



# PANGRIO SUGAR MILLS LTD.

## 27TH ANNUAL REPORT 2011

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## 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 **27th Annual General Meeting** of the Company will be held on **Monday, January 30, 2012 at 12.30 p.m.** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), Near Sidco Avenue Center, Opposite: Libra Autos CNG Pump, Maulana Deen Muhammad Wafai Road, Karachi to transact the following business:

1. To confirm the Minutes of the 26th Annual General Meeting of the Company held on January 31, 2011.
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, 2011.
3. To appoint Auditors of the Company for the year ending September 30, 2012 and fix their remuneration. The retiring Auditors, **M/s. Aslam Malik & Co.**, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To elect 9 (nine) Directors in accordance with the provisions of Section 178 of the Companies Ordinance 1984 for a term of three (3) years commencing January 29, 2012.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board,

**M. YUNUS ANSARI**  
Company Secretary

Karachi, January 05, 2012

### NOTES:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from **January 21, 2012 to January 30, 2012.** (both days inclusive).
2. In pursuance of Section 178 (1) of the Companies Ordinance 1984 the Board of Directors has fixed the number of elected Directors at 9 (nine). The names of retiring Directors, who are eligible for re-election, are as follows:

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

3. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.

Form of Proxies, in order to be valid, must be received at the Registered Office of the Company 48 hours before the scheduled time of Meeting. A Proxy must be a member of the Company.

4. Account holders and sub-account holders of CDC are requested to bring their original computerized National Identity Cards (CNIC) or Original Passports for the purpose of identification to attend the meeting.
5. Shareholders are requested to notify any change in address immediately.
6. Members having physical shares are requested to provide Copy of their CNIC/Passport.

## DIRECTORS' REPORT

### Dear Shareholders:

The directors are pleased to present the Company's Annual Audited Accounts and Financial Statements along with Auditors' Report thereon for the year ended September 30, 2011.

### GENERAL

The boilers were lighted on October 28, 2010 and crushing season commenced on November 26, 2010. But due to non-harvesting of cane by the growers, actual crushing could start only from December 19, 2010. The mills closed its crushing operations on March 31, 2011. Actual duration of the Season 2010-11 was, therefore, of 102 days.

The Government of Sindh raised the cane-support price from Rs.102/40 kg to Rs.127/40 kg for the Season 2010-11. Quality of cane in the zone of Pangrio Sugar Mills Limited being very poor, the overall recovery declined as compared to last year and as such the enhancement of cane support price of cane by the Sindh Government was a big setback. Besides, the mills had to look for cane from out-zone areas to supplement the cane supplies. Out zone supplies of cane were relatively expensive adding to the cost of cane abnormally.

PSML milled higher quantity of cane (47.11%) and produced higher quantity of sugar (40.78%) compared to last year. On Sindh basis, mills crushed 13.60 million tons of cane (18.47% higher than last season). All sugar-mills of Sindh produced 1.28 million tons of sugar compared to 1.095 million tons of sugar last year (17.43% higher). PSML achieved a sucrose recovery of 9.20% which was lower by 0.42% compared to last year for the reason already indicated earlier.

During August and September '2011, Sindh including Badin experienced worst kind of floods and rain devastating not only vast areas of cane but also damaged the factory premises.'

Factory engineers and technician are busy in salvaging the equipments and machines : we expect to completely overhaul and repair the plant by middle of November, 2011.

PSML's programme for promotion of cultivation of improved varieties of cane in the zone areas was badly hit and farmers lost almost entire cane in recent floods. The whole program is being reworked and re-planned by our Cane Department in consultation with the growers.

### OPERATING RESULTS

The operating results for 2010-11 along with 2009-10 are summarized as under :

<u>Particulars</u>	<u>2010-2011</u>	<u>2009-2010</u>
Season started	26-11-2010	15-11-2009
Season closed	31-03-2011	04-03-2010
Days worked	126	110
Sugarcane crushing (Tons)	253,279	172,177
"    "    (Maunds)	6,331,977	4,304,424
Sugar recovery ( % )	9.200	9.620
Sugar production (Tons)	23,293	16,546
Molasses recovery ( % )	4.848	4.662
Molasses production (Tons)	12,265	8,035

Operationally, the mills performed well but because of poor quality cane and higher cane cost per kg of sugar manufactured, on overall basis performance was not up to the mark.

### FINANCIAL RESULTS

Financial results for the year 2010-11 along with 2009-10 are summarized as under:

	<u>2010-2011</u> (Rs.)	<u>2009-2010</u> (Rs.)
Profit/(Loss) before taxation	( 41,363,122)	86,098,445
Provision for taxation	<u>( 14,159,439)</u>	<u>(10,697,175)</u>
Net Profit/(Loss) after taxation	( 55,522,561)	75,401,270
Accumulated loss brought forward	(613,472,980)	(688,874,250)
Dividend paid for the year 2010	(6,098,950)	-
Accumulated loss carried forward	<u><u>(675,094,491)</u></u>	<u><u>(613,472,980)</u></u>
Earning / (loss) per share – basic & diluted	(5.12)	6.95

The audited accounts of the company for the year under review show a gross loss of Rs.11.02 million compared to a gross profit of Rs.117.90 million during last year. The company recorded a net loss of Rs.55.52 million during the year under review compared to a net profit of Rs.75.40 million last year.

Dismal financial performance is attributable to about 50% rise in cost of sale (mainly cane-cost) during the year under review compared to 32% rise in net-sales. During the year, the company paid an amount of Rs.16.159 million to various financial institutions as per revised repayment schedule.

### SEASON 2011-2012

Season 2011-12 is going to be the most difficult season for Sindh Sugar industry and also for PSML. While cane acreage has been damaged in the lower Sindh particularly in Badin, but elsewhere crop condition are much better and overall sugarcane production in Sindh may surpass last year production. The situation in the Punjab is even better and Season 2011-12 has been forecast as sugar surplus year.

On the other hand market price of sugar is gradually falling locally as well as in world market. A price of \$ 500 to \$ 550 (FOB) per ton has been forecast for London white. Price in local market has come down to Rs.50/kg. With expected recovery of 8%, at Government Support price of Rs.154/40 kg, cane cost per kg of sugar produced comes to Rs.48.44. The mill management and Cane Department have to be very pragmatic in their cane procurement strategy.

### 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

Without qualifying their opinion in the matter, 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. It is well geared for continuity and procurement of sugarcane for the season 2011-12. It is well poised to start repayments as and when it reaches a settlement with BEL Syndicate either through the court or through negotiation.

### Non-confirmation of outstanding balances by BEL-Syndicate

The Auditors have reported that they did not receive responses by the members of BEL-Syndicate to their letters confirming balances outstanding in the Company's books. 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 ABL and has already started making repayments to them. However, for settlement with BEL & MCB 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. The next election of directors is due on 29th January, 2012.

## 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, 2012.

## 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 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 improvement over last year, but due to higher cane cost and lower recovery financial results were adversely affected.
- i. Key operating and financial data for last six (6) years in summarized form is annexed.
- j. Because of the loss for the year under review, the Company has not declared any dividend or issued Bonus Shares for the year.
- k. Outstanding taxes and levies are being accrued and paid as per law.
- l. Value of investments based on audited accounts of Provident Fund is Rs. 51.637 million.
- m. During the year, 4 ( four ) meetings of the Board of Directors were held. Attendance by each Director is as follows:

<u>Name of Director</u>	<u>No. of Meetings Attended</u>
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	2
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.

**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 AHMED**  
Chairman & Chief Executive

Karachi  
December 20, 2011



**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 Executives (whole time) Directors (including all allowances, benefits/perquisites, utilities etc.) along with transport and its maintenance for their official and personal use :

	<b>Annual Entitlement</b>			
	<u>w.e.f.</u>	<u>Amount</u> Rs.	<u>w.e.f.</u>	<u>Amount</u> Rs.
Mr. Aftab Ahmad Chairman & Chief Executive	May 24, 2007	2,000,000	June 10, 2009	4,000,000
Ms. Naheed Zaffar Mirza Director	June 02, 2008	1,000,000	May 19, 2011	1,500,000
Mr. Abbas Ally Agha Director	May 24, 2007	520,000	June 02, 2008	800,000

Monthly remunerations of Chief Executive and Executive Directors :

	<b>Monthly Remuneration</b>			
	<u>w.e.f.</u>	<u>Amount</u> Rs.	<u>w.e.f.</u>	<u>Amount</u> Rs.
Mr. Aftab Ahmad Chairman & Chief Executive	March 1, 2010	206,150	June 01, 2011	252,800
Ms. Naheed Zaffar Mirza Director	March 1, 2010	72,050	June 01, 2011	90,650
Mr. Abbas Ally Agha Director	March 1, 2010	37,950	June 01, 2011	48,800

**PATTERN OF SHAREHOLDINGS  
AS AT 30TH SEPTEMBER 2011**

Number of Share Holders	Shareholding From	To	Total Shares Held	Percentage
1730	1	100	163,628	1.51
368	101	500	122,239	1.13
373	501	1000	354,489	3.27
213	1001	5000	566,705	5.22
26	5001	10000	195,936	1.81
5	10001	15000	66,050	0.61
3	15001	20000	49,506	0.46
6	20001	25000	133,819	1.23
3	25001	30000	80,805	0.74
1	35001	40000	39,458	0.36
1	40001	45000	43,750	0.40
25	45001	50000	1,250,000	11.52
1	50001	55000	52,340	0.48
1	60001	65000	62,390	0.58
2	70001	75000	148,134	1.37
1	95001	100000	100,000	0.92
4	100001	105000	402,947	3.71
1	105001	110000	105,833	0.98
1	110001	115000	110,138	1.02
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
3	165001	170000	502,065	4.63
1	195001	200000	200,000	1.84
1	200001	205000	201,000	1.85
1	210001	215000	211,350	1.95
1	295001	300000	300,000	2.76
1	320001	325000	323,566	2.98
1	395001	400000	397,393	3.66
1	495001	500000	500,000	4.61
2	500001	505000	1,001,000	9.23
1	775001	780000	779,820	7.19
1	810001	815000	813,700	7.50
1	825001	830000	827,800	7.63
<b>2785</b>			<b>10,850,000</b>	<b>100</b>

## CATEGORIES OF SHAREHOLDINGS (30-09-2011) ADDITIONAL INFORMATION

Categories of Shareholders	Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>	-	-
<b>NIT and ICP</b>		
National Bank of Pakistan-Trustee Deptt, (more than 10%)	1,273,947	11.74
Investment Corporation of Pakistan (ICP)	167,700	1.55
National Investment Trust Ltd. (NIT)	29,182	0.27
	<b>1,470,829</b>	<b>13.56</b>
<b>Directors, CEO and their Spouse and minor Children.</b>		
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
	<b>320,500</b>	<b>2.95</b>
<b>Executives</b>	-	-
<b>Public sector companies and corporations</b>	-	-
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds.</b>		
Faysal Bank Limited	126,839	1.17
The Bank of Punjab (Treasury Division)	166,865	1.54
State Life Insurance Corp. of Pakistan.	162,800	1.50
Pakistan ReInsurance 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
	<b>559,254</b>	<b>5.15</b>
<b>Shareholders holding ten percent or more voting interest in the company.</b>		
- Also NBP Trustee Deptt. (above)		
<b>Others / Joint Stock Companies</b>		
Naem's Securities (Pvt) Ltd.	100	0.00
Sarfraz Mahmood (Pvt) Ltd.	100	0.00
Darson Securities (Pvt) Ltd. (LHR)	21,000	0.19
Darson Securities (Pvt) Ltd. (KHI)	4,496	0.04
Cliktrade Limited	500	0.00
Y.S Securities & Services (Pvt) Ltd	1,320	0.01
Stock Master Securities (Pvt) Ltd.	500	0.00
	<b>28,016</b>	<b>0.26</b>
<b>Individuals</b>	<b>8,471,401</b>	<b>78.08</b>
<b>TOTAL</b>	<b>10,850,000</b>	<b>100</b>

## **CORPORATE VISION / MISSION STATEMENT**

### ***VISION***

The Company, one of the leading sugar mills in Sindh, aims at producing international quality white refined sugar for local consumption and export purpose. Our vision is to transform PSML into a modern and dynamic industry, highly indulgent in the well being of the investors, workforce and the agriculture community of the area. We want to fully equip the company to play a meaningful role on sustainable basis in the economic and social development of the country and protect the environment.

### ***MISSION***

Our mission is to promote agriculture and to achieve operating & financial stability for our company. This would help us to have meaningful role for a sound and dynamic industrial system to achieve sustainable and equitable economic growth of the Country. We would like to transform the agriculture community of the area into an exemplary force to become a role model for others. We would endeavor to enhance the value of our shareholders, to provide a secure place of work to our employees and to be an ethical partner to all our business associates.

## SIX YEARS DATA AT A GLANCE

Rupees in Thousand

<u>PARTICULARS</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u> Restated	<u>2007</u>	<u>2006</u>
<b>FINANCIAL DATA</b>						
<b>1 Financial Position</b>						
Paid up Capital	Rs. 108,500	108,500	108,500	108,500	108,500	108,500
Accumulated (loss)/Profit	Rs. (675,094)	(613,473)	(688,874)	(872,712)	(874,771)	(850,565)
Surplus on Recalculation of Fixed Assets	-	-	-	71,712	79,679	88,171
Long term Loan	Rs. 84,843	91,616	92,005	70,000	92,166	87,727
Deferred Liabilities	Rs. 294,843	297,937	297,937	451,519	357,741	357,740
Fixed Assets (At Cost)	Rs. 560,150	551,220	550,771	550,974	531,205	531,204
Accumulated Depreciation	Rs. 491,617	485,591	478,940	472,188	370,942	354,017
Long term Advance/Deposits	Rs. 58	58	132	132	132	132
Current Assets	Rs. 362,451	204,345	162,631	100,789	57,209	37,702
Current Liabilities	Rs. 598,939	385,453	425,027	422,401	454,289	423,447
<b>2. INCOME</b>						
Sales	Rs. 1,411,945	1,069,717	391,987	620,521	481,890	671,444
Gross Profit/(Loss)	Rs. (11,024)	117,901	42,220	12,042	(19,006)	34,911
Other Income	Rs. 34,119	11,211	185,992	10,386	7,212	10
Pre-Tax (Loss)/Profit	Rs. (41,363)	86,098	189,140	2,059	(30,197)	(12,823)
Taxation	Rs. (14,159)	(10,697)	(5,302)	-	(2,500)	(3,500)
<b>3. STATISTICS AND RATIOS</b>						
Gross Profit/(Loss) to Sales	% (0.78)	11.02	10.77	1.94	(3.94)	5.10
Pre-Tax Profit/(Loss) to Sales	% (2.93)	8.05	48.25	0.33	(6.27)	(2.00)
Pre-Tax Profit/(Loss) to Capital	% (38.12)	79.35	174.322	1.90	(27.83)	(11.82)
Current Ratio	1:1.65	1:1.89	1:2.61	1:4.19	1:7.94	1:11.23
Paid - up Value per Share	Rs. 10	10	10	10	10	10
Earnings per Share	Rs. (5.12)	6.95	0.74	(0.75)	(3.01)	(0.86)
Cash Dividend	Rs.	6,098	-	-	-	-
Market Value Per Share	Rs. 2.75	5.35	5.04	6.89	10.40	7.60
<b>4. OPERATING DATA</b>						
Season Started	26-11-2010	15.11.2009	16.12.2008	17-11-2007	15.11-2006	03-12-2005
Season Closed	31-03-2011	04.03.2010	12.03.2009	06-04-2008	08.04.2007	13-03-2006
Days Worked	126	110	86	142	145	101
Sugarcane Crushed	M.T. 253,279	172,177	123,413	335,900	207,346	151,209
Sugarcane Crushed	Mds 6,331,977	4,394,424	3,085,331	8,397,488	5,183,643	4,051,245
Sugar Recovery	% 9.200	9.620	9.684	9.269	9.931	10.235
Sugar Production	M.T. 23,293	16,546	11,950	31,142	20,585	15,495
Molasses Recovery	% 4.848	4.662	4.518	4.930	4.663	4.303
Molasses Production	M.T. 12,265	8,035	5,575	16,560	9,665	6,520

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

Name of Company : **PANGRIO SUGAR MILLS LIMITED**  
Year Ended : **30th September, 2011**

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 and six non-executive directors), including the C.E.O. At present the Board includes one independent director representing financial institution.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company is 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 corporate strategy. A complete record of particulars of significant policies along with 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. Observations against the revised requirements of Orientation Courses/Directors Educational Program were made by listed companies in writing and also recorded in the round-table meetings arranged by SECP regarding proposed changes in the Code of Corporate Governance. Decision is still pending with SECP. However, SECP has extended the dead-line upto June 30, 2012 for acquiring certification under Directors' Educational Program at least by one director. 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 the stock exchanges.

10. There was no new appointment of C.F.O. and Company Secretary during the year under review. The Board approved the remuneration and terms & conditions of the Chief Internal Auditor, as determined by the CEO, who was appointed on 25th November, 2008.
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 endorse 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 Chairman/Chairperson, of whom 2 (two) are non-executive directors. Names of Committee Members are :

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

16. The meetings of the audit committee were held 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 the 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. The Company has complied with the requirements of the Code of Corporate Governance regarding transactions with related parties.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi  
December 20, 2011

**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, 2011** prepared by the Board of Directors of **Pangrio Sugar Mills Limited** ("the Company") to comply with the Listing Regulation 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 Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our 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 consider 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's corporate governance procedures and risks.

Further, Listing Regulation 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 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 the 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 Code of Corporate Governance as applicable to the Company for the year ended September 30, 2011.

Karachi:  
Dated: December 20, 2011

**(Aslam Malik & Co.)**  
Chartered Accountants  
**Engagement Partner:**  
**Mian Ahmed Hussain**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **PANGRIO SUGAR MILLS LIMITED** (the Company) as at **September 30, 2011**, 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 United Bank Limited, MCB Bank Limited, National Bank of Pakistan, Samba 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 ;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted and the expenditure incurred during the year 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, 2011, of the loss, its comprehensive loss, changes in equity and cash flows for the year then ended ; and
- (e) in our opinion, Zakat as deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the central zakat fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 1.2 in the financial statements which indicates that during the year the company has incurred a loss of Rs.55.52 million (2010: Profit Rs.75.401 million) and as at the balance sheet date the Company's equity is negative by Rs.566.59 million (2010: Rs.504.97 million), its accumulated loss amounted to Rs.675.09 million (2010: Rs. 613.47 million)and its current liabilities exceeded its current assets by Rs.236.49 million (2010: Rs.181.10 million). 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.

Karachi:  
Dated: December 20, 2011

**(Aslam Malik & Co.)**  
**Chartered Accountants**  
**Engagement Partner: Mian Ahmed Hussain**

## BALANCE SHEET AS AT SEPTEMBER 30, 2011

<u>ASSETS</u>		2011	2010
NON-CURRENT ASSETS	Note	Rupees	
Property, plant and equipment	4	49,521,720	65,629,633
Long term deposits		58,000	58,000
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	5	23,431,677	26,876,295
Stock-in-trade	6	202,730,751	134,044,900
Loan and advances	7	63,198,299	10,300,951
Trade deposits and short term prepayments	8	20,234,131	9,899,649
Other receivables	9	29,030,565	28,335
Taxation		19,823,576	7,496,345
Cash and bank balances	10	4,002,066	15,698,679
		<b>362,451,065</b>	<b>204,345,153</b>
<b>TOTAL ASSETS</b>		<b>412,030,785</b>	<b>270,032,786</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
12,000,000 ordinary shares of Rs. 10/- each		120,000,000	120,000,000
Issued, subscribed and paidup capital		108,500,000	108,500,000
10,850,000(2010:10,850,000) shares fully paid in cash		(675,094,491)	(613,472,980)
Accumulated losses		(566,594,491)	(504,972,980)
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing from:			
- Banks and financial institutions	11	14,843,276	21,615,994
- Related party - unsecured - interest free	12	70,000,000	70,000,000
Deferred liabilities	13	294,842,681	297,936,989
<b>CURRENT LIABILITIES</b>			
Current portion of long-term financing	14	121,819,200	126,676,497
Short term borrowings	15	22,595,369	22,595,369
Trade and other payables	16	379,139,537	174,223,807
Accrued markup on loans	17	48,568,661	49,299,997
Provision for taxation		26,816,552	12,657,113
		<b>598,939,319</b>	<b>385,452,782</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>412,030,785</b>	<b>270,032,785</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	18	-	-

The annexed notes from 1 to 35 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, 2011**

	Note	2011 —————	2010 ————— Rupees
<b>Sales - net</b>	19	1,411,944,995	1,069,717,466
<b>Cost of sales</b>	20	<u>(1,422,969,333)</u>	<u>(951,816,382)</u>
<b>Gross profit / (loss)</b>		(11,024,338)	117,901,084
<b>Operating expenses</b>			
Distribution		(2,765,641)	(1,663,038)
Administrative	21	(35,285,023)	(27,952,655)
		<u>(38,050,664)</u>	<u>(29,615,693)</u>
		(49,075,002)	88,285,391
Finance costs	22	(7,395,890)	(7,017,274)
Other income	23	34,119,053	11,211,416
Other charges	24	(19,011,283)	(6,381,088)
		<u>7,711,880</u>	<u>(2,186,946)</u>
<b>Profit / (loss) before taxation</b>		(41,363,122)	86,098,446
<b>Taxation</b>	25	(14,159,439)	(10,697,175)
<b>Net (loss) / profit for the period</b>		<u>(55,522,561)</u>	<u>75,401,270</u>
<b>(Loss) / earning per share - basic &amp; diluted</b>		<u>(5.12)</u>	<u>6.95</u>

The annexed notes from 1 to 35 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, 2011**

	<u>2011</u>	<u>2010</u>
	<u>Rupees</u>	
(Loss) / profit after taxation	(55,522,561)	75,401,270
Other comprehensive income	-	-
Total comprehensive income for the year transferred to equity	<u>(55,522,561)</u>	<u>75,401,270</u>

The annexed notes from 1 to 35 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, 2011**

	Share Capital	Accumulated Losses Rupees	Total
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	<u>108,500,000</u>	<u>(613,472,980)</u>	<u>(504,972,980)</u>
Balance as at October 1, 2010	<b>108,500,000</b>	<b>(613,472,980)</b>	<b>(504,972,980)</b>
Other comprehensive income	-	<b>(55,522,561)</b>	<b>(55,522,561)</b>
Final Dividend to the minority shareholders for the year 2010 @ 10%	-	<b>(6,098,950)</b>	<b>(6,098,950)</b>
Balance as at September 30, 2011	<u><b>108,500,000</b></u>	<u><b>(675,094,491)</b></u>	<u><b>(566,594,491)</b></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

## CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2011	2010
	Rupees	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	(41,363,122)	86,098,445
Adjustments for :		
Depreciation on property, plant and equipment	7,411,499	7,315,929
Impairment loss	19,011,283	-
Finance costs	7,395,890	7,017,274
Reversal of deferred liabilities	(3,094,308)	-
Imputed interest	(485,170)	(2,013,658)
Gain on disposal of property, plant and equipment	(634,968)	(210,363)
	29,604,226	12,109,182
Operating cash flow before movement in working capital	(11,758,896)	98,207,627
<b>Changes in working capital</b>		
Stores, spares and loose tools	3,444,618	(6,330,568)
Stock in trade	(68,685,851)	(11,824,538)
Loans and advances	(52,897,349)	(3,476,242)
Trade deposits and short-term prepayments	(10,334,482)	(3,668,325)
Other receivables	(29,002,230)	807,527
Trade and other payables	204,385,360	(36,430,903)
	46,910,066	(60,923,049)
<b>Cash generated by operations</b>	35,151,170	37,284,578
Finance costs paid	(3,147,924)	(7,199,272)
Income taxes paid	(12,327,231)	(2,846,014)
	(15,475,155)	(10,045,286)
<b>Net cash inflow from operating activities</b>	19,676,015	27,239,292
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(11,679,900)	(1,149,400)
Proceeds from disposal of property, plant and equipment	2,000,000	245,000
<b>Net cash outflow from investing activities</b>	(9,679,900)	(904,400)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(5,568,581)	-
Repayment of long term loans	(16,124,147)	(12,033,449)
<b>Net cash outflow from financing activities</b>	(21,692,728)	(12,033,449)
<b>Increase in cash and cash equivalents (A+B+C)</b>	(11,696,613)	14,301,443
<b>Cash and cash equivalent at beginning of the year</b>	15,698,679	1,397,236
<b>Cash and bank balances at end of the year</b>	4,002,066	15,698,679

The annexed notes from 1 to 35 form an integral part of these financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

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CHIEF FINANCIAL OFFICER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

### 1 STATUS AND NATURE OF BUSINESS

1.1 Pangrio Sugar Mills Limited is incorporated in Pakistan on June 12, 1984 as a public limited company under the Companies Ordinance, 1984. The registered office of the company is situated at 10th Floor, Building No.1, Lakson Square, Sarwar Shaheed Road, Karachi and the Mill is located at Deh Rejauri II, Taluka Tando Bago, District Badin in the province of Sindh. The company is currently listed on Karachi and Lahore Stock Exchanges. The principal activity of the company is manufacturing and sale of white sugar.

1.2 During the year the company has incurred a loss of Rs.55.52 million (2010: Profit Rs.75.401 million). As of the reporting date, company's equity is negative by Rs.566.59 million (2010: Rs.504.973 million), its accumulated loss amounted to Rs.675.09 million (2010: Rs.613.474 million) and its current liabilities exceeded its current assets by Rs.236.49 million (2010: Rs.181.107 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 where by 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 period the Company has paid the amount of Rs. 16.159 million as per the revised rescheduled terms of the finance to various financial institutions and is in the process of negotiation with other financial institutions to reschedule terms for the payment of outstanding amount. The Company has also paid full and final payment to HBL and has transferred Rs. 3.094 million from deferred liabilities to other income. 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, these financial statements have been prepared on going concern assumption.

1.3 During the year, the flood in the factory area situated in Badin Sindh, affected assets located inside factory premises and accordingly impairment amounting to Rs.19.01 million was recognised in respect of property, plant and equipment, disclosed in note 4 to the financial statements. Other assets such as stocks and stores were also affected against which appropriate provision for reprocessing costs/physical damage has been recognised in notes 5 and 6 to these financial statements. An amount of Rs.29 million has also been accepted by the insurer of the assets in factory premises and recognised as such in note 23 to the financial statements.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. 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 follows:

	<u>Note</u>
a) Useful life and residual values of property, plant and equipment	3.1
b) Provision for slow moving stores and spares	3.2
c) Provision for obsolete and slow moving inventories	3.3
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 October 2010, the Company has changed its accounting policies in the following areas:

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment was part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It did not have a material impact on the Company's financial statements.

- "IAS 7 (amendment), 'Statement of Cash Flows' is effective from January 1, 2010. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the company as it is only concerned with presentation and disclosures.
- IAS 39 (amendment); 'Cash flow hedge accounting' effective from July 1, 2010. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. It did not have any affect on the Company's financial statements.
- IAS 17 (amendment), 'Leases' is effective from January 1, 2010. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. The amendment provides clarification that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. A lease newly classified as a finance lease should be recognized retrospectively. Its adoption does not have any significant impact on the company's financial statements.
- IAS 36 (amendment), 'Impairment of Assets', is effective from January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The application of the amendment does not have any material impact on the company's financial statements.
- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The application of this amendment has no material impact on the company's financial statements.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' effective from July 1, 2010. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It is not expected to have an impact on the Company's financial statements.
- IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation could not have any impact 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 October 1, 2010 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 October 1, 2011 or later periods:

- IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012. This brings changes to the disclosure of items presented in other comprehensive income (OCI) in the 'Statement of Comprehensive Income'. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in future. The amendment will affect the presentation of the OCI items in the Company's financial statements.
- IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013. The amendment makes significant changes to the recognition and measurement of defined pension expense and termination benefits, and to disclosure for all employee benefits.
- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.
- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions' In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of the Company's arrangements that were not covered by that interpretation. The new guidance is not expected to have any impact on the Company's financial statements.
- IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to assess the full impact of IFRS 9.
- IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013. This standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC 12, 'Consolidation - separate purpose entities'. This standard is not expected to have any impact on the Company's financial statements.
- IFRS 11, 'Joint arrangements', effective for annual periods beginning on or after January 1, 2013. This standard brings in changes in definition of joint arrangements and reduces the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. This standard is not expected to have any impact on the Company's financial statements.
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013. This standard set out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11; it replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'; and requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard is not expected to have any impact on the Company's financial statements.
- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013. This standard explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. This standard is not expected to have any impact on the Company's financial statements.

### 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 2011 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 impairment, 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 relevant 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 & EQUIPMENT

	Leasehold 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													
<b>As at October-01, 2009</b>														
Cost	5,824,913	94,150,097	9,855,026	195,631,821	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	550,770,924
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	71,830,799
<b>Year ended September 30, 2010</b>														
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	1,112,648	410,620	552,115	5,424,425	27,978	71,830,799
Additions 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	65,629,633
<b>As at October-01, 2010</b>														
Cost	5,824,913	94,150,097	9,855,026	195,631,821	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	496,904	5,366,327	22,382	65,629,633
<b>Year ended September 30, 2011</b>														
Opening 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	65,629,633
Additions/transfer during the year	-	-	-	1,645,000	-	-	-	950,000	-	-	-	-	9,084,900	-
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-	-	-	(2,750,000)	-	(2,750,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	1,384,968	-	1,384,968
Net book value	-	-	-	-	-	-	-	-	-	-	-	(1,365,032)	-	(1,365,032)
Impairment loss (note 4.2)	-	(3,277,508)	-	(12,370,799)	(2,143,632)	(500,000)	-	-	(692,344)	-	(27,000)	-	-	(19,011,283)
Depreciation for the year	-	(815,926)	(113,921)	(2,614,887)	(1,128,813)	(510,812)	(171,853)	(53,942)	(100,138)	(86,231)	(49,690)	(1,760,809)	(4,476)	(7,411,499)
Closing net book value	5,824,913	4,065,823	1,025,289	11,574,429	8,015,683	4,097,312	1,546,680	1,197,982	208,901	201,203	420,214	11,325,386	17,906	49,521,720
<b>As at October 30, 2011</b>														
Cost	5,824,913	94,150,097	9,855,026	195,276,821	126,921,396	69,930,238	19,556,836	4,494,550	4,317,367	3,563,179	5,513,597	20,289,202	457,000	560,150,222
Accumulated depreciation	-	(86,806,766)	(8,829,737)	(171,331,593)	(116,762,081)	(65,332,926)	(18,010,156)	(3,296,568)	(3,416,122)	(3,361,976)	(5,066,384)	(8,963,816)	(439,094)	(491,617,219)
Impairment losses	-	(3,277,508)	-	(12,370,799)	(2,143,632)	(500,000)	-	-	(692,344)	-	(27,000)	-	-	(19,011,283)
Net book value	5,824,913	4,065,823	1,025,289	11,574,429	8,015,683	4,097,312	1,546,680	1,197,982	208,901	201,203	420,214	11,325,386	17,906	49,521,720
<b>Annual rates of depreciation</b>	0%	10%	10%	10%	10%	10%	10%	10%	10%	30%	10%	20%	20%	20%

		2011	2010
		Rupees	
<b>4.1</b>	<b>Allocation of Depreciation</b>		
	Cost of sales	5,442,443	5,937,449
	Administrative expenses	1,969,056	1,378,480
		<u>7,411,499</u>	<u>7,315,929</u>
<b>4.2</b>	This represents impairment losses arising due to damages occurring to the factory area and assets within the factory premises due to flood in the Badin Region during the month of September 2011.		
<b>5</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	18,172,422	15,329,722
	Spares	13,136,671	12,178,753
	Loose tools	758,724	377,943
		<u>32,067,817</u>	<u>27,886,418</u>
	Less: Provision against slow moving items/obsolescence (note 5.1)	<u>(8,636,140)</u>	<u>(1,010,123)</u>
		<u>23,431,677</u>	<u>26,876,295</u>
<b>5.1</b>	An amount of Rs.7,626,017 was provided during 2011 arising due to damages occurring to stores items in the factory premises affected by flood during the month of September 2011.		
<b>6</b>	<b>STOCK IN TRADE</b>		
	Sugar in process	4,196,179	-
	Finished sugar	199,767,072	134,044,900
	Less: provision for reprocessing costs in respect of damaged stock	<u>(1,232,500)</u>	<u>-</u>
		<u>202,730,751</u>	<u>134,044,900</u>
<b>6.1</b>	This includes stock which is damaged due to flood in the area, due to which reprocessing cost is estimated to be Rs. 1.232 million, accepted by insurer of the property / assets (note 23.1).		
<b>6.2</b>	The cost of inventories recognised as expense due to lower of market value of stocks in hand in and included in 'cost of sales' amounted to Rs. 18.294 million (2010: Nil).		
<b>7</b>	<b>LOANS AND ADVANCES</b>		
	Related parties:		
	Employees - considered good	5,050,042	3,756,189
	Employees - considered doubtful	1,501,033	1,501,033
		6,551,075	5,257,222
	Less: Provision for doubtful loans and advances	<u>(1,501,033)</u>	<u>(1,501,033)</u>
		5,050,042	3,756,189
	Advances to:		
	Growers - considered good	58,148,257	6,544,761
	Growers - considered doubtful	34,544	34,544
		58,182,801	6,579,305
	Less: Provision for doubtful loans and advances	<u>(34,544)</u>	<u>(34,544)</u>
		<u>58,148,257</u>	<u>6,544,761</u>
		<u>63,198,299</u>	<u>10,300,951</u>

**8 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**

	2011	2010
	Rupees	
Trade deposits - considered good		
Transport contractors	280,655	280,655
Suppliers	16,369,924	5,089,189
Expenses	2,677,111	1,845,315
	<b>19,327,690</b>	7,215,159
Trade deposits - considered doubtful		
Suppliers	941,246	941,246
Expenses	483,864	483,864
	<b>1,425,110</b>	1,425,110
Less: Provision for doubtful trade deposits	<b>(1,425,110)</b>	<b>(1,425,110)</b>
Prepayments	<b>906,441</b>	2,684,490
	<b>20,234,131</b>	<b>9,899,649</b>

**9 OTHER RECEIVABLE**

	2011	2010
	Rupees	
From provident fund	-	7,770
Other	30,565	20,565
Insurance claim receivable (note 23.1)	<b>29,000,000</b>	-
	<b>29,030,565</b>	<b>28,335</b>

**10 CASH AND BANK BALANCES**

Cash at banks		
- current accounts	3,925,546	15,605,244
Cash in hand	76,520	93,435
	<b>4,002,066</b>	<b>15,698,679</b>

**11 LONG TERM FINANCING**

**Banking and financial institutions - secured , interest free**

						2011	2010
	Note	Mark - up rate p.a.	Contracted Cash flows	Installments		(Rupees)	
				Number	Commencing from		
<b>Long term finance utilised under mark-up arrangements:</b>							
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	11.2	Mark up free	2,528,952	8 quarterly	Apr-11	2,293,061	4,371,933
United Bank Limited	11.3	Mark up free	6,412,415	10 quarterly	Apr-10	5,960,345	9,878,160
National Bank of Pakistan	11.4	4% cost of fund	19,896,000	8 quarterly	Jun-09	16,371,610	18,532,305
Habib Bank Limited	11.5	Mark up free	-	14 quarterly	Nov-09	-	3,472,633
						<b>134,016,360</b>	145,646,375
Less: Current portion shown under current liabilities						<b>9,781,740</b>	10,267,104
Overdue portion shown under current liabilities						<b>109,391,344</b>	113,763,277
						<b>119,173,084</b>	124,030,381
						<b>14,843,276</b>	21,615,994

- 11.1 In the year 2000 the BEL-led syndicate including ABL, UBL and NBP (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 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 ABL has separately restructured its loan for repayment in 8 quarterly installment without any interest in quarterly installment of Rs. 0.421 million. The Company has made down payment of Rs. 1 million and two installment of Rs. 0.421 million each, the balance reflects the amount of loan amortized @ 14.35% per annum using two year KIBOR at the agreement date.
- 11.3 UBL has separately restructured its loan for repayment in 10 quarterly installment without any interest in quarterly installment of Rs. 1.282 million. The Company has made five installments of Rs. 1.282 million each, the balance reflects the amount of loan amortized @ 13.21% per annum using two year KIBOR at the agreement date.
- 11.4 NBP has also separately restructured all its loans for repayment over a period of seven years in 14 half yearly installments with cost 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.
- 11.5 The company has paid full and final payment to HBL and has transferred Rs. 3.094 million from deferred liabilities to other income.

#### 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.

		2011	2010
		Rupees	
<b>12</b>	<b>RELATED PARTY - UNSECURED - INTEREST FREE</b>	<u>                    </u>	<u>                    </u>
	Long term loan received from related party	12.1	70,000,000
		<u>70,000,000</u>	<u>70,000,000</u>
12.1	The loan is obtained from related parties and are interest free with no fixed repayable terms.		
		2011	2010
<b>13</b>	<b>DEFERRED LIABILITIES</b>	Rupees	
	Staff gratuity	13.1	3,929,807
	Quality premium	13.2	93,778,123
	Banking companies	13.3	197,134,751
		<u>294,842,681</u>	<u>200,229,059</u>
		<u>294,842,681</u>	<u>297,936,989</u>
<b>13.1</b>	<b>Staff Gratuity</b>		

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 Banking companies	2011	2010
	————— Rupees —————	—————
Bankers equity limited	85,613,994	85,613,994
United Bank limited	811,250	811,250
MCB Bank limited	2,037,307	2,037,307
National Bank of Pakistan	108,089,376	108,089,376
Allied Bank limited	582,824	582,824
Habib Bank limited	-	3,094,308
	<u>197,134,751</u>	<u>200,229,059</u>

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 installments, 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 amount of Rs. 153.58 million and 3.09 million from banks namely NBP and HBL respectively have been transferred to income based on final settlement and remaining amount of Rs. 197.135 million is still in the books.

The agreement 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 ABL, NBP and HBL. During the year the company has fully settled with HBL and accordingly the amount has been transferred to P&L. The management is confident that the agreements with remaining banks will be signed soon.

14 CURRENT PORTION OF LONG TERM LIABILITIES	2011	2010
	————— Rupees —————	—————
Cash finance	2,646,116	2,646,116
Payable within one year	9,781,740	10,267,104
	<u>12,427,856</u>	<u>12,913,220</u>
Overdue portion	109,391,344	113,763,277
	<u>121,819,200</u>	<u>126,676,497</u>

14.1 The bank ( Samba Bank Ltd) has filed suit for recovery of Rs. 50.925 million against which the court has given decree of Rs. 32.40 million, the bank filed for the execution of decree. However, on 26 July 1999 the Company reached out of Court settlement and issued post dated cheques in this respect. As at the balance sheet date, the amount represents the outstanding balance of the above decree. The said execution has been transferred from Sindh High Court to Banking Court 1 for final disposal at the end. The matter is pending in Court vide application 78/2005. The Legal Council of the company is confident that the amount payable is not more than the booked liability and hence no further markup has accordingly been charged.

**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 Crescent Commercial Bank Limited formerly Doha Bank Limited) on behalf of the company for central excise duty which was encashed by the Department. The bank has filed a suit bearing No. 1400/05 for recovery of Rs. 52.380 million inclusive of bank guarantee amounting to Rs. 21.236 million and mark up @ 21% from June 1998 to May 2005 amounting to Rs. 31.144 million in the High Court of Sindh. PSML has filed an application under order 7 Rule 11 CPC, praying therein that the suit being time barred be dismissed according to law. As at the balance sheet date, the company has booked liability of Rs. 70.89 million (48 million in accrued markup refer note 17) and has stopped further recording of markup based on the opinion of the legal council that the liability is not more than the amount recorded. The suit is pending adjudication. Now Samba Bank Ltd has taken over Crescent Commercial Bank Limited.

16 TRADE AND OTHER PAYABLES	2011	2010
	Rupees	
Creditors	3,612,004	6,012,830
Accrued liabilities	15,556,820	15,482,203
Road cess	2,430,788	3,030,657
Advance against sale	228,333,522	94,591,104
Growers liabilities	123,928,323	40,209,110
Surcharge	-	6,355,792
Income tax	391,524	281,310
Unclaimed dividend	674,270	143,900
Sales tax	4,178,133	1,257,481
Workers' profit participation fund	-	4,623,977
Workers' welfare fund	-	1,757,111
Others	34,153	478,332
	379,139,537	174,223,807

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 required legal formalities by their legal heirs.

	2011	2010
	Rupees	
<b>16.2 Workers' profit participation fund</b>		
Opening balance	4,623,977	10,157,912
Interest on outstanding balance	368,905	513,462
Allocated for the period	-	4,623,977
Payments during the period	(4,992,882)	(10,671,374)
	<u>-</u>	<u>4,623,977</u>
<b>17 ACCRUED MARKUP ON LOANS</b>		
Long term financing	314,063	1,045,399
Short term borrowings	15.1 48,254,598	48,254,598
	<u>48,568,661</u>	<u>49,299,997</u>

## 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 2004-2011 except for 2007-08 and the resultant aggregate extra liability on account of various subsidies born by it amounted to Rs.1,282.93 million that absorbed the quality premium for the said years of Rs.213.92 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.

	2011	2010
	Rupees	
<b>19 SALES - net</b>		
Sugar	1,384,431,895	1,043,112,600
Molasses	105,137,500	73,683,500
	<u>1,489,569,395</u>	<u>1,116,796,100</u>
Less: direct taxes leived and brokerage	(77,624,400)	(47,078,634)
	<u>1,411,944,995</u>	<u>1,069,717,466</u>

20	COST OF SALES	Note	2011	2010
			Rupees	
	Sugar cane consumed		1,340,944,239	853,996,237
	Packing material		8,584,399	5,050,974
	Road cess		1,582,994	1,076,106
	Salaries, wages and benefits	20.1	65,062,672	54,712,793
	Fuel and power		7,041,388	6,966,313
	Stores and spares consumed		36,100,156	21,086,550
	Repairs and maintenance		603,718	363,923
	written off store obsolete items	5.1	7,626,017	-
	Insurance		3,860,796	3,507,496
	Traveling		2,600,455	2,084,528
	Telephone and postage		225,714	184,679
	Vehicles running & maintenance		5,600,112	4,166,405
	Depreciation	4.1	5,442,443	5,937,449
	Freight handling and mud removal		2,380,566	2,025,305
	Others		3,999,515	2,482,163
	Cost of goods manufactured		<u>1,491,655,184</u>	<u>963,640,920</u>
	Add: Opening Stock			
	Finished sugar		134,044,900	122,220,362
	Less: Closing Stock			
	Finished sugar		(198,534,572)	(134,044,900)
	Sugar in process		(4,196,179)	-
			<u>(202,730,751)</u>	<u>(134,044,900)</u>
			<u>1,422,969,333</u>	<u>951,816,382</u>

20.1 This includes an amount of Rs. 1.496 million (2010: Rs. 1.262 million) in respect of staff retirement benefits.

21	ADMINISTRATIVE EXPENSES	Note	2011	2010
			Rupees	
	Directors' remuneration		5,081,677	3,572,175
	Salaries, wages and benefits	21.1	12,447,186	9,975,541
	Electricity, gas and water		1,494,508	1,419,287
	Repairs and maintenance		2,391,964	1,253,973
	Insurance		706,428	610,679
	Rent, rates and taxes		333,962	153,399
	Traveling		529,677	469,325
	Printing and stationery		781,675	664,193
	Auditor's remuneration	21.2	532,500	532,500
	Legal and professional		654,500	777,200
	Vehicles running & maintenance		5,183,302	3,825,997
	Telephone and postage		1,376,373	1,106,046
	Fees and subscription		972,793	674,046
	Advertisement		51,750	28,000
	Depreciation		1,969,056	1,378,480
	Provision for bad debts written off		-	973,823
	General expenses		777,672	537,991
			<u>35,285,023</u>	<u>27,952,655</u>



21.1 This includes an amount of Rs. 0.418 million (2010 : Rs. 0.341 million) in respect of staff retirement benefits.

21.2 Auditors' remuneration	2011	2010
	Rupees	
Audit fee	375,000	375,000
Other services		
-half yearly review of financial statement	120,000	120,000
-review of compliance with Code of Corporate Governance	37,500	37,500
	<u>532,500</u>	<u>532,500</u>

## 22 FINANCE COSTS

Markup on long term financing	4,285,746	1,613,010
Interest on workers' profits participation fund	368,905	513,462
Bank charges	2,741,239	1,957,241
Unwinding of Interest	11	2,933,561
	<u>7,395,890</u>	<u>7,017,274</u>

## 23 OTHER INCOME

Scrap sales	693,903	340,075
Gain on disposal of property, plant and equipment	634,968	210,363
Bad debts recovered	-	4,900,000
Other income	210,704	210,098
Waiver of accrued markup	3,094,308	3,537,222
Imputed income	11	2,013,658
Insurance claim receivable	23.1	29,000,000
	<u>34,119,053</u>	<u>11,211,416</u>

23.1 This represents insurance claim accepted by insurers of factory property area in respect of damages caused to the assets in factory premises as a result of flood in Badin Region in September 30, 2011. Assets affected include fixed assets, stock-in-trade and stores and spares.

24 OTHER CHARGES	2011	2010
	Rupees	
Workers' profits participation fund	-	4,623,977
Workers' welfare fund	-	1,757,111
Impairment losses arising due to flood in the factory area(note 4.2)	19,011,283	-
	<u>19,011,283</u>	<u>6,381,088</u>

## 25 PROVISION FOR TAXATION

Current		
for the year	(14,159,439)	(10,697,175)
for prior years	-	-
	<u>(14,159,439)</u>	<u>(10,697,175)</u>

**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 2011 (Income year September 30, 2010).

**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.

**26 PLANT CAPACITY AND PRODUCTION**

	<u>2011</u>	<u>2010</u>
Crushing capacity (Metric Tons based on 180 days of production)	648,000	648,000
Actual crushing (Metric Tons)	253,279	172,176
Percentage of crushing capacity attained	39.09%	26.57%
Number of days of production	126	10
Sugar capacity (Metric Tons based on 180 days of production)	42,600	42,600
Production of sugar (Metric Tons)	23,293	16,545
Percentage of capacity attained	54.68%	38.84%

**Reasons for shortfall:**

Non-availability of sugar cane in the area.

**27 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

PARTICULARS	2011			2010		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
	Rupees					
Remuneration	2,301,238	1,220,663	3,521,901	1,496,000	797,500	2,293,500
House rent	995,650	564,126	1,559,776	822,050	615,950	1,438,000
Utilities	148,878	166,245	315,123	214,156	115,500	329,656
Others	279,321	323,861	603,182	195,065	162,516	357,581
Meeting fee	-	46,000	46,000	-	34,000	34,000
<b>TOTAL</b>	<b>3,725,087</b>	<b>2,320,895</b>	<b>6,045,982</b>	<b>2,727,271</b>	<b>1,725,466</b>	<b>4,452,737</b>
<b>NO. OF PERSONS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>3</b>

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	<b>EARNINGS PER SHARE</b>	2011	2010
		Rupees	
	<b>BASIC</b>		
	Profit / (loss) after taxation -	(55,522,561)	75,401,270
	Weighted average number of ordinary shares	10,850,000	10,850,000
	Earning / (loss) per share - Rupees	(5.12)	6.95

**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.

<b>Details of transactions with related parties are as follows:</b>	2011	2010
	Rupees	
<u>Transactions during the year</u>		
Contribution to staff provident fund	1,914,000	1,603,000
<u>Payable / (Receivable) as on balance sheet date with:</u>		
Workers' profit participation fund	-	4,623,977
Employees' provident fund trust	-	(7,770)

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

30 **FINANCIAL INSTRUMENTS****Financial instruments by category**

<b>FINANCIAL ASSETS</b>	2011	2010
	Rupees	
<b>Loans and receivables</b>		
Long term deposits	58,000	58,000
Loan and advances	63,198,299	10,300,951
Trade deposits and short term prepayments	20,234,131	9,899,649
Other receivable	29,030,565	28,335
Cash and bank balances	4,002,066	15,698,679
	<b>116,523,061</b>	<b>35,985,613</b>

FINANCIAL LIABILITIES AT AMORTIZED COST	2011	2010
	Rupees	
Long-term financing	134,016,360	145,646,375
Trade and other payables	379,139,537	174,223,807
Accrued markup on finances	48,568,661	49,299,997
Short term borrowings	22,595,369	22,595,369
	<u>584,319,927</u>	<u>391,765,548</u>

### 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:

	2011	2010
	Rupees	
Loan and advances	63,198,299	10,300,951
Trade deposits and short term prepayments	20,234,131	9,899,649
Other receivable	29,030,565	28,335
Bank balances	3,925,546	15,605,244
	<u>116,388,541</u>	<u>35,834,179</u>

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

	2011	2010
	Rupees	
A1+	1,556,145	9,181,234
A - 1 +	2,369,402	6,424,011
	<u>3,925,547</u>	<u>15,605,244</u>

### 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):

	2011			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
<b>Non-Derivative Financial liabilities</b>				
Long-term financing	206,662,476	210,874,827	119,173,084	91,701,743
Trade and other payables	379,139,537	379,139,537	379,139,537	-
Short term borrowings	22,595,369	22,595,369	22,595,369	-
Accrued markup on finances	48,568,661	48,568,661	48,568,661	-
	<b>656,966,043</b>	<b>661,178,394</b>	<b>569,476,651</b>	<b>91,701,743</b>
	2010			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
<b>Non-Derivative Financial liabilities</b>				
Long-term financing	218,292,491	223,387,624	124,030,381	99,357,243
Trade and other payables	174,223,807	174,223,807	174,223,807	-
Short term borrowings	22,595,369	22,595,369	22,595,369	-
Accrued markup on finances	49,299,997	49,299,997	49,299,997	-
	<b>464,411,664</b>	<b>469,506,797</b>	<b>370,149,554</b>	<b>99,357,243</b>

### 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:

	2011	2010	2011	2010
	Effective interest rate (%)		Carrying amount	
			Rupees	
<b><u>Fixed rate instruments</u></b>				
Long term financing	6% - 14.96%	6% - 14.48%	206,662,476	218,292,491
			<u>206,662,476</u>	<u>218,292,491</u>

### 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 RECLASSIFICATION

Previous year figures has been rearranged or/ and reclassification, where necessary, for the purpose of comparison in the financial statements. For better presentation reclassification made in the financial statements were as follows:

Reclassification from componenet	Reclassification to componenet	Amount
Deferred liailities	Cash finance	2,646,116

The above rearrangements/ reclassifications do not affect retained earnings for the year ended 30 September 2010. Therefore, the balance sheet for the year ended 30 September 2010 has not been presented.

**34 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized by the Board of Directors of the Company for issue on December 20, 2011.

**35 GENERAL**

Figures have been rounded off to the nearest rupee.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER





FORM OF PROXY

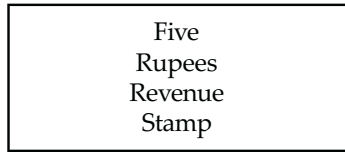
The Secretary,
PANGRIO SUGAR MILLS LIMITED
10th Floor, Building No. 1,
Lakson Square, Sarwar Shaheed Road,
Karachi-74200.

I/We \_\_\_\_\_ S/o \_\_\_\_\_
CNIC \_\_\_\_\_ 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 \_\_\_\_\_ S/o \_\_\_\_\_
CNIC \_\_\_\_\_ Folio No. / CDC A/C. No. \_\_\_\_\_
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
27th Annual General Meeting of the Company to be held on January 30, 2012 or at any
adjournment thereof.

Signed: \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Witness

- 1) Name \_\_\_\_\_
C.N.I.C No. \_\_\_\_\_
Address \_\_\_\_\_
Signature \_\_\_\_\_
2) Name \_\_\_\_\_
C.N.I.C No. \_\_\_\_\_
Address \_\_\_\_\_
Signature \_\_\_\_\_



(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.