



PANGRIO SUGAR MILLS LTD.

24TH ANNUAL REPORT 2008

C O N T E N T S	Page No.
Company Profile	2
Notice of Annual General Meeting	3
Directors' Report	4-8
Pattern & Categories of Shareholding	9-10
Corporate Vision/Mission Statements	11
Six Years Data at a Glance	12
Statement of Compliance with the Best Practices of Corporate Governance	13-14
Auditors' Report to the Members	15
Balance Sheet	16-17
Profit & Loss Account	18
Cash Flow Statement	19
Statement of Changes in Equity	20
Notes to the Accounts	21-40

COMPANY PROFILE

BOARD OF DIRECTORS:

MR. AFTAB AHMAD
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)

Chairman & Chief Executive

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
(Formerly Crescent Commercial Bank Ltd.)
HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN
BANKERS EQUITY LIMITED
MCB BANK LIMITED

REGISTERED OFFICE:

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

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

MILLS:

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

E-MAIL ADDRESS:

pmsml@hotmail.com
pmsml@wateen.net

WEBSITE:

www.pangriosugar.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **24th Annual General Meeting** of the Company will be held on **Thursday, January 29, 2009 at 02:30 p.m.** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), near Sidco Avenue Centre, opposite Libra Autos CNG Pump, Maulana Deen Muhammad Wafai Road, Karachi to transact the following business:

1. To confirm the Minutes of the 23rd 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. Aslam Malik & Co.**, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To elect 9 (Nine) Directors in accordance with the provisions of Section 178 of the Companies 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,

M. YUNUS ANSARI
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 9 (nine). The names of retiring Directors, who are eligible for re-election, are as follows:

- | | |
|----------------------------|-------------------------------|
| 1. Mr. Aftab Ahmad | 2. Begum Akhter Abid |
| 3. Ms. Naheed Zaffar Mirza | 4. Mr. Abbas Ally Agha |
| 5. Mr. ALi Ghazi Mirza | 6. Mr. Abdullah Kamran Soomro |
| 7. Mr. Asif Saeed | 8. Mr. Akber Ali Mirza |
| 9. Mr. Mohammad Asif (NIT) | |

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

During entire season of 2007-08, the country was in grip of extreme political turmoil, Sindh and Karachi being no exception. From imposition of emergency on November 3, 2007 to shocking tragedy of Mohtarma Benazir Bhutto's assassination on December 27, 2007, country and Sindh rocked upside down.

The crushing season 2007-08 started on November 15, 2007 as per plan but indeed, it was testing and trying situation to carry on with industrial production in an atmosphere of very charged and pensive political climate.

As we already reported in our quarterly and half-yearly reports, market price of sugar continued to fall till close of March 2008 touching Rs.21/kg. The reason being supply side factors bumper local production, TCP's interference of unloading imported sugar and depressed world market prices. Sugarcane support price of Rs.67/40 kg announced by the Government was a totally mis-match and industry suffered huge losses. Belatedly, however, Government conceded and reduced the support price to Rs.63/40 kg on January 21, 2008 but enough damage was already done. High cost of cane and poor market price of sugar snatched away the advantage of economies of scale from the industry. Sucrose recovery was also lower due to poor quality of sugarcane. Under all these odds, company's performance was satisfactory during the season.

OPERATING RESULTS

The mills crushed a total quantity of 335,900 tons of cane compared to 207,346 tons of cane crushed during last year showing a substantial increase of 62%. Total quantity of sugar produced was 31,142 tons during the season compared to 20,585 tons produced during last season, indicating an increase of 51.28%. Sucrose recovery achieved during the season, however, was 9.269% compared to 9.93% achieved during last season, showing a decline of 6.85%. Quantity of molasses produced during the season was 16,560 tons with a recovery rate of 4.930 % compared to molasses production of 9,665 tons last season with a recovery rate of 4.66 %.

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

<u>Particulars</u>	<u>2007-2008</u>	<u>2006-2007</u>
Season started	17-11-2007	15-11-2006
Season closed	06-04-2008	08-04-2007
Days worked	142	145
Sugarcane crushing (Tons)	335,900	207,346
" " (Maunds) /40 kg.	8,397,488	5,183,643
Sugar recovery (%)	9.269	9.932
Sugar production (Tons)	31,142	20,585
Molasses recovery (%)	4.930	4.663
Molasses production (Tons)	16,560	9,665
 <u>FINANCIAL RESULTS</u>		
Profit/(Loss) for the year	(5,312,493)	(30,197,420)
Workers' Profit Participation Fund	-	-
Profit/(Loss) before taxation	(5,312,493)	(30,197,420)
Provision for taxation	-	(2,500,000)
Net Profit/(Loss) for the year	(5,312,493)	(32,697,420)
Accumulated loss brought forward	(874,770,799)	(850,565,353)
Transferred from surplus on revaluation of fixed assets-Incremental depreciation for the year	7,967,946	8,491,974
Accumulated loss carried forward	(872,115,346)	(874,770,799)
 (Loss)/Earning per share - basic	 (0.49)	 (3.01)

Despite satisfactory operational performance, company's financial results show negative features due to factors beyond our control i.e. high cost of sugarcane and declining market price of sugar. The Company posted a gross profit of Rs.5.311 million for the year ended September 30, 2008 and a net loss of Rs.5.312 million compared to gross loss of Rs.19.005 million and net loss of Rs.32.697 million respectively at the end of the corresponding period last year.

SEASON 2008-2009

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. Likewise, 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 PSQC. 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.

INFORMATION TECHNOLOGY

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

AUDIT REPORT

The Auditors have qualified their Audit Report for the year ended September 30, 2008. Their concern is addressed to the shareholders so that matters and their impact are mitigated :

Going Concern

The going concern assumption has been used for preparing financial statements due to the following mitigating factors as briefly referred to in Note No. 1.2.

- (i) The management is making effort and hope to clear long-term liabilities as soon as possible. It expects full cooperation from the financial institutions in accommodating its genuine difficulties. As the long-term liabilities will be fully settled in the subsequent years in terms of Circular 29 of the SBP, the accumulated loss of the company would then be reduced by Rs.354 million due to reversal of waiver of mark-up charged by the financial institutions; refer note No. 8.
- (ii) PSMA has filed an appeal against the payment of quality premium before the Supreme Court of Pakistan in which our company also participated, and it is expected that the decision will be announced in favour of the company, which will result in reversal of Rs.93.81million; refer note No. 9.3.
- (iii) The management is continuously endeavoring to keep the company operational year after year despite adverse conditions of prior years and the company has started operation in the current season i.e. 2008-2009, and expect that the year would see improvement.

Revaluation

The revaluation was carried only once during the year ended 30th September, 1995 on the basis of depreciated replacement values as is also disclosed in Note 4. Since last thirteen years, i.e., the year 1995, the effects of any subsequent changes in fair value has not been taken into consideration for the reasons mentioned below :

- (i) Accounting of fair value would have increased the amount of incremental depreciation that would have increased the loss for the year.

- (ii) The benefit of revaluation could not be availed by the company owing to adverse financial position caused by losses.

The Management desires to change accounting policy from revaluation model to cost model. This will reduce the amount of depreciation which will have the impact of reducing the cost and administration expenses. The management intends to implement its decision to change to cost module in the subsequent financial statements for the year ending September 30, 2009.

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 from February 27, 2006.

AUDITORS

The present auditors – M/s. Aslam Malik & Co., Chartered Accountants, retire and offer their services for the ensuing year.

The Board's Audit Committee has recommended their appointment for the ensuing year.

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. To give effect to change in law, as clarified by SECP, an amount equal to the incremental depreciation has been transferred from the surplus on revaluation of fixed assets to accumulated loss in the current period.
- d. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom 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. Even though the operating results for the year under review as compared to last year are better, there has been a net loss of Rs. 5.312 million during the year as against net loss of Rs.32.697 million during previous year. The main reason for the loss is high cost of sugarcane and declining market price of sugar and molasses, which was beyond our 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. 37.522 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
Mr Aftab Ahmad	4
Begum Akhter Abid	-
Ms Naheed Zaffar Mirza	3
Mr Abbas Ally Agha	4
Mr Ali Ghazi Mirza	-
Mr Abdullah Kamran Soomro	3
Mr Asif Saeed	3
Mr Akbar Ali Mirza	3
Mr Muhammad Asif (NIT)	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 PSML 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

AFTAB AHMAD
Chairman & Chief Executive

Karachi,
December 23, 2008

**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 8, 2003 <u>Rs. (per annum)</u>	Entitlement as on May 24, 2007 <u>Rs. (Per annum)</u>
Mr. Aftab Ahmad Chairman & Chief Executive	1,800,000	2,000,000
Ms. Naheed Zaffar Mirza Director	600,000	780,000
Mr. Abba Ally Agha Director	400,000	520,000

Monthly remunerations paid to Chief Executive and Executive Directors :

	<u>With effect from March 2007</u>	<u>With effect from March 2008</u>
Mr. Aftab Ahmad Chairman & Chief Executive	120,900	120,900
Ms. Naheed Zaffar Mirza Director	44,150	48,025
Mr. Abbas Ally Agha Director	26,325	28,650

**PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER, 2008**

Number of Share Holders	From	Shareholding To	Total Shares Held	Percentage
1389	1	100	137,569	1.27
309	101	500	108,127	1.00
364	501	1,000	352,400	3.25
227	1,001	5,000	634,748	5.85
33	5,001	10,000	254,719	2.35
10	10,001	15,000	130,550	1.20
7	15,001	20,000	123,200	1.14
4	20,001	25,000	88,737	0.82
2	35,001	40,000	79,500	0.73
2	40,001	45,000	86,750	0.80
25	45,001	50,000	1,250,000	11.52
1	50,001	55,000	52,500	0.48
2	70,001	75,000	148,400	1.37
1	95,001	100,000	100,000	0.92
3	100,001	105,000	301,500	2.78
1	130,001	135,000	133,500	1.23
1	160,001	165,000	162,800	1.50
1	200,001	205,000	201,000	1.85
1	235,001	240,000	236,500	2.18
1	315,001	320,000	315,300	2.91
2	500,001	505,000	1,001,000	9.23
1	810,001	815,000	813,700	7.50
1	825,001	830,000	827,800	7.63
1	1,600,000	1,610,000	1,606,200	14.80
1	1,700,000	1,705,000	1,703,500	15.70
2390			10,850,000	100.00

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

<u>Categories of Shareholders</u>	<u>Share Held</u>	<u>Percentage</u>
Associated Companies, Undertakings and Related Parties	-	-
NIT and ICP		
National Bank of Pakistan Trustee Deptt. (more than 10%)	1,606,200	14.80
Investment Corporation of Pakistan (ICP)	315,300	2.91
National Investment Trust Ltd. (NIT)	9,100	0.08
Directors, CEO and their Spouses and minor Children		
Mr. Aftab Ahmed (Chief Executive)	2,000	0.02
Begum Akhter Abid (Director)	201,000	1.85
Ms. Naheed Zaffar Mirza (Director)	100,500	0.93
Mr. Abbas Ally Agha (Director)	1,000	0.01
Mr. Ali Ghazi Mirza (Director)	1,000	0.01
Mr. Abdullah Kamran Soomro (Director)	5,000	0.05
Mr. Asif Saeed (Director)	5,000	0.05
Mr. Akber Ali Mirza (Director)	5,000	0.05
Executives	-	-
Public sector companies and corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds		
State Life Insurance Corporation of Pakistan	162,800	1.50
Pakistan Re-Insurance Company Limited	100,000	0.92
New Jubilee Insurance Corporation	1,100	0.01
Muslim Insurance Corporation	600	0.01
National Bank of Pakistan (Former NDFC)	1,050	0.01
Shareholders holding ten percent or more voting interest in the company	-	-
- General Investment & Securities (Pvt) Ltd. (ISB)	1,940,000	17.88
- Also NBP Trustee Deptt. (as above)		
Others / Joint Stock Companies		
Naeem's Securities Ltd.	100	0.00
Sarfraz Mahmood (Pvt) Ltd.	100	0.00
Y.S. Securities & Services (Pvt) Ltd.	200	0.00
KAI Securities (Pvt.) Ltrd.	9,000	0.08
Darson Securities (Pvt) Ltd. (LHR)	5,000	0.05
Darson Securities (Pvt) Ltd. (KHI)	21,500	0.20
United Capital Securities (Pvt) Ltd.	100	0.00
Mian Muhammad Akram Securities (Pvt) Ltd.	4,000	0.04
Sat Securities (Pvt) Ltd.	2,000	0.02
Cliktrade Limited	17,000	0.16
Muhammad Salim Kasmani Securities (Pvt) Ltd.	90	0.00
SNM Securities (Pvt) Ltd.	18,000	0.17
Durvesh Securities (Pvt) Ltd.	10,500	0.10
Islamabad Stock Exchange (G) Ltd.	400	0.00
Individual	6,305,360	58.11
TOTAL	<u><u>10,850,000</u></u>	<u><u>100.00</u></u>

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 PSML 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

<u>PARTICULARS</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
FINANCIAL DATA							
1 Financial Position							
Paid up Capital	108,500	108,500	108,500	108,500	108,500	108,500	
Accumulated(Loss)/Profit	(872,115)	(874,771)	(850,565)	(869,286)	(838,034)	(773,548)	
Participation Reserve for Issue of Convertible Shares	–	–	–	–	73,329	73,329	
Surplus on Revaluation of Fixed Assets	71,712	79,679	88,171	97,568	107,967	119,474	
Redeemable Capital	–	–	–	–	–	27,678	
Long term loan	70,000	92,166	87,727	178,036	27,673	27,673	
Deferred Liabilities	357,741	357,741	357,740	357,740	4,742	12,034	
Fixed Assets (At Cost)	537,037	531,205	531,204	531,157	531,003	522,021	
Accumulated Depreciation	386,539	370,942	354,017	335,167	314,219	296,199	
Long term Advance/Deposits	132	132	132	132	132	186	
Current Assets	101,386	57,209	37,702	244,893	90,453	80,863	
Current Liabilities	516,179	454,289	423,447	568,455	823,192	711,732	
2 Income							
Sales	620,521	481,890	671,444	200,011	411,607	373,441	
Gross Profit/(Loss)	5,311	(19,006)	34,911	(50,951)	(42,237)	(8,601)	
Other Income	10,386	7,212	10	27,679	828	163	
Pre-Tax (Loss)/Profit	(5,312)	(30,197)	12,823	(40,651)	(73,085)	(50,528)	
Taxation	–	(2,500)	(3,500)	(1,000)	(2,976)	(1,832)	
3 Statistics and Ratios							
Gross Profit/(Loss) to Sales	%	0.86	(3.94)	5.10	(25.47)	(10.26)	(2.30)
Pre-tax Profit/(Loss) to Sales	%	(0.86)	(6.27)	2.00	(20.32)	(17.76)	(13.53)
Pre-Tax Profit to Capital	%	(4.90)	(27.83)	11.82	(37.47)	(67.30)	(46.57)
Current Ratio		1:5.09	1:7.94	1:11.23	1:2.32	1:9.10	1:8.80
Paid-up Value per Share	Rs.	10	10	10	10	10	10
Earnings after Tax per Share	Rs.	(0.49)	(3.01)	0.86	(3.84)	(6.96)	(4.83)
Market Value per Share	Rs.	6.89	10.40	7.60	3.00	3.65	2.95
OPERATING DATA							
Season Started		17.11.2007	15.11.2006	03-12-2005	01-11-2004	30-11-2003	21-12-2002
Season Closed		06.04.2008	08.04.2007	13-03-2006	05-03-2005	24-03-2004	07-04-2003
Days Worked		142	145	101	125	116	108
Sugarcane Crushed	M.T	335,900	207,346	151,209	176,249	311,880	272,718
Sugarcane Crushed	Mds	8,397,488	5,183,643	4,051,245	4,722,104	8,355,985	7,306,752
Sugar Recovery	%	9.269	9.931	10.235	9.823	9.890	10.004
Sugar Production	M.T	31,142	20,585	15,495	17,313	30,863	27,288
Molasses Recovery	%	4.930	4.663	4.303	4.893	5.002	5.001
Molasses Production	M.T	16,560	9,665	6,520	8,625	15,610	13,640

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE {See Clause (xiv)}

Name of Company : **PANGRIO 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 Board comprises nine directors (three executive directors & six non-executive directors), including the C.E.O. At present the Board includes one independent director representing financial institution.
2. The directors have confirmed that none of them is serving as a director in more than 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 a 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; the company is in the process of developing the corporate strategy. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended is being maintained and all the significant policies have been developed and approved by the Board.
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 Chairman and, in his absence, by a director elected by the Board for this purpose. 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 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. The directors have also attended orientation course on the subject of duties, powers and obligations of Directors. Directors are kept informed and provided with circulars/literatures/booklet etc. on regular basis concerning corporate matters and powers and duties of directors.
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 Chairperson, of whom 2 (two) are non-executive directors. Names of Committee Members are :

<u>Name</u>	<u>Designation</u>
Ms. Naheed Zaffar Mirza	Chairperson
Mr. Akber Ali Mirza	Member
Mr. Abdullah Kamran Soomro	Member

16. The meetings of the audit committee were held prior to approval of interim and final results of the Company 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 internal audit department. Its effectiveness has to be improved as to its independence for which efforts are being made.
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 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.

AFTAB AHMED
Chairman & Chief Executive

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 **PANGRIO SUGAR MILLS LIMITED** to comply with the Listing Regulation No. 37 and chapter XIII of the Karachi and Lahore Stock Exchanges respectively 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 the 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, 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 for the year ended **September 30, 2008**.

ASLAM MALIK & CO.
Chartered Accountants

Karachi: December 23, 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pangrio Sugar Mills Limited** as at **September 30, 2008** and the related profit and 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.

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 Company's financial statements as on the balance sheet date reflect accumulated loss of Rs. 872.12 million (2007: Rs. 874.77 million) and negative equity of Rs. 763.62 million (2007: Rs. 766.27 million). Company's current liabilities exceed its current assets by Rs. 414.79 million (2007: Rs. 397.08 million) and total liabilities exceed total assets by Rs. 691.90 million (2007: Rs. 686.59 million). Moreover, the company, after making total payment of Rs. 42.506 million to date, is in default in terms of rescheduling / restructuring of its long term loans at an amount of Rs. 222.17 million as referred to in detail in note 5 out of which an amount of Rs. 174.86 million (2007: Rs. 96.63 million) is overdue in respect of first four consecutive installments. These conditions and those mentioned in Note 13 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, these financial statements do not include any adjustments relating to 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.
2. Referring to the matter of revaluation of fixed assets that was carried out on September 30, 1995, as disclosed in Note 4 and Note 14.2. The Company has not complied with the requirements of IAS 16 relating to revaluation since the year 1995. The financial effect of above non-compliance on the annexed financial statements is not presently ascertainable.
 - a) in our opinion, proper books of account 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 account and are further in accordance with the 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;
 - c) Except for the matters stated in paragraphs 1 and 2 above and the extent to which these may affect the financial results 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 and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof conform with the 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 company's affairs as at September 30, 2008 and of the loss, cash flows and changes in equity for the year then ended; and
 - d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1984.

Karachi:
Date: December 23, 2008

ASLAM MALIK & CO.
Chartered Accountants

BALANCE SHEET AS AT

	Note	2008 Rupees	2007 Rupees
SHARE CAPITAL AND RESERVES			
Authorised 12,000,000 ordinary shares of Rs. 10/= each		120,000,000	120,000,000
Issued, subscribed and paid up	3	108,500,000	108,500,000
Accumulated loss		(872,115,346)	(874,770,799)
		(763,615,346)	(766,270,799)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	4	71,711,517	79,679,463
NON CURRENT LIABILITIES			
Long term finances			
Banks and financial institutions	5	-	22,165,818
Other-Unsecured-interest free	6	70,000,000	70,000,000
		70,000,000	92,165,818
Deferred liabilities			
Staff gratuity	7	3,929,807	3,929,807
Banking Companies	8	353,810,898	353,810,898
		357,740,705	357,740,705
CURRENT LIABILITIES			
Trade and other payables	9	248,168,439	203,672,806
Markup payable on borrowings	10	52,105,882	52,105,882
Short term borrowing	11	22,595,369	22,595,369
Current portion of long term liabilities	12	182,308,647	164,914,744
Provision for taxation		11,000,521	11,000,521
		516,178,858	454,289,322
CONTINGENCIES AND COMMITMENTS			
	13	-	-
		252,015,734	217,604,509

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

SEPTEMBER 30, 2008

	Note	2008 Rupees	2007 Rupees
FIXED ASSETS			
Property, plant and equipment	14	150,497,971	160,263,065
LONG TERM DEPOSITS			
		132,250	132,250
CURRENT ASSETS			
Stores, spares and loose tools	15	20,472,763	19,109,258
Stock in trade-finished goods	16	53,337,981	13,383,673
Trade debts	17	1,425	1,585,799
Loans and advances	18	1,652,698	2,118,109
Trade deposits and short-term prepayments	19	4,647,571	4,711,351
Other receivables	20	891,790	1,024,005
Taxation		18,383,527	14,609,512
Cash and bank balances	21	1,997,758	667,487
		101,385,513	57,209,194
		<u>252,015,734</u>	<u>217,604,509</u>

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2008 Rupees	2007 Rupees
Sales	22	620,521,369	481,889,518
Cost of goods sold	23	(615,210,350)	(500,895,485)
Gross profit/(loss)		<u>5,311,019</u>	<u>(19,005,967)</u>
Other income	24	10,386,173	7,211,755
Distribution expenses	25	(1,173,864)	(711,073)
Administrative expenses	26	(18,538,081)	(16,656,804)
Finance cost	27	(1,297,740)	(1,035,331)
		<u>(10,623,512)</u>	<u>(11,191,453)</u>
Profit/(Loss) before taxation		<u>(5,312,493)</u>	<u>(30,197,420)</u>
Taxation	28	-	(2,500,000)
Net Profit/(loss) for the year		<u>(5,312,493)</u>	<u>(32,697,420)</u>
Accumulated loss brought forward		(874,770,799)	(850,565,353)
Transferred from surplus on revaluation of fixed assets - Incremental depreciation for the year		<u>7,967,946</u>	<u>8,491,974</u>
Accumulated loss carried forward		<u>(872,115,346)</u>	<u>(874,770,799)</u>
Loss per share-basic	32	<u>(0.49)</u>	<u>(3.01)</u>

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008 Rupees	2007 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(5,312,493)	(30,197,420)
Adjustments for :		
Depreciation property, plant and equipment	16,252,671	16,923,932
Financial cost	1,297,740	1,035,331
(Gain) on disposal of fixed assets	(175,936)	-
	<u>17,374,475</u>	<u>17,959,263</u>
Operating cash flow before movement in working capital	12,061,982	(12,238,157)
Changes in working capital		
Stores, spares and loose tools	(1,363,505)	(2,008,201)
Stock in trade	(39,954,308)	(13,383,673)
Trade debtors	1,584,374	(1,585,799)
Loans and advances	465,410	(986,319)
Trade deposits and short term prepayments	63,779	213,461
Other receivables	132,215	563,905
Trade and other payables	44,495,634	3,522,749
	<u>5,423,599</u>	<u>(13,663,877)</u>
Cash generated by /(used for) operations	17,485,581	(25,902,034)
Interest paid	(1,297,740)	(1,035,331)
Income tax paid	(3,774,015)	(2,574,473)
	<u>(5,071,755)</u>	<u>(3,609,804)</u>
Net cash inflow/(outflow) from operating activities	<u>12,413,826</u>	<u>(29,511,838)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(6,661,640)	-
Proceeds from disposal of fixed assets	350,000	-
Net cash (outflow) from investing activities	<u>(6,311,640)</u>	<u>-</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings	-	70,000,000
Repayment of short term borrowings	-	(33,000,000)
Repayment of long term loans	(4,771,915)	(7,742,830)
Net cash (outflow)/inflow from financing activities	<u>(4,771,915)</u>	<u>29,257,170</u>
Increase/(Decrease) in cash and cash equivalents(A+B+C)	1,330,271	(254,668)
Cash and cash equivalent at the beginning of the year	667,487	922,155
Cash and bank balances at end of the year	<u><u>1,997,758</u></u>	<u><u>667,487</u></u>

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

CHIEF EXECUTIVE

DIRECTOR

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

	Share Capital	Accumulated Loss	Total
	-----Rupees-----		
Balance at October 01, 2006	108,500,000	(850,565,353)	(742,065,353)
Loss for the year ended September 30, 2007	-	(32,697,420)	(32,697,420)
Transferred from surplus on revaluation of fixed assets	-	8,491,974	8,491,974
Balance at September 30, 2007	108,500,000	(874,770,799)	(766,270,799)
Loss for the year ended September 30, 2008	-	(5,312,493)	(5,312,493)
Transferred from surplus on revaluation of fixed assets	-	7,967,946	7,967,946
Balance at September 30, 2008	108,500,000	(872,115,346)	(763,615,346)

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. STATUS AND ACTIVITIES

- 1.1 Pangrio Sugar Mills Limited is a company incorporated in Pakistan on June 12, 1984 as a public limited company under the Companies Ordinance, 1984. The registered office of the company is situated at 10th Floor, Building No.1, Lakson Square, Sarwar Shaheed Road, Karachi and the Mill is located at Deh Rejauri II, Taluka Tando Bago, District Badin in the province of Sindh. The company is currently listed on Karachi and Lahore Stock Exchanges. The principal activity of the company is manufacturing and sale of white sugar.
- 1.2 During the year, the company incurred a net loss after taxation of Rs. 5.31 million (2007: Rs. 32.69 million), its accumulated loss as on the balance sheet date stood at Rs. 872.12 million (2007: Rs. 874.77 million) and reported a negative equity of Rs. 763.62 million (2007: Rs. 766.27 million). Company's current liabilities exceed its current assets by Rs. 414.79 million (2007: Rs. 397.08 million) and total liabilities exceed total assets by Rs. 691.90 million (2007: Rs. 686.59 million).

The Company's request for settlement of its long-term loan liabilities under Circular 29 of the SBP was approved by the Committee for Resolution of Cases of SBP vide letter no. MR/7980 dated October 14, 2004. In terms of the approval as referred to in detail in note 5.1, the company is required to make full and final repayment in 12 quarterly equal installments a total amount of Rs. 222.17 million to the financial institutions with effect from the date some pending agreements are signed. To date the company has managed to repay Rs. 42.506 million since date of agreement despite its adverse position so as to avail the benefit of the rescheduling in the shape of reversal of liabilities and loss of Rs. 353.81 million could be incorporated.

Consequently, these financial statements have been prepared using going concern assumption.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

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, 2007 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:

IAS 1 - Preparation of Financial Statement (Revised);

IAS 23 - Borrowing Costs (as revised);

IAS 27 - Consolidated and Separate Financial Statements (Revised);

IAS 29 - Financial Reporting in Hyperinflationary Economics;

IAS-41 Agriculture;

IFRS 2 - Share-based Payments (Revised);

IFRS 3 - Business Combination;

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operation;

IFRS 7 - Financial Instruments, Disclosures;

IFRS 8 - Operating Segments;

IFRIC 10 - Interim Financial Reporting and Impairment;

IFRIC 11 - Group and Treasury Share Transactions;

IFRIC 12 - Services Concession Arrangements;

IFRIC 13 - Customer Loyalty Programmes;

IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their intersection.

IFRIC 15 - Agreement for the Construction of Real Estate;

IFRIC 16 - Hedge of Net Investment in a Foreign Operation;

2.2 Accounting convention

The financial statements have been prepared under the historical cost convention modified by revaluation of certain property, plant and equipment and financial instruments. The principal accounting policies adopted are set out below.

2.3 Employee Benefits

The Company operates approved Contributory Provident Fund for Head Office and Mills management staff. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33 percent per annum of the basic salary in case of provident fund.

2.4 Compensated Absences

The Company also makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the balance sheet date in accordance with the service rules.

2.5 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 billed to the company or not.

2.6 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.7 Property, plant and equipment

Property, plant and equipment except free hold land are stated at cost or revalued amount less accumulated depreciation and impairment loss, if any. Land is stated at revalued amount.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note.

Depreciation on additions of fixed assets 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 were disposed off.

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

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

2.8 Stores, spares and loose tools

These are valued at the moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

2.9 Stock in trade

Stock-in-trade are valued at the lower of cost and net realizable value.

Finished goods and work-in-process consist of cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity. These are valued on the following basis.

- Finished goods at average manufacturing cost.
- Work-in-process at average manufacturing cost.
- Molasses at contracted price/net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments and short term running finance under mark-up arrangements.

2.12 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account.

2.13 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.14 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the company intends to settle either on a net basis or to realize the asset and to settle liabilities simultaneously.

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

2.16 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted for substantively enacted at the balance sheet date.

2.17 Foreign Currencies

Transactions in currencies other than Pakistani Rupees are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.18 Related party transactions

All transactions with related parties are carried out by the Company at arm's length prices using the methods prescribed under the Companies Ordinance, 1984.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008 No. of Shares	2007 No. of Shares		2008 Rupees	2007 Rupees
<u>10,850,000</u>	<u>10,850,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>108,500,000</u>	<u>108,500,000</u>

- 3.1 There were no movements during the reporting periods.
- 3.2 The company has one class of ordinary shares which carry no right to fixed income.
- 3.3 The company has no reserved shares for issuance under options and sales contracts.

**4. SURPLUS ON REVALUATION OF PROPERTY,
PLANT & EQUIPMENT**

Surplus on revaluation of property, plant and equipment as at October 01	79,679,463	88,171,437
Transfer to unappropriated profit in respect of incremental depreciation charged during the year	(7,967,946)	(8,491,974)
Surplus on revaluation of property, plant and equipment as at September 30	<u>71,711,517</u>	<u>79,679,463</u>

Revaluation of building, machinery and electric installation was carried out as on September 30, 1995 by independent valuers M/s. Razzak Umerani & Co. on the basis of depreciated replacement values. Revaluation surplus was credited to surplus on revaluation of fixed assets account.

5. LONG TERM FINANCES
Secured - interest free
From Banks and financial institutions

	BEL	HBL	UBL	NBP	MCB	ABL	ZTBL	2008	2007
Balance as at October 01,	102,689,258	9,412,183	15,389,796	45,344,190	6,702,086	4,371,933	525,000	184,434,446	192,177,276
Payment during the year									
Down payment	-	-	-	-	-	-	-	-	-
Installments	-	-	-	(4,771,915)	-	-	-	(4,771,915)	(7,742,830)
	-	-	-	(4,771,915)	-	-	-	(4,771,915)	(7,742,830)
Payable within one year shown under current liabilities	102,689,258	9,412,183	15,389,796	40,572,275	6,702,086	4,371,933	525,000	179,662,531	184,434,446
Installments	-	-	-	(4,799,911)	-	-	-	(4,799,911)	(65,634,263)
Overdue Portion	(102,689,258)	(9,412,183)	(15,389,796)	(35,772,364)	(6,702,086)	(4,371,933)	(525,000)	(174,862,620)	(96,634,365)
	(102,689,258)	(9,412,183)	(15,389,796)	(40,572,275)	(6,702,086)	(4,371,933)	(525,000)	(179,662,620)	(162,268,628)
	-	-	-	-	-	-	-	-	22,165,818

	12 Quarterly	12 Quarterly	12 Quarterly	12 Quarterly	12 Quarterly	12 Quarterly
No. of installments	8	6	6	6	6	6
Installment payment rest	Rs. 8,557,438	Rs. 1,282,483	Rs. 4,799,911	Rs. 609,281	Rs. 397,448	Rs. 75,000
Amount of installment	will be fixed	will be fixed	fixed	Dec, 05	will be	Sept, 05
Date of first installment	after down payment	after down payment	Jan, 06	fixed after down payment	fixed after down payment	fixed after down payment

5.1 The Committee for Resolution of Cases of the SBP vide its letter No. MR/7980, dated October 14, 2004, has approved the application for settlement of various liabilities of the Company towards banks and financial institutions (including the liabilities against redeemable capital issued by the company) for total amount of Rs. 222.17 million as against principal amount of Rs. 338.97 million and markup of Rs. 237.01 million (total Rs. 575.98 million) appearing in the books of accounts. Settlement amount is to be paid at 10% down payment and balance 90% in 12 equal quarterly installments over a period of three years. The settlement is subject to the approval of respective banks. The company has transferred the Settlement Liability amount of Rs. 222.17 million to long term loans. All banks and financial institutions have accepted the settlement arrangement.

The balance amount of Rs. 353.81 million, being the difference between the amount as per books and settlement amount, has been transferred to deferred liabilities (Note - 8) as according to the terms of settlement letter, in case of any single default in payment of settlement installment, the arrangement would be cancelled and financial institutions would be entitled to recover entire outstanding liabilities as per their record/ decree issued by the court. Because of this condition, the difference amount of principal and markup has not been reversed during the year and kept in the deferred liabilities and will be reversed when the long term loans are fully repaid.

The agreements with individual banks and financial institutions have not yet been signed except National Bank of Pakistan (formerly NDFC). The management is confident that the agreements will be signed soon, (also refer Note 13.1).

Securities

The above liabilities are secured against first English mortgage on all the present and future movable and immovable properties of the Company ranking pari passu with each other and a continuing floating charge on the Company's assets. BEL and NBP finance are further secured against pledge of sponsors shares.

6. TRANSACTION WITH ASSOCIATES

	2008 Rupees	2007 Rupees
Long term loan received from sponsors associates (Interest free - unsecured)	<u>70,000,000</u>	<u>70,000,000</u>

7. STAFF GRATUITY

Permanent employees were entitled to unfunded gratuity scheme till September 1995. The management is of the opinion that the carrying amount of liability recognized at the balance sheet date is not less than the amount required to settle the liability. From October 01, 1995 Head office and Mills management staff participate in an approved provident fund scheme.

8. DEFERRED LIABILITIES Secured Banking Companies

Agriculture Finance	Rupees									
	BEL	HBL	UBL	MCB	NBP	ABL	Sub Total	Cash Finance	2008	2007
Opening balance	85,613,994	3,094,308	811,250	2,037,307	246,334,677	582,824	353,810,898	2,646,116	356,457,014	356,457,014
Shown under current liabilities	-	-	-	-	-	-	-	(2,646,116)	(2,646,116)	(2,646,116)
Overdue installments	-	-	-	-	-	-	-	-	-	-
Payable within one year	-	-	-	-	-	-	-	(2,646,116)	(2,646,116)	(2,646,116)
	85,613,994	3,094,308	811,250	2,037,307	246,334,677	582,824	353,810,898	-	353,810,898	353,810,898

Sub note no.

8.1 As a result of settlement, the company has transferred the settlement liability of Rs. 222.17 million to long term finances (Note-5). The balance amount of Rs. 353.81 million has been transferred to deferred liabilities, being the difference between the amount as per books (Rs. 575.98 million) and settlement amount (Rs. 222.170 million). According to the terms of settlement letter, in case of any single default in payment of settlement installment, the arrangement would be cancelled and financial institutions would be entitled to recover entire outstanding liabilities as per their record/decree issued by the court. Because of this condition, the difference amount of principal and markup has not been reversed during the year and kept in the deferred liabilities and will be reversed when the long term loans are fully repaid. The agreements with individual banks and financial institutions have not yet been signed except National Bank of Pakistan (formerly NDFC) and banks and financial institution have not incorporated the effect of settlement arrangement. The management is confident that the agreements will be signed soon.

8.2 Cash finance is subject to a mark up of 45 paisas per Rs. 1,000/- per day payable in 12 quarterly installments each of Rs. 395,003 starting from May 2001.

Securities:

Above borrowings including amount due to Samba Bank Limited (formerly Crescent Commercial Bank Limited) against encashment of guarantee (Refer Note 10) are secured by equitable mortgage of property and pledge of directors' shares and are further secured by demand promissory note and personal guarantee of directors.

		2008 Rupees	2007 Rupees
9. TRADE AND OTHER PAYABLES			
		11,414,431	14,647,564
		13,567,167	18,394,048
		3,401,286	3,330,654
		20,874,169	6,428,723
	9.1	184,014,325	149,219,625
		6,355,792	6,355,792
		202,345	268,811
		143,901	143,901
		7,592,106	4,380,768
	9.4	-	-
		602,917	502,920
		<u>248,168,439</u>	<u>203,672,806</u>
9.1 Growers Liabilities			
	9.2	90,236,202	55,441,502
	9.3	93,778,123	93,778,123
		<u>184,014,325</u>	<u>149,219,625</u>
9.2	This includes outstanding liability of Rs. 31.85 million relating to period before the year 1994 and remained unpaid due to company's financial constraints. These are partly held up for settlement owing to death of some growers for completion of required legal formalities by their legal heirs.		
9.3	This represents provision in respect of quality premium payable to growers for the period from 1998-99 to 2003-04. The matter of payment of quality premium is subjudiced and appeals filed in this respect against the orders of High Court of Sindh upholding that quality premium matter is pending before the Supreme Court of Pakistan. In this regard the High Court of Lahore has in parallel case given its judgment against payment of quality premium to growers in Punjab.		
9.4 Workers' Profit Participation Fund			
		-	1,016,667
		-	105,345
		-	1,122,012
		-	-
		-	1,122,012
		-	(1,122,012)
		-	-
10. MARKUP PAYABLE ON BORROWINGS			
		3,537,222	3,537,222
		314,062	314,062
		48,254,598	48,254,598
		<u>52,105,882</u>	<u>52,105,882</u>
11. SHORT TERM BORROWINGS			
	11.1	22,595,369	22,595,369

- 11.1 This represents amount of bank guarantee issued by Samba Bank Limited (formerly Crescent Commercial Bank Limited) on behalf of the company for central excise duty which was encashed by the Department. The company in view of pending suit, negotiated with the Bank for out of court settlement according to which the amount is payable immediately. Bank has again filed a fresh suit No. 1267 / 2002 for recovery of Bank Guarantee amount. It is subject to markup @ 55 paisas per Rs. 1,000/- per day. (For security refer Note No. 8.2).

	2008 Rupees	2007 Rupees
12. CURRENT PORTION OF LONG TERM LIABILITIES		
Installments due		
Redeemable capital	-	-
Deferred liabilities	2,646,116	2,646,116
Payable within one year		
Redeemable capital	-	-
Deferred liabilities	-	-
Long term finances	4,799,911	65,634,263
	<u>7,446,027</u>	<u>68,280,379</u>
Overdue portion	174,862,620	96,634,365
	<u>182,308,647</u>	<u>164,914,744</u>

13. CONTINGENCIES AND COMMITMENTS

Contingencies

- 13.1 As explained fully in Note 1.2, 5 & 8 to the financial statements, the Committee for Resolution of Cases of SBP has approved the Settlement of liabilities towards banks and financial institutions. The agreements with individual banks and institutions have not yet been signed. The management is confident that the agreements will be signed soon. Meanwhile, banks filed the execution application in the court for non-payment of over-due installments. The Company has filed an application for grant of extension for payment of the over-due installments of settled amount under Circular 29.

Due to litigation with the banks and financial institutions, the company did not accrue the following charges during previous years:-

- Restatement of charges waived by NBP (formerly NDFC) at the time of rescheduling amounting approximately to Rs. 129 million.
- Markup on overdue installments of redeemable capital of Rs. 24 million.
- Profit on PTC amounting to Rs. 108.5 million.

The company will not be liable to pay the above charges in case of satisfactory settlement of the liabilities as per Settlement Agreements.

13.2 Other

Quality premium for the years upto 1999-2000 at higher rate not acknowledged by the company amounts to Rs. 18.8 million.

Commitment

Commitment for sale of sugar 526 M.T. (2007: 212 M.T.) against delivery orders	<u>17,082,300</u>	<u>5,556,700</u>
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14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost/ valuation at October 01, 2007	Addition/ (Disposal)	Cost/ valuation at September 30, 2008	Accumulated Depreciation at October 01, 2007	Depreciation/ (Adjustment) for the year	Accumulated Depreciation at September 30, 2008	Book value at September 30, 2008	Dep. Rate %
Freehold land	5,824,913	-	5,824,913	-	-	-	5,824,913	-
Building on freehold land	137,094,062	-	137,094,062	97,520,480	3,957,358	101,477,838	35,616,224	10
Office premises	19,254,820	-	19,254,820	13,708,002	554,682	14,262,684	4,992,136	10
Plant and machinery	159,740,541	2,575,000	162,315,541	109,520,632	5,215,116	114,735,748	47,579,793	10
Boiler House	105,000,000	-	105,000,000	74,752,217	3,024,778	77,776,995	27,223,005	10
Power House	56,359,850	-	56,359,850	38,922,429	1,743,742	40,666,171	15,693,679	10
Electrical installation and appliances	20,083,700	-	20,083,700	14,295,253	578,845	14,874,098	5,209,602	10
Mills and other equipment	3,544,550	-	3,544,550	3,130,388	41,416	3,171,804	372,746	10
Agricultural vehicles	457,000	-	457,000	413,284	8,743	422,027	34,973	20
Furniture and fixture	5,376,447	137,150	5,513,597	4,840,231	59,906	4,900,137	613,460	10
Office equipment	4,317,367	-	4,317,367	2,943,727	137,364	3,081,091	1,236,276	10
Computers	3,269,179	294,000	3,563,179	2,801,999	174,579	2,976,578	586,601	30
Vehicles	10,882,512	3,655,490 (830,000)	13,708,002	8,093,233 (655,936)	756,141	8,193,438	5,514,564	20
2008	531,204,941	6,661,640 (830,000)	537,036,581	370,941,875 (655,936)	16,252,671	386,538,610	150,497,971	
2007	531,207,941	-	531,204,941	354,017,944	16,923,932	370,941,876	160,263,065	

14.1 Depreciation for the year has been allocated as follows:

	2007 Rupees	2008 Rupees
Cost of goods manufactured	15,387,002	14,650,562
Administrative expenses	1,536,930	1,602,109
	<u>16,923,932</u>	<u>16,252,671</u>

14.2 Detail of disposal of operating assets

Description of assets	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Mode of Disposal	Particulars of Buyers
Honda Civic	830,000	(655,936)	174,064	350,000	Negotiation	Abid Hussain Zaidi
2008 Rupees	830,000	(655,936)	174,064	350,000		
2007 Rupees	-	-	-	-		

14.3 Had there been no revaluation, the related figures of office premises, building, machinery and electric installation at September 30, 2008 would have been as follows:-

Particulars	Office Premises	Building	Machinery	Electric Instalation	Total Rupees
Cost as at September 30, 1995	9,808,206	93,618,097	386,808,065	19,473,136	509,707,504
Accumulated Depreciation upto September 30, 2007	(8,040,675)	(82,853,217)	(341,872,777)	(17,152,635)	(449,919,304)
Carrying amount October 1, 2007	1,767,531	10,764,880	44,935,288	2,320,501	59,788,200
Depreciation for the year	(176,753)	(1,076,488)	(4,493,529)	(232,050)	(5,978,820)
2008	1,590,778	9,688,392	40,441,759	2,088,451	53,809,380
2007	1,767,531	10,764,880	44,935,288	2,320,501	59,788,200

	2008 Rupees	2007 Rupees
15. STORES, SPARES AND LOOSE TOOLS		
Stores	6,339,738	1,261,742
Spares	15,143,147	18,857,639
Loose tools	-	-
	21,482,885	20,119,381
Less: Provision against slow moving items	(1,010,123)	(1,010,123)
	20,472,762	19,109,258
16. STOCK IN TRADE		
Molasses	-	8,607,817
Sugar	53,337,981	4,775,856
	53,337,981	13,383,673
17. TRADE DEBTS		
Considered good	1,425	1,585,799
Considered doubtful	1,590,612	1,590,612
	1,592,037	3,176,411
Provision for doubtful debts	(1,590,612)	(1,590,612)
	1,425	1,585,799

	2008 Rupees	2007 Rupees
18. LOANS AND ADVANCES		
Relatd parties		
Employees - considered good	1,485,233	824,978
Employees - considered doubtful	1,501,033	1,501,033
	2,986,265	2,326,011
Less: Provision for doubtful loans and advances	(1,501,033)	(1,501,033)
	<u>1,485,233</u>	<u>824,978</u>
Advances to		
Growers - considered good	167,465	1,293,131
Growers - considered doubtful	15,620,076	25,786,567
	15,787,541	27,079,698
Less: Provision for doubtful loans and advances	(15,620,076)	(25,786,567)
	<u>167,465</u>	<u>1,293,131</u>
	<u>1,652,698</u>	<u>2,118,109</u>
19. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits - considered good		
Transport contractors	280,661	480,507
Suppliers	2,321,906	2,555,975
Expenses	1,952,939	1,604,779
	4,555,506	4,641,261
Trade deposits - considered doubtful		
Transport contractors	1,950,321	1,950,321
Suppliers	2,292,047	2,292,047
Expenses	1,417,021	1,417,021
	5,659,389	5,659,389
Less: Provision for doubtful trade deposits	(5,659,389)	(5,659,389)
	<u>4,555,506</u>	<u>4,641,261</u>
Prepayments	92,065	70,090
	<u>4,647,571</u>	<u>4,711,351</u>
20. OTHER RECEIVABLE		
From provident fund	148,370	230,817
Other	539,483	539,484
PSMA	203,937	253,704
	<u>891,790</u>	<u>1,024,005</u>
21. CASH AND BANK BALANCES		
Cash at banks-Current accounts	1,878,387	584,169
Cash in hand	119,371	83,317
	<u>1,997,758</u>	<u>667,487</u>

	2008 Rupees	2007 Rupees
22. SALES		
Sugar	651,336,135	542,897,825
Molasses	80,111,949	14,139,610
	<u>731,448,084</u>	<u>557,037,435</u>
Less: Sales tax	(110,926,715)	(75,147,917)
	<u>620,521,369</u>	<u>481,889,518</u>
23. COST OF GOODS SOLD		
Sugar cane consumed	535,797,410	411,067,561
Packing material	8,747,551	5,393,415
Road cess	2,099,372	1,295,911
Salaries, wages and benefits (23.1)	48,533,073	39,260,066
Fuel and power	2,550,084	8,105,748
Stores and spares consumed	27,221,316	19,516,792
Repairs and maintenance	781,278	1,420,537
Insurance	3,259,848	3,140,504
Travelling	1,780,440	1,536,726
Telephone and postage	333,838	357,569
Vehicles running	3,686,914	2,281,395
Depreciation	14,650,562	15,387,002
Freight, handling and mud removal	2,880,060	2,178,451
Others	2,842,912	3,337,481
Cost of goods manufactured	<u>655,164,658</u>	<u>514,279,158</u>
Finished stocks		
As at October 01	13,383,673	-
As at September 30	(53,337,981)	(13,383,673)
	<u>(39,954,308)</u>	<u>(13,383,673)</u>
	<u>615,210,350</u>	<u>500,895,485</u>

23.1 This includes Rs. 836,134/- (2007: Rs. 721,875/-) in respect of staff retirement benefits.

	2008 Rupees	2007 Rupees
24. OTHER INCOME		
Scrap sales	43,746	114,244
Profit on Sale of Vehicle	175,936	-
Recovery of Bad Debts	10,166,491	4,200,000
Refund - Sales Tax	-	2,897,511
	<u>10,386,173</u>	<u>7,211,755</u>
25. DISTRIBUTION COST		
Loading and stacking	<u>1,173,864</u>	<u>711,073</u>
26. ADMINISTRATIVE EXPENSES		
Directors' remuneration	2,327,500	2,044,325
Salaries, wages and benefits (26.1)	6,978,754	5,550,443
Electricity, gas and water	785,701	443,326
Repairs and maintenance	1,440,491	1,266,085
Insurance	374,266	399,145
Rent, rates and taxes	100,779	168,965
Travelling	154,159	120,088
Printing and stationery	387,337	361,332
Auditors' remuneration (26.2)	277,500	277,500
Legal and professional	342,066	584,400
Vehicles running	1,893,237	1,112,759
Telephone and postage	881,243	1,299,577
Fees and subscription	451,475	638,608
Advertisement	183,100	16,600
Depreciation	1,602,109	1,536,930
Other	358,364	836,721
	<u>18,538,081</u>	<u>16,656,804</u>

26.1 This includes Rs. 250,666/- (2007: Rs. 220,807/-) in respect of staff retirement benefits.

26.2 Auditors Remuneration

Audit fee	150,000	150,000
Other services		
Fee for half yearly review of financial statement	90,000	90,000
Fee for review of compliance with Code of Corporate Governance	37,500	37,500
	<u>277,500</u>	<u>277,500</u>

	2008 Rupees	2007 Rupees
27. FINANCE COST		
Interest on W.P.P.F.	–	105,345
Bank charges	1,297,740	929,986
	<u>1,297,740</u>	<u>1,035,331</u>

28. PROVISION FOR TAXATION

Current for the year	–	<u>(2,500,000)</u>
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28.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance 2001.

28.2 Deferred tax liability of Rs. 2.86 million calculated at effective tax rate on taxable temporary differences was offset against un-used tax losses of Rs. 201.52 million at the balance sheet date (2007: Rs.210 million). The difference has not been recognized as deferred tax assets because it is not probable that future tax profit will be available.

29. PLANT CAPACITY AND PRODUCTION

	2 0 0 8		2 0 0 7	
	Metric tons	Days	Metric tons	Days
Capacity	42,600	180	42,600	180
Actual production	31,142	142	20,585	145

Reasons for shortfall:

Non-availability of sugar cane

30. REMUNERATION TO DIRECTORS AND EXECUTIVES

	Chief Executive		Directors	
	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Remuneration	936,000	846,000	554,000	480,760
House rent	518,000	380,700	322,700	221,377
Utilities	95,792	55,855	70,740	64,430
Others	93,400	69,600	55,750	45,888
Meeting fee	-	-	24,000	19,000
	1,643,192	1,352,155	1,027,190	831,455
Number of persons				
Remuneration	1	1	2	2
Meeting fee	-	-	4	4

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

31. RELATED PARTY TRANSACTION

The Company has related party relationship with its directors, Executive and Provident Fund. Remuneration given to Chief Executive, Directors and Executives are in accordance with their terms of employment as disclosed in Note 30. The Company has made contribution to the Provident Fund amounting to Rs. 1,086,800/- (2007: Rs. 942,682/-).

32. (LOSS)/EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company which is based on :-

		2008	2007
Profit/(loss) after taxation	Rs	(5,312,493)	(32,697,422)
Weighted average number of Ordinary shares		10,850,000	10,850,000
Earning/(loss) per share	Rs.	(0.49)	(3.01)

33. FINANCIAL INSTRUMENTS

33.1 Interest/mark-up rate risk management

Interest / mark-up rate risk arises from the possibility that changes the interest / mark-up rates which affects the value of financial instruments. The effective interest/mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	Markup rate	2008			2007 Total
		Interest/markup bearing	Non interest/markup bearing	Total	
-----Rupees-----					
Financial Assets:					
Long term deposits		-	132,250	132,250	132,250
Trade debts		-	-	-	-
Loans and advances		-	1,652,698	1,652,698	2,118,109
Trade deposits		-	4,555,506	4,555,506	4,641,261
Other receivables		-	891,790	891,790	1,024,005
Cash and bank balances		-	1,997,758	1,997,758	667,487
		-	9,230,003	9,230,003	8,583,112
Financial Liabilities:					
Long term finances		-	179,662,531	179,662,531	184,434,446
Deferred liabilities-Banking companies		-	356,457,014	356,457,014	356,457,014
Trade and other payables		-	240,373,989	240,373,989	199,023,229
Markup payable on borrowing		-	52,105,882	52,105,882	52,105,882
Short term borrowings	20.08%	-	22,595,369	22,595,369	22,595,369
		-	851,194,785	851,194,785	814,615,940

33.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs.9,230,003/- (2007 : Rs.8,583,112/-), the financial assets which are subject to credit risk amounted to Rs.7,099,994/- (2007 : Rs.7,783,375/-). The company manages credit risk in trade receivables by limiting significant exposure to any individual customer by obtaining advance against sales.

The company is exposed to credit risk on loans, advances, deposits, trade debts and other receivables. The company seeks to minimize the credit risk exposure through dealings with customers considered credit worthy and obtaining securities where applicable.

33.3 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

33.4 Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the company is not exposed to any significant foreign currency risk.

33.5 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.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the company and authorized for issue on December 23, 2008.

35. GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

FORM OF PROXY

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

I/We _____
 of _____
 being a member of **PANGRIO SUGAR MILLS LIMITED** and 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
24th 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.