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**M I R Z A**

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**SUGAR**

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**MILLS**

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**LIMITED**

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**CONDENSED ACCOUNTS FOR  
THE HALF YEAR ENDED  
MARCH 31, 2009  
(REVIEWED)**

## 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:

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

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY:

MR. TARIQ MAHMOOD

### LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

### AUDITORS:

M/S. RAHMAN SARFARAZ  
 RAHIM IQBAL RAFIQ  
 (CHARTERED ACCOUNTANTS)

### BANKERS TO THE COMPANY:

HABIB BANK LIMITED  
 MCB BANK LIMITED  
 ALLIED BANK LIMITED  
 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 : 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

## DIRECTORS' REPORT

Dear Shareholders :

Directors are pleased to present half yearly account of the company, duly reviewed by the auditors for the period ended March 31, 2009.

### General

The season 2008-09 commenced under the fears of severe cane shortage. Government of Sindh had already announced a very high support price of sugarcane for the season at Rs.81/- per 40 kg. In view of cane-shortage and immature cane, the Government had allowed November 1, 2008 as the starting date of crushing season 2008-09. Accordingly, boilers were fired on November 10, 2008 but crushing could not be started till December 15, 2008 due to poor harvesting of cane by farmers. The season 2008-09 proved to be a very difficult season due to cane shortage and price-war between mills for procurement of sugarcane pushing the sugarcane price from Rs.120 to Rs.150 per 40 kg. On Sindh basis, sugar mills crushed only 10,148,602 tons of cane during 2008-09 compared to 16,637,007 tons crushing during previous season.

Through judicious planning and efforts company managed to keep the cane cost under control and season's average cost did not exceed Rs.106 per 40 kg. Sucrose recovery achieved during the season also improved to season's average of 10.18% as compared to 9.28% achieved last year. Market price of sugar which was depressed initially, significantly improved as season progressed.

Our company gave very satisfactory operational performance during the season which are also reflected in financial results of the company.

Sugar industry also remained engaged in deliberations with Government's Quality Control Department and Sindh Ministry of Environment on issues to maintain quality of sugar being manufactured and avoiding of environmental degradation. PSMA-S.Z. and Centre participated in all those deliberations and finally the following were decided :

- From Season 2009-10, ICUMSA of sugar manufactured should not be more than 120 and limit of Sulphur Dioxide upto 50 ppm maximum.
- Basic measures to control BOD and COD contents in water effluents should be started from the closure of Season 2008-09, and further concrete measures to be taken and completed during Seasons 2009-10 and 2010-11.

However, final issue of notifications are still awaited.

### OPERATING RESULTS

The operating results upto March 31 and for full seasons are given below for purpose of comparison:

Particulars	Season 2008-2009	Season 2007-2008	
	Full Season & March 31, 2009	Full Season	March 31, 2008
Season started	15-12-2008	19-11-2007	19-11-2007
Season closed	13-03-2009	14-04-2008	in operation
Days worked	89	148	134
Sugarcane crushing (Tons)	176,738	334,735	312,950
" " (Maunds)	4,418,450	8,368,386	7,823,764
Sugar recovery (%)	10.18	9.280	9.257
Sugar production (Tons)	18,000	31,090	28,615
Molasses recovery (%)	4.638	5.230	6.128
Molasses production (Tons)	8,198	17,520	15,802

Most note worthy is the shorter period of season's duration, only 89 days compared to 148 days of last season, signifying severity of sugarcane shortage.

## Financial Results

Auditors' reviewed accounts for the period ended March 31, 2009 show a gross profit of Rs.93,441,040/- compared to a gross profit of Rs.13,281,939/- for the corresponding period last year. Likewise, net profit during the period under review is Rs.190,292,607/- against a net loss of Rs.17,747,053/- during the same period last year. Major component contributing to net profitability is attributable to reversal of deferred liabilities as a result of settlement of bank-loans.

## Auditors' Report

The Auditors have qualified their Review Report for the period ended March 31, 2009. Their concern is addressed as under for the shareholders so that matters and their impact is mitigated.

- a) The company accounts have been prepared under the "Going Concern" assumption based on Note No.1.2 to the condensed interim financial statements.
- b) 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.

## Future Prospects

Although complete picture is not available yet but poor autumn plantations indicate the cane acreage will remain low during the coming season and cane shortage will persist.

**MIRZA SAULAT RAZA**  
Director

**IRSHAD HUSSAIN MIRZA**  
Director

May 27, 2009

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

## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE MEMBERS**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of **Mirza Sugar Mill Limited ("the Company")** as at **March 31, 2009** and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standards on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for qualified conclusion**

- a. The condensed interim financial information of the company reflects net profit after taxation of Rs. 190.292 million (March 2008: loss Rs. 17.747 million), accumulated loss of Rs. 747.280 million (September 2008: Rs. 937.571 million), and negative equity amounting to Rs. 606.280 million (September 2008: Rs. 796.571 million). Its current liabilities exceed current assets by Rs. 582.191 million (September 2008: Rs. 666.307 million). The company is defendant in suits filed by financial institutions as referred to in note 4. There are contingencies disclosed in note 6 the ultimate outcome of which cannot presently be determined. These conditions indicate existence of material uncertainties, which may cast significant doubt about the company's ability to continue as a going concern, the going concern assumption used in the preparation of these financial statement is dependent on the ultimate outcome of matters referred in note 1.2. and the company's ability to generate sufficient fund to meet its obligations arising out of settlement as and when reached with the financial institutions. No adjustment has been made in the financial statements that may be required, should the company be unable to continue as going concern
- b. We did not receive direct confirmations in respect of long-term loans from financial institutions namely;
  - i. NIB Bank Limited (formerly PICIC).
  - ii. Habib Bank Limited.
  - iii. Investment Corporation of Pakistan (ICP).

### **Qualified conclusion**

Based on our review, with the exception of the matters described in (a) and (b) of paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of March 31, 2009 is not prepared, in all material respect, in accordance with approved accounting standards as applicable in Pakistan.

The figures of the condensed interim profit and loss account for the quarters ended March 31, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended March 31, 2009.

Karachi  
Dated: May 27, 2009

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
CHARTERED ACCOUNTANTS  
MUHAMMAD WASEEM

## CONDENSED INTERIM BALANCE SHEET

Note	Unaudited March 31, 2009 Rupees	Audited September 30, 2008 Rupees
<b>SHARE CAPITAL</b>		
<b>Authorised capital</b>		
15,000,000 ordinary shares of Rs. 10/- each	150,000,000	150,000,000
<b>Issued, subscribed and paid-up capital</b>		
14,100,000 ordinary shares of Rs. 10/- each fully paid in cash	141,000,000	141,000,000
Accumulated Loss	(747,279,325)	(937,571,932)
	(606,279,325)	(796,571,932)
<b>NON-CURRENT LIABILITIES</b>		
<b>LONG TERM LOANS</b>	4 235,530,851	261,996,796
<b>DEFERRED INCOME</b>	5 -	90,814,000
<b>CURRENT LIABILITIES</b>		
Current portion of long term liabilities	507,577,435	520,540,427
Trade and other payables	313,018,029	202,848,930
Accrued mark up on loans	18,991,933	18,991,927
Taxation	10,183,279	10,183,279
	849,770,676	752,564,563
<b>CONTINGENCIES AND COMMITMENT</b>	7 -	-
	479,022,202	308,803,427

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

The Chief Executive presently being out of station, the condensed interim financial statements have been signed by two directors to comply with requirements of section 241 of the Companies Ordinance, 1984.

## AS AT MARCH 31, 2009

Note	Unaudited March 31, 2009 Rupees	Audited September 30, 2008 Rupees
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
8	210,015,502	221,119,546
<b>LONG TERM DEPOSITS</b>		
	1,426,886	1,426,886
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	9 12,445,687	12,094,745
Stock in trade	225,721,529	44,856,317
Trade debtors-unsecured	149,816	1,591,577
Loans and advances	10 24,384,517	26,067,918
Deposits and other receivables	2,184,170	309,886
Cash and bank balances	2,694,095	1,336,551
	267,579,814	86,256,995
	479,022,202	308,803,427

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT  
(UN-AUDITED) FOR THE HALF YEAR  
ENDED MARCH 31, 2009**

Note	Six months period ended		Three months period ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	Rupees			
<b>Sales-Net</b>	449,017,085	433,336,528	366,778,005	329,642,133
Cost of sales 11	355,576,045	420,054,589	263,460,945	283,794,516
<b>Gross profit</b>	93,441,040	13,281,939	103,317,060	45,847,617
<b>Operating expenses</b>				
Administrative expense	29,333,895	19,039,811	19,807,974	11,426,748
Selling & distribution	720,214	474,199	624,371	306,340
	(30,054,109)	(19,514,010)	(20,432,345)	(11,733,088)
<b>Operating profit/(loss)</b>	63,386,931	(6,232,071)	82,884,715	34,114,529
Finance cost	(1,079,778)	(9,314,982)	(973,102)	(4,719,391)
Other income	127,985,454	-	127,985,454	-
	126,905,676	(9,314,982)	127,012,352	(4,719,391)
<b>Profit/(loss) before taxation</b>	190,292,607	(15,547,053)	209,897,067	29,395,138
Taxation - Current	-	(2,200,000)	-	(1,680,000)
<b>Net profit/(loss) after taxation</b>	190,292,607	(17,747,053)	209,897,067	27,715,138
Earning/(loss) per share-basic & diluted	13.50	(1.26)	14.89	1.97
Earning/(loss) per share excluding the income recognized as a result of reversal of long term liability - basic & diluted	4.89	(1.26)	6.90	1.97

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

DIRECTOR

DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT  
(UN-AUDITED) FOR THE HALF YEAR  
ENDED MARCH 31, 2009**

	March 31, 2009 Rupees	March 31, 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	190,292,607	(15,547,053)
Adjustment for:		
Depreciation	10,788,176	11,698,107
Deferred income recognised	(90,814,000)	-
Reversal of long term loan liability	(30,510,183)	-
Provision for stores and spares	2,460,453	-
Loan and advances written off	6,165,720	-
Reversal of uncalimed liability	(6,550,318)	-
Gain on Sale of fixed assets	(107,631)	-
Finance cost	1,079,778	9,314,982
	(107,488,005)	21,013,089
Operating profit before Working Capital Changes	82,804,602	5,466,036
<b>Changes in working capital</b> (Increase) / Decrease in Current Assets		
Stores, spares & loose tools	(2,811,395)	(3,222,763)
Stock in trade	(180,865,210)	(160,447,876)
Trade debtors-unsecured	1,441,761	7,389,705
Loans & advances	(3,018,620)	266,823
Deposits and other receivables	(1,874,284)	(4,860,833)
<b>Increase/(Decrease) in Current Liabilities</b>		
Trade and other payables	116,719,417	171,551,720
	(70,408,330)	10,676,776
<b>Cash generated from operations</b>	12,396,272	16,142,812
Taxes paid	(1,463,700)	(2,952,076)
Finance cost paid	(1,079,778)	(713,320)
	(2,543,478)	(3,665,396)
<b>Net cash (used in)/ from operating activities</b>	9,852,794	12,477,416
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sales Proceeds from Disposal of fixed Assets	423,500	-
Fixed capital expenditure	-	(3,466,400)
<b>Net cash used in investing activities</b>	423,500	(3,466,400)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan received	-	-
Repayment of long term loans	(8,918,750)	(750,000)
Repayment of short-term loan	-	-
<b>Net cash from/(used in) financing activities</b>	(8,918,750)	(750,000)
<b>Increase/(Decrease) in cash and bank balances</b>	1,357,544	8,261,016
Cash & bank balances at beginning of the period	1,336,551	1,671,196
<b>Cash &amp; bank balances at end of the period</b>	2,694,095	9,932,213

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

DIRECTOR

DIRECTOR

**CONDENSED INTERIM STATEMENT OF CHANGES  
IN EQUITY (UN-AUDITED) FOR THE HALF YEAR  
ENDED MARCH 31, 2009**

	<u>Share Capital Rupees</u>	<u>Accumulated Profit/(Loss) Rupees</u>	<u>Total Rupees</u>
<b>Balance as at September 30, 2007</b>	141,000,000	(970,967,942)	(829,967,942)
Profit/(loss) for the period	-	(17,747,053)	(17,747,053)
<b>Balance as at March 31, 2008</b>	141,000,000	(988,714,995)	(847,714,995)
Profit/(loss) for the period	-	51,143,063	51,143,063
<b>Balance as at September 30, 2008</b>	141,000,000	(937,571,932)	(796,571,932)
Profit for the period	-	190,292,607	190,292,607
<b>Balance as at March 31, 2009</b>	<u>141,000,000</u>	<u>(747,279,325)</u>	<u>(606,279,325)</u>

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

DIRECTOR

**SELECTED EXPLANATORY NOTES TO THE  
ACCOUNTS (UN-AUDITED) FOR THE  
HALF YEAR ENDED MARCH 31, 2009**

**1. THE COMPANY AND ITS OPERATION**

1.1 The company was incorporated in Pakistan on January 16, 1990, as a public limited company and listed on Karachi and Lahore Stock Exchanges. The principal business of the company is to manufacture and sell white sugar.

1.2 The company's accumulated loss as on balance sheet date amounted to Rs.747.280 million (September 2008: Rs. 937.571million) and equity is negative by Rs. 606.280 million (September 2008: Rs.796.571 million), as decreased by profit for the period amounting to Rs. 190.292 million. Its current liabilities exceeds current assets by Rs.582.191 million (September 2008: Rs.666.307 million).

During the period the company has recorded a net profit after tax of Rs 190.293 million. It has also paid the remaining installments against long term loans due to ZTBL, SPCB and MCB based on settlement reached with the said banks that resulted in recognition of deferred income as disclosed in note 5.

As disclosed in note 4.1, the company's proposal submitted to HBL in respect of settlement of outstanding long term loan is under bank's consideration for settlement. The Company has arranged to pay down payment to the bank upon receipt of approval and remaining installment in three years are expected to be paid from future cash generations from operations. This settlement is also expected to lead to reversal of liability of Rs 285 million and reduce the accumulated loss and negative equity by the said amount.

The remaining long term loan due to NIB Bank Limited (formerly PICIC) (refer note 4.1) is presently the subject of a suit filed against the company and a counter suit filed by the company against NIB Bank Limited (formerly PICIC). The pending suits are for evidence in Court and may take a few years in proceedings. In the event an agreement is reached with HBL as mentioned above, the company plans to approach NIB Bank Limited (formerly PICIC) also for settlement on similar basis.

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

1.3 Due to the seasonal availability of sugarcane, the manufacturing of sugar is carried out during the period of availability of sugarcane and costs incurred/accrued upto the reporting date have been accounted for. accordingly, the costs incurred/accrued after the reporting date will be reported in the subsequent interim and annual financial statements.

**2. BASIS OF PREPARATION**

These unaudited condensed interim financial statement have been prepared in accordance with the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and in compliance with requirement of Section 245 of the Companies Ordinance, 1984. A limited scope review of these condensed interim financial statement has been performed by the external auditors of the company in accordance with the requirement of clause (xxi) of the Code of Corporate Governance.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these accounts are the same as those applied in preparing the annual audited accounts for the year ended September 30, 2008, except for the accounting policy for Financial Instruments which has been modified for completeness as follows:

**Financial Instruments**

Financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include loans, deposits, advance, others receivables, trade and other debts, cash and bank balances, borrowings, trade and other payables and accrued expenses. All financial assets and liabilities are initially measured at cost which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

DIRECTOR

4. The status of long term loans is same as that in annual audited accounts for the year ended September 30, 2008, except to the extent disclosed hereunder:

4.1 NIB Bank Limited (formerly PICIC) & Habib Bank Limited (HBL)

The liability of NIB Bank Limited (formerly PICIC) and HBL as per its books of account at the balance sheet date is as under:

NIB Bank Limited (formerly PICIC)	Rs. 323,663,839
HBL	Rs. 370,765,063

In the year 2004, the SBP Committee formed in terms of Circular 29 approved the settlement of its long term loan liabilities due to financial institutions including NIB Bank Limited (formerly PICIC) and HBL at an amount of Rs.348.67 million payable in 3 years in installment without mark up subject to the terms of the circular. The approval was based on the FSV of fixed assets of the company determined by a valuer approved by PBA. The financial institutions determined the share of NIB Bank Limited (formerly PICIC) @ 58.82% of the FSV in the settlement at about Rs.205 million and that of HBL @33.51% at about Rs. 116.84 million.

The MCB Bank at the request of the company agreed in the year 2005 to appoint valuer approved by PBA to reassess the FSV of company's fixed assets. The valuer determined the value of Rs 218 million and the MCB Bank has since settled its liability at revised value as mutually agreed in terms of Circular 29. The company contested with other banks for settlement of their dues on the basis of said revised value. NIB Bank Limited (formerly PICIC) and HBL has not agreed to accept the revised value and recovery proceedings filed are pending in Court.

As disclosed in note 10.4 to the financial statements for the year ended 30 September 2008, the recovery suit for Rs.355.3 million filed by NIB Bank Limited (formerly PICIC) in the year 2003 is pending in High Court. A counter refund suit of Rs.38 million filed by the company based on repayments of Rs.187 millions made against rebated purchase price of 278 million and damages of Rs.129 million claimed on certain grounds.

Subsequent to the balance sheet date, the company has submitted a proposal to HBL for settlement at an amount of Rs.73.15 million on the basis of revised value as per the terms of SBP Circular 29. The matter is under consideration of the bank and the company expects its approval in due course of time.

The liability due to NIB Bank Limited (formerly PICIC) and HBL as per company's accounts include mark up capitalized since the year 2001 to 30 September 2008 at the rates disclosed in note 6 to the financial statement for the year ended 30 September 2008. This was being done as per the restructuring package approved by CRSIU in terms of the Companies Ordinance, 1984 in the year 2001. The company continued to capitalize the mark up after the approval given by SBP Committee in the year 2004 for the reason that the matter was subjudice. However in view of the fact that the liability as per its record compared with the liability as per suit filed by NIB Bank Limited (formerly PICIC) for Rs.355.3 million and by HBL for Rs.202 million, it has stopped making further capitalization of mark up with effect from 1.9.2008.

4.2 MCB Bank Limited (formerly Muslim Commercial Bank Limited ) (MCB)

During the period, the company paid the balance amount of Rs 5.418 million in five equal installments of Rs 1.083 million each. The bank issued a letter SAMG/JP/CUS/15 dated 13th February 2009 acknowledging the full and final settlement of the liability made by the company and also released the mortgage securities. The company has accordingly recognized an amount of Rs 76.27 million (note 5) as income owing to reversal of liability previously deferred for recognition till all installments were paid as per the settlement agreement reached with MCB.

4.3 Saudi Pak Commercial Bank Limited (SPCB)

During the period, the company paid Rs 3.5 million as full and final settlement against its total liability of Rs 33.259 million. The bank issued a letter SPCBL/01/SAM/1111/09 dated 30th March 2009 acknowledging the full and final settlement of the liability made by the company and also released the mortgage securities. The company has accordingly recognized an amount of Rs 29.76 million as income owing to reversal of liability.

4.4 Zarai Tarqiyati Bank Limited (ZTBL)

The bank has waived the remaining outstanding liability of the company amounting to Rs.750,750 relating to the various growers whose amount did not exceed Rs.50,000/- by the Government. The bank issued a letter NO/BDN/MSM/2008/05 dated 3rd January 2009 acknowledging the waiver of liability of the company.

5. DEFERRED INCOME

	March 31, 2009 Rupees	September 30, 2008 Rupees
MCB	-	76,271,000
ZTBL	-	14,543,000
	-	90,814,000

- 5.1 Deferred income represents the amount of liability waived out in terms of settlement made as per amount agreed to be paid. Circular 29 dated 15th October 2002, the recognition of which was dependent upon full repayment/settlement. As the company has settled the liability in respect of aforesaid banks, as mentioned in note 4.2 and 4.4, the amount of income deferred has been accordingly recognized during the period.

6. TRADE AND OTHER PAYABLE

During the period, the company has reversed unclaimed liabilities amounting to Rs 6,550,318 that have been outstanding for a period more than 5 years (ranging from Rs. 1,000 to Rs. 500,000 for 117 different suppliers) and became time barred.

7. CONTINGENCIES

The status of contingencies are same as that in annual audited accounts for the year ended September 30, 2008, except to the extent disclosed hereunder:

The matter of quality premium continue to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company purchased sugar cane at market rate, which was higher than minimum support price fixed by the government during the period from 2004-2009 except for 2007-08 and the resultant aggregate extra liability on account of various subsidies born by it amounted to Rs.238,511,276 that absorbed the quality premium for the said years of Rs.154,491,433. It also holds the view that uniform formula being developed by MINFAL for mills and cane grower would be applicable prospectively. In view of above, the company has not recorded any obligation with respect to quality premium.

8. PROPERTY, PLANT & EQUIPMENT

	March 31, 2009 Rupees	September 30, 2008 Rupees
Operating Fixed Assets		
Disposal of fixed assets - Vehicle		
- Written down value	315,869	-
- Sale proceed	423,500	-
- Gain on disposal	107,631	-

9. STORES, SPARES AND LOOSE TOOLS

- Stores	8,232,154	7,413,848
- Spares	6,492,324	4,544,504
- Loose tools	181,662	136,385
	14,906,140	12,094,737
Provision for slow moving	(2,460,453)	-
	12,445,687	12,094,737

## 10. LOANS AND ADVANCES

The company has written off balances assessed as irrecoverable being outstanding for more than 3 years since their due date, amounts ranging from Rs1,000 to Rs.200,000 of 147 different parties.

	Six months period ended		Three months period ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>

## 11. COST OF SALES

Raw material consumed (including procurement and development expenses)	473,243,659	515,501,967	418,709,745	388,043,558
Stores and spares consumed	5,271,040	8,239,478	3,395,168	6,345,097
Packing material consumed	4,539,336	7,798,939	4,040,161	6,278,566
Salaries and allowances	17,755,322	17,035,378	11,980,418	11,039,693
Repair and maintenance	16,512,621	13,749,083	10,042,165	6,279,739
Fuel and power	3,159,121	2,631,241	1,987,503	1,004,544
Insurance	1,844,188	1,743,987	909,747	672,333
Freight and handing	2,500,928	604,694	2,043,471	316,835
Depreciation	10,279,058	11,208,923	5,139,529	5,545,101
Others	1,335,984	1,988,775	987,890	1,417,000
	<u>536,441,257</u>	<u>580,502,466</u>	<u>459,235,797</u>	<u>426,942,466</u>
<b>Opening stock</b>				
Finished stock	44,856,317	5,961,782	29,946,678	12,918,696
Sugar in process	-	-	-	10,149,758
Molasses	-	1,245,931	-	1,439,184
	<u>44,856,317</u>	<u>7,207,713</u>	<u>29,946,678</u>	<u>24,507,638</u>
	<u>581,297,574</u>	<u>587,710,179</u>	<u>489,182,475</u>	<u>451,450,104</u>
<b>Closing stock</b>				
Finished stock	225,721,529	146,304,439	225,721,529	146,304,439
Sugar in process	-	8,353,448	-	8,353,448
Molasses	-	12,997,702	-	12,997,702
	<u>(225,721,529)</u>	<u>(167,655,589)</u>	<u>(225,721,529)</u>	<u>(167,655,589)</u>
	<u>355,576,045</u>	<u>420,054,590</u>	<u>263,460,946</u>	<u>283,794,515</u>

## 12. PROVISION FOR TAX

There is no tax expense for the year as the company has brought forward losses and deferred income recognized during the period is exempt from tax as per 2nd Schedule Part IV of Income Tax Ordinance 2001.

## 13. AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on May 27, 2009 by the Board of Directors of the Company.

## 14. GENERAL

Figures have been rounded off to the nearest rupee.