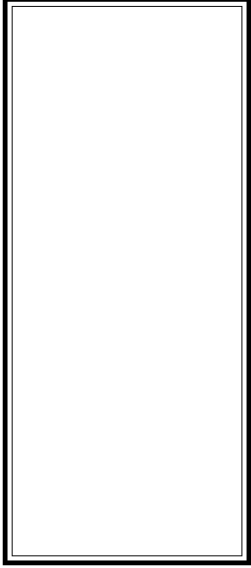


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**MIRZA SUGAR MILLS LIMITED**  
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Lakson Square, Sarwar Shaheed Road, Karachi.



**MIRZA  
SUGAR  
MILLS  
LIMITED**

**CONDENSED ACCOUNTS FOR  
THE HALF YEAR ENDED  
MARCH 31, 2008  
(REVIEWED)**

**CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2008**

	Note	Unaudited March 31, 2008 Rupees	Audited September 30, 2007 Rupees		Note	Unaudited March 31, 2008 Rupees	Audited September 30, 2007 Rupees
<b>SHARE CAPITAL</b>				<b>PROPERTY, PLANT AND EQUIPMENT</b>	6	231,116,821	239,348,527
<b>Authorised capital</b>							
15,000,000 ordinary shares of Rs. 10/- each		150,000,000	150,000,000				
Issued, subscribed and paid-up capital				<b>LONG TERM DEPOSITS</b>		1,426,886	1,426,886
14,100,000 ordinary shares of Rs. 10/- each fully paid in cash		141,000,000	141,000,000				
Accumulated Loss		(988,714,995)	(970,967,942)				
		(847,714,995)	(829,967,942)				
<b>NON-CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
<b>LONG TERM LOANS</b>	4	289,895,380	319,294,075	Stores, spares and loose tools		12,773,991	9,551,228
<b>DEFERRED INCOME</b>		153,301,062	153,301,062	Stock in trade		167,655,589	7,207,713
<b>CURRENT LIABILITIES</b>				Trade debtors-unsecured		809,339	8,199,044
Current portion of long term liabilities		486,880,234	449,629,877	Loans and advances		26,926,208	24,240,956
Trade and other payables		342,039,646	170,487,926	Deposits and other receivables		5,135,486	274,653
Accrud mark up on loans		18,991,927	18,991,927	Cash and bank balances		9,932,213	1,671,196
Taxation		12,383,281	10,183,279				
		860,295,087	649,293,009			223,232,827	51,144,790
<b>CONTINGENCIES</b>	5	-	-			455,776,534	291,920,204
		455,776,534	291,920,204			455,776,534	291,920,204

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.

Karachi: May 22, 2008

DIRECTOR

DIRECTOR

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT  
(UN-AUDITED) FOR THE SIX MONTHS  
PERIOD ENDED MARCH 31, 2008**

Note	Six months period ended		Three months period ended	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
	Rupees			
<b>SALES-NET</b>	433,336,528	374,352,328	329,642,133	349,428,260
Cost of sales	7 420,054,589	348,550,473	283,794,515	307,846,930
Gross profit	13,281,939	25,801,855	45,847,618	41,581,330
<b>Operating expenses</b>				
Administrative expense	19,039,811	14,940,996	11,426,748	9,050,028
Selling & distribution	474,199	402,635	306,340	389,060
	(19,514,010)	(15,343,631)	(11,733,088)	(9,439,088)
<b>Operating (loss)/profit</b>	(6,232,071)	10,458,224	34,114,530	32,142,242
Finance cost	(9,314,982)	(11,420,237)	(4,719,391)	(5,914,047)
Other income	-	3,470,301	-	3,468,681
	(9,314,982)	(7,949,936)	(4,719,391)	(2,445,366)
<b>(Loss)/profit before taxation</b>	(15,547,052)	2,508,288	29,395,139	29,696,876
Taxation - Current	(2,200,000)	(1,900,000)	(1,680,000)	(1,750,000)
<b>(Loss)/profit after taxation</b>	(17,747,053)	608,288	27,715,139	27,946,876
Accumulated loss brought forward	(970,967,942)	(923,722,777)	(1,016,430,134)	(951,061,365)
Accumulated loss carried forward	(988,714,995)	(923,114,489)	(988,714,995)	(923,114,489)
(Loss)/earnings per share-basic	(1.26)	0.04	1.97	1.98

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

DIRECTOR

DIRECTOR

**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 Mills Limited ("the Company")** as at **March 31, 2008** 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 Auditors 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**

- The condensed interim financial information of the company reflects net loss after taxation of Rs. 17.747 million (March 2007: profit Rs. 0.608 million), accumulated loss of Rs. 988.714 million (September 2007: Rs. 970.967 million), and negative equity amounting to Rs. 847.714 million (September 2007: Rs. 829.967 million). Its current liabilities exceed current assets by Rs. 637.063 million (September 2007: Rs. 598.149 million). The company is defendant in suits filed by financial institutions as referred to in note 4. There are contingencies disclosed in note 5 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, which is dependent on the ultimate outcome of matters referred 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 going concern.
- We did not receive direct confirmations in respect of long-term loans from financial institutions.

**Qualified conclusion**

Based on our review, with the exception of the matters described in the paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of March 31, 2008 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, 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended March 31, 2008.

**KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ & CO.  
CHARTERED ACCOUNTANTS**

Karachi  
Dated: May 22, 2008

**CONDENSED INTERIM STATEMENT OF CHANGES  
IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS  
PERIOD ENDED MARCH 31, 2008**

	<b>Share Capital Rupees</b>	<b>Accumulated Profit/(Loss) Rupees</b>	<b>Total Rupees</b>
Balance as at September 30, 2006	141,000,000	(923,722,777)	(782,722,777)
Profit for the period	-	608,288	608,288
<b>Balance as at March 31, 2007</b>	<b>141,000,000</b>	<b>(923,114,489)</b>	<b>(782,114,489)</b>
Loss for the period	-	(47,853,453)	(47,853,453)
<b>Balance as at September 30, 2007</b>	<b>141,000,000</b>	<b>(970,967,942)</b>	<b>(829,967,942)</b>
Loss for the period	-	(17,747,053)	(17,747,053)
<b>Balance as at March 31, 2008</b>	<b>141,000,000</b>	<b>(988,714,995)</b>	<b>(847,714,995)</b>

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

**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 & C.F.O.**

MR. TARIQ MAHMOOD

**LEGAL ADVISOR:**

MR. GHULAM QADIR ZARGAR

**AUDITORS:**

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

**FINANCIAL CONSULTANT:**

MR. DAWOODI MORKAS

**BANKERS TO THE COMPANY:**

HABIB BANK LIMITED  
MCB BANK LIMITED  
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.

**E-MAIL ADDRESS:**

pmsml@hotmail.com  
pmsml@wateen.net

**WEBSITE:**

www.mirzasugar.com

DIRECTOR

DIRECTOR

**SELECTED EXPLANATORY NOTES TO THE  
ACCOUNTS (UN-AUDITED) FOR THE  
HALF YEAR ENDED MARCH 31, 2008**

**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 reported accumulated loss of Rs. 988.714 million (Sep. 2007 Rs. 970.97 million) and negative equity of Rs. 847.714 million as on March 31, 2008 (Sep. 2007 Rs. 829.978 million) which increased by the loss of Rs. 17.747 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 instalments. 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 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 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.

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 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 unaudited 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. 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, 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 favorable outcome.

5.3 Un-lifted delivery orders amounts to approximately Rs. 37.68 million (excluding sales tax) as on March 31, 2008.

**March 31, 2008      March 31, 2007**  
**Rupees                      Rupees**

**6. PROPERTY, PLANT AND EQUIPMENT**

**Operating Fixed Assets**

**Acquisitions during the six months period**

Plant and machinery	2,041,150	1,050,000
Office equipment	29,750	36,500
Vehicles	1,395,500	-
Furniture and fixture	-	43,600
	<u>3,466,400</u>	<u>1,130,100</u>

Six months period ended		Three months period ended	
March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Rupees	Rupees	Rupees	Rupees

**7. COST OF SALES**

Raw material consumed (including procurement and development expenses)

Raw material consumed (including procurement and development expenses)	515,501,967	403,781,622	388,043,558	367,717,212
Stores and spares consumed	8,239,478	4,507,190	6,345,097	4,049,718
Packing material consumed	7,798,939	5,011,101	6,278,566	4,668,657
Salaries and allowances	17,035,378	13,472,602	11,039,693	8,739,599
Repair and maintenance	13,749,083	9,017,034	6,279,739	4,772,393
Fuel and power	2,631,241	4,389,692	1,004,544	2,832,092
Insurance	1,743,967	1,888,862	672,333	854,494
Freight and handling	604,694	403,501	316,835	241,218
Depreciation	11,208,923	12,289,767	5,545,101	6,080,391
Others	1,988,775	1,783,832	1,417,000	1,239,833
	<u>580,502,466</u>	<u>456,545,203</u>	<u>426,942,466</u>	<u>401,195,607</u>

**Opening stock**

Finished stock	-	417,239	12,918,696	4,863,246
Sugar in process	5,961,782	1,203,329	10,149,758	8,967,550
Molasses	1,245,931	-	1,439,184	2,435,825
	<u>7,207,713</u>	<u>1,620,568</u>	<u>24,507,638</u>	<u>16,266,621</u>
	<u>587,710,179</u>	<u>458,165,771</u>	<u>451,450,104</u>	<u>417,462,228</u>

**Closing stock**

Finished stock	146,304,439	92,326,050	146,304,439	92,326,050
Sugar in process	8,353,448	7,197,428	8,353,448	7,197,428
Molasses	12,997,702	10,091,820	12,997,702	10,091,820
	<u>(167,655,589)</u>	<u>(109,615,298)</u>	<u>(167,655,589)</u>	<u>(109,615,298)</u>
	<u>420,054,589</u>	<u>348,550,473</u>	<u>283,794,515</u>	<u>307,846,930</u>

**8. AUTHORIZATION FOR ISSUE**

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

**9. GENERAL**

Figures have been rounded off to the nearest rupee.

**DIRECTOR**

**DIRECTOR**

## DIRECTORS' REPORT

Dear Shareholders:

Directors are pleased to present below half year accounts, duly reviewed by our auditors, for the period ended March 31, 2008.

### GENERAL

From the cane availability point of view, the season has been comfortable. Sindh Government support price of sugarcane of Rs. 67/40 kg was finally scaled down to Rs. 63/40 kg in view of the mounting pressure on Sindh Government by the millers. But the effective date of reduction was January 21, 2008 instead of from beginning of the season as desired by PSMA members. Even the reduced support price did not match the falling price of sugar in the market which slumped to Rs. 21/kg during this period. Major reasons of falling price of sugar were surplus local production and TCP's imprudent policies.

Quality of cane in lower Sindh was poor which resulted in poor sucrose recovery achieved during half year under review. It averaged 9% plus compared to 9.5% during corresponding period last year.

Despite satisfactory operational performance and increase in volume of sugar production, these are not reflected in the financial results.

### OPERATING RESULTS

The operating results upto March 31, 2008 and for full Season 2007-08 are given below:

Particulars	2007-2008		2006-2007
	Full Season	Mar. 31, 2008	
Season started	19-11-2007	19-11-2007	20-11-2006
Season closed	14-04-2008	-	05-04-2007
Days worked	148	134	137
Sugarcane crushing (Tons)	334,735	312,950	210,622
- (Maunds)	8,368,386	7,823,764	5,265,559
Sugar recovery (%)	9.280	9.257	9.563
Sugar production (Tons)	31,090	28,615	20,131
Molasses recovery (%)	5.230	6.128	4.909
Molasses production (Tons)	17,520	15,802	10,335

### FINANCIAL RESULTS

Auditors reviewed account for the period ended March 31, 2008 show a gross profit of Rs. 13,281,939/- compared to a gross profit of Rs. 25,801,855/- for the corresponding period last year, whereas during the same period show a net loss of Rs. 17,747,053/- as against a net profit of Rs. 608,288/- during same period last year.

### Auditors' Report

The Auditors have qualified their Review Report for the period ended March 31, 2008. Their concern is addressed as under for the shareholders so that matters and their impact is mitigated:

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

There are early indications that cane acreage and production during season 2008-09 may be significantly reduced.

MIRZA SAULAT RAZA  
Director

IRSHAD HUSSAIN MIRZA  
Director

May 22, 2008

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

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2008

	March 31, 2008 Rupees	March 31, 2007 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(15,547,053)	2,496,981
Adjustment for:		
Depreciation	11,698,107	12,694,098
Finance cost	9,314,982	11,420,237
	21,013,089	24,114,335
Operating profit before Working Capital Changes	5,466,037	26,611,316
<b>Changes in working capital</b> (Increase) / Decrease in Current Assets		
Stores, spares & loose tools	(3,222,763)	488,773
Stock in trade	(160,447,876)	(107,983,424)
Trade debtors-unsecured	7,389,705	-
Loans & advances	266,823	(962,926)
Deposits and other receivables	(4,860,833)	-
<b>Increase/(Decrease) in Current Liabilities</b>		
Trade and other payables	171,551,720	82,004,128
	10,676,776	(26,453,450)
<b>Cash generated from operations</b>	16,12,813	157,866
Taxes paid	(2,952,076)	(2,237,500)
Finance cost paid	(713,320)	(608,198)
	(3,665,396)	(2,845,698)
<b>Net cash (used in)/ from operating activities</b>	12,477,417	(2,687,832)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(3,466,400)	(1,130,100)
<b>Net cash used in investing activities</b>	(3,466,400)	(1,130,100)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan received	-	25,000,000
Repayment of long term loans	(750,000)	(6,141,493)
Repayment of short-term loan	-	(12,200,000)
<b>Net cash from/(used in) financing activities</b>	(750,000)	6,658,507
<b>Increase/(Decrease) in cash and bank balances</b>	8,261,017	2,840,575
Cash & bank balances at beginning of the period	1,671,196	1,288,620
<b>Cash &amp; bank balances at end of the period</b>	9,932,213	4,129,195

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

DIRECTOR

DIRECTOR