

**PANGRIO
SUGAR
MILLS
LIMITED**

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

	2008-09	2007-08
Days worked	142	142
Days not worked	218	218
Days not worked - leave	120	120
Days not worked - other	98	98
Days not worked - total	218	218
Days worked - total	142	142

COMPANY PROFILE

BOARD OF DIRECTORS:

MR. AFTAB AHMAD	Chairman & Chief Executive
BEGUM AKHTAR ABID	
MS. NAHEED ZAFFAR MIRZA	
MR. ABBAS ALLY AGHA	
MR. ALI GHAZI MIRZA	
MR. ABDULLAH KAMRAN SOOMRO	
MR. ASIF SAEED	
MR. AKBER ALI MIRZA	
MR. MUHAMMAD ASIF (NIT)	

AUDIT COMMITTEE:

MS. NAHEED ZAFFAR MIRZA	-	Chairperson
MR. AKBER ALI MIRZA	-	Member
MR. ABDULLAH KAMRAN SOOMRO	-	Member

CHIEF FINANCIAL OFFICER:

MR. TAHIR MAHMOOD

COMPANY SECRETARY:

MR. MUHAMMAD YUNUS ANSARI

LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

AUDITORS:

M/S. ASLAM MALIK & CO.
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY:

ALLIED BANK LIMITED
UNITED BANK LIMITED
SAMBA BANK LIMITED
HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN
BANKERS EQUITY LIMITED
MCB 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, BUILDING NO. 1,
LAKSON SQUARE,
SARWAR SHAHEED ROAD,
KARACHI.

MILLS:

DEH RAJAURI II,
TALUKA TANDO BAGO,
DISTRICT BADIN, SINDH.

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.pangriosugar.com

DIRECTORS' REPORT

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

Crushing season 2008-09 will be marked in the history of Sindh Sugar industry as one of the most difficult seasons primarily due to severe shortage of sugarcane. During previous crushing season i.e. 2007-08, a quantity of 16.737 million tons of sugarcane was made available to the mills for crushing. However, during 2008-09, only 10.148 million tons of sugarcane was available to the mills signifying a decline of 39%. Resultantly, there was a full scale price-war for sugarcane among the mills. Consequently, as against the Sindh Government's announced support price of Rs.81/- per 40 kg, sugar mills had to purchase sugarcane at prices varying from Rs.120 to Rs.150 per 40 kg.

Our company was also adversely affected due to severe shortage of sugarcane. Government had announced November 1, 2008 as the starting date of crushing season. Although, the boilers were fired on November 10, 2008, the mill could manage to start crushing as late as December 16, 2008 due to non-harvesting of sugarcane by the growers who were reluctant to harvest sugarcane in anticipation of further rise in cane price. Same was the case with the adjoining mills, as well, who also started crushing around the same time. Our mill could never become regular during entire season due to inconsistent supply of sugarcane. Initially recovery was only 8.77% which subsequently improved to 10.69%. The season's average finally stood at 9.684%. As our mills did not enter the price-war, the season's average sugarcane purchase cost worked out at Rs.106/- per 40 kg.

Another significant feature of the season under review was the reasonable market price of sugar. Market price of sugar which began around Rs.30 per kg, subsequently improved to Rs.34 per kg during January 2009 and continued to maintain a rising trend during entire crushing season.

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 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 is still awaited.

Under various odds, the company's performance, on overall basis, was satisfactory and this is also reflected in our accounts.

OPERATING RESULTS

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

Particulars	2008-2009		2007-2008	
	Full Season & March 31, 2009	Full Season	March 31, 2008	
Season started	16-12-2008	17-11-2007	17-11-2007	
Season closed	12-03-2009	06-04-2008		in operation
Days worked	86	142		136
Sugarcane crushing (Tons)	123,413	335,900		330,247
" " (Maunds)	3,085,331	8,397,488		8,256,171
Sugar recovery (%)	9.684	9.269		9.258
Sugar production (Tons)	11,950	31,142		30,183
Molasses recovery (%)	4.518	4.930		5.541
Molasses production (Tons)	5,575	16,560		16,010

Operating results show steep decline in various areas during the period under review compared to corresponding period last year; in terms of duration of season (36.76%), cane-crushed (62.63%) and sugar-production (60.40%). However, there is marginal improvement in sucrose recovery by 0.426%.

FINANCIAL HIGHLIGHTS

The Half Yearly Accounts have been reviewed by Company's Auditors. The accounts show a gross profit of Rs.51,407,905 as against a gross profit of Rs.3,570,357 during the corresponding period last year. Net profit for the period under review is recorded as Rs.187,138,567/- compared to a net loss of Rs.9,377,824/- during the corresponding period last year. Substantial improvement in net profitability during the period under review is attributable to reversal of deferred liabilities amounting to Rs.138,245,301/- due to settlement of banks' loans.

During the period under consideration, the company has adjusted carrying amounts of certain fixed assets in order to adopt a uniform policy for all fixed assets under cost model whereby all of the fixed assets owned by the company are now stated at cost less accumulated depreciation. The management asserts that this policy provides reliable and more relevant information because it deals more accurately with the components of property, plant and equipment.

SEASON 2009-2010

Due to poor plantations during autumn season, prospects of sugarcane availability during forthcoming season of 2009-10 are not very bright and sugarcane shortage is expected to persist.

AUDITORS' REPORT

The Auditors have qualified their Review Report for the period ended March 31, 2009. Their concern is addressed for the shareholders so that matters and their impacts are 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) The Institute of Chartered Accountants of Pakistan and Banks/DFIs have an understanding in the matter of direct confirmation by banks and DFIs, we cannot influence banks and DFIs for confirmation.

AFTAB AHMAD
Chairman & Chief Executive

May 26, 2009

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

1. Introduction

We have reviewed the accompanying condensed interim balance sheet of **Pangrio Sugar Mills 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.

2. Scope of review

We conducted our review in accordance with International Standards on Review Engagement 2410. 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of person 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.

3. Basis for qualified conclusion

A. The condensed interim financial information of the company reflects net profit after taxation of Rs. 187.139 million (March 2008: Loss of Rs. 9.377 million), accumulated loss of Rs. 684.977 million (September 2008: Rs. 872.115 million), and negative equity amounting to Rs. 576.477 million (September 2008: Rs. 763.615 million). Its current liabilities exceed current assets by Rs. 330.886 million (September 2008: Rs. 414.793 million). Moreover, against rescheduled / restructured long term loans on October 14, 2004 at an amount of Rs. 222.17 million, the company only made payments of Rs. 46.911 million to date and there are overdue installments amounting to Rs. 96.251 million. These conditions alongwith those mentioned in note 4 indicate the existence of a material uncertainty, which may cast a significant doubt about the company's ability to continue as a going concern. However this financial information does not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

B. We did not receive direct confirmations in respect of long-term loans from financial institutions.

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, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures of the condensed interim profit and loss account for the quarter 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.

(ASLAM MALIK & CO.)
Chartered Accountants

Karachi: May 18, 2009

CONDENSED INTERIM BALANCE SHEET

(UN-AUDITED) AS AT MARCH 31, 2009

	Note	Unaudited March 31, 2009 Rupees	(Restated) Audited Sept. 30, 2008 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital: 12,000,000 Ordinary Shares of Rs. 10/- each		120,000,000	120,000,000
Issued, Subscribed and Paid-up 10,850,000 Ordinary shares of Rs. 10/- each fully paid in cash		108,500,000	108,500,000
Accumulated loss		(684,976,778)	(872,115,346)
		(576,476,778)	(763,615,346)
LONG TERM FINANCES			
Banks and financial institutions		30,245,000	-
Other - unsecured - interest free		70,000,000	70,000,000
		100,245,000	70,000,000
DEFERRED LIABILITIES			
Staff gratuity		3,929,807	3,929,807
Banking Companies		216,341,872	353,810,898
		220,271,679	357,740,705
CURRENT LIABILITIES			
Trade and other payables		357,511,879	248,168,439
Markup payable on borrowing		52,105,882	52,105,882
Short term borrowing		22,595,369	22,595,369
Current portion of long term liabilities		146,919,372	182,308,647
Provision for taxation		11,000,521	11,000,521
		590,133,023	516,178,858
CONTINGENCIES & COMMITMENTS			
	4	-	-
		334,172,924	180,304,217

	Note	Unaudited March 31, 2009 Rupees	(Restated) Audited Sept. 30, 2008 Rupees
FIXED ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
	5	74,793,628	78,786,454
LONG TERM DEPOSITS			
		132,250	132,250
CURRENT ASSETS			
Stores, spares and loose tools		20,285,937	20,472,763
Stock-in-trade		206,473,063	53,337,981
Trade debts		-	1,425
Loans and advances		3,450,863	1,652,698
Trade deposits and short term prepayments		7,038,610	4,647,571
Other receivables		1,192,877	891,790
Taxation		18,916,643	18,383,527
Cash and bank balances		1,889,053	1,997,758
		259,247,046	101,385,513
		334,172,924	180,304,217

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT
(UN-AUDITED) FOR THE SIX MONTHS PERIOD
ENDED MARCH 31, 2009**

Notes	Half Year ended		Quarter ended	
	March 31, 2009	(Restated) March 31, 2008	March 31, 2009	(Restated) March 31, 2008
-----Rupees-----				
Sales	284,897,366	463,589,110	207,475,687	344,396,189
Cost of goods sold	(233,489,460)	(460,018,753)	(134,784,331)	(317,249,380)
Gross profit	51,407,906	3,570,357	72,691,356	27,146,809
Operating expenses				
Administrative expenses	(10,683,494)	(9,170,370)	(5,746,830)	(4,851,381)
Selling and distribution expenses	(989,174)	(1,071,752)	(781,052)	(783,353)
	(11,672,668)	(10,242,122)	(6,527,882)	(5,634,734)
Operating profit/(loss)	39,735,238	(6,671,765)	66,163,474	21,512,075
Financial charges	(880,242)	(519,638)	(825,212)	(460,281)
	38,854,997	(7,191,403)	65,338,263	21,051,794
Other income	148,283,571	213,579	142,231,601	31,834
Profit/(Loss) before taxation	187,138,568	(6,977,824)	207,569,864	21,083,628
Taxation	-	(2,400,000)	-	(1,800,000)
Net Profit/(loss) for the period	187,138,568	(9,377,824)	207,569,864	19,283,628
Accumulated loss brought forward	(872,115,346)	(874,770,799)	(892,546,642)	(903,432,251)
Accumulated loss carried forward	(684,976,778)	(884,148,623)	(684,976,778)	(884,148,623)
Earning/(loss) per share-basic	17.25	(0.86)	19.22	1.78
Earning per share excluding the income recognised as a result of reversal of deferred liabilities (Note.7)	4.51	(0.86)	6.39	1.78

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED) FOR THE SIX MONTHS PERIOD
ENDED MARCH 31, 2009**

	March 31, 2009 Rupees	Restated March 31, 2008 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	187,138,568	(6,977,824)
Adjustment for:		
Depreciation property, plant and equipment	4,034,251	3,924,258
Financial cost	880,242	519,638
Reversal of deferred liabilities	(138,245,301)	-
Loss/(gain) on disposal of fixed assets	(51,970)	(175,936)
	(133,382,779)	4,267,960
Operating cash flow before movement in working capital	53,755,789	(2,709,864)
Changes in working capital		
Stores, spares & Loose tools	186,826	(2,053,610)
Stock in trade	(153,135,082)	(161,354,718)
Trade Debtors	1,425	(162,645)
Loans and advances	(1,798,165)	403,830
Trade deposits and short term prepayments	(2,391,039)	(923,838)
Other receivebles	(301,087)	(99,881)
Trade and other payables	109,343,440	189,875,022
	(48,093,681)	25,684,160
Cash generated/(used) in operations	5,662,108	22,974,296
Interest paid	(880,242)	(519,638)
Income tax paid	(533,116)	(4,091,478)
	(1,413,357)	(4,611,116)
Net cash inflow/(outflow) from operating activities	4,248,750	18,363,180
B. CASH FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(62,900)	(2,625,490)
Proceeds from disposal of fixed assets	73,445	350,000
Net cash inflow/(outflow) from investing activities	10,545	(2,275,490)
C. CASH FROM FINANCING ACTIVITIES		
Receipt of long term loans	(4,368,000)	(4,366,915)
Net cash inflow/(outflow) from financing activities	(4,368,000)	(4,366,915)
Increase in cash and cash equivalents(A+B+C)	(108,705)	11,720,775
Cash and cash equivalents at beginning of the period	1,997,758	667,487
Cash and cash equivalents at end of the period	1,889,053	12,388,262

The annexed notes from 1 to 9 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS
PERIOD ENDED MARCH 31, 2009**

Particulars	Paid-up Capital	Accumulated Loss	Total
	----- Rupees -----		
Balance as at 1st October, 2007	108,500,000	(874,770,799)	(766,270,799)
Loss for the period as restated	-	(9,377,824)	(9,377,824)
Balance as at 31st March, 2008	<u>108,500,000</u>	<u>(884,148,623)</u>	<u>(775,648,623)</u>
Balance as at 1st October 2008	108,500,000	(872,115,346)	(763,615,346)
Profit for the period	-	187,138,568	187,138,568
Balance as at 31st March, 2009	<u>108,500,000</u>	<u>(684,976,778)</u>	<u>(576,476,778)</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO CONDENSED INTERIM FINANCIAL
STATEMENTS (UN-AUDITED) FOR THE
SIX MONTHS PERIOD ENDED MARCH 31, 2009**

1. THE COMPANY AND ITS OPERATIONS

- 1.1 The Company was incorporated in Pakistan on June 12, 1994 as a public limited company and is listed on Karachi and Lahore Stock Exchanges. Principal business of the Company is manufacturing and sale of White Sugar. The Mill is located at District Badin in the Province of Sindh.
- 1.2 During the period company has earned a net profit of Rs. 187.138 million as compared to net loss of Rs.9.377 million during corresponding period of last year. The accumulated loss stood at Rs.684.976 million (Sept. 2008: Rs.872.115 million), and negative equity at Rs.576.476 million as on March 31, 2009 (Sept. 2008: Rs.763.615 million).

The company's long term liabilities were approved for settlement and rescheduled by SBP Committee for Resolution of cases vide its letter No. MR/7980 dated October 14, 2004. In terms of the approval, the company is required to make full and final payments in 12 quarterly equal instalments a total amount of Rs. 222.17 million to the financial institutions. The company has managed to repay Rs. 46.911 million to-date, despite its adverse position.

The company has so far made full and final payment to NBP (Formerly NDFC) against unsecured loan and availed the benefit of reversal of liabilities and loss amounting to Rs. 138.245 million, as shown in other income, out of total deferred liabilities of Rs. 353.810 million.

With the company's efforts National Bank of Pakistan has rescheduled its secured liabilities for repayment within seven years. We are also requesting BEL syndicate for rescheduling their liabilities on same terms and conditions.

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 statements 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 changes that carrying amount of all fixed assets have now been stated at cost less accumulated depreciation, as referred in note 5.3.

4. CONTINGENCIES

- 4.1 Contingencies are the same as have been reported in the financial statements of the company for the year ended September 30, 2008.
- 4.2 Un-lifted delivery orders approximately Rs. 19.475 million (excluding sales tax) as on March 31, 2009.

5. PROPERTY, PLANT AND EQUIPMENTS

5.1 Acquisitions - At cost

	March 31, 2009	Audited September 30, 2008
Plant & machinery	-	2,575,000
Furniture & fixture	-	137,150
Computers	-	294,000
Vehicles	62,900	3,655,490
	<u>62,900</u>	<u>6,661,640</u>

5.2 Disposals - At cost

Vehicles	<u>(200,000)</u>	<u>(830,000)</u>
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5.3 Adjustments

During the period under consideration, the company has adjusted carrying amounts of certain fixed assets in order to adopt a uniform policy for all fixed assets under cost model whereby all of the fixed assets owned by the company are now stated at cost less accumulated depreciation. The management takes the view that this policy provides reliable and more relevant information because it deals more accurately with the components of property, plant and equipment. Accordingly, during the period under consideration, the net amount credited in accounts are as follows:

Building on free hold land	25,036,892
Office premises	3,514,671
Plant & machinery	40,136,717
Electric installations	<u>3,023,237</u>
	<u>71,711,517</u>

Had the company continued with revaluation model for the above items of property, plant and equipment, the charge for current period's depreciation would have been higher by Rs. 3,540,755 (March 2008; Rs. 3,934,173).

6. COST OF GOODS SOLD

	Half Year ended		Quarter ended	
	March 31, 2009 Rupees	(Restated) March 31, 2008 Rupees	March 31, 2009 Rupees	Restated March 31, 2008 Rupees
Sugar cane consumed	325,744,930	545,843,871	285,818,527	373,550,920
Packing material	3,062,072	8,515,502	2,776,569	6,161,070
Road cess	771,333	2,064,043	650,594	1,382,734
Salaries, wages and benefits	28,145,726	31,103,074	17,410,277	18,614,114
Fuel and power	3,321,672	1,180,073	1,758,502	332,648
Stores and spares consumed	12,576,206	20,252,698	6,654,957	9,336,450
Repairs and maintenance	1,486,517	410,845	1,407,887	93,039
Insurance	1,634,572	1,594,882	806,080	790,965
Travelling	1,296,562	986,620	733,946	530,242
Telephone and postage	147,564	199,340	88,280	88,072
Vehicles running	2,754,491	2,356,085	1,015,832	1,412,081
Depreciation	3,172,680	3,258,849	1,649,837	1,638,610
Freight, handling and mud removal	1,036,177	937,495	731,513	210,378
Others	1,474,041	2,670,095	746,506	2,049,584
Cost of goods manufactured	386,624,542	621,373,471	322,249,306	416,190,907
Add: Opening Stock				
Sugar	53,337,981	4,775,856	19,008,088	58,599,051
Sugar in process	-	-	-	17,197,813
Molasses	-	8,607,817	-	-
	53,337,981	13,383,673	19,008,088	75,796,864
Less: Closing Stock				
Sugar	(206,243,972)	(156,776,868)	(206,243,972)	(156,776,868)
Sugar in process	(109,755)	(9,043,612)	(109,755)	(9,043,612)
Molasses	(119,336)	(8,917,911)	(119,336)	(8,917,911)
	(206,473,063)	(174,738,391)	(206,473,063)	(174,738,391)
	<u>233,489,460</u>	<u>460,018,753</u>	<u>134,784,331</u>	<u>317,249,380</u>

7. OTHER INCOME

This includes Rs. 138.245 million on account of reversal of deferred liabilities, as explained in note 1.2 above.

8. AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on May 26, 2009 by the Board of Directors of the Company.

9. GENERAL

Figures have been rounded off to the nearest rupees.

CHIEF EXECUTIVE

DIRECTOR