# PANGRIO SUGAR MILLS LTD.

# 25TH ANNUAL REPORT 2009

# COMPANY PROFILE

BOARD OF DIRECTORS:

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

AUDIT COMMITTEE:

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

CHIEF FINANCIAL OFFICER:
MR. TAHIR MAHMOOD

COMPANY SECRETARY:
MR. MUHAMMAD YUNUS ANSARI

LEGAL ADVISOR:
MR. GHULAM QADIR ZARGAR

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

BANKERS TO THE COMPANY:
ALLIED BANK LIMITED
UNITED BANK LIMITED
SAMBA BANK LIMITED
HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN
BANKERS EQUITY LIMITED
MCB BANK 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 25th Annual General Meeting of the Company will be held on Saturday, January 30, 2010 at 11.00 a.m. at the Auditorium of The Pakistan Institute of International Affairs (PIIA), Near Sidco Avenue Centre, opposite Libra Autos CNG Pump, Maulana Deen Muhammad Wafai Road, Karachi to transact the following business:

1. To confirm the Minutes of the 24th Annual General Meeting of the Company held on January 29, 2009.
2. To receive, consider and adopt the Annual Audited Accounts of the Company alongwith Directors' and Auditors' Reports thereon for the year ended September 30, 2009.
3. To appoint Auditors of the Company for the year ending September 30, 2010 and fix their remuneration. The retiring Auditors, M/s. Aslam Malik & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board,

M. YUNUS ANSARI
Company Secretary

Karachi, January 06, 2010

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, 2010 to January 30, 2010 (both days inclusive).
2. 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.
3. Account holders and sub-account holders of CDC are requested to bring their original National Identity Cards/Passports for the purpose of identification to attend the meeting.
4. Shareholders are requested to notify any change in address immediately.

# DIRECTORS' REPORT

Dear Shareholders:

The directors are pleased to present the Company's Annual Audited Accounts and Financial Statements with Auditors' Report thereon for the year ended September 30, 2009.

## GENERAL

Crushing Season 2008-09 will be recorded in the industry's history as one of the most difficult seasons because of sugarcane shortage followed by complete disruption of sugar sales network. During previous season 2007-08, a quantity of 16.737 million tons of sugarcane was made available to the mills in Sindh. However, during the year under review, only 10.148 million tons of cane was made available for crushing, signifying a shortage of about 40%. Resultantly, there was a price-war for grabbing cane and cane price surged to Rs.135 to Rs.150 per 40 kg against the support price of Rs.81 per 40 kg.

Sugar scenario was also already affected by world sugar deficit particularly in India. India was facing a shortage of about 7.00 million tons. Sugarcane crop position in China and Thailand was also weak.

Government had relaxed the start of crushing season from October 1, 2008 to November 1, 2008 due to sugarcane shortage and immature cane. Although the boilers were fired on November 10, 2008, the mill could start crushing as late as December 16, 2008 because of non-harvesting of cane by the farmers who were anticipating increase in cane prices. Similar were the cases with adjoining mills of Badin and Southern Sindh. Our mill could not become regular during entire crushing season because of inconsistent cane supplies.

Another significant feature of the season was the rising market prices of sugar. From the close of January 2009 the price of sugar kept on increasing and reached Rs.35 per kg in May which further increased to Rs.42 per kg during June 2009.

On overall basis, company's performance was satisfactory during the year under review.

The Company has established a Biological Control Laboratory with the help of Nuclear Research Institute, Tandojam at a cost of Rs.10 lacs. Programmes included the mass rearing of the parasitoids/predators in the laboratory and their inundative releases in the sugarcane fields through trichograme cards to control pests.

PSMA Sindh Zone and our company remained engaged with Government Quality Control Department and Sindh Ministry of Environment with regard to issues of maintaining the quality of sugar produced and avoiding environmental degradation. PSMA Centre also participated in matters relating to quality standard. However, final issue of notices are still awaited. The company also submitted an environmental management plan to the Provincial Ministry as per their directive but their comments have not yet been received.

## OPERATING RESULTS

The operating results for the Season 2008-09 are given below :

| **Particulars** | **2008-2009** | **2007-2008** |
|---|---|---|
| Season started | 16-12-2008 | 17-11-2007 |
| Season closed | 12-03-2009 | 06-04-2008 |
| Days worked | 86 | 142 |
| Sugarcane crushing (Tons) | 123,413 | 335,900 |
| " " (Maunds) | 3,085,331 | 8,397,488 |
| Sugar recovery ( % ) | 9.684 | 9.269 |
| Sugar production (Tons) | 11,950 | 31,142 |
| Molasses recovery ( % ) | 4.518 | 4.930 |
| Molasses production (Tons) | 5,575 | 16,560 |

It will be noted that season lasted for only 86 days compared to 142 days of 2007-08. Sugarcane crushed and sugar produced, both show marked decline during the year under review. The mills crushed 123,413 tons of cane during the season compared to 335,900 tons of cane crushed during 2007-08. Sugar produced during 2008-09 was only 11,950 tons compared to 31,142 tons produced during previous season. Sucrose recovery achieved was marginally better at 9.68% compared to sucrose recovery of 9.27% achieved during last year. Molasses production during the year under review was only 5,575 tons compared to 16,560 tons of last year.

| FINANCIAL RESULTS | 2008-2009 (Rs) | 2007-2008 (Rs) (Restated) |
|---|---|---|
| Profit/(Loss) for the year | 203,158,243 | 2,058,711 |
| Workers' Profit Participation Fund | (10,157,912) | - |
| Workers' Welfare Fund | (3,860,007) | - |
| Profit/(Loss) before taxation | 189,140,324 | 2,058,711 |
| Provision for taxation | (5,302,486) | - |
| Net Profit/(Loss) for the year | 183,837,838 | 2,058,711 |
| Accumulated loss brought forward | (872,712,088) | (874,770,799) |
| Accumulated loss carried forward | (688,874,250) | (872,712,088) |
| Earning per share – basic & diluted | 16.94 | 0.19 |
| Earning/(loss) per share after excluding the effect of debt extinguishment | 0.74 | (0.75) |

It is a healthy sign that the company's audited accounts for the year under review show a marked improvement. Company posted a gross profit of Rs.42,219,770 for the year ended September 30, 2009 and a net profit of Rs.183,837,838 compared to gross profit of Rs.12,042,266 (restated) and net profit of Rs.2,058,711 (restated) respetively for the last year.

The net profit for the year includes an amount of Rs.153.581 million due to reversal of deferred liabilities now treated as income after full and final payments of long term liabilities of banks under Circular 29. The healthy financial performance of the company during the year, dispels the doubt that company is not a going concern.

During the year under review, the company has adjusted carrying amounts of certain fixed assets in order to adopt a uniform policy for all fixed assets under cost model whereby all of the fixed assets owned by the company are now stated at cost less accumulated depreciation as stated in Note No.4.3. The financial effects have been accounted for retrospectively. The management asserts that this policy provides, reliable and more relevant information because it deals more accurately with the components of property, plant and equipment.

## SEASON 2009-2010

Season 2009-10 is also a year of sugarcane shortage. In terms of acreage 17% less cane has been cultivated but availability of cane may be equal to last year because of better crop-condition.

Now that farmers got good price of cane, Autumn 2009 plantations have considerably increased which may help the industry in next season i.e. 2010-2011. Our company has also helped farmers with providing them seeds of improved varieties of sugarcane.

It all depends how price of sugar behaves in the market. World market of sugar gives a bullish trend. If the market prices of sugar remain favourable, the company will experience another good year.

## HEALTH, SAFETY AND ENVIRONMENT

Appropriate facilities existed for safeguarding the health of employees in accordance with the Factories Act 1948 and National Environment Quality Standard (N.E.Q.S.) for Sugar Industry.

INFORMATION TECHNOLOGY

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

AUDIT REPORT

The Auditors have qualified their Audit Report for the year ended September 30, 2009. Their concern is addressed to the shareholders so that matters and their impact are mitigated:

(a) Going Concern

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

(i) During the year under review the operational activities of the company has improved and the company has earned a net profit of Rs.183.838 million, which includes an amount of Rs.153.581 million due to reversal of deferred liabilities (refer Note No.7.3), now treated as income after full and final payments of long term liabilities of banks under Circular 29. Due to this profit, the accumulated loss of the company has reduced by a considerable margin of Rs.183.838 million, bringing down the accumulated loss to Rs. 688.874 million from the previous Rs. 872.712 million. The accumulated losses and liabilities will be further reduced, if the company gets a few good seasons.

The remaining portion of Rs.200 million of deferred liability (out of the total of Rs.353.581 million) will be reversed and treated as income after full and final payment of the dues of remaining banks and will be set off against accumulated loss. Thus, the accumulated loss of the company will further reduce.

(ii) Against the order of High Court of Sindh in respect of payment of Quality Premium, PSMA has filed an appeal in the Supreme Court of Pakistan, on behalf of the affected sugar mills, in which our company is also a party. It is expected that the decision of the Supreme Court will be in favour of the company, which will result in reversal of Rs.93.81 million, refer Note No. 7.2.

(iii) The management is continuously endeavoring to keep the company operational year after year despite adverse conditions of prior years. The company has started operation in the current season i.e. 2009-2010, and expects that the year would see improvement.

(b) Non-receipt of dues confirmation from banks

As regards the second qualification of the Auditors, it is informed that the company is in litigations in the court of law with some of the banks and this may be the reason for not sending balance confirmation of their dues directly to the Auditors by these banks.

BOARD OF DIRECTORS

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

AUDITORS

The present auditors – M/s. Aslam Malik & Co., Chartered Accountants, retire and being eligible, have offered their services for re-appointment for the ensuing year. The Audit Committee has recommended for their re-appoinment for the year ending September 30, 2010.

## CODE OF CORPORATE GOVERNANCE

The Company has adopted the Code of Corporate Governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the major mandatory provisions and welcome the goverment 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 except for the changes as stated in Note No.4.3, and accounting estimates are based on reasonable and prudent judgment.

d. International Accounting Standards, as applicable in Pakistan have been followed in preparation of finacial statements and any departure therefrom has been adequately disclosed.

e. The system of internal control, which was in place, is sound in design and has been effectively implemented and monitored. However, it is being continuously reviewed by internal audit and other officers handling such procedures. The process of review will continue and any weaknesses in controls will be removed. The function of Internal Audit has been implemented and operating successfully.

f. The Company's ability to continue as a going concern is being watched carefully, all events affecting the going concern basis are under constant review.

g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h. The operational results during the year under review show marked improvement over last year, the company's performance reflects positive features as there has been a net profit during the year of Rs.183,837,838 compared to a net profit of Rs. 2,058,711 (restated) for the last year. It has reduced the volume of accumulated loss to some extent.

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

j. Because of the accumulated losses, the Company has not declared any dividend or issued bonus shares for the year.

k. Outstanding taxes and levies are being accrued and paid as per law.

l. Value of investments based on audited accounts of Provident Fund is Rs. 41.143 million.

m. During the year, 4 ( four ) meetings of the Board of Directors were held. Attendance by each Director is as follows:

| Name of Director | No. of Meetings Attended |
|---|---|
| Mr. Aftab Ahmad | 4 |
| Begum Akhter Abid | - |
| Ms. Naheed Zaffar Mirza | 3 |
| Mr. Abbas Ally Agha | 4 |
| Mr. Ali Ghazi Mirza | 2 |
| Mr. Abdullah Kamran Soomro | 3 |
| Mr. Asif Saeed | 3 |
| Mr. Akbar Ali Mirza | 4 |
| Mr. Muhammad Asif (NIT) | 4 |

Leave of absence is granted in all cases to the directors.

n. The pattern of shareholding is annexed.

o. There was no trading in shares of PSML held by its directors, CEO, CFO, Company Secretary and their spouses and minor children.

FUTURE PROSPECTS

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

VARIATION IN REMUNERATION OF CHIEF EXECUTIVE & WHOLE TIME DIRECTORS

Abstract of variation in the remuneration of the Chief Executive and whole time directors is annexed.

ACKNOWLEDGEMENT

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearance, as well as the assistance and cooperation to the management during these hard days.

We would also like to thank our valued dealers, suppliers, financiers and shareholders for their cooperation and the trust reposed in our Company.

In the end, let us pray to Almighty Allah to guide us in all our pursuits of national development and for the betterment of your organization, Ameen.

On behalf of the Board

AFTAB AHMAD
Chairman & Chief Executive

Karachi,
December 22, 2009

# ABSTRACT OF VARIATION IN THE REMUNERATION/ TERM OF THE CHIEF EXECUTIVE AND WHOLE-TIME DIRECTORS
## (Section 218 of the Companies Ordinance, 1984)

Following are the approved limit of remunerations at a maximum for the Chief Executive and the below mentioned Executive (whole time) Directors (including all allowances, benefits/perquisites, utilities etc.) along with transport and its maintenance for their official and personal use :

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

Monthly remunerations paid to Chief Executive and Executive Directors :

| | Monthly Remuneration w.e.f. December, 2008<br>Rs. | Monthly Remuneration<br>Rs. | w.e.f. |
|---|---|---|---|
| Mr. Aftab Ahmad<br>Chairman & Chief Executive | 128,650 | 175,000 | June 1, 2009 |
| Ms. Naheed Zaffar Mirza<br>Director | 51,900 | 63,525 | July 1, 2009 |
| Mr. Abbas Ally Agha<br>Director | 30,975 | 33,300 | March 1, 2009 |

# PATTERN OF SHAREHOLDINGS
# AS AT 30TH SEPTEMBER, 2009

| Number of Share Holders | Shareholding From | To | Total Shares Held | Percentage |
|---|---|---|---|---|
| 1424 | 1 | 100 | 139,131 | 1.28 |
| 310 | 101 | 500 | 110,414 | 1.02 |
| 380 | 501 | 1,000 | 367,139 | 3.38 |
| 219 | 1,001 | 5,000 | 593,521 | 5.47 |
| 31 | 5,001 | 10,000 | 232,299 | 2.14 |
| 9 | 10,001 | 15,000 | 113,102 | 1.04 |
| 5 | 15,001 | 20,000 | 88,700 | 0.82 |
| 4 | 20,001 | 25,000 | 89,735 | 0.83 |
| 1 | 30,000 | 35,000 | 31,500 | 0.29 |
| 3 | 35,001 | 40,000 | 119,499 | 1.10 |
| 2 | 40,001 | 45,000 | 86,750 | 0.80 |
| 26 | 45,001 | 50,000 | 1,295,584 | 11.94 |
| 1 | 50,001 | 55,000 | 52,500 | 0.48 |
| 1 | 60,001 | 65,000 | 65,000 | 0.60 |
| 2 | 70,001 | 75,000 | 148,800 | 1.37 |
| 1 | 95,001 | 100,000 | 100,000 | 0.92 |
| 3 | 100,001 | 105,000 | 301,500 | 2.78 |
| 1 | 160,001 | 165,000 | 162,800 | 1.50 |
| 1 | 175,001 | 180,000 | 179,900 | 1.66 |
| 1 | 200,001 | 205,000 | 201,000 | 1.85 |
| 1 | 255,001 | 260,000 | 259,000 | 2.39 |
| 1 | 295,001 | 300,000 | 295,500 | 2.72 |
| 1 | 445,001 | 450,000 | 447,500 | 4.12 |
| 2 | 500,001 | 505,000 | 1,001,000 | 9.23 |
| 1 | 800,001 | 805,000 | 1,605,600 | 14.80 |
| 1 | 810,001 | 815,000 | 813,700 | 7.50 |
| 1 | 825,001 | 830,000 | 827,800 | 7.63 |
| 1 | 995,001 | 1,000,000 | 1,121,026 | 10.33 |
| 2434 | | | 10,850,000 | 100 |

# CATEGORIES OF SHAREHOLDINGS (30-09-2009)
# ADDITIONAL INFORMATION

| Categories of Shareholders | Share Held | Percentage |
|---|---|---|
| Associated Companies, Undertakings and Related Parties | – | – |
| NIT and ICP | | |
| National Bank of Pakistan-Trustee Deptt. (more than 10%) | 1,605,600 | 14.80 |
| Investment Corporation of Pakistan (ICP) | 179,900 | 1.66 |
| National Investment Trust Ltd. (NIT) | 9,100 | 0.08 |
| Directors, CEO and their Spouses and minor Children | | |
| Mr. Aftab Ahmed (Chief Executive) | 2,000 | 0.02 |
| Begum Akhter Abid (Director) | 201,000 | 1.85 |
| Ms. Naheed Zaffar Mirza (Director) | 100,500 | 0.93 |
| Mr. Abbas Ally Agha (Director) | 1,000 | 0.01 |
| Mr. Ali Ghazi Mirza (Director) | 1,000 | 0.01 |
| Mr. Abdullah Kamran Soomro (Director) | 5,000 | 0.05 |
| Mr. Asif Saeed (Director) | 5,000 | 0.05 |
| Mr. Akber Ali Mirza (Director) | 5,000 | 0.05 |
| Executives | – | – |
| Public sector companies and corporations | – | – |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds | | |
| State Life Insurance Corporation of Pakistan | 162,800 | 1.50 |
| Pakistan Re-Insurance Company Limited | 100,000 | 0.92 |
| New Jubilee Insurance Corporation | 1,100 | 0.01 |
| Muslim Insurance Corporation | 600 | 0.01 |
| National Bank of Pakistan (Former NDFC) | 1,050 | 0.01 |
| Shareholders holding ten percent or more voting interest in the company | – | – |
| - General Investment & Securities (Pvt) Ltd. | 1,121,026 | 10.33 |
| - Also NBP Trustee Deptt. (as above) | | |
| Others / Joint Stock Companies | | |
| Naeem's Securities (Pvt) Ltd. | 100 | 0.00 |
| Sarfaz Mahmood (Pvt) Ltd. | 100 | 0.00 |
| Darson Securities (Pvt) Ltd (LHR) | 4,500 | 0.04 |
| Darson Securities (Pvt) Ltd. (KHI) | 20,998 | 0.19 |
| Sat Securities (Pvt) Ltd. | 2,000 | 0.02 |
| Cliktrade Limited | 500 | 0.00 |
| Durvesh Securities (Pvt) Ltd. | 20,000 | 0.18 |
| Rahat Securities Limited | 100 | 0.00 |
| B&B Securities (Pvt) Ltd. | 15,000 | 0.14 |
| Hum Securities Limited | 5,800 | 0.05 |
| Azee Securities (Pvt) Ltd. | 100 | 0.00 |
| Capital Vision Securities (Pvt) Ltd. | 5,000 | 0.05 |
| ZHV Securities (Pvt) Ltd. | 10,000 | 0.09 |
| Muhammad Ahmad Nadeem Sec. (SMC-Pvt) Ltd. | 23,500 | 0.22 |
| Individuals | 7,240,626 | 66.73 |
| Total | 10,850,000 | 100.00 |

# CORPORATE VISION / MISSION STATEMENT

## VISION

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

## MISSION

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

# SIX YEARS DATA AT A GLANCE

Rupees in Thousand

| | PARTICULARS | | 2009 | 2008 Restated | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|
| | **FINANCIAL DATA** | | | | | | | |
| 1 | **Financial Position** | | | | | | | |
| | Paid up Capital | | 108,500 | 108,500 | 108,500 | 108,500 | 108,500 | 108,500 |
| | Accumulated(Loss)/Profit | | (688,874) | (872,712) | (874,771) | (850,565) | (869,286) | (838,034) |
| | Participation Reserve for Issue of Convertible Shares | | – | – | – | – | – | 73,329 |
| | Surplus on Revaluation of Fixed Assets | | – | 71,712 | 79,679 | 88,171 | 97,568 | 107,967 |
| | Long term loan | | 92,005 | 70,000 | 92,166 | 87,727 | 178,036 | 27,673 |
| | Deferred Liabilities | | 297,937 | 451,519 | 357,741 | 357,740 | 357,740 | 4,742 |
| | Fixed Assets (At Cost) | | 550,771 | 550,974 | 531,205 | 531,204 | 531,157 | 531,003 |
| | Accumulated Depreciation | | 478,940 | 472,188 | 370,942 | 354,017 | 335,167 | 314,219 |
| | Long term Advance/Deposits | | 132 | 132 | 132 | 132 | 132 | 132 |
| | Current Assets | | 162,631 | 100,789 | 57,209 | 37,702 | 244,893 | 90,453 |
| | Current Liabilities | | 425,027 | 422,401 | 454,289 | 423,447 | 568,455 | 823,192 |
| 2 | **Income** | | | | | | | |
| | Sales | | 391,987 | 620,521 | 481,890 | 671,444 | 200,011 | 411,607 |
| | Gross Profit/(Loss) | | 42,220 | 12,042 | (19,006) | 34,911 | (50,951) | (42,237) |
| | Other Income | | 185,992 | 10,386 | 7,212 | 10 | 27,679 | 828 |
| | Pre-Tax (Loss)/Profit | | 189,140 | 2,059 | (30,197) | 12,823 | (40,651) | (73,085) |
| | Taxation | | (5,302) | – | (2,500) | (3,500) | (1,000) | (2,976) |
| 3 | **Statistics and Ratios** | | | | | | | |
| | Gross Profit/(Loss) to Sales | % | 10.77 | 1.94 | (3.94) | 5.10 | (25.47) | (10.26) |
| | Pre-tax Profit/(Loss) to Sales | % | 48.25 | 0.33 | (6.27) | 2.00 | (20.32) | (17.76) |
| | Pre-Tax Profit to Capital | % | 174.322 | 1.90 | (27.83) | 11.82 | (37.47) | (67.30) |
| | Current Ratio | | 1:2.61 | 1:4.19 | 1:7.94 | 1:11.23 | 1:2.32 | 1:9.10 |
| | Paid-up Value per Share | Rs. | 10 | 10 | 10 | 10 | 10 | 10 |
| | Earnings after Tax per Share | Rs. | 0.74 | (0.75) | (3.01) | 0.86 | (3.84) | (6.96) |
| | Market Value per Share | Rs. | 5.04 | 6.89 | 10.40 | 7.60 | 3.00 | 3.65 |
| | **OPERATING DATA** | | | | | | | |
| | Season Started | | 16.12.2008 | 17.11.2007 | 15.11.2006 | 03-12-2005 | 01-11-2004 | 30-11-2003 |
| | Season Closed | | 12.03.2009 | 06.04.2008 | 08.04.2007 | 13-03-2006 | 05-03-2005 | 24-03-2004 |
| | Days Worked | | 86 | 142 | 145 | 101 | 125 | 116 |
| | Sugarcane Crushed | M.T | 123,413 | 335,900 | 207,346 | 151,209 | 176,249 | 311,880 |
| | Sugarcane Crushed | Mds | 3,085,331 | 8,397,488 | 5,183,643 | 4,051,245 | 4,722,104 | 8,355,985 |
| | Sugar Recovery | % | 9.684 | 9.269 | 9.931 | 10.235 | 9.823 | 9.890 |
| | Sugar Production | M.T | 11,950 | 31,142 | 20,585 | 15,495 | 17,313 | 30,863 |
| | Molasses Recovery | % | 4.518 | 4.930 | 4.663 | 4.303 | 4.893 | 5.002 |
| | Molasses Production | M.T | 5,575 | 16,560 | 9,665 | 6,520 | 8,625 | 15,610 |

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

Name of Company : PANGRIO SUGAR MILLS LIMITED
Year Ended : 30th September, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a frame-work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner :

1. The Board comprises nine directors (three executive directors & six non-exeutive directors), including the C.E.O. At present the Board includes one independent director representing financial institution.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company is a member of any Stock Exchange.

4. No casual vacancy occurred in the Board of Directors during the year under review.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement; the company is in the process of developing the corporate strategy. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended is being maintained and all the significant policies have been developed and approved by the Board.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were chaired by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board meets at least once in every quarter. The Board held four meetings during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Board arranges orientation course for its directors to apprise them of their duties and reponsibilities. The directors of the company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of Stock Exchanges.

10. There was no new appointment of C.F.O. and Company Secretary during the year under review. The Board approved the remuneration and terms & conditions of 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 have duly endorsed the financial statements of the Company before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of 3 (three) members, including the Chairperson, of whom 2 (two) are non-executive directors. Names of Committee Members are :

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

16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.

17. The Board has set-up an internal audit department. Its effectiveness has to be improved as to its independence for which efforts are being made.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

Karachi
December 22, 2009

AFTAB AHMED
Chairman & Chief Executive

# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of PANGRIO SUGAR MILLS LIMITED to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange and Lahore Stock Exchange 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 (perviously Regulation No. 37) of The Karachi 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.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2009.

ASLAM MALIK & CO.
Chartered Accountants

Karachi: December 22, 2009

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pangrio Sugar Mills Limited as at September 30, 2009, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except as discussed in the following paragraphs we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. The financial statements of the Company reflect huge amount of accumulated loss of Rs. 688.874 million (2008: Rs. 872.712 million), equity is negative by Rs. 580.374 million (2008: Rs. 764.212 million), current liability exceeds current assets by Rs. 262.390 million (2008: Rs 321.611 million) and total liabilities exceeded total assets by Rs. 580.374 million (2008: Rs. 764.212 million) .The Company's financing arrangement expired several years ago and it is defendant in suits filed by financial institutions for recovery of loans as referred to in detail in notes 5. There are contingencies disclosed in note 12 in detail, the ultimate outcome of which cannot presently be determined. These conditions indicate existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The going concern assumption used in the preparation of these financial statements is dependent on the ultimate outcome of the matters disclosed to in note 1.2. No adjustment has been made in the financial statements that may be required should the Company be unable to continue as a going concern.

2. We did not receive direct confirmation from United Bank Limited (UBL), National Bank of Pakistan (NBP), Zarai Tariquati Bank Limited and MCB Bank Limited in respect of long term loans.

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

b) in our opinion —

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the changes as stated in note 2.1 with which we concur;

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

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) except for the effect of omission of the information in the matters referred to in paragraphs 1 and 2 above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity 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, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

ASLAM MALIK & CO.
Chartered Accountants
Name of Engagement Partner:
Mohammad Aslam Malik

Karachi:
Date: December 22, 2009

# BALANCE SHEET AS AT

| | Note | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized | | | |
| 12,000,000 Ordinary shares of Rs.10/- each | | 120,000,000 | 120,000,000 |
| Issued, subscribed and paid up | | 108,500,000 | 108,500,000 |
| Accumulated loss | | (688,874,250) | (872,712,088) |
| | | (580,374,250) | (764,212,088) |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances | | | |
| Banks and financial institutions | 5 | 22,004,939 | - |
| Others - unsecured - interest free | 6 | 70,000,000 | 70,000,000 |
| | | 92,004,939 | 70,000,000 |
| Deferred Liabilities | 7 | 297,936,989 | 451,518,828 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 8 | 210,654,712 | 154,390,315 |
| Markup payable on borrowings | 9 | 52,415,556 | 52,105,882 |
| Short term borrowing | 10 | 22,595,369 | 22,595,369 |
| Current portion of long term liabilities | 11 | 137,401,098 | 182,308,648 |
| Provision for taxation | | 1,959,938 | 11,000,521 |
| | | 425,026,673 | 422,400,734 |
| **CONTINGENCIES AND COMMITMENTS** | 12 | - | - |
| | | **234,594,351** | **179,707,475** |

The annexed notes form an integral part of these financial statements

## SEPTEMBER 30, 2009

| | Note | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|---|
| FIXED ASSETS | | | |
| Property, plant and equipment | 13 | 71,830,800 | 78,786,454 |
| LONG TERM DEPOSITS | | 132,250 | 132,250 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 14 | 20,545,727 | 20,472,762 |
| Stock in trade-finished goods | 15 | 122,220,362 | 52,741,237 |
| Trade debts | 16 | - | 1,425 |
| Loans and advances | 17 | 6,824,708 | 1,652,698 |
| Trade deposits and short-term payments | 18 | 6,231,324 | 4,647,571 |
| Other receivables | 19 | 835,861 | 891,790 |
| Taxation | | 4,576,084 | 18,383,528 |
| Cash and bank balances | 20 | 1,397,236 | 1,997,758 |
| | | 162,631,301 | 100,788,771 |
| | | 234,594,351 | 179,707,475 |

CHIEF EXECUTIVE

DIRECTOR

# PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | Note | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|---|
| Sales - net | 21 | 391,987,610 | 620,521,369 |
| Cost of sales | 22 | (349,767,840) | (608,479,102) |
| Gross Profit | | 42,219,770 | 12,042,266 |
| Distribution expenses | 24 | (1,192,844) | (1,173,864) |
| Administrative expenses | 25 | (20,833,852) | (17,898,124) |
| | | (22,026,696) | (19,071,988) |
| | | 20,193,074 | (7,029,722) |
| Finance cost | 26 | (3,027,216) | (1,297,740) |
| Other income | 23 | 185,992,385 | 10,386,173 |
| Workers' Welfare Fund | | (3,860,007) | - |
| Workers' Profit Participation Fund | | (10,157,912) | - |
| | | 168,947,250 | 9,088,433 |
| Profit before taxation | | 189,140,324 | 2,058,711 |
| Taxation | 27 | (5,302,486) | - |
| Net Profit for the year | | 183,837,838 | 2,058,711 |
| Earning per share - basic | 31 | 16.94 | 0.19 |
| Earning / (loss) per share excluding the income recognized as a result of reversal of long term finance | 31 | 0.74 | (0.75) |

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

CHIEF EXECUTIVE

DIRECTOR

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit/(Loss) before taxation | 189,140,324 | 2,058,711 |
| Adjustments for : | | |
| Depreciation on property, plant and equipment | 7,852,287 | 8,284,724 |
| Financial cost | 3,027,216 | 1,297,740 |
| Reversal of deferred income or liability | (159,360,114) | - |
| Imputed Income | (9,664,016) | - |
| Gain on disposal of fixed assets | (446,131) | (175,936) |
| | (158,590,758) | 9,406,528 |
| Operating cash flow before movement in working capital | 30,549,566 | 11,465,239 |
| Changes in working capital | | |
| Stores, spares and loose tools | (72,965) | (1,363,505) |
| Stock in trade | (69,479,124) | (39,357,565) |
| Trade debtors | 1,425 | 1,584,374 |
| Loans and advances | (5,172,010) | 465,410 |
| Trade deposits and short term prepayments | (1,583,753) | 63,779 |
| Other receivables | 55,929 | 132,215 |
| Trade and other payables | 56,264,397 | 44,495,634 |
| Cash generated by operations | 10,563,466 | 17,485,581 |
| Interest paid | (1,716,861) | (1,297,740) |
| Income tax paid | (535,626) | (3,774,015) |
| | (2,252,487) | (5,071,755) |
| Net cash inflow from operating activities | 8,310,979 | 12,413,826 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | (1,381,900) | (6,661,640) |
| Proceeds from disposal of fixed assets | 931,398 | 350,000 |
| Net cash (outflow) from investing activities | (450,502) | (6,311,640) |
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Repayment of long term loans | (8,461,000) | (4,771,915) |
| Net cash (outflow) from financing activities | (8,416,000) | (4,771,915) |
| (Decrease) / Increase in cash and cash equivalent (A+B+C) | (600,523) | 1,330,271 |
| Cash and cash equivalent at October 01 | 1,997,758 | 667,487 |
| Cash and bank balances at end of the year | 1,397,236 | 1,997,758 |

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

CHIEF EXECUTIVE DIRECTOR

# STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | Share Capital | Accumulated Loss | Total |
|---|---|---|---|
| | --------------- | Rupees | --------------- |
| Balance as at October 01, 2007 | 108,500,000 | (874,770,799) | (766,270,799) |
| Profit for the year ended September 30, 2008 | – | 2,058,711 | 2,058,711 |
| Balance as at September 30, 2008 | 108,500,000 | (872,712,088) | (764,212,088) |
| Profit for the year ended September 30, 2009 | – | 183,837,838 | 183,837,838 |
| Balance as at September 30, 2009 | 108,500,000 | (688,874,250) | (580,374,250) |

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

CHIEF EXECUTIVE

DIRECTOR

# NOTES TO THE ACCOUNTS
# FOR THE YEAR ENDED SEPTEMBER 30, 2009

## 1 STATUS AND ACTIVITIES

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

**1.2** The financial statements as of the balance sheet date reflects accumulated loss at Rs.688.87 million (2008: Rs. 872.71 million) and negative equity of Rs.580.37 million (2008: Rs. 764.21 million). Its current liabilities exceed current assets by Rs.262.4 million (2008: Rs. 321.61 million).

During the year the company succeeded in obtaining restructuring / settlement of Long term loans from NBP (refer note 5.1 b), HBL (refer note 5.1 a) and ZTBL (refer note 5.1 c). Such settlement require repayment in quarterly / six monthly installments staggered over three to seven years. The remaining long term loan due to Banks in BEL led syndicate is contested in court (refer note 5.1) and the company is making efforts for settlement on terms similar to that agreed with NBP.

The company meanwhile made necessary arrangement for procurement and crushing of cane for the current season.

In view of the above, these financial statements have been prepared using going concern assumption.

## 2 BASIS OF PRESENTATION

### 2.1 Basis of measurement

These financial statements have been prepared under the basis of 'historical cost' convention. During the Year the Company has changed its accounting policy for better presentation to record some groups of assets in Property, Plant & Equipment (Factory Building, Office Premises, Plant & Machinery, Boiler House, Power House and Electric Installation) on Cost Model from Revaluation Model. The Financial Effects of the same has been disclosed fully in the note 4.3 to the Financial Statements.

### 2.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's funtional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

### 2.3 Use of estimates and judgments

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 assumption 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 approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future periods are as follows:

| | Note No. |
|---|---|
| a) Useful life and residual values of property, plant and equipment | 4.3 |
| b) Provision for taxation | 4.2 |
| c) Employee retirement benefits | 4.1 |
| d) Estimation for imparement in respect of trade and other receivable | 4.6 |
| e) Provision for obsolete Stock in trade & Stores, Spares and loose tools | 4.4 and 4.5 |

## 3 STATEMENT OF COMPLIANCE

3.1 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 shall prevail.

### 3.2 Amendments to published standards and new interpretations effective in current year

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of October 01, 2008:

IFRS 7 - Financial Instruments: Disclosures

IFRIC 12 - Service concession arrangements

IFRIC 13 - Customer loyalty programmes;

IFRIC 14 - IAS 19 – The limit on defined benefit asset, minimum funding requirement and their Interactions; and

IFRIC 16 - Hedge of Net Investment in a Foreign Operation

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

### 3.3 New accounting standards, interpretation and amendments that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standard and interpretation:

| Standard or Interpretation | Effective date (accounting period begining on or after |
|---|---|
| IAS 1 - Presentation of Financial Statements (Revised) | January 01, 2009 |
| IAS 23 - Borrowing Costs (Revised) | January 01, 2009 |
| IAS 27 - Consolidated and Separate Financial Statements (Revised) | January 01, 2009 |
| IAS 32 - Financial Instruments (Amended) | January 01, 2009 |
| IAS 39 - Financial Instruments: Recognition and Measurement (Amended) | January 01, 2009 |
| IFRS 2 - Share-based Payment (Amended) | January 01, 2009 |
| IFRS 3 - Business Combinations (Revised) | July 01, 2009 |
| IFRS 4 – Insurance Contracts | January 01, 2009 |
| IFRS 5 – Non- current assets held-for-sale and discontinued operations (Amended) | July 01, 2009 |
| IFRS 7 - Financial Instruments: Disclosures (Amended) | January 1, 2009 |
| IFRIC 15 - Agreement for the Construction of Real Estate | January 01, 2009 |
| IFRIC 17 - Distribution of Non-Cash Assets to Owners | July 01, 2009 |
| IFRIC 18 - Transfer of Assets from Customers | July 01, 2009 |

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and / or enhancements in the presentation and disclosures of financial statements.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Staff retirement benefits

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

### 4.2 Taxation

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 0.5% 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 profit.

4.3 Property, Plant & Equipment

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

Subsequent costs are included in the asset's carrying amounts or recognised as a seprate 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.

During the year the company has changed its policy of recording its revaluated assets from fair value model to cost model. Has the company not changed its policy of recording asset the Property, Plant & Equipment shall have been higher by Rs.69.78 million (2008: Rs. 71.72 million) & depreciation charged for the year lower by Rs.7.167 million ( 2008: Rs.7.97 million). Stock in trade shall have been higher by Rs.500,882 (2008: Rs.596,744) & Surplus on Revaluation of Property, Plant & Equipmnet higher by Rs.64.54 million (2008: Rs. 71.72 million). The last revaluation of the company's assets was done in the Year 1995 valueing at Rs.295.74 million and since then there was no revaluation of those assets.

The company has transferred the amount of Rs.224.02 million from Surplus on Revaluation of Assets to Unappropriated profits / losses.

The assets' residual values, useful lives methods are reviewed and adjusted if appropriate, at each financial year. The Company's estimate of residual value of property and equipment as at 30 September 2009 did not require any adjustment as its impact is considered insignificant.

An item of fixed assets 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 the asset is derecognized.

### 4.4 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 accumulated to the balance sheet 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 there future useability.

### 4.5 Stock in trade

These are valued at lower of average manufacturing cost and net realizable value applying the following basis;

- Finished sugar at average manufacturing cost.
- Sugar in process at average manufacturing cost.
- Molasses at contracted price or net realizable value.

Average cost signifies in relation to work in process and finished goods cost (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.

### 4.6 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 doubtfull receivables which is determined based on management review of outstanding amounts and previous repaymet pattern. Balance considered bad and irrevocable are written off.

4.7 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.

4.8 Provisions

Provision is recognized when, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.9 Borrowing cost

Borrowing cost is recognized as an expense in the period in which they are incurred except borrowing cost that are directly attributable to acquisition, construction or production of qualifying asset is capitalized as a part of the cost of that asset.

4.10 Financial instruments

Financial assets and financial liabilities are recognized at fair value when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cashflow from the financial assets expire or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include trade debts and other receivables, loans and advances, cash and bank balances, long term finances (at fair value or amortized cost), trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the company has a legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.12 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.

### 4.13 Impairment

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.

### 4.14 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.

### 4.15 Related Party Transactions

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

### 4.16 Revenue recognition

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

## 5 LONG TERM FINANCING

**Secured - interest free**

| | BEL Syndicate | | | | NBP | HBL | ZTBL | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|
| | BEL | UBL | MCB | ABL | | | | | |
| **Balance as at October 01,** | 102,689,258 | 15,389,796 | 6,702,086 | 4,371,933 | 40,572,275 | 9,412,183 | 525,000 | **179,662,531** | 184,434,446 |
| Transferred to P&L | | | | | (14,434,151) | (1,008,140) | | **(15,442,291)** | |
| Unwinding of Interest | | | | | 1,000,681 | | | **1,000,681** | |
| Reversal against rescheduling | - | - | - | - | | - | - | **-** | - |
| | 102,689,258 | 15,389,796 | 6,702,086 | 4,371,933 | 27,138,805 | 8,404,043 | 525,000 | **165,220,921** | 184,434,446 |
| **Payment during the year** | | | | | | | | | |
| Down payment | - | - | - | - | (3,438,000) | (1,882,000) | - | **(5,320,000)** | (4,771,915) |
| Installments | - | - | - | - | (2,616,000) | - | (525,000) | **(3,141,000)** | - |
| | - | - | - | - | (6,054,000) | (1,882,000) | (525,000) | **(8,461,000)** | (4,771,915) |
| | 102,689,258 | 15,389,796 | 6,702,086 | 4,371,933 | 21,084,805 | 6,522,043 | - | **156,759,921** | 179,662,531 |
| **Current portion** | | | | | | | | | |
| Installments | - | - | - | - | (2,552,500) | (3,049,409) | - | **(5,601,909)** | (4,799,911) |
| Overdue Portion | (102,689,258) | (15,389,796) | (6,702,086) | (4,371,933) | - | - | - | **(129,153,073)** | (174,862,620) |
| | (102,689,258) | (15,389,796) | (6,702,086) | (4,371,933) | (2,552,500) | (3,049,409) | - | **(134,754,982)** | (179,662,531) |
| **Long-term portion** | - | - | - | - | 18,532,305 | 3,472,634 | - | **22,004,939** | - |
| No. of installments | 12 | 12 | 12 | 12 | 14 | 8 | 12 | | |
| Installment payment rest | Quarterly | Quarterly | Quarterly | Quarterly | Half Yearly | Quarterly | Quarterly | | |
| Amount of installment | Rs. 8,557,438 | Rs. 1,282,483 | Rs. 609,281 | Rs. 397,448 | Rs. 2,211,000 | Rs. 941,000 | Rs. 75,000 | | |
| Date of first installment | will be fixed after down payment | will be fixed after down payment | Dec, 05 | will be fixed after down payment | Jun, 09 | Nov, 09 | Sept, 05 | | |
| | 5.1 d | 5.1 d | 5.1 d | 5.1 d | 5.1 b | 5.1 a | 5.1c | | |

5.1 This represents long term loans of BEL Syndicate comprising of NBP, HBL, UBL, MCB and UBL.

5.1 a HBL has separately restructured its loan for repayment in two years without any interest in quarterly installments of Rs 941,000. The company has made payments of two installments at the time of signing the agreement. the balance reflects the amount of loan amortized @ 13.21% per annum using two year KIBOR.

5.1b(i) Similarly 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 made down payment of Rs 3.438 million and one installment of Rs 2.878 million during the year. The balance reflects the amount of loan amortized @ 14.96% per annum using three year KIBOR.

5.1b(ii) In addition, the company settled by full and final payment the unsecured loans of NBP (formerly NDFC). The bank has issued a letter SAMG(S)/L/2009-447 dated 20th March 2009 acknowledging the full and final settlement of the liability made by the company. The company has recognized the remaining balance of Rs 138.245 million as income from debt extinguishment during the year comprising of principal amount of Rs 53.975 million and mark-up of Rs 84.270 million.

5.1 c The company has settled its liabilities with ZTBL by full and final payment under circular 29 of SBP committee. The company has recognized the remaining balance of Rs. 15.336 million as income from debt extinguishment during the year comprising of principal amount of Rs 6.30 million and mark-up of Rs 9.036 million.

5.1 d In the year 2000 the BEL led syndicate including NBP and HBL (restructured separately as mentioned in 5.1a and 5.1b) 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.

Securities

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

## 6 TRANSACTION WITH ASSOCIATES

| | 2009<br>Rupees | 2008<br>Rupees |
|---|---|---|
| Long term loan received from sponsors associates | 70,000,000 | 70,000,000 |

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

## 7 DEFERRED LIABILITIES

| | | | |
|---|---|---|---|
| Staff gratuity | 7.1 | 3,929,807 | 3,929,807 |
| Banking Companies | 7.3 | 200,229,059 | 353,810,898 |
| Quality premium | 7.2 | 93,778,123 | 93,778,123 |
| | | 297,936,989 | 451,518,828 |

### 7.1 STAFF GRATUITY

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

### 7.2 QUALITY PREMIUM

This represents provision in respect of quality premium payable to growers for the period from 1998-99 to 2003-04. The matter of payment of quality premium is subjudiced and appeals filed in this respect against the orders of High Court of Sindh upholding quality premium is pending before the Supreme Court of Pakistan. In this regard, the High Court of Lahore has in parallel case given its judgement against payment of quality premium to growers in Punjab.

## 7.3 DEFERRED LIABILITIES

**Secured**
**Banking Companies**

| | BEL Syndicate | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | BEL | UBL | MCB | ABL | NBP | HBL | Agriculture Finance | Sub Total | Cash Finance | 2009 | 2008 |
| | <---- | ---- | ---- | ---- | ---- | Rupees | ---- | ---- | ---- | ---- | ----> |
| Opening balance | 85,613,994 | 811,250 | 2,037,307 | 582,824 | 246,334,677 | 3,094,308 | 15,336,538 | 353,810,898 | 2,646,116 | 356,457,014 | 356,457,014 |
| Reversal | | | | | (138,245,301) | | (15,336,538) | (153,581,839) | | (153,581,839) | - |
| Provision | | | | | | | | - | | - | |
| Shown under current liabilities | | | | | | | | | | | |
| Overdue installments | - | - | - | - | - | - | - | - | (2,646,116) | (2,646,116) | (2,646,116) |
| Payable within one year | - | - | - | - | - | - | - | - | | - | - |
| | | | | | | | | | (2,646,116) | (2,646,116) | (2,646,116) |
| | 85,613,994 | 811,250 | 2,037,307 | 582,824 | 108,089,376 | 3,094,308 | - | 200,229,059 | - | 200,229,059 | 353,810,898 |

Sub note no.

**7.4** These balances reflect the amounts transferred from long term loans in the year 2005 in terms of settlement approved by SBP Committee in terms of Circular 29 based on FSV of its fixed assets (Note - 5). The balance amount of Rs. 200.229 million (2008: 353.210 million) reflects difference between balance as per books (Rs.422.399 million) and settlement amount Rs. 222.170 million. According to the terms of settlement letter, in case of any single default in payment of settlement installment, the arrangement would be cancelled and financial institutions would be entitled to recover entire outstanding liabilities as per their record/ decree issued by the court. Because of this condition, the difference amount of principal and markup has not been reversed during the year and kept in the deferred liabilities and will be reversed when the long term loans are fully repaid.

During the year the company has reached agreement with HBL, NBP and ZTBL. The amount of debt extinguishment of Rs. 153.581 million has accordingly been recognized as income for the current year. The remaining amount of HBL & NBP will be recognized as income after the payment of the last and final installment by the company to the banks.

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

**Securities:**

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

| | Note | 2009 Rupees | 2008 Rupees |
|---|---|---|---|

## 8. TRADE AND OTHER PAYABLES

| | Note | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Creditors | | 11,199,721 | 11,414,431 |
| Accrued liabilities | | 14,599,747 | 13,567,167 |
| Road cess | | 3,030,654 | 3,401,286 |
| Advance against sale | | 84,802,063 | 20,874,169 |
| Growers liabilities | 8.1 | 74,968,928 | 90,236,202 |
| Surcharge | | 6,355,792 | 6,355,792 |
| Income tax and zakat withheld | | 247,241 | 202,345 |
| Unclaimed dividend | | 143,900 | 143,900 |
| Sales tax | | 785,830 | 7,592,106 |
| Workers' Welfare fund | | 3,860,007 | - |
| Workers' profit participation fund | 8.2 | 10,157,912 | - |
| Others | | 502,917 | 602,917 |
| | | 210,654,712 | 154,390,315 |

8.1 This includes outstanding liability of Rs. 31.85 million relating to period before the year 1994 which 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.

8.2 Workers' Profit Participation Fund

| | 2009 | 2008 |
|---|---|---|
| Opening balance | - | - |
| Interest on opening balance | - | - |
| | - | - |
| Allocated for the period | 10,157,912 | - |
| | 10,157,912 | - |
| Payments during the period | - | - |
| | 10,157,912 | - |

## 9 MARKUP PAYABLE ON BORROWINGS

| | 2009 | 2008 |
|---|---|---|
| Deferred liabilities | 3,537,222 | 3,537,222 |
| Markup on loan | 623,736 | 314,062 |
| Short term borrowings | 48,254,598 | 48,254,598 |
| | 52,415,556 | 52,105,882 |

## 10 SHORT TERM BORROWINGS

| | Note | 2009 | 2008 |
|---|---|---|---|
| Payable against bank guarantee | | | |
| Secured - under markup arrangement | 10.1 | 22,595,369 | 22,595,369 |

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

## 11 CURRENT PORTION OF LONG TERM LIABILITIES

| | 2009 Rupees | 2008 Rupees. |
|---|---|---|
| Installments due | | |
| Deferred liabilities | 2,646,116 | 2,646,116 |
| Payable within one year | | |
| Long term finances | 5,601,909 | 4,799,911 |
| | 8,248,025 | 7,446,027 |
| Over due portion | 129,153,073 | 174,862,620 |
| | 137,401,098 | 182,308,647 |

## 12 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 2004-2009 except for 2007-08 and the resultant aggregate extra liability on account of various subsidies born by it amounted to Rs.385,743,329 that absorbed the quality premium for the said years of Rs.178,302,035. 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

### Commitment

| | 2009 | 2008 |
|---|---|---|
| Commitment for sale of sugar (134.00 M.T.) against delivery orders | 6,067,900 | 17,082,300 |

## 13 Property, Plant & Equipments

September 30, 2009

| PARTICULARS | COST | | | RATE | DEPRECIATION | | | W.D.V. |
|---|---|---|---|---|---|---|---|---|
| | AS ON 01-10-2008 | ADDITION/ (DELETIONS) | AS ON 30-09-2009 | % | AS ON 01-10-2008 | FOR THE YEAR | AS ON 30-09-2009 | AS ON 30-09-2009 |
| **OWNED:** | | | | | | | | |
| Land - Freehold | 5,824,913 | - | 5,824,913 | - | - | - | - | 5,824,913 |
| Building on freehold land | 94,150,097 | - | 94,150,097 | 10 | 84,076,940 | 1,007,316 | 85,084,256 | 9,065,841 |
| Office premises | 9,855,026 | - | 9,855,026 | 10 | 8,448,594 | 140,643 | 8,589,237 | 1,265,789 |
| Plant and machinery | 193,631,821 | - | 193,631,821 | 10 | 162,872,420 | 3,075,940 | 165,948,361 | 27,683,461 |
| Boiler House | 126,921,396 | - | 126,921,396 | 10 | 112,985,436 | 1,393,596 | 114,379,032 | 12,542,364 |
| Power House | 69,930,238 | - | 69,930,238 | 10 | 63,623,912 | 630,633 | 64,254,545 | 5,675,692 |
| Electrical installation and appliances | 19,556,836 | - | 19,556,836 | 10 | 17,435,190 | 212,165 | 17,647,354 | 1,909,483 |
| Mills and other equipment | 3,544,550 | - | 3,544,550 | 10 | 3,171,804 | 37,275 | 3,209,079 | 335,471 |
| Agricultural vehicles | 457,000 | - | 457,000 | 20 | 422,027 | 6,995 | 429,022 | 27,978 |
| Furniture and fixture | 5,513,597 | - | 5,513,597 | 10 | 4,900,137 | 61,346 | 4,961,483 | 552,114 |
| Office equipment | 4,317,367 | - | 4,317,367 | 10 | 3,081,091 | 123,628 | 3,204,719 | 1,112,648 |
| Computers | 3,563,179 | - | 3,563,179 | 30 | 2,976,579 | 175,980 | 3,152,559 | 410,620 |
| Vehicles | 13,708,002 | 1,381,900 | 13,504,902 | 20 | 8,193,438 | 986,772 | 8,080,477 | 5,424,425 |
| | | (1,585,000) | | | | (1,099,733) | | |
| **RUPEES 2009** | 550,974,023 | 1,381,900 | 550,770,923 | | 472,187,569 | 7,852,287 | 478,940,123 | 71,830,800 |
| | | (1,585,000) | | | - | | | |

September 30, 2008
RESTATED

| PARTICULARS | COST | | | RATE | DEPRECIATION | | | W.D.V. |
|---|---|---|---|---|---|---|---|---|
| | AS ON 01-10-2007 | ADDITION/ (DELETIONS) | AS ON 30-09-2008 | % | AS ON 01-10-2007 | FOR THE YEAR | AS ON 30-09-2008 | AS ON 30-09-2008 |
| **OWNED:** | | | | | | | | |
| Land - Freehold | 5,824,913 | - | 5,824,913 | - | - | - | - | 5,824,913 |
| Building on freehold land | 94,150,097 | - | 94,150,097 | 10 | 82,957,701 | 1,119,240 | 84,076,940 | 10,073,157 |
| Office premises | 9,855,026 | - | 9,855,026 | 10 | 8,292,324 | 156,270 | 8,448,594 | 1,406,432 |
| Plant and machinery | 191,056,821 | 2,575,000 | 193,631,821 | 10 | 159,526,237 | 3,346,183 | 162,872,420 | 30,759,401 |
| Boiler House | 126,921,396 | - | 126,921,396 | 10 | 111,436,996 | 1,548,440 | 112,985,436 | 13,935,960 |
| Power House | 69,930,238 | - | 69,930,238 | 10 | 62,923,209 | 700,703 | 63,623,912 | 6,306,325 |
| Electrical installation and appliances | 19,556,836 | - | 19,556,836 | 10 | 17,199,451 | 235,739 | 17,435,190 | 2,121,648 |
| Mills and other equipment | 3,544,550 | - | 3,544,550 | 10 | 3,130,388 | 41,416 | 3,171,804 | 372,746 |
| Agricultural vehicles | 457,000 | - | 457,000 | 20 | 413,284 | 8,743 | 422,027 | 34,973 |
| Furniture and fixture | 5,376,447 | 137,150 | 5,513,597 | 10 | 4,840,231 | 59,906 | 4,900,137 | 613,460 |
| Office equipment | 4,317,367 | - | 4,317,367 | 10 | 2,943,727 | 137,364 | 3,081,091 | 1,236,276 |
| Computers | 3,269,179 | 294,000 | 3,563,179 | 30 | 2,802,000 | 174,579 | 2,976,579 | 586,600 |
| Vehicles | 10,882,512 | 3,655,490<br>(830,000) | 13,708,002 | 20 | 8,093,233 | 756,141<br>(655,936) | 8,193,438 | 5,514,564 |
| **RUPEES 2008** | 545,142,383 | 6,661,640<br>(830,000) | 550,974,023 | | 464,558,781 | 8,284,724<br>(655,936) | 472,187,569 | 78,786,454 |

13.1 **Allocation of Depreciation**

| | 2009 | 2008 |
|---|---|---|
| Cost of good sold | **6,636,272** | 7,322,570 |
| Administrative expenses | **1,216,015** | 962,154 |
| | **7,852,287** | 8,284,724 |

13.2 **Disposal During the Year**

| Description of assets | Cost | Accumulated Depreciation | Written Down Value | Sale Proceed | Profit/ (Loss) | Mode of Disposal | Particulars of Buyers |
|---|---|---|---|---|---|---|---|
| Suzuki Alto (ADF-709) | 469,000 | (315,317) | 153,683 | 190,305 | 36,622 | Negotiation | Haji Ali Nawaz Khati |
| Motor Cycle (KDU-1301) | 54,000 | (26,352) | 27,648 | 27,648 | - | Negotiation | Mr. Muhammad Jamil Khan |
| Honda City (AFQ-141) | 862,000 | (579,539) | 282,461 | 640,000 | 357,539 | Negotiation | Mrs. Asma Mohsin |
| Suzuki Mehran (AAT-998) | 200,000 | (178,525) | 21,475 | 73,445 | 51,970 | Negotiation | Mr.Shariq Rehan |
| **2009 Rupees** | **1,585,000** | **(1,099,733)** | **485,267** | **931,398** | **446,131** | | |
| **2008 Rupees** | 830,000 | (655,939) | 174,061 | 350,000 | 175,939 | | |

| | 2009 Rupees | 2008 Rupees |
|---|---|---|
| **14. STORES, SPARES AND LOOSE TOOLS** | | |
| Stores | 12,373,584 | 6,339,739 |
| Spares | 8,789,514 | 15,143,147 |
| Loose tools | 392,752 | - |
| | 21,555,850 | 21,482,885 |
| Less: Provision against slow moving items | (1,010,123) | (1,010,123) |
| | 20,545,727 | 20,472,762 |
| **15. STOCK IN TRADE** | | Restated |
| Molasses | - | - |
| Sugar | 122,220,362 | 52,741,237 |
| | 122,220,362 | 52,741,237 |
| **16. TRADE DEBTS** | | |
| Considered good | - | 1,425 |
| Considered doubtful | 1,590,612 | 1,590,612 |
| | 1,590,612 | 1,592,037 |
| Provision for doubtful debts | (1,590,612) | (1,590,612) |
| | - | 1,425 |
| **17. LOANS AND ADVANCES** | | |
| Related parties | | |
| Employees - considered good | 3,237,833 | 1,485,233 |
| Employees - considered doubtful | 1,501,033 | 1,501,033 |
| | 4,738,866 | 2,986,265 |
| Less: Provision for doubtful loans and advances | (1,501,033) | (1,501,033) |
| | 3,237,833 | 1,485,233 |
| Advances to | | |
| Growers - considered good | 3,586,875 | 167,465 |
| Growers - considered doubtful | 4,934,544 | 15,620,076 |
| | 8,521,419 | 15,787,541 |
| Less: Provision for doubtful loans and advances | (4,934,544) | (15,620,076) |
| | 3,586,875 | 167,465 |
| | 6,824,708 | 1,652,698 |
| Provision for doubtful loans and advances | | |
| Opening Balance | 15,620,076 | 25,786,567 |
| Less: Recovered during the year | (10,685,532) | (10,166,491) |
| Closing Balance | 4,934,544 | 15,620,076 |
| **18. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS** | | |
| Trade deposits - considered good | | |
| Transport contractors | 280,656 | 280,661 |
| Suppliers | 4,171,046 | 2,321,906 |
| Expenses | 1,779,622 | 1,952,939 |
| | 6,231,324 | 4,555,506 |

| | 2009 Rupees | 2008 Rupees |
|---|---|---|
| Trade deposits - considered doubtful | | |
| Transport contractors | - | 1,950,321 |
| Suppliers | 941,246 | 2,292,047 |
| Expenses | 483,864 | 1,417,021 |
| | 1,425,110 | 5,659,389 |
| Less: Provision for doubtful trade deposits | (1,425,110) | (5,659,389) |
| | 6,231,324 | 4,555,506 |
| Prepayments | - | 92,065 |
| | 6,231,324 | 4,647,571 |

18.1 Provision for doubtful trade deposits

| | | |
|---|---|---|
| - Transport Contractors | | |
| Opening Balance | 1,950,321 | 1,950,321 |
| Less: Recovered during the year | (1,950,321) | - |
| Closing Balance | - | 1,950,321 |
| - Suppliers | | |
| Opening Balance | 2,292,047 | 2,292,047 |
| Less: Recovered during the year | (1,350,801) | - |
| Closing Balance | 941,246 | 2,292,047 |
| Provision for doubtful loans and advances | | |
| Opening Balance | 1,417,021 | 1,417,021 |
| Less: Recovered during the year | (933,157) | - |
| Closing Balance | 483,864 | 1,417,021 |

## 19. OTHER RECEIVABLE

| | | |
|---|---|---|
| From provident fund | 92,441 | 148,370 |
| Other | 743,420 | 743,420 |
| | 835,861 | 891,790 |

## 20. CASH AND BANK BALANCES

| | | |
|---|---|---|
| Cash at banks | | |
| on current accounts | 1,286,768 | 1,878,387 |
| Cash in hand | 110,468 | 119,371 |
| | 1,397,236 | 1,997,758 |

## 21. SALES

| | | |
|---|---|---|
| Sugar | 405,660,290 | 651,336,135 |
| Molasses | 38,285,900 | 80,111,949 |
| | 443,946,190 | 731,448,084 |
| Less: Sales tax | (51,958,580) | (110,926,715) |
| | 391,987,610 | 620,521,369 |

## 22. COST OF SALES

| | Note | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|---|
| Sugar cane consumed | | 325,846,113 | 535,797,410 |
| Packing material | | 3,051,219 | 8,747,551 |
| Road cess | | 771,333 | 2,099,372 |
| Salaries, wages and benefits | (22.1) | 46,197,519 | 48,533,073 |
| Fuel and power | | 5,205,114 | 2,550,084 |
| Stores and spares consumed | | 17,728,042 | 27,221,316 |
| Repairs and maintenance | | 623,182 | 781,278 |
| Insurance | | 3,273,272 | 3,259,848 |
| Travelling | | 1,833,716 | 1,780,440 |
| Telephone and postage | | 247,030 | 333,838 |
| Vehicles running | | 4,122,114 | 3,686,914 |
| Depreciation | | 6,636,272 | 7,322,570 |
| Freight, handling and mud removal | | 1,638,805 | 2,880,060 |
| Others | | 2,073,233 | 2,842,912 |
| Cost of goods manufactured | | 419,246,964 | 647,836,666 |
| Finished stocks - sugar | | | |
| - Opening | | 52,741,237 | 13,383,673 |
| - Closing | | (122,220,362) | (52,741,237) |
| | | (69,479,125) | (39,357,564) |
| | | 349,767,840 | 608,479,102 |

22.1 This includes Rs. 1,029,599 (2008: Rs. 836,134) in respect of staff retirement benefits.

## 23. OTHER INCOME

| | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|
| Scrap sales | 34,200 | 43,746 |
| Profit on Sale of Vehicle | 446,131 | 175,936 |
| Recovery of Bad Debts | 16,487,924 | 10,166,491 |
| Reversal of deferred & loan liability | 159,360,114 | - |
| Imputed interest | 9,664,016 | - |
| | 185,992,385 | 10,386,173 |

## 24. DISTRIBUTION COST

| | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|
| Loading and stacking | 1,192,844 | 1,173,864 |

## 25. ADMINISTRATIVE EXPENSES

| | | 2009 Rupees | 2008 Rupees Restated |
|---|---|---|---|
| Directors' remuneration | | 2,785,700 | 2,327,500 |
| Salaries, wages and benefits | (25.1) | 7,281,382 | 6,978,754 |
| Eelectricity, gas and water | | 1,374,163 | 785,701 |
| Repairs and maintenance | | 1,382,023 | 1,440,491 |
| Insurance | | 515,159 | 374,266 |
| Rent, rates and taxes | | 153,819 | 100,779 |
| Travelling | | 315,453 | 154,159 |
| Printing and stationery | | 476,161 | 387,337 |
| Auditors' remuneration | (25.2) | 377,500 | 277,500 |
| Legal and professional | | 534,500 | 342,066 |
| Vehicles running | | 1,850,620 | 1,893,237 |
| Telephone and postage | | 1,268,882 | 881,243 |
| Fees and subscription | | 756,943 | 451,475 |
| Advertisement | | 48,300 | 183,100 |
| Depreciation | | 1,216,015 | 962,154 |
| Other | | 497,233 | 358,362 |
| | | 20,833,852 | 17,898,124 |

25.1 This includes Rs. 278,750/- (2008: Rs. 250,666/-) in respect of staff retirement benefits.

25.2 Auditors' Remuneration

| | | |
|---|---|---|
| Audit fee | 250,000 | 150,000 |
| Other services | | |
| Fee for half yearly review of financial statement | 90,000 | 90,000 |
| Fee for review of compliance with Code of Corporate Governance | 37,500 | 37,500 |
| | 377,500 | 277,500 |

## 26. FINANCE COST

| | | |
|---|---|---|
| Interest Charge | 976,674 | - |
| Unwindings of Interest | 1,000,681 | - |
| Bank charges | 1,049,861 | 1,297,740 |
| | 3,027,216 | 1,297,740 |

## 27. PROVISION FOR TAXATION

| | | |
|---|---|---|
| Current | 1,959,938 | - |
| Prior | 3,342,548 | - |
| | 5,302,486 | - |

Current

The provision for current taxation has been computed on One Half Percent of turnover which represents 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 2009 (Income year September 30, 2008).

Prior

The company has written off all the previous balance of advance tax asset excess over the provision for taxation upto Tax Year 2009 on the basis of non recovery of the same.

Deferred

Deferred tax assets has been calculated at Rs.43.555 million on deductible temporary differences at the balance sheet date. The deductible temporary difference has not been recognized as deferred tax asset as it is not probable that future taxable profit will be available.

27.1. TAX CHARGE RECONCILATION

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 reconciliatoin.

28. PLANT CAPACITY AND PRODUCTION

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Metric tons | Days | Metric tons | Days |
| Capacity | 42,600 | 180 | 42,600 | 180 |
| Actual production | 11,950 | 86 | 31,142 | 142 |
| Reasons for shortfall: | | | | |
| Non-availability of sugar cane | | | | |

29. REMUNERATION TO DIRECTORS AND EXECUTIVES

| | Chief Executive | | Directors | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | Rupees | Rupees | Rupees | Rupees |
| Remuneration | 1,121,000 | 936,000 | 665,000 | 554,000 |
| House rent | 615,950 | 518,000 | 383,750 | 322,700 |
| Utilities | 141,071 | 95,792 | 104,357 | 70,740 |
| Others | 141,071 | 93,400 | 104,494 | 55,750 |
| Meeting fee | - | - | 36,000 | 24,000 |
| | 2,019,092 | 1,643,192 | 1,293,601 | 1,027,190 |
| Number of persons | | | | |
| Remuneration | 1 | 1 | 2 | 2 |
| Meeting fee | - | - | 4 | 4 |

29.1 The chief executive and directors are entitled to free use of company maintained cars. Chief executive is also provided telephone and utility facilities. The monetary value of these facilities are restricted to Rs. 180,000 (2008: Rs. 180,000).

30 RELATED PARTY TRANSACTION

The company has related party relationship with its directors, executives and provident fund. Remuneration given to Chief Executive, Directors and Executives are in accordance with their terms of employment as disclosed in Note 29. The company has made contribution to the provident fund amounting to Rs.1,308,349/- (2008: Rs. 1,086,800/- ).

31 EARNING PER SHARE

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

| | | | 2009 | 2008 Restated |
|---|---|---|---|---|
| A. | Profit after taxation | Rs. | 183,837,838 | 2,058,709 |
| | Weighted average number of ordinary shares | Nos. | 10,850,000 | 10,850,000 |
| | Earning per share | Rs. | 16.94 | 0.19 |
| B. | Profit/ (loss) after taxation excluding the income recognized as a result of reversal of long term finance | Rs. | 7,989,800 | (8,107,780) |
| | Weighted average number of ordinary shares | Nos. | 10,850,000 | 10,850,000 |
| | Earning / (loss) per share excluding the income recognized as a result of reversal of long term finance | Rs. | 0.74 | (0.75) |

DILUTED

There is no dilution effect on the basis of earnings per share of the company as the company has no such commitments.

32 FINANCIAL INSTRUMENTS

Financial instruments by category

| FINANCIAL ASSETS | | |
|---|---|---|
| Long term deposits | 132,250 | 132,250 |
| Trade debts | - | 1,425 |
| Loans and advances | 6,824,708 | 1,652,698 |
| `Trade deposits and short-term prepayments | 6,231,324 | 4,647,571 |
| Other receivable | 835,861 | 891,790 |
| Cash and bank balances | 1,397,236 | 1,997,758 |
| | 15,421,379 | 9,323,493 |

FINANCIAL LIABILITIES AT AMORTIZED COST

| | | |
|---|---|---|
| Long term financing | 22,004,939 | - |
| Trade and other payables | 210,654,712 | 154,390,315 |
| Accrued mark up on loans | 18,991,927 | 18,991,927 |
| Short term borrowing | 22,595,369 | 22,595,369 |
| | 274,246,947 | 195,977,611 |

33 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 programme 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.

### 33.1 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 and 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:

| | 2009 | 2008 |
|---|---|---|
| Trade debts | 1,590,612 | 1,592,037 |
| Loans and advances | 13,260,285 | 18,773,806 |
| Trade deposits and short-term prepayments | 7,656,434 | 10,306,960 |
| Other receivables | 835,861 | 891,790 |
| Bank balances | 1,286,768 | 1,878,387 |
| | 24,629,960 | 33,442,981 |

### 33.1.1 Impairment losses

The aging of trade debts at the reporting date was:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Gross value | Impairment | Gross value | Impairment |
| Not past due | - | - | 1,425 | |
| Past due 1-1 year | - | - | | |
| Past due 1-2 years | - | - | | |
| More than 3 years | 1,590,612 | 1,590,612 | 1,590,612 | 1,590,612 |
| Total | 1,590,612 | 1,590,612 | 1,592,037 | 1,590,612 |

The company believes that no impairment allowance is necessary in respect of trade debts past due other than amount provided. Trade debts are essentially due from credit worthy parities. The company is actively pursuing for recovery of debts and the company does not expect these parties to fail to meet their obligations.

33.2 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):

| | 2009 | | | |
|---|---|---|---|---|
| | Carrying Amount | Contractual cash flows | Twelve months or less | Two to five years |
| Non-Derivative Financial liabilities | | | | |
| Long term financing | 156,759,921 | 162,729,580 | 139,055,120 | 23,674,460 |
| Trade and other payables | 210,654,712 | 210,654,712 | 210,654,712 | - |
| Accrued mark up on loans | 52,415,556 | 52,415,556 | 52,415,556 | - |
| Short term borrowing | 22,595,369 | 22,595,369 | 22,595,369 | - |
| | 442,425,558 | 448,395,217 | 424,720,757 | 23,674,460 |

| | 2008 | | | |
|---|---|---|---|---|
| | Carrying Amount | Contractual cash flows | Twelve months or less | Two to five years |
| Non-Derivative Financial liabilities | | | | |
| Long term financing | 179,662,531 | 179,662,531 | 179,662,531 | - |
| Trade and other payables | 154,390,315 | 154,390,315 | 154,390,315 | - |
| Accrued mark up on loans | 52,105,882 | 52,105,882 | 52,105,882 | - |
| Short term borrowing | 52,105,882 | 52,105,882 | 52,105,882 | - |
| | 438,264,610 | 438,264,610 | 438,264,610 | - |

33.3 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:

33.3.1 Foreign exchange risk management

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

33.3.2 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:

| | 2009 | 2008 | 2009 | 2008 |
|---|---|---|---|---|
| | Effective interest rate (%) | | Carryaing amount | |
| Fixed rate instruments | | | | |
| Long term financing | 13.21% - 14.96% | | 156,759,921 | 179,662,531 |
| | | | 156,759,921 | 179,662,531 |

33.4 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.

## 34 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 management during the year and the Company is not subject to externally imposed capital requirements.

35 RECLASSIFICATION

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

| RECLASSIFICATION FROM COMPONENT | RECLASSIFICATION TO COMPONENT | AMOUNT |
|---|---|---|
| Trade and other payables (Note No. 8) | Deferred Liabilities [Quality premium] (Note No. 7.2) | 93,778,123 |

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and were authorized for issue on December 22, 2009.

37 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE DIRECTOR

# FORM OF PROXY

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

I/

We_______________________________________________________________________________

of________________________________________________________________________________

being a member of PANGRIO SUGAR MILLS LIMITED and holder of________________________

Ordinary Shares, as per Register Folio No./CDC A/c No.___________________________________

hereby appoint______________________________________________________________________

of________________________________________________________________________________

__________________________________________________________________________________

who is also a member of the Company as my/our Proxy to vote for me/us and on my/our behalf at the 25th Annual General Meeting of the Company to be held on January 30, 2010 and at any adjournment thereof.

Signed:___________________________day of___________________________________________2010.

Witness

1) Name_____________________________
N.I.C No._________________________
Address___________________________
Signature_________________________

2) Name_____________________________
N.I.C No._________________________
Address___________________________
Signature_________________________

Five
Rupees
Revenue
Stamp

(Signature should agree with the specimen signature registered with the company)

NOTE:

1. This form of proxy duly completed and signed, must be deposited at the company's Registered Office not later than 48 hours before the meeting.

2. This form should be signed by the Member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal should be affixed to the instrument.

3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.