, the Company availed the opportunity provided by SBP Circular No. 29 for restructuring of loan liabilities based on forced sale value (FSV) of its fixed assets to be repaid over 3 years in equal quarterly installment. In March, 2004 the SBP Committee decided to restructure the liabilities of PICIC, HBL and MCB to be shared on the basis of outstanding principal liabilities excluding capitalized liability in forced sale value of Rs. 348.367 million. The company contested that FSV of it's fixed assets is much below their value. At company's request one of banks i.e. (for details refer note 6) MCB got the revaluation done and agreed to settle its liabilities based on forced sale value of Rs. 218.278 million. The unsecured liabilities due to SAPICO, ZTBL, ABL and HBL were subsequently decided by the Committee at an amount of Rs. 20.07 million in aggregate in the year 2005 for payment in installment (refer note 6).

The Company expects that its efforts for settlement with other banks will also succeed in due course and the remaining outstanding liabilities would possibly be reduced and agreed to be settled at balance FSV amount of Rs. 198.208 million, which it shall settle as per circular 29 as and when an agreement is reached with banks. It is accordingly on this basis defending cases filed by the banks against it. The company has made arrangement for funds for cane procurement and carrying out production activity during the coming season.

In view of the above, these financial statements have been prepared using going concern assumption.

2. BASIS OF PRESENTATION

2.1 Basis of measurement
These financial statements have been prepared under the basis of 'historical cost' convention.

2.2 Functional and presentation currency
These Financial statements are presented in Pakistani Rupee which is the company's functional and presentation currency. The amounts are rounded to nearest rupee.

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

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

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

Judgments made by management in the application of approved Accounting Standard, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the 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 are notified under the Companies Ordinance, 1984, provision of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3.2 New Accounting Standards and IFRIC Interpretations that are not yet effective.

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after October 01, 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). Amendments relating to mandatory capitalization of borrowing costs relating to qualifying assets.

IFRS 2 (amendment) - Share-based payments (effective for annual periods beginning on or after 1 January 2009). IFRS 2 clarifies the vesting conditions and cancellations in the share-based payment arrangement.

IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27-Consolidated and separate financial statements. IAS 28-Investment in associates and IAS 31-Interest in Joint Ventures (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2009).

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2009).

IFRIC 14 - The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2009).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Employees' benefits

i) The Company operates a Contributory Provident Fund Scheme for all its employees eligible for the scheme. The scheme has been approved under the Income Tax Ordinance, 1979. Contributions are made equally by the Company and the employees as per the rules of the fund.

ii) The liability in respect of accumulated compensated absences of employees is accounted for in the period in which these absences are earned.

4.2 Taxation

Current

In making the estimates for income taxes currently payable by the company the management books at the current income tax laws and decision of Appellate Authority on certain issues in the past. Provision for current taxation is based on liability calculated on taxable income at the current tax rate of 35% after considering Tax Credits, if any, given under Income Tax Ordinance, 2001.

Deferred

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purpose. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax asset is recognized for deductible temporary differences only to the extent it is probable that future taxable profits will be available and credits can be utilized.

4.3 Property, Plant & Equipment

i) Property, Plant & Equipment, except freehold land, are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

ii) Depreciation is charged to income applying the reducing balance method at the rates specified in note 11. Depreciation on additions during the year is charged from the quarter in which the assets are put to use while no depreciation is charged in the quarter in which the assets are disposed of.

iii) Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

iv) Gains and losses on disposal of assets are taken to profit and loss account.

4.4 Stores, spares and loose tools

These are valued at moving average cost. Items in transit are valued at cost comprising of invoice value plus other charges paid thereon.

4.5 Stock in trade

These are valued at lower of average manufacturing cost and net realizable value applying the following basis:

- Finished sugar at average manufacturing cost.
- Sugar in process at average manufacturing cost.

- Molasses at contracted price or net realizable value.

Average cost signifies in relation to work in process and finished goods cost (sugar) including a portion of related direct overheads. Net realizable value signifies the selling price prevailing in the market less selling expenses incidental to sales.

4.6 Trade debtors

These are stated net of provision for impaired debts. Full provision is made against the debts considered doubtful.

4.7 Trade and other payables

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

4.8 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a 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 can be made of the amount of the obligation.

4.9 Financial Instruments

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

(b) Financial liabilities
Financial liabilities are classified according to the substance of the contractual agreements entered into. All financial liabilities are initially recognized at cost, which represents fair value of the consideration received. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost.

4.10 Impairment of assets

The carrying amount of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the assets' recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cashflow statement, cash and cash equivalents comprise cash in hand, in transit and balances with banks.

4.12 Borrowing costs

Borrowing cost directly attributable to the acquisition, construction, production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to cost of the assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to profit & loss account.

4.13 Related party transactions

The Company accounts for all related party transactions at arm's length prices determined by using the Comparable Uncontrolled Price Method.

4.14 Offsetting

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

4.15 Revenue recognition

Sales of goods are recognized when goods are delivered and title has passed.

4.16 Earning per share

The company presents basic & diluted earning per share (EPS) for it's share holders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shares is weighted average number of ordinary shares outstanding for the effects of all diluted ordinary shares if any.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008	2007		2008	2007
No. of shares			in Rupees	
14,100,000	**14,100,000**	Ordinary shares of Rs 10/- each fully paid	**141,000,000**	**141,000,000**

6. LONG TERM LOANS

PARTICULARS	SECURED												LOANS FROM FRIENDS & SPONSORS	2008	2007
	Locally Manufacturd Machinery		P.I.C.I.C. OVER DUE 1	P.I.C.I.C. OVER DUE 2	P.I.C.I.C. INT. A/C	I.C.P.-TFC	M.C.B	A.B.L	S.P.C.B	S.P.C.B.	Z.T.B.L	H.B.L			
	P.I.C.I.C-LMM1	P.I.C.I.C-LMM2													
	Rupees														
Opening Balance	25,570,579	26,033,368	119,570,487	118,250,163	27,124,224	6,890,906	6,502,500	1,500,000	20,794,510	12,464,923	750,750	361,683,063	41,788,482	768,923,955	731,594,547
Mark-up capitalized	–	–	3,525,605	3,589,413	–	–	–	–	–	–	–	9,082,000	–	16,197,018	20,304,648
Received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	25,000,000
	25,570,579	26,033,368	123,096,092	121,839,576	27,124,224	6,890,906	6,502,500	1,500,000	20,794,510	12,464,923	750,750	370,765,063	41,788,482	785,120,973	776,899,195
Paid during the year	–	–	–	–	–	–	1,083,750	1,500,000	–	–	–	–	–	2,583,750	7,975,243
	25,570,579	26,033,368	123,096,092	121,839,576	27,124,224	6,890,906	5,418,750	–	20,794,510	12,464,923	750,750	370,765,063	41,788,482	782,537,223	768,923,952
Current / overdue portion shown under current liabilities															
Current maturity	–	–	14,312,277	14,197,182	2,910,841–	–	–	–	–	–	–	42,542,000	–	73,962,300	81,243,006
Over due portion	25,570,579	26,033,368	69,950,775	69,152,357	16,300,249	4,682,807	5,418,750	–	6,793,492	–	750,750	221,925,000	–	446,578,127	368,386,871
	(25,570,579)	(26,033,368)	(84,263,052)	(83,349,539)	(19,211,090)	(4,682,807)	(5,418,750)	–	(6,793,492)	–	(750,750)	(264,467,000)	–	(520,540,427)	(449,629,877)
Closing balance	–	–	38,833,040	38,490,037	7,913,134	2,208,099	–	–	14,001,018	12,464,923	–	106,298,063	41,788,482	261,996,796	319,294,075
Significant terms and conditions															
No. of installments	19	19	46	46	46	46	12	12	46	–	12	47	-		
Installment payment rest	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quaterly	–	Quaterly	Quaterly	-		
Amount of installment in million	Various	Various	Various	Various	Various	Various	1.08	0.38	Various	-	0.107	various	-		
Date of first installment	1/4/2001	1/4/2001	1/4/2001	1/4/2001	1/4/2001	1/4/2001	25/8/2005	15/10/2005	1/4/2001	-	20/9/2005	1/4/2001	-		
Rate of Interest / Mark up	6% p.a.	6% p.a.	14% p.a.	14% p.a.	Mark up Free	14% p.a.	Mark up Free	Mark up Free	14% p.a.	14% p.a.	Mark up Free	14% p.a.	Mark up Free		
Sub Note no.	6.1	6.1	6.1	6.1	6.1	6.2	6.3	–	6.4	6.4	6.5	6.6	6.7		

6.1 Pakistan Industrial Credit and Investment Corporation (PICIC)

The loan is secured by:

i) First charge by way of an equitable mortgage of all its immovable properties, hypothecation of stock and a floating charge on all other assets.

ii) A demand promissory note duly signed by the directors for the purchase price.

This represents liability as rescheduled in the year 2001 based on package approved by CRSIU. The settlement of loan was later on approved in the year 2004 by SBP. Committee for resolution of cases under circular 29 at 58.82% of the total liability determined at Rs. 348 million as per forced sale value(FSV) of company's fixed assets. The company contested that the FSV of it's fixed assets was Rs. 218 million and PICIC should agree to settlement at this amount as MCB too had agreed to the said FSV for settlement . Company request was not acceded to by PICIC in November 2004. Presently, the suit filed earlier by PICIC in High Court of Sindh in the year 2003 for recovery of Rs. 355,388,460/- is pending for evidence (Also refer Note 10.4).

6.2 Investment Corporation of Pakistan (ICP)

The loan is secured by:

i) First charge by way of mortgage / hypothecation of all movable and immovable properties of the Company ranking pari passu with the charge created in favor of other lenders.

ii) Floating charge on all other assets and properties of the Company ranking pari passu with the charge created in favor of other secured creditors.

iii) A demand promissory note for the purchase price.

iv) Personal guarantees of all directors.

In 2002, ICP filed a suit against the company, its directors and other three financial institutions in the Banking Court No.1, Karachi for recovery of Rs.16.274 million along with markup thereon w.e.f July 01, 2002 until repayment of dues. The suit was decreed on January 10, 2004 jointly and severally in the favor of plaintiff for Rs.10.990 million with a cost of fund at 8% per annum payable from the date of default i.e. July 1, 2002 in twenty four monthly installments of Rs.457,908/-. The company made a total payment of Rs. 8.235 million as subsequently ordered by the Court and now awaits disposal of the case in terms of order of the Court dated 18-01-2007.

6.3 MCB Bank Limited (Formerly Muslim Commercial Bank Limited) (MCB)

The loan is secured by:

i) First charge on the present and future fixed and current assets of the company ranking pari passu with the charge created in favor of other secured creditors.

ii) Personal guarantees of all directors.

Subsequent to decision of SBP committee under circular 29 for settlement at FSV of Rs. 348 million, at company's request the bank carried out fresh revaluation of the project and accepted settlement of it's liabilities based on FSV of Rs.218.278 million at Rs. 14.45 million vide letter no. SAMG/PO/JP/CUS/387 dated 25th August, 2005 payable in 12 quarterly equal installments. The consequential difference of Rs. 76.271 million between the book balance and the rescheduled amount of liability has been transferred to deferred income to be recognized as income after the liability is repaid in full (refer note 7). The company has so far paid Rs. 9.031 million including a down payment of Rs.1.445 million. The agreement states that in case of any default whole revised agreement would be cancelled and liability that stood prior to rescheduling would be reinstated.

6.4 Saudi Pak Commercial Bank Limited (SPCB)

This represents the unsecured portion of liability rescheduled in the year 2001 based on package approved by CRSIU. The settlement of loan at an amount of Rs. 1.941 million was later on approved in the year 2004 by SBP Committee for Resolution of Cases under Circular 29.

* Saudi Pak Commercial Bank Ltd. (SPCBL) filed a suit No. 110 of 2006 in the banking court for recovery of Rs. 19.106 million, contesting the approval of SBP Committee, suit is pending adjudication.

* The finance is secured by way of hypothecation charge on stock and machinery of the company and equitable mortgage over property No. SF - 3, Building No. 13 See View Township, DHA, Karachi.

6.5 Zarai Tarqiyati Bank Limited (ZTBL)

The finance is secured by a guarantee of the Company and hypothecation of sugarcane crop of the growers as the loans have actually been given to them.

ZTBL restructured / rescheduled the loan vide letter no. BDN/MSML/2005/622 dated. 17th June, 2005 at Rs. 1.43 million payable in 12 quarterly installments including10 % down payment under the recommendation made by the State Bank Of Pakistan Committee of Resolution of cases. As a result of restructuring, an amount of Rs. 14.543 million has been transferred to deferred Mark up (refer Note. 4).The company has paid down payment of Rs.0.143 million on due date and 5 installments of Rs. 0.107 million each are paid to date. The agreement states that in case of any default whole revised agreement would be cancelled and liability that stood prior to rescheduling would be reinstated .

6.6 Habib Bank Limited (HBL)

The loan is secured by:

i) Legal / equitable mortgage on assets of the company ranking pari passu with the charge created in favor of other secured creditors.

ii) Personal guarantees of the directors.

iii) Deposit of sponsors' shares at the face value of Rs. 22 million.

iv) Deposit of title deeds in respect of machinery imported from M/s. Nisho Iwai Corporation.

This represents the liability as rescheduled in the year 2001 based on package approved by CRSIU. The settlement of loan was later on approved in the year 2004 by SBP. Committee for resolution of cases under circular 29 at 33.5% of the total liability determined at Rs.348 million as per forced sale value of company's fixed assets. The company contested that the FSV of it's fixed asset was Rs. 218 million based on fresh revaluation but its plea has not been entertained by HBL though other banks like MCB and ABL acceded to settlement on such reduced revaluation (refer note 7.1).

The Suits filed by HBL No. 101 of 1999 and 176 of 2000 for recovery of Rs. 58.287 million and 144.508 million respectively of agricultural loans and bank guarantee were decreed by the court. The Company filed an appeal against suit No- 101 of 1999 which is pending adjudication. H.B.L further filed suit No- 16 of 2004 for the execution of decree passed in suit No- 176 of 2000 which is still pending.

6.7 Loans from Friends and Sponsors

These represent unsecured and interest free loans with no fixed term for repayment.

7. DEFERRED INCOME

	MCB	ABL	ZTBL	TOTAL
Opening Balance	76,271,000	62,487,062	14,543,000	153,301,062
Recognised during the year	–	(62,487,062)	–	(62,487,062)
Closing Balance	76,271,000	–	14,543,000	90,814,000

7.1 This represents income deferred for recognition in the year 2005 owing to on account of liability reversed on settlement reached with MCB Bank Limited (former Muslim commercial Bank) and Zarai Tariquat Bank Limited in term of circular 29 of SBP.This shall be recognised as income upon payment and fulfilment of all of the conditions' referred to in note 6.3 to 6.6 of these accounts. The liability due to ABL(refer note 6) has been settled in full during the year and income deferred there has accordingly been recognised in the current year.

		Note	2008 Rupees	2007 Rupees
8.	**CURRENT PORTION OF LONG TERM LIABILITES**			
	Current maturity			
	Long term loans	6	73,962,300	81,243,006
	Overdue			
	Long term loans	6	446,578,127	368,386,871
			520,540,427	449,629,877
9.	**TRADE AND OTHER PAYABLES**			
	Creditors			
	For sugarcane	9.1	191,092,675	148,539,682
	For stores and spares		4,910,450	10,184,769
			196,003,125	158,724,451
	Accrued liabilities			
	Accrued expenses		1,583,406	6,030,750
	Road cess		1,474,000	1,201,677
			3,057,406	7,232,427
	Other liabilities			
	Advance against sales		887,774	841,390
	Employees provident fund		(601,111)	717,969
	Compensated leave absences		235,825	235,825
	Sales tax payable		1,699,684	841,869
	Income tax		308,813	369,695
	Zakat payable		107,169	98,016
	Retention money		24,003	61,663
	Others		1,126,242	1,364,623
			3,788,399	4,531,050
			202,848,930	170,487,926

9.1 **Creditors for sugar cane**

	Note	2008 Rupees	2007 Rupees
- Against sugar cane		90,215,537	47,662,544
- Quality Premium	9.1.1	100,877,138	100,877,138
		191,092,675	148,539,682

9.1.1 This represents provision of Rs.100.877 million made in respect of quality premium to growers for the period from 1998-99 to 2002-2003. The matter of payment of quality premium to growers is held up being presently subjudiced and appeal filed in this respect is pending before the Supreme Court of Pakistan, against the orders of High Court of Sindh in favour of payment of quality premium to growers. In this regard, the High Court of Lahore has, in a parallel case, given its judgment against payment of quality premium to growers in Punjab.

10. CONTINGENCIES AND COMMITMENT

10.1 'The company is contesting a suit filed by M/s. Indian Sugar & General Industry for recovery of Rs. 14.227 million (US$ 240,692) which represents the balance amount due and interest thereon against the import of 1,645 M. Tons of sugar made by the Company. The suit is pending for evidence. No provision has been made against this as the management do not acknowledge this as its debt.

10.2 The company is contesting a suit filed by Petro Commodities in 1999 in the High Court of Sindh for recovery of Rs. 98.493 million in respect of settlement of amount claimed as due to it in respect of refined sugar jointly imported by the two parties. The Company has filed written statement and made a counter claim of Rs. 10.347 million. The suit is pending for evidence. No provision has been made in this respect in the accounts as in the opinion of its legal counsel the Company has a strong case on merit and no financial implications are expected to arise as its there from.

10.3 The department demanded further tax of Rs.4.88 millions from the company that was not charged by it from its customers owing to ambiguity in section2(23) which states that an unregistered person liable to be registered was to be treated at par with a registered person and hence further tax was not to be charged. The Additional Collector stayed the said demand in the year 2003.The matter was contested by the Collector of Custom & Sales Tax in the High Court and judgement was passed in favour of the company .The collectorate preferred appeal with the Supreme Court of Pakistan that accepted the plea and set aside the judgement of the High Court in March 2006.The company has not received any fresh demand and has not made any provision there against. The legal counsel of the company is of the opinion that based on the merit of the case no tax liability is likely to arise in future in this case.

10.4 The company has not recorded the difference of Rs. 27 million between the amount of loan liabilities reflected in the books as Rs. 328 million and that claimed by PICIC in recovery suit of Rs. 355 million. The Company filed counter suit No. 30 of 2003 claiming Rs.39 million on various grounds as the amount paid over and above the amount of loan liabilities. In view of the above, the company has not incorporated any adjustment in it's books of accounts for the above difference.

11. PROPERTY, PLANT & EQUIPMENT

PARTICULARS	COST As on 01-10-2007	COST Additions/ (Deletions)	COST As on 30-09-2008	Rate %	DEPRECIATION As on 01-10-2007	DEPRECIATION For the Year	DEPRECIATION As on 30-09-2008	W.D.V. As on 30-09-2008
OWNED:								
Land-Freehold	8,612,324	–	8,612,324	–	–	–	–	8,612,324
Factory building on freehold land	87,520,209	–	87,520,209	10	64,288,954	2,237,451	66,526,405	20,993,804
Non-factory building	1,523,712	–	1,523,712	10	960,673	54,227	1,014,900	508,812
Plant and machinery	578,716,359	2,041,150	580,757,509	10	376,520,899	19,649,257	396,170,156	184,587,353
Office equipment	4,068,992	136,850	4,205,842	10	2,247,521	189,115	2,436,636	1,769,205
Furniture and fixtures	2,208,834	153,850	2,362,684	10	1,380,788	88,744	1,469,532	893,153
Arms and ammunition	298,700	–	298,700	10	96,504	19,474	115,978	182,722
Vehicles	6,556,848	2,384,700	8,941,548	20	4,662,111	707,263	5,369,374	3,572,174
RUPEES 2008	689,505,978	4,716,550	694,222,528		450,157,450	22,945,531	473,102,981	221,119,546
RUPEES 2007	688,212,028	1,293,950	689,505,978		425,372,500	24,784,951	450,157,451	239,348,527

	2008 Rupees	2007 Rupees
11.1 Allocation of Depreciation		
Cost of goods sold	21,886,708	23,998,321
Administration and general expenses	1,058,822	786,629
	22,945,531	24,784,950

11.2 During the reporting period no disposal has been made.

12. LONG TERM DEPOSITS

	2008 Rupees	2007 Rupees
Long Term Security Deposits	1,426,886	1,426,886

13. STORES, SPARES AND LOOSE TOOLS

	2008 Rupees	2007 Rupees
Stores	8,016,389	5,553,237
Spares	3,972,187	3,802,573
Loose tools	106,169	195,418
	12,094,745	9,551,228

14. STOCK IN TRADE

	2008 Rupees	2007 Rupees
Work in process	–	1,245,931
Molasses stock	–	5,961,782
Finished sugar	44,856,317	–
	44,856,317	7,207,713

15. TRADE DEBTORS-Unsecured

	2008 Rupees	2007 Rupees
Considered good	1,591,577	8,199,044
Considered doubtful	34,749,355	34,749,355
Provision for doubtful debts	(34,749,355)	(34,749,355)
	–	–
	1,591,577	8,199,044

			2008 Rupees	2007 Rupees
16.	**LOANS AND ADVANCES**			
	Unsecured and Considered good			
	Advances			
	- To suppliers		4,376,593	5,203,513
	- To contractors		3,258,764	3,161,982
	- To growers	16.1	1,741,468	2,860,628
	- Income tax		14,926,091	11,581,475
			24,302,916	22,807,598
	Advances for expenses			
	- Staff		1,765,003	1,433,358
	Considered Doubtful			
	Advances			
	- To contractors		35,398,419	35,398,419
	- For expenses		220,077	220,077
	- To growers	16.1	8,296,038	8,296,038
			43,914,534	43,914,534
			69,982,453	68,155,490
	Provision for doubtful advances		(43,914,534)	(43,914,534)
			26,067,919	24,240,956

16.1 The loans are given to growers for this capital requirements for sugarcane cultivation.

		2008 Rupees	2007 Rupees
17.	**DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES**		
	Other receivables	309,886	274,653

			2008 Rupees	2007 Rupees
18.	**CASH AND BANK BALANCES**			
	Cash in hand		86,942	32,911
	Cash with banks in current accounts		1,249,609	1,638,285
			1,336,551	1,671,196
19.	**SALES - NET**			
	Sugar - Local		649,384,058	538,354,425
	Molassess - Local		82,958,728	20,545,918
			732,342,786	558,900,343
	Brokerage		–	(200,820)
	Sales tax		(105,130,825)	(74,273,583)
			(105,130,825)	(74,474,403)
			627,211,961	484,425,941
20.	**COST OF GOODS SOLD**			
	Raw material consumed (including procurement and development expenses)		539,579,463	414,113,041
	Manufacturing expenses	20.1	99,176,289	79,750,091
			638,755,752	493,863,132
	Opening stock			
	Finished stock		5,961,782	417,239
	Sugar-in-process		1,245,931	1,203,329
			7,207,713	1,620,568
			645,963,465	495,483,700
	Closing stock			
	Finished stock - sugar		44,856,317	–
	Finished stock - molasses		–	5,961,782
	Sugar-in-process		–	1,245,931
			(44,856,317)	(7,207,713)
			601,107,148	488,275,986
	20.1 Manufacturing expenses			
	Stores and spares consumed		9,000,708	4,733,400
	Packing material consumed		8,474,706	5,181,862
	Salaries and allowances	20.1.1	28,431,055	21,913,792
	Repair and maintenance		19,944,725	12,470,670
	Fuel and power		4,550,686	5,352,899
	Insurance		3,519,314	3,626,008
	Freight and handling		1,108,779	592,642
	Depreciation	11.1	21,886,708	23,998,321
	Others		2,259,608	1,880,497
			99,176,289	79,750,091

120.1.1 This includes Rs. 655,580 (2007: Rs. 522,839) in respect of defined contributory provident fund.

		2008 Rupees	2007 Rupees

21. ADMINISTRATION AND GENERAL

		2008 Rupees	2007 Rupees
Salaries, bonus and staff amenities	21.1	20,168,615	14,607,511
Directors' remuneration		1,693,800	1,539,300
Traveling and conveyance		797,753	684,991
Printing and stationery		557,490	518,497
Legal and professional		1,051,500	957,750
Auditors' remuneration	21.2	413,189	335,400
Telephone and postage		971,184	824,198
Electricity, water and gas		678,121	344,382
Vehicle maintenance		3,791,276	2,729,071
News papers, books and periodicals		13,474	11,025
Repair and maintenance		1,414,262	726,402
Rent, rates and taxes		153,500	152,000
Insurance		107,264	114,253
Charity and donations	21.3	28,500	117,000
Fees and subscription		674,379	1,143,667
Depreciation	11.1	1,058,822	786,629
Entertainment		209,140	200,407
Sanitation charges		173,209	162,780
Shares department expenses		13,645	10,275
Miscellaneous		1,418,178	897,413
		35,387,302	26,862,950

21.1 This includes Rs. 307,5573 (2007: Rs. 279,713/-) in respect of defined contributory provident fund.

21.2 Auditors' remuneration

	2008 Rupees	2007 Rupees
Audit fee	200,000	150,000
Fee for half yearly review	90,000	90,000
Fee for review of compliance with code of corporate governance	50,000	37,500
Out of pocket expenses	73,189	57,900
	413,189	335,400

21.3 Charity and donations

None of the directors or their spouse had any interest in these charity and donations.

22. SELLING AND DISTRIBUTION

	2008 Rupees	2007 Rupees
Advertisement	35,600	28,460
Loading and stacking	718,037	408,985
LC expense	1,606,733	–
Others	–	1,575
	2,360,370	439,020

		2008 Rupees	2007 Rupees
23. FINANCIAL CHARGES			
Interest on long term loans		16,197,017	20,304,648
CED, bank charges and other charges		1,254,223	941,489
		17,451,240	21,246,137
24. OTHER INCOME			
Refund of sales tax		–	3,175,120
Deferred income recognised	24.1	62,487,062	–
Recovery of bad debts		–	4,181,321
Scrap sales		3,048	296,546
		62,490,110	7,652,987

24.1 This represents income exempted from income tax as per enry at part 4 section (3a) of the second Schedule to the Income Tax Ordinance, 2001 owing to reversal of Liability against settlement under SBP's Circular 29.

		2008 Rupees	2007 Rupees
25. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit / (loss) after taxation	Rs.	33,396,010	(47,245,165)
Weighted average number of ordinary shares		14,100,000	14,100,000
Earning / (Loss) per share	Rs.	2.37	(3.35)

26. TAXATION

	2008 Rupees	2007 Rupees
For the year	–	2,500,000

Current

No provision for income tax has been made for the current year in view of taxable loss of current year and also have accumulated losses carried forward of Rs.431.30 Million.

Deferred

Deferred tax assets of Rs.9.18 million on deductible temporary differences at the balance sheet date (2007: Rs.(16.63) million). The deductible temporary difference has not been recognised as deferred tax asset as it is not probable that future taxable profit will be available.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

PARTICULARS	2008			2007		
	Chief Executive	Directors	Total	Executive	Chief Directors	Total
Remuneration	1,450,800	243,000	1,693,800	1,296,300	243,000	1,539,300
Perquisites, benefits and utilities	1,221,719	–	1,221,719	615,916	–	615,916
TOTAL	2,672,519	243,000	2,915,519	1,912,216	243,000	2,155,216
NO. OF PERSONS	1	1	–	1	1	–

27.1 The chief executive and Directors are entitled to free use of Company maintained cars. Chief executive is also provided telephone and utility facilities.

28. RELATED PARTY TRANSACTIONS

The company has related party relationship with its directors, Executives and post employment contribution plan. Remuneration given to Chief Executives and Directors are in accordance with their terms of employment as disclosed in Note 27. During the year company has made contribution to the Provident Fund of amounting 2008 Rs.963,137/- (2007 : 802,552/-).

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. Fair values of all financial instruments approximate their carrying values.

29.2 FINANCIAL ASSETS AND LIABILITIES

The analysis of yield / markup risk is as under:

	Interest / Markup bearing			Non-Interest / Markup bearing				
	Maturity Upto one year	Maturity After One year	Sub total	Maturity Upto one year	Maturity After One year	Sub total	Total 2008	Total 2007
Financial Assets								
Lont term deposits	–	–	–	–	1,426,886	1,426,886	1,426,886	1,426,886
Trade debts	–	–	–	1,591,577	–	1,591,577	1,591,577	8,199,044
Loans and advances	–	–	–	11,141,828	–	11,141,828	11,141,828	12,659,481
Other receivables	–	–	–	309,886	–	309,886	309,886	274,653
Cash and bank balances	–	–	–	1,336,551	–	1,336,551	1,336,551	1,671,196
	–	–	–	14,379,842	1,426,886	15,806,728	15,806,728	24,231,260
Financial Liabilities								
Long term loans	261,996,796	520,540,427	782,537,223	–	–	–	782,537,223	768,923,952
Deferred liabilities	90,814,000	–	90,814,000	–	–	–	90,814,000	153,301,062
Trade and other payables	–	–	–	202,786,430	–	202,786,430	202,786,430	170,487,926
Accrued Mark up on loans	–	–	–	18,991,927	–	18,991,927	18,991,927	18,991,927
	352,810,796	520,540,427	873,351,223	221,778,357	–	221,778,357	1,095,129,580	1,111,704,867
Balance sheet Gap	(352,810,796)	(520,540,427)	(873,351,223)	(207,398,515)	1,426,886	(205,971,629)	(1,079,322,852)	(1,087,473,607)

29.3 Interest rate risk

Interest rate risk arises from the possibility that changes the interest rates and affects the value of financial instruments. The company is not exposed to any significant interest rate risk. The rate of financing and their maturity period has been disclosed in the relevant notes and cases are pending before the High court.

29.4 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company exposure of credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivables. The management is of the view that it is not exposed to significant concentration of credit risk.

29.5 Foreign exchange risk management

Foreign exchange risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The company is not exposed to foreign currency risk on assets and liabilities.

29.6 Liquidity risk management

It is the potentional for loss to the company arising from either its inability to meet its obligation or to fund increases in assets as they fall due without incurring unacceptable cost.

The management manages liquidity position on regular basis and is primarily responsible to manage such risk by formulating strategies and oversight of the asset liability function.

30. CAPACITY AND PRODUCTION

Years	CAPACITY		PRODUCTION		% of Capacity Attained
	Metric Tons	Days	Metic Tons	Days	
2008	62,640	180	31,090	148	49.63
2007	62,640	180	20,132	137	32.14

The reason for under utilization of installed capacity is due to limited availability of sugarcane.

31. DATE OF AUTHORISATION FOR ISSUE

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

32. FIGURES

– Figures have been rounded off to the nearest rupee.

DIRECTOR DIRECTOR

FORM OF PROXY

The Secretary,
MIRZA SUGAR MILLS LIMITED
10th Floor, Portion "B", Building No. 1,
Lakson Square, Sarwar Shaheed Road,
Karachi-74200.

I / We____

of____

being a member of **MIRZA SUGAR MILLS LIMITED** and a holder of____________________

Ordinary Shares, as per Register Folio No. / CDC A / C No.________________________

hereby appoint____

of____

____

who is also a member of the Company as my / our Proxy to vote for me / us and on my / our behalf at the **19th Annual General Meeting** of the Company to be held on **January 29, 2009** and at any adjournment thereof.

Signed:________________________day of________________________2009.

Witness

1) Name________________________
N.I.C. No.________________________
Address________________________
Signature________________________

2) Name________________________
N.I.C. No.________________________
Address________________________
Signature________________________

Five
Rupees
Revenue
Stamp

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

NOTE:

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