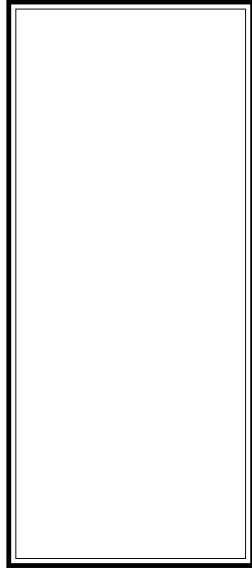


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**MIRZA
SUGAR
MILLS
LIMITED**

**ACCOUNTS FOR THE
3RD QUARTER ENDED
JUNE 30, 2008
(UN-AUDITED)**

BALANCE SHEET

Note	Unaudited June 30, 2008 Rupees	Audited September 30, 2007 Rupees
SHARE CAPITAL		
Authorised Capital: 15,000,000 ordinary shares of Rs. 10/- each	150,000,000	150,000,000
Issued, subscribed and paid-up capital 14,100,000 Ordinary shares of Rs. 10/- each fully paid in cash	141,000,000	141,000,000
Accumulated Loss	(991,145,045)	(970,967,942)
	(850,145,045)	(829,967,942)
NON-CURRENT LIABILITIES		
LONG TERM LOANS	276,082,416	319,294,075
DEFERRED INCOME	153,301,062	153,301,062
CURRENT LIABILITIES		
Current portion of long term liabilities	503,854,696	449,629,877
Trade and other payables	246,583,011	170,487,926
Accrued mark up on loans	18,991,927	18,991,927
Provision for Taxation	12,383,279	10,183,279
	781,812,913	649,293,009
CONTINGENCIES AND COMMITMENTS		
5	-	-
	361,051,346	291,920,204

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

Note: 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.

Karachi: July 22, 2008

DIRECTOR

NOTES TO THE ACCOUNTS (UN-AUDITED) FOR THE QUARTER ENDED JUNE 30, 2008

1. THE COMPANY AND ITS OPERATIONS

- 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 reported accumulated loss of Rs. 991.145 million (Sep. 2007: Rs. 970.97 million) and negative equity of Rs. 850.145 million as on June 30, 2008 (Sep. 2007: Rs. 829.967 million) which increased by the loss of Rs. 20.178 million incurred during the period.

In the year 2004, the company availed the opportunity provided by SBP Circular No. 29 for the restructuring of long term liabilities based on forced sale value (FSV) of its fixed assets to be repaid over three years in equal quarterly installments. 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 liabilities in forced sale value of Rs. 348.367 million. The Company contested that FSV of its fixed assets is much below this value. At Company's request one of the banks i.e. MCB got revaluation done and agreed to settle its liabilities based on revised revaluation of Rs. 218.278 million. The liabilities due to SPCB, ZTBL, ABL and HBL were subsequently decided by the Committee at an amount of Rs. 20.07 million in aggregate in the year 2005.

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 agreements are reached with banks. It is accordingly on the basis of defending cases filed by the banks against it.

The management intends to inject further funds on long term basis and utilize the funds for repayment to the banks.

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

2. BASIS OF PREPARATION

These un-audited condensed interim financial statements 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.

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, 2007.

4. LONG TERM LOANS

Status of the suits filed by financial institutions against the company is same as that disclosed in notes 4.1 to 4.7 of the annual audited accounts for the year ended September 30, 2007.

5. CONTINGENCIES AND COMMITMENTS

- 5.1 Contingencies are the same as have been reported in the financial statements of the company for the year ended September 30, 2007.
- 5.2 The company do not account for an amount of Rs. 21 million in respect of Quality premium payable for the period 2007-08 as the case is pending in Supreme Court of Pakistan and company expects a favourable outcome.

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED JUNE 30, 2008**

	Share Capital Rupees	Accumulated Profit/(Loss) Rupees	Total Rupees
Balance as at September 30, 2006	141,000,000	(923,722,777)	(782,722,777)
Loss for the period	-	(29,857,993)	(29,857,993)
Balance as at June 30, 2007	141,000,000	(953,580,770)	(812,580,770)
Loss for the period	-	(17,387,172)	(17,387,172)
Balance as at Sept. 30, 2007	141,000,000	(970,967,942)	(829,967,942)
Loss for the period	-	(20,177,103)	(20,177,103)
Balance as at June 30, 2008	141,000,000	(991,145,045)	(850,145,045)

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

AS AT JUNE 30, 2008

	Note	Unaudited June 30, 2008 Rupees	Audited September 30, 2007 Rupees
PROPERTY, PLANT & EQUIPMENT	6	226,521,953	239,348,527
LONG TERM DEPOSITS		1,426,886	1,426,886
CURRENT ASSETS			
Stores, spares and loose tools		12,052,960	9,551,228
Stock in trade		73,471,609	7,207,713
Trade debtors-unsecured		18,498,043	8,199,044
Loans and advances		26,294,931	24,240,956
Deposits and other receivables		1,126,361	274,653
Cash and bank balances		1,658,603	1,671,196
		133,102,507	51,144,790
		<u>361,051,346</u>	<u>291,920,204</u>

DIRECTOR

DIRECTOR

DIRECTOR

DIRECTORS' REPORT

6. PROPERTY, PLANT & EQUIPMENT Operating Fixed Assets	June 30,	June 30,
	2008	2007
Acquisitions during the nine months	<u>Rupees</u>	<u>Rupees</u>
Plant and machinery	2,041,150	1,050,000
Office Equipment	-	36,500
Vehicles	2,365,000	-
Furniture and fixture	153,850	137,450
	<u>4,560,000</u>	<u>1,223,950</u>

	Nine Months ended		Quarter ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>

6. COST OF GOODS SOLD	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Raw material consumed (including procurement and development expenses)	550,715,153	414,083,075	35,213,186	10,301,453
Stores and spares consumed	8,998,603	4,729,702	759,125	222,512
Packing material consumed	8,460,426	5,181,862	661,487	170,761
Salaries and allowances	23,608,610	17,969,755	6,573,232	4,497,153
Repair & maintenance	15,442,228	10,520,127	1,693,145	1,503,093
Fuel & power	3,463,562	4,992,191	832,321	602,499
Insurance	2,644,779	2,752,741	900,792	863,879
Freight & handling	744,604	447,094	139,910	43,593
Depreciation	16,615,396	18,218,149	5,406,473	5,928,382
Others	2,259,608	1,880,497	270,833	96,665
	<u>632,952,969</u>	<u>480,775,193</u>	<u>52,450,504</u>	<u>24,229,990</u>

Opening stock

Finished Stock	-	417,239	146,304,439	92,326,050
Sugar in process	5,961,782	1,203,329	8,353,448	7,197,428
Molasses	1,245,931	-	12,997,702	10,091,820
	<u>7,207,713</u>	<u>1,620,568</u>	<u>167,655,589</u>	<u>109,615,298</u>
	640,160,682	482,395,761	220,106,093	133,845,288

Closing stock

Finished Stock	73,471,609	2,563,920	73,471,609	2,563,920
Sugar in process	-	119,452	-	119,452
Molasses	-	5,782,722	-	5,782,722
	<u>(73,471,609)</u>	<u>(8,466,094)</u>	<u>(73,471,609)</u>	<u>(8,466,093)</u>
	566,689,073	473,929,667	146,634,484	125,379,195

7. AUTHORIZATION FOR ISSUE

These condensed financial statements have been authorized for issue on July 22, 2008 by the Board of Directors of the Company.

8. GENERAL

Figures have been rounded off to the nearest rupees.

The Directors are pleased to present the un-audited accounts of the Company for the period ended June 30, 2008 with summarized review of the affairs as under.

As the crushing operations were closed during the first week of April 2008, there was no production activity during the period under review. Staff and workers availed off season annual holidays during the months of May & June, 2008. Only repairs and overhauling of heavy machines were carried out during the quarter ended June 30, 2008; and routine maintenance works are still in progress.

Operating Results

The operating results for the Season 2007-08 are given below :

Particulars:	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
Sugarcane crushing (Maunds)	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 Result:

During the quarter ended June 30, 2008 there were no operational activities except for a few days during the month of April 2008. Loss for the period stood at Rs. 20,177,103/- as against a loss of Rs. 29,857,993/- for the corresponding period last year.

The un-audited financial statements for the quarter ended June 30, 2008 are appended herewith.

Season 2008-09:

It is apprehended that the cane crop would be affected because of the shortage of water, as there has been no rains during this summer and canal water availability is also not encouraging. Therefore the crop position would be weak and the next season will face shortage of cane.

MIRZA SAULAT RAZA

Director

IRSHAD HUSSAIN MIRZA

Director

July 22, 2008

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

DIRECTOR

DIRECTOR

**PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED JUNE 30, 2008**

	<u>Nine Months ended</u>		<u>Quarter ended</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Note	----- Rupees -----			
SALES-NET	590,591,831	480,831,950	157,255,303	106,479,622
Cost of goods sold	7 566,689,073	473,929,667	146,634,484	125,379,195
Gross profit/(loss)	23,902,758	6,902,283	10,620,819	(18,899,573)
OPERATING EXPENSES				
Administrative expense	27,035,483	20,950,863	7,995,672	6,009,867
Selling & distribution	1,157,084	435,469	682,885	32,834
	(28,192,567)	(21,386,332)	(8,678,557)	(6,042,701)
Operating (loss)/profit	(4,289,809)	(14,484,049)	1,942,262	(24,942,274)
Financial cost	(13,690,341)	(16,397,369)	(4,375,359)	(4,977,131)
Other income	3,048	3,523,425	3,048	53,124
	(13,687,293)	(12,873,944)	(4,372,311)	(4,924,007)
Loss before taxation	(17,977,102)	(27,357,993)	(2,430,049)	(29,866,281)
Taxation - Current	(2,200,000)	(2,500,000)	-	(600,000)
Loss after taxation	(20,177,103)	(29,857,993)	(2,430,050)	(30,466,281)
Accumulated loss brought forward	(970,967,942)	(923,722,777)	(988,714,995)	(923,114,489)
Accumulated loss carried forward	(991,145,045)	(953,580,770)	(991,145,045)	(953,580,770)
Loss per share - basic	(1.43)	(2.12)	(0.17)	(2.16)

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

DIRECTOR

DIRECTOR

DIRECTOR

**CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED JUNE 30, 2008**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	<u>Rupees</u>	<u>Rupees</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(17,977,103)	(27,357,993)
Adjustments for:		
Depreciation	17,386,575	18,815,608
Finance cost	13,690,341	16,397,369
	31,076,916	35,212,977
Operating profit before working capital changes	13,099,813	7,854,984
CHANGES IN WORKING CAPITAL (Increase)/Decrease in Current Assets		
Stores, spares and loose tools	(2,501,732)	1,208,516
Stock in trade	(66,263,897)	(6,845,527)
Trade debtors-unsecured	(10,298,998)	-
Loans & advances	1,286,595	3,702,028
Deposits and other receivables	(851,708)	225,347
Increase / (Decrease) in Current Liabilities		
Trade and other payables	76,095,085	(7,215,181)
	(2,534,655)	(8,924,817)
Cash (used)/generated from operations	10,565,158	(1,069,833)
Taxes paid	(3,340,569)	(2,487,500)
Financial cost paid	(1,177,181)	(790,736)
	(4,517,750)	(3,278,236)
Net cash (used)/generated from operating activities	6,047,408	(4,348,069)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(4,560,000)	(1,223,950)
Net cash used in investing activities	(4,560,000)	(1,223,950)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan received	-	25,000,000
Repayment of long term loans	(1,500,000)	(6,516,493)
Repayment of Short term loans	-	(12,200,000)
Net cash generated/(used) in financing activities	(1,500,000)	6,283,507
Increase/(Decrease) in cash & bank balances	(12,593)	711,488
Cash & bank balances at the beginning of the period	1,671,196	1,288,620
Cash & bank balances at the end of the period	1,658,603	2,000,108

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

DIRECTOR

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

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:

MR. TARIQ MAHMOOD

LEGAL ADVISOR:

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 OF PAKISTAN
NATIONAL BANK OF PAKISTAN
PICIC COMMERCIAL BANK LTD.

REGISTERED OFFICE:

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

MILLS:

DEH CHHARO TAPPO, LOWARI SHARIFF
DISTRICT BADIN
SINDH.

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