PANGRIO SUGAR MILLS LTD.

26TH ANNUAL REPORT 2010

CONTENTS	Page No.

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:
BANKERS EQUITY LIMITED - (Under Liquidation)
NATIONAL BANK OF PAKISTAN
HABIB BANK LIMITED
UNITED BANK LIMITED
MCB BANK LIMITED.
ALLIED BANK LIMITED

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: 021-34391316-7

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **26th Annual General Meeting** of the Company will be held on **Monday, January 31, 2011 at 12:30 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 25th Annual General Meeting of the Company held on January 30, 2010.
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, 2010.
3. To approve cash dividend to the minority shareholders only @ 10% (i.e. Re. 1/-per share) of their shareholding as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the year ending September 30, 2011 and fix their remuneration. The retiring Auditors, **M/s. Aslam Malik & Co.,** Chartered Accountants, being eligible, have offered themselves for re-appointment.
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 06, 2011

NOTES:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from **January 22, 2011 to January 31, 2011** (both days inclusive).
2. The dividend will be paid to those shareholders whose name will appear in the register of members on **21-01-2011.**
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:

The directors are pleased to present the Company's Annual Audited Accounts and Financial Statements with Auditors' Report thereon for the year ended September 30, 2010.

GENERAL

During the year under review, sugar industry was under pressure for second consecutive year from sugarcane shortage and massive rise in sugarcane prices. The Government of Sindh had announced a sugarcane support price of Rs.102 per 40 kg for the season but farmers were not prepared to harvest their cane below Rs.150 per 40 kg right from the beginning of the season.

Sugar mills in Sindh which had lighted their boilers to commence crushing from November 1, 2009 had to suffer losses because of prolonged no cane hours. Pangrio Sugar Mills had also lighted boilers in early November, 2009 but regular crushing could only start after mid-December, 2009.

Upto December, 2009 when the mills in Pakistan were in their early stages of crushing season, world sugar scenario was signaling a global sugar shortage. World sugar prices touched to $ 800 per ton. Local industry came under influence of global rising prices of sugar and started offering higher sugarcane prices to growers in anticipation of attractive prices of sugar in local markets. But this proved highly elusive. While sugarcane prices remained jacked up at Rs.300 per 40 kg, world market prices of sugar came down tumbling to $ 500 per ton in March 2010. Market prices of sugar in Pakistan did not rise beyond Rs.62 per kg during this period.

Overall company's performance was satisfactory during the season despite volatile situation in the industry. Our mills crushed a total quantity of 172,177 metric tons of sugarcane during 2009-10 compared to 123,413 metric tons crushed during previous season showing an increase of 39.51%. A total quantity of 16,546 tons of sugar was made during the season compared to 11,950 tons sugar produced during last season showing an increase of 38.45%. Sucrose recovery achieved was 9.62% compared to 9.68% achieved during previous season, showing a marginal decline due to poor quality cane and no-cane related frequent shut downs.

On Sindh basis, a total quantity of 11.23 million tons of cane was crushed and 1.08 million tons of sugar was made during the year showing an increase of 10.86% compared to last year with average sucrose recovery of 9.63%.

It is important to mention that during the entire crushing season and for a substantial period after close of season prices of sugar remain stable around Rs.58 to 62 per kg in the local market. During this period bulk of the sugar produced during the season was sold out at these prices.

RESEARCH AND DEVELOPMENT

Sugarcane zone area of Pangrio Sugar Mills has been encroached by the late maturing and unapproved verities (i.e. Triton, CO-245 etc.) with early maturing verities with high sucrose content and better yield named as under :

CPE - 237
CPF - 246
HSF - 240
HSF - 242
SPF - 234

The program includes :

- Selection and promotion of cane verities under water stress condition;
- Providing improved verity seeds to growers on loan;
- Preservation of sugarcane from pest infestation;
- Education of staff and growers about better crop management;
- Encouragement of growers to use latest agricultural equipments

Pangrio Sugar Mills Ltd. has collaborated in this regard with the following Institutes during the season :

- Ayub Agricultural Research Institute, Faisalabad
- Pakistan Agricultural Research Council, Islamabad
- Nuclear Institute of Agriculture, Tandojam

Pangrio Sugar Mills Ltd. has also established Biological Control Laboratory and has started distribution Trichogramma cards from March 4, 2010 and so far released 140,000 cards. From next year Chrysoperla cards will also be released.

National Environment Quality Standards related activities continued at site during the period under review. However, stringent conditions relating to Pakistan Quality Standards along with issue of marking fees are being now contested in courts not only by our Company but by other companies of the industry all over Pakistan. The matter relating to treating CPR as a negotiable instrument is being deliberated by PSMA Centre.

OPERATING RESULTS

The operating results for the Season 2009-10 are given below :

Particulars		Season 2009-2010	Season 2008 -2009
Season started		15-11-2009	16-12-2008
Season closed		04-03-2010	12-03-2009
Days worked		110	86
Sugarcane crushing	(Tons)	172,177	123,413
“ “	(Maunds)	4,394,424	3,085,331
Sugar recovery (%)		9.620	9.684
Sugar production	(Tons)	16,546	11,950
Molasses recovery	(%)	4.662	4.518
Molasses production	(Tons)	8,035	5,575

The operating results during the season under report show a healthy performance by the Company.

FINANCIAL RESULTS

	2009 -2010 (Rs.)	2008 -2009 (Rs.)
Profit/(Loss) for the year	92,479,533	203,158,243
Workers’ Profit Participation Fund	(4,623,977)	(10,157,912)
Workers’ Welfare Fund	(1,757,111)	(3,860,007)
Profit/(Loss) before taxation	86,098,445	189,140,324
Provision for taxation	(10,697,175)	(5,302,486)
Net Profit/(Loss) for the year	75,401,270	183,837,838
Accumulated loss brought forward	(688,874,250)	(872,712,088)
Accumulated loss carried forward	(613,472,980)	(688,874,250)
Earning per share – basic & diluted	6.95	16.94
Earning per share after excluding the effect Of debt extinguishment	6.95	0.74

The audited accounts of the company show a net profit of Rs.75.40 million during the year under review as against Rs.183.84 million during previous year, which included Rs.159.36 million due to reversal of deferred liabilities. Robust financial performance further reduced the negativity of the equity of the company and company's march towards positive equity continues.

SEASON 2010-2011

Sugarcane crop for the season, on Pakistan Basis, was estimated at 54.83 million tons, an increase of 10% compared to previous year. But due to floods, U.N. agencies in Pakistan have estimated an availability of 47.23 million tons during 2010-2011. Crop losses due to floods in Sindh have not been very severe, rather due to rains, although crop acreage during 2010-2011 is the same like previous year, on overall basis, crop is reported to be healthy. Sugarcane shortage in Sindh has been forecast during 2010-2011.

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

Auditors Observation about going concern

The auditors have given, as a matter of emphasis, a paragraph about going concern assumption used by the company in the preparation of its financial statements and that it is dependent on the ultimate outcome of the matter disclosed in Note 1.2 to the financial statements.

In this respect, the management has made a fair assessment and accordingly prepared the financial statements by using going concern assumption. On the one hand, it is well geared for continuity and procurement of sugarcane for the season 2010-11. On the other hand, over the past two years it has earned aggregate net profit after tax of Rs.260 million. It is well poised to start repayments as and when it reaches a settlement with BEL Syndicate either through the court or through negotiation.

Auditors' qualification

The auditors have qualified their report for the reason of non-confirmation of long term loan balances by BEL Syndicate. As disclosed in Note No. 11 to the accounts, the company has already reached settlement with the members of the syndicate namely UBL, NBP and HBL and has already started making repayments. However, for settlement with BEL, MCB and ABL the management is making necessary efforts and also contesting the matter in the court. Under the circumstances, the BEL as syndicate leader has preferred not to send any response to confirmation requested by the auditors.

BOARD OF DIRECTORS

There has been no change so far in the Board of Directors since after its constitution through Election of Directors on 29th January, 2009 for a term of 3 (three) years.

AUDITORS

The present auditors - M/s. Aslam Malik & Co., Chartered Accountants, retire and being eligible, have offered their services for re-appointment for the ensuing year. The Audit Committee has recommended for their re-appointment for the year ending September 30, 2011.

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.

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. The operational results during the year under review show marked improvement over last year, the company's performance reflects positive features as there has been a net profit during the year of Rs. 75.40 million compared to a net profit of Rs. 183.84 million for the last year. It has reduced the volume of accumulated loss to some extent.

i. Key operating and financial data for last six (6) years in summarized form is annexed.

j. Out of the profit for the year under review, the Board of Directors is recommending a cash dividend of 10% (i.e. Re.1/- per share) only to the minority shareholders.

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. 44.648 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	4
Mr. Abbas Ally Agha	4
Mr. Ali Ghazi Mirza	-
Mr. Abdullah Kamran Soomro	3
Mr. Asif Saeed	2
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

As the sugar industry has just come out of the severe crisis being faced in the past, its future prospects now look bright. A Sugar Advisory Board has been constituted at Federal level comprising of 30 members including PSMA and PSST with Minister for Industries and Production as its Chairman. Among other things, the Board is engaged in framing a Sugar Policy for the industry. Once this policy is announced, all the controversial and disputed matters, including sugar and sugarcane pricing, are expected to be resolved under the directives of this Board in accordance with the policy, and the industry will thus be immensely benefitted.

International Sugar Organization (ISO), F O Litch and other sugar-related bodies are forecasting 2010-11 as a sugar market-equilibrium year and prices expected to remain stable during the year. In Pakistan, the year 2010-11 is expected to be another sugar deficit year to the extent of 1.00 million to 1.200 million tons.

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 9, 2010

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 :

	Annual Entitlement As on May 24, 2007	Annual Entitlement	As on
Mr. Aftab Ahmad Chairman & Chief Executive	2,000,000	4,000,000	June 10, 2009
Ms. Naheed Zaffar Mirza Director	780,000	1,000,000	June 2, 2008
Mr. Abbas Ally Agha Director	520,000	800,000	June 2, 2008

Monthly remunerations paid to Chief Executive and Executive Directors :

	Monthly Remuneration	w.e.f.	Monthly Remuneration	w.e.f.
Mr. Aftab Ahmad Chairman & Chief Executive	175,150	June 1, 2009	206,150	March 1, 2010
Ms. Naheed Zaffar Mirza Director	63,525	July 1, 2009	72,050	March 1, 2010
Mr. Abbas Ally Agha Director	33,300	March 1, 2009	37,950	March 1, 2010

PATTERN OF SHAREHOLDINGS AS AT 30TH SEPTEMBER, 2010

Number of Share Holders	Shareholding From	Shareholding To	Total Shares Held	Percentage
1588	1	100	151,993	1.40
305	101	500	105,707	0.97
363	501	1000	348,402	3.21
204	1001	5000	549,322	5.06
26	5001	10000	199,745	1.84
5	10001	15000	65,754	0.61
5	15001	20000	87,698	0.81
3	20001	25000	70,237	0.65
2	25001	30000	54,682	0.50
1	35001	40000	36,499	0.34
1	40001	45000	43,750	0.40
25	45001	50000	1,250,000	11.52
3	50001	55000	157,552	1.45
1	60001	65000	65,000	0.60
2	70001	75000	148,900	1.37
1	95001	100000	100,000	0.92
3	100001	105000	301,500	2.78
1	105001	110000	105,833	0.98
1	110001	115000	115,000	1.06
1	125001	130000	126,839	1.17
2	145001	150000	295,500	2.72
1	155001	160000	159,000	1.47
1	160001	165000	162,800	1.50
2	165001	170000	334,365	3.08
1	175001	180000	179,500	1.65
1	195001	200000	200,000	1.84
1	200001	205000	201,000	1.85
1	210001	215000	211,530	1.95
1	295001	300000	300,000	2.76
1	305001	310000	305,445	2.82
1	495001	500000	500,000	4.61
2	500001	505000	1,001,000	9.23
1	810001	815000	813,700	7.50
1	825001	830000	827,800	7.63
1	1200001	1300000	1,273,947	11.74
2559			10,850,000	100.00

CATEGORIES OF SHAREHOLDINGS (30-09-2010)
ADDITIONAL INFORMATION

Categories of Shareholders	Share Held	Percentage
Associated Companies, Undertakings and Related Parties	–	–
NIT and ICP		
National Bank of Pakistan Trustee Deptt. (more than 10%)	1,273,947	11.74
Investment Corporation of Pakistan (ICP)	179,500	1.65
National Investment Trust Ltd. (NIT)	29,182	0.27
	1,482,629	**13.66**
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
	320,500	**2.95**
Executives	–	–
Public sector companies and corporations	–	–
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds		
Faysal Bank Limited	126,839	1.17
The Bank of Punjab (Treasury Divison)	166,865	1.54
State Life Insurance Corp. of Pakistan	162,800	1.50
Pakistan Relnsurance Company Ltd.	100,000	0.92
New Jubilee Insurance Corporation	1,100	0.01
Muslim Insurance Coporation	600	0.01
National Bank of Pakistan (Former NDFC)	1,050	0.01
	559,254	**5.15**
Shareholders holding ten percent or more voting interest in the company		
- Also NBP Trustee Deptt. (as above)		
Others / Joint Stock Companies		
Naeem's Securities Ltd.	100	0.00
Sarfaraz Mahmood (Pvt) Ltd.	100	0.00
Darson Securities (Pvt) Ltd. (LHR)	4,500	0.04
Darson Securities (Pvt) Ltd. (KHI)	14,204	0.13
Cliktrade Limited	500	0.00
B & B Securities (Pvt) Ltd.	10,000	0.09
Y.S Securities & Services (Pvt) Ltd	315	0.00
F.M. Securities (Pvt) Ltd.	10,000	0.09
	39,719	**0.37**
Individual	**8,447,898**	**77.86**
TOTAL	**10,850,000**	**100.00**

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 acheive operating & financial stability for our company. This would help us to have meaningful role for a sound and dynamic industrial system to acheive 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

PARTICULARS		2010	2009	2008 Restated	2007	2006	2005
FINANCIAL DATA							
1 Financial Position							
Paid up Capital		108,500	108,500	108,500	108,500	108,500	108,500
Accumulated(Loss)/Profit		(613,473)	(688,874)	(872,712)	(874,771)	(850,565)	(869,286)
Surplus on Revaluation of Fixed Assets		-	-	71,712	79,679	88,171	97,568
Long term loan		91,616	92,005	70,000	92,166	87,727	178,036
Deferred Liabilities		297,937	297,937	451,519	357,741	357,740	357,740
Fixed Assets (At Cost)		551,220	550,771	550,974	531,205	531,204	531,157
Accumulated Depreciation		485,591	478,940	472,188	370,942	354,017	335,167
Long term Advance/Deposits		58	132	132	132	132	132
Current Assets		204,345	162,631	100,789	57,209	37,702	244,893
Current Liabilities		385,453	425,027	422,401	454,289	423,447	568,455
2 Income							
Sales		1,069,717	391,987	620,521	481,890	671,444	200,011
Gross Profit/(Loss)		117,901	42,220	12,042	(19,006)	34,911	(50,951)
Other Income		11,211	185,992	10,386	7,212	10	27,679
Pre-Tax (Loss)/Profit		(86,098)	189,140	2,059	(30,197)	12,823	(40,651)
Taxation		(10,697)	(5,302)	-	(2,500)	(3,500)	(1,000)
3 Statistics and Ratios							
Gross Profit/(Loss) to Sales	%	11.02	10.77	1.94	(3.94)	5.10	(25.47)
Pre-tax Profit/(Loss) to Sales	%	8.05	48.25	0.33	(6.27)	2.00	(20.32)
Pre-Tax Profit/(Loss) to Capital	%	79.35	174.322	1.90	(27.83)	11.82	(37.47)
Current Ratio		1:1.89	1:2.61	1:4.19	1:7.94	1:11.23	1:2.32
Paid-upValue per Share	Rs.	10	10	10	10	10	10
Earnings per Share	Rs.	6.95	0.74	(0.75)	(3.01)	0.86	(3.84)
Cash Dividend	Rs.	6,098	-	-	-	-	-
MarketValue per Share	Rs.	5.35	5.04	6.89	10.40	7.60	3.00
OPERATING DATA							
Season Started		15.11.2009	16.12.2008	17-11-2007	15.11.2006	03-12-2005	01-11-2004
Season Closed		04.03.2010	12.03.2009	06-04-2008	08.04.2007	13-03-2006	05-03-2005
Days Worked		110	86	142	145	101	125
Sugarcane Crushed	M.T	172,177	123,413	335,900	207,346	151,209	176,249
Sugarcane Crushed	Mds	4,394,424	3,085,331	8,397,488	5,183,643	4,051,245	4,722,104
Sugar Recovery	%	9.620	9.684	9.269	9.931	10.235	9.823
Sugar Production	M.T	16,546	11,950	31,142	20,585	15,495	17,313
Molasses Recovery	%	4.662	4.518	4.930	4.663	4.303	4.893
Molasses Production	M.T	8,035	5,575	16,560	9,665	6,520	8,625

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

Name of Company : **PANGRIO SUGAR MILLS LIMITED**
Year Ended : **30th September, 2010**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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-exeutive 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 year 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 chaired by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board meets at least once in every quarter. 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 Board arranges orientation course for its directors to apprise them of their duties and reponsibilities. 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.

10. There was no new appointment of C.F.O., Company Secretary and Chief Internal auditor during the year under review.

11. The directors' report for the 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 of 3 (three) members, including the Chairperson, of whom 2 (two) are non-executive directors. Names of Committee Members are

Name	Designation
Ms. Naheed Zaffar Mirza	Chairperson
Mr. Akber Ali Mirza	Member
Mr. Abdullah Kamran Soomro	Member

16. The meetings of the audit committee were held at least once in every quarter 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 except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. On completion of 5 years of consecutive services, the external auditors have rotated their engagement partner in terms in terms of requirement of sub-regulation xli (b) of the code.

21. The Company has complied with the requirements of sub-regulation (xiii a) of regulation 35 of the amended Listing Regulation of Karachi Stock Exchange (G) Ltd. for approval of transaction with related parties.

22. We confirm that all other material principles contained in the Code have been complied with.

Karachi
December 09, 2010

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 for the year ended **September 30, 2010** prepared by the Board of Directors of **Pangrio Sugar Mills Limited** ("the Company") to comply with Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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 Staternent 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 are not required to whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company corporate governance procedures and risks and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

(Aslam Malik & Co.)
Chartered Accountants
Engagement Partner:
Mohammad Aslam Malik

Place: Karachi
Date: December 09, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **PANGRIO SUGAR MILLS LIMITED** (the Company) as at **September 30, 2010,** the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 purpose 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.

Except as discussed in paragraph (a) below, 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 included 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 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 -

(a) we did not receive responses to our letters confirming balances outstanding in the Company's books against financial institutions namely Bankers Equity Limited, United Bank Limited, MCB Bank Limited, Habib Bank Limited and Allied Bank Limited. We could not satisfy ourselves as to the accuracy and completeness of the balances appearing in the Company's books against them through alternative audit procedures. Therefore, we are unable to determine as to whether any adjustments are required to related carrying values appearing in the Company's books of account and financial statements thereof.

(b) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(c) 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 accounting policies consistently applied except for changes resulted from adoption of new or amended standards explained in note 2.2.4(a) to the financial statements with which we concur;

   (ii) the expenditure incurred during the period was for the purpose of the company's business; and

   (iii) the business conducted and the expenditure incurred during the period were in accordance with the objects of the company;

(d) except for the effect of the adjustments that might have been determined to be necessary had we been able to satisfy ourselves as to the matter described in paragraph (a) above, 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, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with 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 the Company's affairs as at September 30, 2010, of the profit, its changes in equity and cash flows for the year then ended ; and

(e) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to note 1.2 in the financial statements which indicates that the Company's equity is negative by Rs. 504.79 million (2009: 580.37 million), accumulated losses amounted to Rs. 613.47 million (2009: 688.87 million) and current liabilities exceeded current assets by Rs. 181.11 million (2009: 262.39 million) as at the balance sheet date. These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern. The going concern assumption used by the management in these financial statements is dependent on the ultimate outcome of the matters disclosed in note 1.2.

(Aslam Malik & Co.)
Chartered Accountants
Engagement Partner: Mohammad Aslam Malik

Karachi
December 09, 2010

BALANCE SHEET
AS AT SEPTEMBER 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**65,629,633**	71,830,800
Long term deposits		**58,000**	132,250
CURRENT ASSETS			
Stores, spares and loose tools	5	**26,876,295**	20,545,727
Stock-in-trade	6	**134,044,900**	122,220,362
Loan and advances	7	**10,300,951**	6,824,708
Trade deposits and short term prepayments	8	**9,899,649**	6,231,324
Other recievable	9	**28,335**	835,861
Taxation		**7,496,345**	4,576,084
Cash and bank balances	10	**15,698,679**	1,397,236
		204,345,154	162,631,301
TOTAL ASSETS		**270,032,786**	234,594,351
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
12,000,000 ordinary shares of Rs. 10/- each		**120,000,000**	120,000,000
Issued, subscribed and paidup capital			
10,850,000(2009:10,850,000) shares fully paid in cash		**108,500,000**	108,500,000
Accumulated losses		**(613,472,980)**	(688,874,250)
		(504,972,980)	(580,374,250)
NON-CURRENT LIABILITIES			
Long-term financing from:			
- Banks and financial institutions	11	**21,615,994**	22,004,939
- Related party - insecured - interest free	12	**70,000,000**	70,000,000
Deferred liabilities	13	**297,936,989**	297,936,989
CURRENT LIABILITIES			
Current portion of long-term financing	14	**126,676,497**	137,401,098
Short term borrowings	15	**22,595,369**	22,595,369
Trade and other payables	16	**174,223,807**	210,654,710
Accrued markup on loans	17	**49,299,997**	52,415,556
Provision for taxation		**12,657,113**	1,959,938
		385,452,783	425,026,673
TOTAL EQUITY AND LIABILITIES		**270,032,786**	234,594,351
CONTINGENCIES AND COMMITMENTS	**18**	**-**	-

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Note	2010 Rupees	2009 Rupees
Sales - net	**19**	**1,069,717,466**	391,987,610
Cost of sales	**20**	**(951,816,382)**	(349,767,840)
Gross profit		**117,901,084**	42,219,770
Operating expenses			
Distributions		**(1,663,038)**	(1,192,844)
Administrative	**21**	**(27,952,655)**	(20,833,853)
		(29,615,693)	(22,026,697)
		88,285,391	20,193,074
Finance costs	**22**	**(7,017,274)**	(3,027,216)
Other income	**23**	**11,211,416**	185,992,385
Other charges	**24**	**(6,381,088)**	(14,017,919)
		(2,186,945)	168,947,250
Profit / (loss) before taxation		**86,098,445**	189,140,324
Taxation	**25**	**(10,697,175)**	(5,302,486)
Net profit for the year		**75,401,270**	183,837,838
Earning per share - basic & diluted	**28**	**6.95**	16.94

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010 Rupees	2009 Rupees
Profit after taxation	**75,401,270**	183,837,838
Other comprehensive income	**-**	-
Total comprehensive income for the year transferred to equity	**75,401,270**	183,837,838

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Share Capital	Accumulated Losses	Total
		Rupees	
Balance as at October 1, 2008	108,500,000	(872,712,088)	(764,212,088)
Other comprehensive income	-	183,837,838	183,837,838
Balance as at September 30, 2009	108,500,000	(688,874,250)	(580,374,250)
Balance as at October 1, 2009	**108,500,000**	**(688,874,250)**	**(580,374,250)**
Other comprehensive income	**-**	**75,401,270**	**75,401,270**
Balance as at September 30, 2010	**108,500,000**	**(613,472,980)**	**(504,972,980)**

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	**86,098,445**	189,140,324
Adjustments for :		
Depreciation on property, plant and equipment	**7,315,929**	7,852,287
Finance costs	**7,017,274**	3,027,216
Reversal of deferred liabilities	**-**	(159,360,114)
Imputed interest	**(2,013,658)**	(9,664,016)
(Gain) on disposal of fixed assets	**(210,363)**	(446,131)
	12,109,182	(158,590,758)
Operating cash flow before movement in working capital	**98,207,627**	30,549,566
Changes in working capital		
Stores, spares and loose tools	**(6,330,568)**	(72,965)
Stock in trade	**(11,824,538)**	(69,479,124)
Trade debts	**-**	1,425
Loans and advances	**(3,476,242)**	(5,172,010)
Trade deposits and short-term prepayments	**(3,668,325)**	(1,583,753)
Other receivables	**807,527**	55,929
Trade and other payables	**(36,430,903)**	56,264,397
	(60,923,050)	(19,986,101)
Cash generated by operations	**37,284,578**	10,563,465
Finance costs paid	**(7,199,272)**	(1,716,861)
Income taxes paid	**(2,846,014)**	(535,624)
	(10,045,286)	(2,252,485)
Net cash inflow from operating activities	**27,239,292**	8,310,980
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,149,400)**	(1,381,900)
Proceeds from disposal of property, plant and equipment	**245,000**	931,398
Net cash outflow from investing activities	**(904,400)**	(450,502)
C. CASH FROM FINANCING ACTIVITIES		
Repayment of long term loans	**(12,033,449)**	(8,461,000)
Net cash outflow from financing activities	**(12,033,449)**	(8,461,000)
Increase in cash and cash equivalents (A+B+C)	**14,301,443**	(600,522)
Cash and cash equivalent at beginning of the year	**1,397,236**	1,997,758
Cash and bank balances at end of the year	**15,698,679**	**1,397,236**

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

1 STATUS AND NATURE OF BUSINESS

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 As of the reporting date, company’s equity is negative by Rs. 504.97 million (2009: Rs. 580.37 million), its accumulated loss amounted to Rs. 613.47 million (2009: Rs. 688.87 million) and its current liabilities exceeded its current assets by Rs. 181.11 million (2009: Rs. 262.39 million).

The Company's borrowings matured several years ago. As regards matter of settlement of liability of BEL Syndicate which is pending and currently contested in court whereby proceedings of recovery suit filed by BEL Syndicate are continuing, for detail refer note 11.1.

These conditions indicate existence of material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

During the peirod the company has paid Rs. 12.03 million as per the revised terms of rescheduled terms of the finance to various financial institutions and is in the process of negotiation with other finacial institutions to reschedule terms for the payment of outstanding amount. The company expects that it shall be able to meet its obligations, if any, as and when that would arise at the end of proceeding or earlier through negotiations with the bank based on returns from its operations and other sources. The management intends to start activity for the current season and has made necessary arrangement for this purpose.

In view of the above, the appropriateness of the going concern assumption used in the preparation of these financial statements is dependent on the ultimate outcome of the matters referred above.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Accounting convention

2.2.1 Basis of measurement

These financial statements have been prepared under the basis of 'historical cost' convention.

2.2.2 Functional and Presentation Currency

These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

2.2.3 Significant Estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Accounting Standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are as followes:

		Note
a)	Useful life and residual values of property, plant and equipment	3.1
b)	Provision for obsolete and slow moving inventories	3.3
c)	Provision for slow moving stores and spares	3.2
d)	Provision for taxation	3.7
e)	Impairment in respect of financial assets	3.11.2

2.2.4 Standards, amendments to published approved accounting standards and interpretations effective and relevant to the Company

(a) Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting 1 January 2009, the Company has changed its accounting policies in the following areas:

- IAS 1 (revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheet at the end of the current period and comparative period.

  The Company has preferred to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). In accordance with new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the Company's financial statements.

- The Company has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level.

  Furthermore, changes in valuation techniques from one period to another, including the reasons therefor, are required to be disclosed for each class of financial instruments. Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As the change in accounting policy only results in additional disclosures, there is no impact on profit for the year.

(b) Others

IAS 23 (amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company’s current accounting policy is in compliance with this amendment, and therefore there is no effect on the Company's financial statements.

2.2.5 Standards, amendments to published approved accounting standards and interpretations effective but not relevant

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

2.2.6 Standards, amendments to published approved accounting standards and interpretations not yet effective

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2010 or later periods:

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements other than increase in disclosures.

  Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

- **Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011:**

- Improvement to IFRSs 2010 - Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendment clarifies that contingent consideration arises in a business combinaiton previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limits the accounting policy choice to measure non controlling interest upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net asset in the event of liquidation; and expands the current guidance on the attribution of the market - based measure of an acquiree's share-based payment awards issued in exchange for acquiree's awards between consideration transferred and post-combination compensation cost when an acquiree is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards.

These amendments are unlikely to have an impact on the Company's financial statements.

- Improvement to IFRSs 2010 - Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendment to IAS 21. The effects of changing in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively with the exception of amendments resulting from renumbering. These amendments are unlikely to impact on the Company's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amend the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayment of contribution in certain circumstances being recognized as an asset rather than an expense. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvement to IFRSs 2010 - IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendment clarify that IAS 8 is not applicable to changes in accounting policies occuring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use the IFRS 1 exemption during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occured during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevent to Company's operation.

- IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of quantitative disclosure to better enable users to evaluate an entity's exposure to risk arising from financial instruments. In addition the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Company.

- Improvement to IFRSs 2010 - IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvement to IFRSs 2010 - IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvement to IFRSs 2010 - IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits take into account the amounts of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant for the Comapny's financial operation.

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant & equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4 to the financial statements. Depreciation on additions is charged for the quarter in which an asset is put to use and no depreciation is charged in the quarter in which assets are disposed.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives methods are reviewed and adjusted if appropriate, at each financial year. The Company's estimate of residual values of property,plant and equipment as at 30 September 2010 did not require any adjustment as its impact is considered insignificant.

An item of property,plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year asset is derecognized.

Capital work in progress

Capital work-in-progress is stated at cost less imparement, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant category as and when assets are available for use.

3.2 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon to the reporting date.

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

Provisions are made in the financial statements for obsolete and slow moving stores and spares based on management's best estimate regarding their future useability.

3.3 Stock in trade

All stock in trade except molasses are valued at lower of cost and net realizable value where cost is determined by applying the following basis:

- Finished sugar at average manufacturing cost;

- Sugar in process at average manufacturing cost;

Molasses at contracted price / net realizable value;

Average cost in relation to work in process and finished goods signifies the cost of sugar including a portion of related direct overheads.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future useability.

3.4 Trade and other receivables

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

3.5 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.6 Staff retirement benefits

The company operates an approved provident fund for eligible employees. The Company contributes equal amount of employees contribution i.e. 8.33% of basic salary.

3.7 Current and deferred income tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted or subsequently enacted by the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet liability method providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for tax purposes. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profits.

3.8 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 or not billed to the company.

3.9 Provisions

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

3.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.11 Financial assets

3.11.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company’s loans and receivables comprise 'loans and deposits', ‘trade debts and other receivables’ and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

3.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in relevent notes.

3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

3.13 Foreign currency translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

3.14 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

3.15 Basic and diluted earnings per share

The company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.16 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

3.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for marketing allowances. Revenue is recognised on the following basis:

- Sales of goods are recognized when goods are delivered to the customer.

-Income on deposits and other financial assets is recognised on accrual basis.

3.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4 PROPERTY, PLANT & EQUIPMENTS

	Freehold land	Factory building	Office premises	Plant and machinery	Boiler house	Power house	Electric installation	Mills & other equipment	Office equipment	Computers	Furniture and fixture	Vehicles	Agricultural vehicles	Total
	Rupees													
As at October 01, 2008														
Cost	5,824,913	94,150,097	9,855,026	193,631,821	126,921,396	69,930,238	19,556,836	3,544,550	4,317,367	3,563,179	5,513,597	13,708,002	457,000	550,974,022
Accumulated depreciation	-	(84,076,940)	(8,448,594)	(162,872,420)	(112,985,436)	(63,623,912)	(17,435,190)	(3,171,804)	(3,081,091)	(2,976,579)	(4,900,137)	(8,193,438)	(422,027)	(472,187,568)
Net book value	5,824,913	10,073,157	1,406,432	30,759,401	13,935,960	6,306,326	2,121,646	372,746	1,236,276	586,600	613,461	5,514,564	34,973	78,786,454
Year ended September 30, 2009														
Opening net book value	5,824,913	10,073,157	1,406,432	30,759,401	13,935,960	6,306,326	2,121,646	372,746	1,236,276	586,600	613,461	5,514,564	34,973	78,786,455
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	1,381,900	-	1,381,900
Disposals / transfers														
Cost	-	-	-	-	-	-	-	-	-	-	-	(1,585,000)	-	(1,585,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	1,099,733	-	1,099,733
Net book value	-	-	-	-	-	-	-	-	-	-	-	(485,267)	-	(485,267)
Depreciation for the year	-	(1,007,316)	(140,643)	(3,075,940)	(1,393,596)	(630,633)	(212,165)	(37,275)	(123,628)	(175,980)	(61,346)	(986,772)	(6,995)	(7,852,289)
Closing net book value	**5,824,913**	**9,065,841**	**1,265,789**	**27,683,461**	**12,542,364**	**5,675,693**	**1,909,481**	**335,471**	**1,112,647**	**410,620**	**552,115**	**5,424,425**	**27,978**	**71,830,800**
As at October 01, 2009														
Cost	5,824,913	94,150,097	9,855,026	193,631,821	126,921,396	69,930,238	19,556,836	3,544,550	4,317,367	3,563,179	5,513,597	13,504,902	457,000	550,770,922
Accumulated depreciation	-	(85,084,256)	(8,589,237)	(165,948,360)	(114,379,032)	(64,254,545)	(17,647,355)	(3,209,079)	(3,204,719)	(3,152,559)	(4,961,483)	(8,080,477)	(429,022)	(478,940,124)
Net book value	**5,824,913**	**9,065,841**	**1,265,789**	**27,683,461**	**12,542,364**	**5,675,693**	**1,909,481**	**335,471**	**1,112,648**	**410,620**	**552,115**	**5,424,425**	**27,978**	**71,830,798**
Year ended September 30, 2010														
Opening net book value	5,824,913	9,065,841	1,265,789	27,683,461	12,542,364	5,675,693	1,909,481	335,471	1,112,647	410,620	552,115	5,424,425	27,978	71,830,800
Additions/transfer during the year	-	-	-	-	-	-	-	-	-	-	-	1,149,400	-	1,149,400
Disposals / transfers														
Cost	-	-	-	-	-	-	-	-	-	-	-	(700,000)	-	(700,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	665,363	-	665,363
Net book value	-	-	-	-	-	-	-	-	-	-	-	(34,637)	-	(34,637)
Depreciation for the year	-	(906,584)	(126,579)	(2,768,346)	(1,254,236)	(567,569)	(190,948)	(33,547)	(111,265)	(123,186)	(55,211)	(1,172,861)	(5,596)	(7,315,928)
Closing net book value	**5,824,913**	**8,159,257**	**1,139,210**	**24,915,115**	**11,288,128**	**5,108,124**	**1,718,533**	**301,924**	**1,001,382**	**287,434**	**496,904**	**5,366,327**	**22,382**	**65,629,635**
As at October 30, 2010														
Cost	5,824,913	94,150,097	9,855,026	193,631,821	126,921,396	69,930,238	19,556,836	3,544,550	4,317,367	3,563,179	5,513,597	13,954,302	457,000	551,220,322
Accumulated depreciation	-	(85,990,840)	(8,715,816)	(168,716,706)	(115,633,268)	(64,822,114)	(17,838,303)	(3,242,626)	(3,315,984)	(3,275,745)	(5,016,694)	(8,587,975)	(434,618)	(485,590,689)
Net book value	**5,824,913**	**8,159,257**	**1,139,210**	**24,915,115**	**11,288,128**	**5,108,124**	**1,718,533**	**301,924**	**1,001,383**	**287,434**	**496,903**	**5,366,327**	**22,382**	**65,629,633**
Annual rates of depreciation	**0%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**30%**	**10%**	**20%**	**20%**	

		2010 Rupees	2009 Rupees
4.1	**Allocation of Depreciation**		
	Cost of sales	**5,937,449**	6,636,272
	Administrative expenses	**1,378,480**	1,216,015
		7,315,929	7,852,287

5 STORES, SPARES AND LOOSE TOOLS

	2010 Rupees	2009 Rupees
Stores	**15,329,722**	12,373,584
Spares	**12,178,753**	8,789,514
Loose tools	**377,943**	392,752
	27,886,418	21,555,850
Less: Provision against slow moving items	**(1,010,123)**	(1,010,123)
	26,876,295	20,545,727

6 STOCK IN TRADE

	2010 Rupees	2009 Rupees
Finished goods - sugar	**134,044,900**	122,220,362

7 LOANS AND ADVANCES

	2010 Rupees	2009 Rupees
Related parties:		
Employees - considered good	**3,756,189**	3,237,833
Employees - considered doubtful	**1,501,033**	1,501,033
	5,257,222	4,738,866
Less: Provision for doubtful loans and advances	**(1,501,033)**	(1,501,033)
	3,756,189	3,237,833
Advances to:		
Growers - considered good	**6,544,761**	3,586,875
Growers - considered doubtful	**34,544**	4,934,544
	6,579,305	8,521,419
Less: Provision for doubtful loans and advances	**(34,544)**	(4,934,544)
	6,544,761	3,586,875
	10,300,951	6,824,709

8 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2010 Rupees	2009 Rupees
Trade deposits - considered good		
Transport contractors	**280,655**	280,656
Suppliers	**5,089,189**	4,171,046
Expenses	**1,845,315**	1,779,622
	7,215,159	6,231,324
Trade deposits - considered doubtful		
Transport contractors	**-**	-
Suppliers	**941,246**	941,246
Expenses	**483,864**	483,864
	1,425,110	1,425,110
Less: Provision for doubtful trade deposits	**(1,425,110)**	(1,425,110)
	7,215,159	6,231,324
Prepayments	**2,684,490**	-
	9,899,649	6,231,324

		2010 Rupees	2009 Rupees
9	**OTHER RECEIVABLE**		
	From provident fund	**7,770**	92,441
	Other	**20,565**	743,420
		28,335	835,861
10	**CASH AND BANK BALANCES**		
	Cash at banks		
	-current accounts	**15,605,244**	1,286,768
	Cash in hand	**93,435**	110,468
		15,698,679	1,397,236

11 LONG TERM FINANCING

Banking and financial institutions - secured , interest free

	Note	Mark - up rate p.a.	Contracted Cash flows	Installments		2010	2009
				Number	Commencing from	(Rupees)	
Long term finance utilised under mark-up arrangements:							
BEL Syndicate							
-MCB Bank Limited	11.1	Mark up free	6,702,086	12 quarterly	Dec-05	**6,702,086**	6,702,086
-Bankers Equity Limited	11.1	Mark up free	102,689,258	12 quarterly	To be fixed	**102,689,258**	102,689,258
-Allied bank Limited	11.1	Mark up free	4,371,933	12 quarterly	To be fixed	**4,371,933**	4,371,933
United Bank Limited	11.2	Mark up free	11,542,347	10 quarterly	Apr-10	**9,878,160**	15,389,796
National Bank of Pakistan	11.3	4% cost of fund	24,318,000	14 half yearly	Jun-09	**18,532,305**	21,084,805
Habib Bank Limited	11.4	Mark up free	3,764,000	08 quarterly	Nov-09	**3,472,633**	6,522,043
						145,646,375	156,759,921
Less: Current portion shown under current liabilities						**10,267,104**	5,601,909
Overdue portion shown under current liabilities						**113,763,277**	129,153,073
						124,030,381	134,754,982
						21,615,994	22,004,939

11.1 In the year 2000 the BEL led syndicate including UBL, NBP and HBL (restructured separately as mentioned in 11.2, 11.3 and 11.4) filed suit for recovery of Rs 475 million that was decreed on 26-01-2006 by the High Court of Sindh at Karachi at an amount of Rs 215 million in line with the approval of SBP Committee in terms of SBP Circular 29 at FSV of its fixed assets of Rs 222.17 million in October 2004.

Subsequently BEL led syndicate filed execution application No 23 of 2008 and the Honorable High Court vide its order dated 20-08-2008 asked the company to deposit the remaining balance of Rs 175 million. The company's review application against the said order is currently in the court for further proceedings. The company is in course of making efforts for out of the court settlement.

11.2 During the period UBL has also separately restructured its loan for repayment in 2 1/2 years without any interest in quarterly installment of Rs. 1.282 million. The Company has made down payment of Rs. 2.564 million and one installment of Rs. 1.282 million, the balance reflects the amount of loan amortized @ 13.21% per annum using two year KIBOR.

11.3 NBP has also separately restructured all its loans for repayment over a period of seven years in 14 half yearly installments with cist of funds @ 4.31% per annum. The company has made two installments amounting to Rs 4.422 million during the year, the balance reflects the amount of loan amortized @ 14.96% per annum using three year KIBOR.

11.4 HBL has also separately restructured its loan for repayment in two years without any interest in quarterly installments of Rs 0.941million. The company has made payments of four installments amounting to Rs. 3.764 million during the period, the balance reflects the amount of loan amortized @ 13.21% per annum using two year KIBOR.

Securities

The above liabilities are secured against first 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.

12 RELATED PARTY - UNSECURED - INTEREST FREE

		2010	2009
		Repees	
Long term loan received from related party	12.1	**70,000,000**	70,000,000

12.1 The loan is obtained from related parties and are interest free with no fixed repayable terms.

13 DEFERRED LIABILITIES

Staff gratuity	13.1	**3,929,807**	3,929,807
Quality premium	13.2	**93,778,123**	93,778,123
Banking companies	13.3	**200,229,059**	200,229,059
		297,936,989	297,936,989

13.1 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.

13.2 Quality premium

This represents provision in respect of quality premium (QP) 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 matter are pending before the Supreme Court of Pakistan. Supreme Court granted injunction on the appeal citing conflicting judgment of the High Court of Sindh and the High Court of Punjab in the issue of validity of QP restrained recovery of QP till the matter is disposed off. The management maintains that subsequent to the year 2003 it has fulfilled its obligations of QP (Refer details in note 18).

13.3 DEFERRED LIABILITIES

Banking Companies - secured

	Agriculture Finance	BEL	HBL	UBL	MCB	NBP	ABL	Sub Total	Cash Finance	2010	2009
	Rupees										
Opening balance	-	85,613,994	3,094,308	811,250	2,037,307	108,089,376	582,824	200,229,059	2,646,116	202,875,175	356,457,014
Reversal	-	-	-	-	-	-	-	-	-	-	(153,581,839)
Provision	-	-	-	-	-	-	-	-	-	-	-
Shown under current liabilities										-	
Overdue installments	-	-	-	-	-	-	-	-	(2,646,116)	(2,646,116)	(2,646,116)
Payable within one year	-	-	-	-	-	-	-	-	-	-	-
									(2,646,116)	(2,646,116)	(2,646,116)
	-	**85,613,994**	**3,094,308**	**811,250**	**2,037,307**	**108,089,376**	**582,824**	**200,229,059**	**-**	**200,229,059**	200,229,059
Sub note no.	13.2.1	13.2.1	13.2.1	13.2.1	13.2.1	13.2.1	13.2.1		13.2.2		

13.3.1 As a result of settlement, the company has transferred the settlement liability of Rs. 222.17 million to long term finances (Note - 11). The balance amount of Rs. 353.81 million has been transferred to deferred liabilities, being the difference between 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 and banks and financial institutions have not incorporated the effect of settlement arrangement except HBL, NBP & UBL. The management is confident that the agreements will be signed soon.

13.3.2 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, formerly Doha Bank Limited) against encashment of guarantee 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.

		2010	2009
		Rupees	
14 CURRENT PORTION OF LONG TERM LIABILITIES			
Deferred liabilities		**2,646,116**	2,646,116
Payable within one year		**10,267,104**	5,601,909
		12,913,220	8,248,025
Overdue portion		**113,763,277**	129,153,073
		126,676,497	137,401,098
15 SHORT TERM BORROWINGS			
Payable against bank guarantee			
Secured - under markup arrangement	**15.1**	**22,595,369**	22,595,369

15.1 This represents amount of bank guarantee issued by Samba Bank Limited (formerly Cresent Commercial Bank Limited) on behalf of the company for central excise duty which was encahsed 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 filed another suite No. 1267 / 2002 for recovery of Bank Gurantee amount. It is subject to markup @ 55 paisas per Rs. 1,000/- per day.

		2010 Rupees	2009 Rupees

16 TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Creditors		**6,012,830**	11,199,721
Accrued liabilities		**15,482,203**	14,599,747
Road cess		**3,030,657**	3,030,654
Advance against sale		**94,591,104**	84,802,063
Growers liabilities	**16.1**	**40,209,110**	74,968,928
Surcharge		**6,355,792**	6,355,792
Income tax		**281,310**	247,241
Unclaimed dividend		**143,900**	143,900
Sales tax		**1,257,481**	785,827
Workers' profit participation fund	**16.2**	**4,623,977**	10,157,912
Workers' welfare fund		**1,757,111**	3,860,007
Others		**478,332**	502,917
		174,223,807	210,654,710

16.1 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 requried legal formalities by their legal heirs.

16.2 Workers' profit participation fund

	2010 Rupees	2009 Rupees
Opening balance	**10,157,912**	-
Interest on outstanding balance	**513,462**	-
Allocated for the period	**4,623,977**	10,157,912
Payments during the period	**10,671,374**	-
	4,623,977	10,157,912

17 ACCURED MARKUP ON LOANS

	Note	2010 Rupees	2009 Rupees
Deferred liabilities	**17.1**	**-**	3,537,222
Long term financing		**1,045,399**	623,736
Short term borrowings		**48,254,598**	48,254,598
		49,299,997	52,415,556

17.1 This amount of interest is waived due to restructuring of loan from concerned financial institution and is transferred to other income.

18 CONTINGENCIES AND COMMITMENTS

Contingencies

The matter of quality premium continues to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company purchased sugar cane at market rate, which was higher than minimum support price fixed by the government during the period from 2004-2010 except for 2007-08 and the resultant aggregate extra liability on account of various subsidies born by it amounted to Rs.747.67 million that absorbed the quality premium for the said years of Rs.198.10 million. It also holds the view that uniform formula being developed by MINFAL for mills and cane growers would be applicable prospectively. In view of above, the company has not recorded any obligation with respect to quality premium.

		2010	2009
		Rupees	Rupees
19 SALES - net			
Sugar		**1,043,112,600**	405,660,290
Molasses		**73,683,500**	38,285,900
		1,116,796,100	443,946,190
Less: direct taxes leived and brokerage		**(47,078,634)**	(51,958,580)
		1,069,717,466	391,987,610
20 COST OF SALES			
Sugar cane consumed		**853,996,237**	325,846,113
Packing material		**5,050,974**	3,051,219
Road cess		**1,076,106**	771,333
Salaries, wages and benefits	**20.1**	**54,712,793**	46,197,519
Fuel and power		**6,966,313**	5,205,114
Stores and spares consumed		**21,086,550**	17,728,042
Repairs and maintenance		**363,923**	623,182
Insurance		**3,507,496**	3,273,272
Traveling		**2,084,528**	1,833,716
Telephone and postage		**184,679**	247,030
Vehicles running		**4,166,405**	4,122,114
Depreciation	**4.1**	**5,937,449**	6,636,272
Freight, handling and mud removal		**2,025,305**	1,638,805
Others		**2,482,163**	2,073,233
Cost of goods manufactured		**963,640,920**	419,246,965
Add: Opening Stock			
Sugar		**122,220,362**	52,741,237
Less: Closing Stock			
Sugar - Finished		**(134,044,900)**	(122,220,362)
		951,816,382	349,767,840

20.1 This includes an amount of Rs. 1.262 million (2009: Rs. 1.02 million) in respect of staff retirement benefits

21 ADMINISTRATIVE EXPENSES

	Note	2010 Rupees	2009 Rupees
Directors' remuneration		**3,572,175**	2,785,700
Salaries, wages and benefits	**21.1**	**9,975,541**	7,281,382
Electricity, gas and water		**1,419,287**	1,374,163
Repairs and maintenance		**1,253,973**	1,382,023
Insurance		**610,679**	515,159
Rent, rates and taxes		**153,399**	153,819
Traveling		**469,325**	315,453
Printing and stationery		**664,193**	476,161
Auditors' remuneration	**21.2**	**532,500**	377,500
Legal and professional		**777,200**	534,500
Vehicles running		**3,825,997**	1,850,620
Telephone and postage		**1,106,046**	1,268,882
Fees and subscription		**674,046**	756,943
Advertisement		**28,000**	48,300
Depreciation		**1,378,480**	1,216,015
Provision for bad debts written off		**973,823**	-
General expenses		**537,991**	497,233
		27,952,655	20,833,853

21.1 This includes an amount of Rs. 0.341 million (2009 : Rs.0.278 million) in respect of staff retirement benefits.

21.2 Auditors' remuneration

	2010 Rupees	2009 Rupees
Audit fee	**375,000**	250,000
Other services		
-half yearly review of financial statement	**120,000**	90,000
-review of compliance with Code of Corporate Governance	**37,500**	37,500
	532,500	377,500

22 FINANCE COSTS

	Note	2010 Rupees	2009 Rupees
Markup on long term financing		**1,613,010**	976,674
Interest on workers' profits participation fund		**513,462**	-
Bank charges		**1,957,241**	1,049,861
Unwinding of Interest	**11**	**2,933,561**	1,000,681
		7,017,274	3,027,216

		2010 Rupees	2009 Rupees
23 OTHER INCOME			
Scrap sales		**340,075**	34,200
Gain on disposal of property, plant and equipment		**210,363**	446,131
Reversal of deferred & loan liability		**-**	159,360,114
Bad debts recovered		**4,900,000**	16,487,924
Other income		**210,098**	-
Waiver of accrued markup	**17.1**	**3,537,222**	-
Imputed income	**11**	**2,013,658**	9,664,016
		11,211,416	185,992,385

24 OTHER CHARGES

Workers' profits participation fund	**4,623,977**	10,157,912
Workers' welfare fund	**1,757,111**	3,860,007
	6,381,088	14,017,919

25 PROVISION FOR TAXATION

Current		
for the year	**(10,697,175)**	(1,959,938)
for prior years	**-**	(3,342,548)
	(10,697,175)	(5,302,486)

Current - for the year

In view of availability of brought forward tax losses, the provision for current taxation has been computed based on the minimum tax payable under section 113 of the Income Tax Ordinance, 2001. Tax assessment of the company is deemed to be finalized up to Tax Year 2010 (Income year September 30, 2009).

Deferred

Deferred tax on account of deductible temporary differences resulting from brought forward tax losses and tax paid under section 113 of the Income Tax Ordinance, 2001, at the end of the reporting period, has not been recognized as it is not probable that sufficient taxable profits will be available in the foreseeable future against which such an asset may be realised.

TAX CHARGE RECONCILIATION

Since the company is in tax losses, the current tax provision represents the tax under section 113 of the Income Tax Ordinance, 2001, therefore it is impracticable to prepare the tax charge reconciliation.

	2010 Rupees	2009 Rupees

26 PLANT CAPACITY AND PRODUCTION

	2010 Rupees	2009 Rupees
Crushing capacity (Metric Tons based on 180 days of production)	**648,000**	648,000
Actual crushing (Metric Tons)	**172,176**	123,413
Percentage of crushing capacity attained	**26.6%**	19.0%
Number of days of production	**110**	86
Sugar capacity (Metric Tons based on 180 days of production)	**42,600**	42,600
Production of sugar (Metric Tons)	**16,545**	11,950
Percentage of capacity attained	**38.84%**	28.05%

Reasons for shortfall:

Non-availability of sugar cane in the area.

27 REMUNERATION TO DIRECTORS AND EXECUTIVES

PARTICULARS	2010				2009			
	Chief Executive	Executives	Director	Total	Chief Executive	Executives	Director	Total
	Rupees							
Remuneration	**1,496,000**	**-**	**797,500**	**2,293,500**	1,121,000	-	665,000	1,786,000
House rent	**822,050**	**-**	**615,950**	**1,438,000**	615,950	-	383,750	999,700
Utilities	**214,156**	**-**	**115,500**	**329,656**	141,070	-	104,357	245,427
Others	**195,065**	**-**	**162,516**	**357,581**	141,070	-	104,494	245,564
Meeting fee	**-**	**-**	**34,000**	**34,000**	-	-	36,000	36,000
TOTAL	**2,727,271**	**-**	**1,725,466**	**4,452,737**	2,019,090	-	1,293,601	3,312,691
NO. OF PERSONS								
Remunaration	**1**	**-**	**2**	**3**	1	-	2	3
Meeting Fee	-	-	4	4	-	-	4	4

27.1 The Chief Executive and Directors are entitled to free use of Company maintained cars. Chief executive is also provided telephone and utility facilities.

28 EARNINGS PER SHARE

BASIC

	2010 Rupees	2009 Rupees
Profit after taxation - Rupees	**75,401,270**	183,837,838
Weighted average number of ordinary shares	**10,850,000**	10,850,000
Earning per share - Rupees	**6.95**	16.94

DILUTED

There is no dilution effect on the basic earnings per share of the company as the company has no convertible instruments in issue at the end of the reporting period.

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff/workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund and gratuity are in accordance with staff service rules.

	2010 Rupees	2009 Rupees
Details of transactions with related parties are as follows:		
Transactions during the year		
Contribution to staff provident fund	**1,603,000**	1,308,349
Payable / (Receivable) as on balance sheet date with:		
Workers' profit participation fund	**4,623,977**	10,157,912
Employees' provident fund trust	**(7,770)**	**(92,441)**

The remuneration of Chief Executive, Directors and Executives is disclosed in Note 27 to the financial statements.

30 FINANCIAL INSTRUMENTS

	2010 Rupees	2009 Rupees
Financial instruments by category		
FINANCIAL ASSETS		
Loans and receivables		
Long term deposits	**58,000**	132,250
Loans and advance	**10,300,951**	6,824,709
Trade deposits and short term prepayments	**9,899,649**	6,231,324
Other recievable	**28,335**	835,861
Cash and bank balances	**15,698,679**	1,397,236
	35,985,613	15,421,380
FINANCIAL LIABILITIES AT AMORTIZED COST		
Long-term financing	**145,646,375**	156,759,921
Trade and other payables	**174,223,807**	210,654,710
Accrued markup on finances	**49,299,997**	52,415,556
Short term Borrowings	**22,595,369**	22,595,369
	391,765,548	442,425,556

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

31.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company’s long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deals with credit worthy parties. It makes full provision against those balances considered doubtful by dealing with variety of major banks and financial institutions. All the balances are recoverable / deposited in Pakistan. The carrying amounts of financial assets against which the Company did not hold any collateral represent the maximum credit exposure, as specified below:

	2010 Rupees	2009 Rupees
Loans and advances	**10,300,951**	6,824,709
Trade deposits and short term prepayments	**9,899,649**	6,231,324
Other recievables	**28,335**	835,861
Short term borrowings	**22,595,369**	22,595,369
Bank balances	**15,605,244**	1,286,768
	58,429,548	37,774,031

The credit quality of the balances with the banks and finacial institutions as at the balance sheet date is given below:

A1+	**9,181,234**	276,412
A-1+	**6,424,011**	1,010,356

31.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):

	2010			
	Carrying Amount	**Contractual cash flows**	**Twelve months or less**	**Two to Five years**
Non-Derivative Financial liabilities	**Rupees**			
Long-term financing	**215,646,375**	**223,387,624**	**131,501,209**	**91,886,415**
Trade and other payables	**174,223,807**	**174,223,807**	**174,223,807**	**-**
Accrued markup on finances	**49,299,997**	**49,299,997**	**49,299,997**	**-**
	439,170,179	**446,911,428**	**355,025,013**	**91,886,415**

	2009			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
Non-Derivative Financial liabilities	Rupees			
Long-term financing	226,759,921	226,759,921	134,754,982	92,004,939
Trade and other payables	210,654,710	210,654,710	210,654,710	-
Accrued markup on finances	52,415,556	52,415,556	52,415,556	-
	489,830,187	489,830,187	397,825,248	92,004,939

31.3 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk may comprise of two types of risk: foreign exchange or currency risk and interest/mark up rate risk. The market risks associated with the Company's business activities are discussed as under:

31.3.1 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. As at the reporting date the company is not exposed to foreign currency risk as there is no receivable / payable or commitment other than local currency.

31.3.2 Interest/mark up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to Interest / mark up rate risk as there is no variable rate financing as at the balance sheet date. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2010	2009	**2010**	2009
	Effective interest rate (%)		Carrying amount	
Fixed rate instruments			Rupees	
Long term financing	**6% - 14.48%**	6% - 14.48%	**215,646,375**	226,759,921
			215,646,375	226,759,921

31.4 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 arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

32 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings.

There were no changes to the Company's approach to capital risk management during the year and the Company is not subject to externally imposed capital requirements.

33 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on December 09, 2010 has proposed a final cash dividend of Rs.1/ per share (i.e 10%) to its minority shareholders only (2009: Nil) for approval of the members at the Annual General Meeting to be held on January 31, 2011.

The financial statements for the year ended September 30, 2010 do not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the year ending September 30, 2011

34 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for comparison. Significant reclassifications made are as follows:

RECLASSIFICATION FROM COMPONENT	RECLASSIFICATION TO COMPONENT	Amount Rupees
Workers' profit participation fund	Other charges	10,157,912
Workers' welfare fund	Other charges	3,860,007

The above rearrangements / reclassifications do not affect retained earnings for the year ended 30 September 2008. Therefore, the balance sheet for the year ended 30 September 2008 has not been presented.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on December 09, 2010

36 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

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 **26th Annual General Meeting** of the Company to be held on **January 31, 2011** and at any adjournment thereof.

Signed:________________________day of______________________________________2011.

Witness

1) Name____________________________
   C.N.I.C No.________________________
   Address____________________________
   Signature__________________________

2) Name____________________________
   C.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.