PANGRIO SUGAR MILLS LTD.

29TH ANNUAL REPORT 2013

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

HR & R COMMITTEE:

MR. ABDULLAH KAMRAN SOOMRO	-	Chairman
MR. AFTAB AHMAD	-	Member
MR. AKBER ALI MIRZA	-	Member

CHIEF FINANCIAL OFFICER:

MR. TAHIR MAHMOOD

COMPANY SECRETARY:

MR. MUHAMMAD YUNUS ANSARI

LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

AUDITORS:

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

BANKERS TO THE COMPANY:

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

SHARES REGISTRAR:

M/S. TECHNOLOGY TRADE (PVT.) LIMITED
DAGIA HOUSE, 241-C,
BLOCK-2, P.E.C.H.S.,
OFF: SHAHRAH-E-QUAIDEEN,
KARACHI. TEL: 021-34391316-7

REGISTERED OFFICE:

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

MILLS:

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

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.pangriosugar.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **29th Annual General Meeting** of the Company will be held on **Thursday, January 30, 2014 at 12.30 p.m.** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), Near Sidco Avenue Center, Opposite: Libra Autos CNG Pump, Maulana Deen Muhammad Wafai Road, Karachi to transact the following ordinary business:

1. To confirm the Minutes of the 28th Annual General Meeting of the Company held on January 30, 2013.

2. To receive, consider and adopt the Annual Audited Accounts of the Company alongwith the Directors' and Auditors' Reports thereon for the year ended September 30, 2013.

3. To appoint Auditors of the Company for the year ending September 30, 2014 and fix their remuneration. The retiring Auditors, M/s. Aslam Malik & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.

By Order of the Board

Karachi: January 08, 2014

M. YUNUS ANSARI
Company Secretary

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, 2014 to January 30, 2014. (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. Members having physical shares are requested to provide copy of their CNIC/Passport.

5. Shareholders are requested to notify any change in address immediately.

DIRECTORS' REPORT

Dear Shareholders:

The directors are pleased to present the Company's Annual Audited Accounts and Financial Statements along with the Auditors' Report thereon and summary of operational performance for the year ended September 30, 2013.

GENERAL

Search for growth and profitability remained elusive during the year 2012-13 as well. We suffered losses, third year in succession. Company's operational performance was dismal.

Boilers were lighted on November 30, 2012. Sindh Government announced the price of sugarcane at Rs.172/- per 40 kg. for the season. We delayed the start of crushing as late as January 11, 2013 in a hope that cane-harvesting will get momentum but it did not. On the other side, market price of sugar remained depressed at around Rs.50/kg. London white was $ 499.80 per ton (FOB) on December 12, 2012. Due to sugarcane shortage in Badin, cane arrival at PSML was very discouraging i.e. during first 10 days, daily average arrival was hardly 20,000 tons with recovery around 9.06%. At Government rate of Rs.172/- per maund plus TPT charges of Rs.3/- per maund, cane-cost alone per kg. of sugar produced worked out to Rs.48.34. Economics of producing sugar was not feasible.

After a pathetic operational performance of 30 odd days, the mills had to suspend operations. PSML could crush only 510,774 maunds of sugarcane and produce only 1,688 tons of sugar with average recovery of 8.611%. As we noted in our earlier report, due to exogenous factors of sugarcane shortage (with a high support price) and poor market price of sugar, the Company had to discontinue operation to avoid further losses.

OPERATING RESULTS

The operating results for 2012-13 along with those of 2011-12 are summarized as under :

Particulars		2012-2013	2011-2012
Season started		11-01-2013	30-12-2011
Season closed		09-02-2013	26-02-2012
Days worked		30	59
Sugarcane crushing	(Tons)	20,431	116,299
" "	(Maunds)	510,774	2,907,479
Sugar recovery	(%)	8.611	9.200
Sugar production	(Tons)	1,688	10,697
Molasses recovery	(%)	4.679	4.808
Molasses production	(Tons)	930	5,600

FINANCIAL RESULTS

Financial results for the year 2012-13 along with those of 2011-12 are summarized as under:

	2012-2013 (Rs.)	2011 -2012 (Rs.)
Profit/(Loss) before taxation	(112,650,031)	(142,645,775)
Provision for taxation	-	-
Net Profit/(Loss) after taxation	(112,650,031)	(142,645,775)
Accumulated loss brought forward	(817,740,266)	(675,094,491)
Accumulated loss carried forward	(930,390,297)	(817,740,266)
Earning/(loss) per share – basic & diluted	**(10.38)**	**(13.15)**

It will be noted that Company suffered a gross loss of Rs.82.548 million during 2012-13 compared to Rs.107.69 million during last year. The Company booked a net loss of Rs.112.65 million during the year under review compared to a net loss of Rs.142.64 million during last year. Major loss is attributable to non-availability of sugarcane in the zone and a depressed market price of sugar.

SEASON 2013-2014

In a new competitive environment and unfavourable conditions, any mistake may result in significant adverse consequences. Sugarcane shortage in Southern Sindh is posing a big challenge. Sugar market price continues to plunge below Rs.46 per kg. This has made sugar-manufacturing uneconomical. Government of Sindh has very reluctantly announced Rs.172/40 kg. as sugarcane support price for the Season 2013-14 also. Even with a very optimistic recovery of 9.00%, cost of sugarcane alone per kg works out at Rs.47.18.

Besides, mill's maintenance and preparation works got delayed because of funds shortage. We entered into negotiations for financing with several banks including Sindh Bank. We were very hopeful from Sindh Bank as this bank is currently carrying out special financing schemes for revival of financially weak industrial units. But so far Sindh Bank has not responded in positive manner.

It is worth mentioning that Company has been operating without any financing facility from any bank for the last so many years; not even working capital has been made available to us due to stringent Prudential Regulations. How can an industrial unit survive and operate without a working capital? We are exploring all other options for obtaining financing facility. PSML is an aging unit requiring thorough BMR to regain operational efficiency. During recent 2 to 3 years, the project's operational efficiency has gone down.

World sugar prices are bearish because of exportable surplus in Thailand, India and Pakistan. All these realities have made not only us but many other sugar mills in the region to think twice before starting 2013-14 crushing season.

Therefore, uncertainties with regard to cane-availability coupled with unfavourable production conditions due to fund-shortage, may force the Company to take a decision for a late start of Crushing Season 2013-14. The mill has not yet started crushing operations.

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 modified their report for the year and given adverse opinion referring to matters discussed with reference to long term loan in paragraphs (a) and (b) besides use of going concern assumption owing to the uncertainty on account of litigation pending since long and for non-response by BEL and NBP to their request for balance confirmation besides the overdue caused by non-payment of two consecutive installments on due dates during the year 2012-13.

The auditor's concern is addressed to the shareholders so that the matters and their impacts are mitigated.

The management is abreast of the problem caused by breach and the auditor's apprehension that its consequential effect should be so recorded that the negotiated settlement reached under SBP Circular 29 be considered as void and all liabilities whether deferred as not payable to be transferred in future to income upon full and final payment should be reflected as current liabilities. This dispute has been considered as departure from IFRS. The change of classification from deferred to current liability is no doubt of material amount but since the management is in negotiation with the financial institution and have written letter to the bank (NBP has taken the matter in their Credit Committee for approval), as disclosed in the account, it expects that the bank will accede to its request as the losses are known to have been caused by factors beyond management's control. The management disagree with the auditors that the breach could increase the liability manifold and make it current as well as per the terms of the agreement.

Out of long term loans, those payable to other institutions have gradually been fully settled over the past periods with the exception of BEL, which is under-liquidation and the matter is subjudice, disclosed in detail in Note No. 11 to the accounts. Since the matter is in court there is indeed uncertainty about the outcome of the case till it is finally decided; but there is little likelihood of any material increase on account of additional mark up or rescheduling request.

Likewise on the use of going concern assumption, they have considered together all the factors as if they are going to mature and since the Company is faced with year after year of loss, liquidity constraints, has negative current ratio and unpaid growers liability may impact its cane-procurement in future. The management is aware of the grave problem it is faced with and pin its hopes on the improvement in sugar prices as the cycle of falling prices is going to fade out and the management can make a good come back when the next season of 2014-15 will start (whereas Season 2013-14 is also faced with same grave situations). Till then the situation is grave for the entire sugar industry owing to high cane cost and lower sugar prices.

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, 2012 for a term of 3 (three) years. The next election of directors is due on 29th January, 2015.

AUDITORS

The present auditors – M/s. Aslam Malik & Co., Chartered Accountants, retire and being eligible, have offered their services for re-appointment for the ensuing year. The Audit Committee has recommended for their re-appointment for the year ending September 30, 2014.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the Code of Corporate Governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the mandatory provisions and welcome the government step to more fully disclose and monitor the corporate sector. We hope it will go a long way in confidence building of small investors and will boost corporate investment.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b. Proper books of accounts of the company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements.

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

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 operating results of the company during the year under review was unsatisfactory compared to last season due to acute shortage and poor quality of cane in the zone area.

During the year under review, mills crushed lesser quantity of cane and produced lesser quantity of sugar compared to last year because damaging exogenous factors (cane shortage and poor quality cane) were more dominant during 2012-13 than those in 2011-12.

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

j. Because of the loss for the year under review, the Company has not declared any dividend or issued Bonus Shares for the year.

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

l. Value of investments based on audited accounts of Provident Fund is Rs. 98.345 million.

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

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

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

n During the year, 7 meetings of the Audit Committee were held. Attendance by each member is as follows :

Name of Members	No. of Meetings Attended
Ms. Naheed Zaffar Mirza	7
Mr. Akbar Ali Mirza	7
Mr. Abdullah Kamran Soomro	7

o. One meeting of the HR&R Committee was held during the year.

p. According to requirement of the revised Code 2012, at least one director is required to have the certification of directors' training program by June 30, 2013 and by June 30, 2016 every year at least one director to acquire the said certification; thereafter all directors shall obtain it.

However, there is a provision that individuals with a minimum of 14 years of education and 15 years of experience on the board of a listed company shall be exempted from the directors' training program. One of our directors already meets the exemption criteria by dint of qualification and experience and need not attend the training program. Thus, we will be required to meet the condition of training certification for our other directors by June 30, 2014.

q. The pattern of shareholding is annexed.

r. Except for BEL loan which is under litigation and pending in the court of law, the Company reached settlement agreements in previous years with various banks/financial institutions and regularly paid their dues in time in line with the terms agreed with them. The total outstanding dues of the banks/financial institutions have already been paid in full as disclosed in the financial statements of the respective years, except for non-payment of two installments of NBP in the year 2012-13..

We are constantly in contact with BEL to reach a settlement for repayment of their dues as has been done in case of other banks. But BEL being under liquidation, they have to meet various legal procedural formalities for reaching any settlement with debtors or creditors. As the matter is under litigation in the court of law, both parties are bound to implement the court order. This is the reason that we could not still reach any settlement with BEL for repayment of their dues. Under the present scenario it will take time to resolve the issues and enter into any settlement agreement with BEL. By the time, we shall be able to improve the liquidity position of the company and start repaying in installments.

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

VARIATION IN REMUNERATION OF CHIEF EXECUTIVE & WHOLE TIME DIRECTORS

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

ACKNOWLEDGEMENT

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

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

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

On behalf of the Board

Karachi,
January 3, 2014

AFTAB AHM
Chairman & Chief Exec

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

Monthly remunerations of Chief Executive and Executive Directors :

	Monthly Remuneration			
	w.e.f.	Amount Rs.	w.e.f.	Amount Rs.
Mr Aftab Ahmad Chairman & Chief Executive	June 01, 2012	268,300	June 01, 2013	283,800
Ms Naheed Zaffar Mirza Director	June 01, 2012	106,925	June 01, 2013	112,350
Mr Abbas Ally Agha Director	June 01, 2012	54,613	June 01, 2013	57,713

PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 2013

No. Of Shareholders	Shareholding From	To	Total Shares Held	Percentage
1757	1	100	167,528	1.54
374	101	500	121,259	1.12
379	501	1000	363,385	3.35
242	1001	5000	677,219	6.24
38	5001	10000	301,162	2.78
7	10001	15000	91,956	0.85
6	15001	20000	105,200	0.97
7	20001	25000	163,837	1.51
5	25001	30000	138,901	1.28
2	30001	35000	68,500	0.63
1	35001	40000	39,500	0.36
2	40001	45000	84,750	0.78
24	45001	50000	1,200,000	11.06
2	50001	55000	103,340	0.95
2	70001	75000	145,194	1.34
1	95001	100000	100,000	0.92
4	100001	105000	401,865	3.70
1	105001	110000	105,833	0.98
1	110001	115000	110,138	1.02
1	140001	145000	140,984	1.30
2	145001	150000	295,500	2.72
1	155001	160000	159,000	1.47
1	160001	165000	162,800	1.50
2	165001	170000	335,200	3.09
1	195001	200000	200,000	1.84
1	200001	205000	201,000	1.85
1	210001	215000	211,530	1.95
1	295001	300000	300,000	2.76
1	430001	435000	432,099	3.98
1	495001	500000	500,000	4.61
2	500001	505000	1,001,000	9.23
1	775001	780000	779,820	7.19
1	810001	815000	813,700	7.50
1	825001	830000	827,800	7.63
2873			10,850,000	100

CATEGORIES OF SHAREHOLDINGS (30-09-2013)
ADDITIONAL INFORMATION

Categories of ShareHolders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	-	-
Mutual Funds	-	-
NIT and ICP		
National Bank of Pakistan-Trustee Deptt, NI(U) Fund (more than 5%)	802,320	7.39
Investment Corporation of Pakistan (ICP)	167,700	1.55
National Investment Trust Ltd. (NIT)	9,100	0.08
	979,120	9.02
Directors, CEO and their Spouse(s) and minor Children.		
Mr. Aftab Ahmed (Chief Executive).	2,000	0.02
Begum Akhter Abid (Director)	201,000	1.85
Ms. Naheed Zaffar Mirza (Director)	100,500	0.93
Mr. Abbas Ally Agha (Director)	1,000	0.01
Mr. Ali Ghazi Mirza (Director)	1,000	0.01
Mr. Abdullah Kamran Soomro (Director)	5,000	0.05
Mr. Asif Saeed (Director)	5,000	0.05
Mr. Akber Ali Mirza (Director)	5,000	0.05
	320,500	2.95
Executives	-	-
Public sector companies and corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds; and		
National Bank of Pakistan	438	0.00
Trustee NBP (Employees Pension Fund	71,294	0.66
Trustee NBP (Employees Benevolent Fund Trust)	2,502	0.02
The Bank of Punjab (Treasury Division)	100,365	0.93
State Life Insurance Corp. of Pakistan	162,800	1.50
Pakistan ReInsurance Company Ltd	100,000	0.92
New Jubilee Insurance Company Ltd.	1,100	0.01
Muslim Insurance Company Ltd.	600	0.01
National Bank of Pakistan (Former NDFC)	1,050	0.01
	440,149	4.06
Shareholders holding five percent or more voting rights in the listed company.		
- Also NBP Trustee Deptt. (above)		
Others / Joint Stock Companies		
Naeem's Securities (Pvt) Ltd.	100	0.00
Sarfraz Mahmood (Pvt) Ltd.	100	0.00
Darson Securities (Pvt) Ltd.	21,100	0.19
Cliktrade Limited	500	0.00
Stock Master Securities (Pvt) Ltd	500	0.00
Rahat Securities Limited	100	0.00
Highlink Capital (Pvt) Ltd.	41,000	0.38
Fikree's (SMC-Pvt) Ltd	100	0.00
	63,500	0.59
Individuals	9,046,731	83.38
TOTAL	10,850,000	100

CORPORATE VISION / MISSION STATEMENT

VISION

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

MISSION

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

SIX YEARS DATA AT A GLANCE

Rupees in Thousand

PARTICULARS		2013	2012	2011	2010	2009	2008 Restated
FINANCIAL DATA							
1 **Financial Position**							
Paid up Capital	Rs.	108,500	108,500	108,500	108,500	108,500	108,500
Accumulated (loss)/Profit	Rs.	(930,390)	(817,740)	(675,094)	(613,473)	(688,874)	(872,712)
Surplus on Revaluation of Fixed Assets	Rs.	-	-	-	-	-	71,712
Long term Loan	Rs.	6,006	9,556	84,843	91,616	92,005	70,000
Deferred Liablities	Rs.	291,411	292,805	294,843	297,937	297,937	451,519
Fixed Assets (At Cost)	Rs.	547,780	547,780	560,150	551,220	550,771	550,974
Accumulated Depreciation	Rs.	502,715	497,327	491,617	485,591	478,940	472,188
Long term Advance/Deposits	Rs.	58	58	58	58	132	132
Current Assets	Rs.	48,196	107,911	362,451	204,345	162,631	100,789
Current Liabilities	Rs.	547,799	495,301	598,939	385,453	425,027	422,401
2. **INCOME**							
Sales	Rs.	136,824	627,044	1,411,945	1,069,717	391,987	620,521
Gross Profit/(Loss)	Rs.	(82,548)	(107,693)	(11,024)	117,901	42,220	12,042
Other Income	Rs.	1,420	11,839	34,119	11,211	185,992	10,386
Pre-Tax (Loss)/Profit	Rs.	(112,650)	(142,646)	(41,363)	86,098	189,140	2,059
Taxation	Rs.	-	-	(14,159)	(10,697)	(5,302)	-
3. **STATISTICS AND RATIOS**							
Gross Profit/(Loss) to Sales	%	(60.33)	(17.17)	(0.78)	11.02	10.77	1.94
Pre-Tax Profit/(Loss) to Sales	%	(82.33)	(22.75)	(2.93)	8.05	48.25	0.33
Pre-Tax Profit/(Loss) to Capital	%	(103.82)	(131.47)	(38.12)	79.35	174.322	1.90
Current Ratio		1:11.37	1:4.59	1:1.65	1:1.89	1:2.61	1:4.19
Paid - up Value per Share	Rs.	10	10	10	10	10	10
Earnings / (loss) per Share	Rs.	(10.38)	(13.15)	(5.12)	6.95	0.74	(0.75)
Cash Dividend	Rs.	-	-	-	6,098	-	-
Market Value Per Share	Rs.	2.50	2.50	2.75	5.35	5.04	6.89
4. **OPERATING DATA**							
Season Started		11.01.2013	30.12.2011	26.11.2010	15.11.2009	16.12.2008	17-11-2007
Season Closed		09.02.2013	26.02.2012	31.03.2011	04.03.2010	12.03.2009	06-04-2008
Days Worked		30	59	126	110	86	142
Sugarcane Crushed	M.T	20,431	116,299	253,279	172,177	123,413	335,900
Sugarcane Crushed	Mds	510,774	2,907,479	6,331,977	4,394,424	3,085,331	8,397,488
Sugar Recovery	%	8.611	9.200	9.200	9.620	9.684	9.269
Sugar Production	M.T.	1,688	10,697	23,293	16,546	11,950	31,142
Molasses Recovery	%	4.679	4.808	4.848	4.662	4.518	4.930
Molasses Production	M.T.	930	5,600	12,265	8,035	5,575	16,560

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
{See Clause (xl) of the revised Code 2012}

Name of Company	:	PANGRIO SUGAR MILLS LIMITED
Year Ended	:	30th September, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange 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 Company encourages representation of independent non-executive directors and representing minority interests on the board of directors. The Board comprises of nine directors including the C.E.O. At present the Board includes :

Category	Names
Executive Directors	Mr Aftab Ahmad Ms Naheed Zaffar Mirza Mr Abbas Ally Agha
Non-Executive Directors	Begum Akhtar Abid Mr Ali Ghazi Mirza Mr Abdullah Kamran Soomro Mr Asif Saeed Mr Akbar Ali Mirza Mr Muhammad Asif (NIT)

2. The directors have confirmed that none of them is serving as a director in more than seven (7) listed companies, including this Company.

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

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

5. The Company has prepared a ‘Code of Conduct’ and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement; overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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 and non-executive directors, have been taken by the Board/Shareholders.

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 and he Board met at least once in every quarter. 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. According to the requirement of the revised Code 2012, at least one director is required to have the certification of directors' training program by June 30, 2013 and by June 30, 2016 every year at least one director to acquire the said certification; thereafter all directors shall obtain it. However, there is a provision that individuals with a minimum of 14 years of education and 15 years of experience on the board of a listed company shall be exempted from the directors' training program. One of our directors already meets the exemption criteria by dint of qualification and experience and need not attend the training program. Thus we will be required to meet the condition of training certification for our other directors by June 30, 2014.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit. All these appointments were made before the revised CCG has taken effect.

11. The directors' report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO 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 CCG.

15. The Board has already formed an audit committee. It comprises of 3 (three) members of whom 2 (two) are non-executive directors and the Chairperson is an executive director.

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 and as required by the CCG. The terms of reference of the committee have already been formed and advised to the committee for compliance.

17. The board has already formed an HR and Remuneration (HR&R) Committee comprising of three members including the Chairman. Out of the three members, two are non-executive and one is an executive director and the CEO of the Company. The Chairman of the Committee is a non-executive director.

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

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

20. 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.

21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information, if any, has been disseminated among all market participants at once through stock exchange(s).

23. Our CFO and Head of Internal Audit qualify for the respective posts under the provision (i.e. exemption from qualification criteria on the basis of serving for the last five years) as contained in Clauses (xiii) & (xiv) of the revised CCG. Both of our CFO and Head of Internal Audit are already working for more than 5 years.

24. We confirm that all other material principles contained in the CCG have been complied with.

Karachi,
January 3, 2014

AFTAB AHMAD
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 ("the Company"), to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review we report, 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, 2013.

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

Place: Karachi,
Date: January 03, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of PANGRIO SUGAR MILLS LIMITED (the Company) as at September 30, 2013, the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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 management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that –

a) as disclosed in note 1.2 to the financial statements, during the year the company has incurred a loss of Rs.112.6 million (2012: Loss Rs.142.64 million). As of the reporting date, company's equity is negative by Rs.821.8 million (2012: Rs.709.24 million), its accumulated loss amounted to Rs. 930.3 million (2012: Rs. 817.74 million) and its current liabilities exceeded its current assets by Rs.499.6 million (2012: Rs. 387.39 million). The equity of the company is negative, it has adverse current ratio, its operations are limited, it generated insufficient cash flows and its financial liabilities are long overdue. Further the company is facing recovery proceedings filed by the Bankers Equity Limited. These conditions indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of its business. The financial statements have been prepared on going concern basis by the management.

b) as per the terms of settlement of deferred liabilities disclosed in note 13.3.1 to the financial statements, in case of any default in single payment the arrangement would be cancelled and financial institutions would be entitled to recover the entire deferred amount. The company has defaulted in payment to the financial institution but has not reclassified deferred liabilities as current liability. We also did not receive responses to our letter confirming balances outstanding against financial institutions. We could not satisfy ourselves as to the accuracy and completeness of the balances appearing in the Company's books against them through alternative audit procedures.

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

(d) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied ;

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

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

(e) in our opinion and to the best of our information and according to the explanations given to us, because of the effects of the matters highlighted in paragraph (a) and (b), the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at September 30,2013, of the loss, its comprehensive loss, changes in equity and cash flows for the year then ended ; and

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

(Aslam Malik & Company)
Chartered Accountants
Engagement Partner: Mian Ahmed Hussain

Karachi:
Date: January 03, 2014

BALANCE SHEET
AS AT 'SEPTEMBER 30, 2013

	Note	2013	2012
ASSETS		Rupees	
NON-CURRENT ASSETS			
Property, plant and equipment	4	45,070,99	50,452,986
Long term deposits		58,000	58,000
CURRENT ASSETS			
Stores, spares and loose tools	5	22,771,48	23,702,012
Stock-in-trade	6	7,520,28	60,597,140
Loan and advances	7	12,366,32	13,356,194
Trade deposits and short term prepayments	8	4,590,90	8,114,205
Other receivable	9	30,56	30,565
Cash and bank balances	10	917,13	2,110,977
		48,196,702	107,911,093
TOTAL ASSETS		93,325,69	158,422,079
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
12,000,000 ordinary shares of Rs. 10/- each		120,000,000	120,000,000
Issued, subscribed and paid-up capital			
10,850,000(2012:10,850,000) shares fully paid in cash		108,500,000	108,500,000
Accumulated losses		(930,390,297)	(817,740,266)
		(821,890,297)	(709,240,266)
NON-CURRENT LIABILITIES			
Long-term financing from:			
- Banks and financial institutions	11	6,005,82	9,556,339
- Related party - insecured - interest free	12	70,000,00	70,000,000
Deferred liabilities	13	291,411,30	292,805,374
CURRENT LIABILITIES			
Current portion of long-term financing	14	114,284,57	111,146,974
Short term borrowings	15	22,595,36	22,595,369
Trade and other payables	16	359,756,00	309,446,932
Accrued markup on loans	17	48,568,66	48,568,661
Provision for taxation		2,594,255	3,542,697
		547,798,869	495,300,633
TOTAL EQUITY AND LIABILITIES		93,325,69	158,422,07
CONTINGENCIES AND COMMITMENTS	18	-	-

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Note	2013	2012
		Rupees	
Sales - net	19	136,824,249	627,043,684
Cost of sales	20	(219,372,232)	(734,736,326)
Gross profit/(loss)		(82,547,983)	(107,692,642)
Operating expenses			
Distribution		(847,312)	(1,740,133)
Administrative	21	(28,630,938)	(41,417,139)
		(29,478,250)	(43,157,272)
		(112,026,233)	(150,849,914)
Finance costs	22	(2,044,034)	(3,634,955)
Other income	23	1,420,236	11,839,094
		(623,798)	8,204,139
Profit / (loss) before taxation		(112,650,031)	(142,645,775)
Taxation	24	-	-
Net (loss) for the year		(112,650,031)	(142,645,775)
(Loss) / earning per share - basic & diluted	27	(10.38)	(13.15)

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2013	2012
	Rupees	
(Loss) / profit after taxation	(112,650,031)	(142,645,775)
Other comprehensive income	-	-
Total comprehensive income for the year transferred to equity	(112,650,031)	(142,645,775)

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Share Capital	Accumulated Losses	Other comprehensive income/(Loss)	Total
	Rupees			
Balance as at October 1, 2011	108,500,000	(675,094,491)	-	(566,594,491)
Profit/(Loss) for the year	-	(142,645,775)	-	(142,645,775)
Balance as at September 30, 2012	108,500,000	(817,740,266)	-	(709,240,266)
Balance as at October 1, 2012	108,500,000	(817,740,266)	-	(709,240,266)
Profit/(Loss) for the year	-	(112,650,031)	-	(112,650,031)
Balance as at September 30, 2013	108,500,000	(930,390,297)	-	(821,890,297)

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2013	2012
	Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(112,650,031)	(142,645,775)
Adjustments for :		
Depreciation on property, plant and equipment	5,406,358	6,205,618
Finance costs	2,044,034	3,634,955
Reversal of deferred liabilities	(1,394,074)	(2,037,307)
Reversal of long term liabilities	-	(825,954)
Gain on disposal of property, plant and equipment	(18,287)	(168,732)
	6,038,031	6,808,580
Operating cash flow before movement in working capital	(106,611,999)	(135,837,195)
Changes in working capital		
Stores, spares and loose tools	930,525	(270,335)
Stock in trade	53,076,851	142,133,611
Loans and advances	989,874	49,842,105
Trade deposits and short-term prepayments	3,523,302	12,119,926
Other receivables	-	29,000,000
Trade and other payables	50,309,074	(69,692,605)
	108,829,626	163,132,702
Cash generated by operations	2,217,626	27,295,507
Finance costs paid	(369,029)	(2,650,422)
Income taxes paid	(948,422)	(3,450,273)
	(1,317,451)	(6,100,695)
Net cash inflow from operating activities	900,175	21,194,812
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(72,000)	(7,196,480)
Proceeds from disposal of property, plant and equipment	65,900	228,328
Net cash outflow from investing activities	(6,100)	(6,968,152)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loans	(2,087,916)	(16,117,748)
Divident Paid	-	-
Net cash outflow from financing activities	(2,087,916)	(16,117,748)
Increase in cash and cash equivalents (A+B+C)	(1,193,841)	(1,891,087)
Cash and cash equivalent at beginning of the year	2,110,979	4,002,066
Cash and bank balances at end of the year	917,138	2,110,979

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1 STATUS AND NATURE OF BUSINESS

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

1.2 During the year the company has incurred a loss of Rs.112.6 million (2012: Loss Rs.142.64 million). As of the reporting date, company's equity is negative by Rs.821.8 million (2012: Rs.709.24 million), its accumulated loss amounted to Rs. 930.3 million (2012: Rs. 817.74 million) and its current liabilities exceeded its current assets by Rs.499.6 million (2012: Rs. 387.39 million)."

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

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

However these financial statements have been prepared on going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 Accounting convention

2.2.1 Basis of measurement

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

2.2.2 Functional and Presentation Currency

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

2.2.3 Significant Estimates

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

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

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

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

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

2.2.4 Changes in accounting policies and disclosures

New and amended standards adopted by the Company:

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' Clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The IFRIC is applicable from July 1, 2010.

IAS 24, 'Related party disclosures' (revised 2009) Amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amended standard is effective from January 1, 2011.

Amendments to IAS 34, 'Interim financial reporting': Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: The circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The effective date is January 1, 2011.

Amendment to IAS 1, 'Presentation of financial statements': Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.The effective date is January 1, 2011.

IFRS 7, 'Financial instruments' Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The effective date is January 1, 2011.

New and amended standards, and interpretations mandatory for the first time for the current financial year but not currently relevant to the Company:

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

Amendments to IFRS 3, 'Business combinations' (applicable to annual periods beginning on or after July 1, 2010): Clarify the transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS, requirements on measurement of noncontrolling interests and the provisions applicable to un-replaced and voluntarily replaced sharebased payment awards.

IFRIC 13, 'Customer loyalty programmes': The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programmes. The effective date is January 1, 2011.

Amendment to IFRS 1, 'First time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first time adopters': Provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7. The effective date is July 1, 2010.

Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction': Removes unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. Results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. The effective date is from January 1, 2011 however, for the Company's gratuity scheme being unfunded, the amendment stands irrelevant.

'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

New standards, amendments and interpretations issued but not effective for the current financial year and not earlier adopted

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets but is unlikely to materially affect the Company's accounting for its financial assets as held currently.

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is not applicable until January 1, 2013 but is available for early adoption. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012.

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the Company will need to disclose any transactions between its subsidiaries and its associates. The Company is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation is not expected to have any impact on the Company's financial statements.

Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards' (effective for annual periods beginning after January 1, 2011): Includes provisions for accounting policy changes in the year of adoption, revaluation basis as deemed cost and use of deemed cost for operations subject to rate regulation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant & equipment

Operating assets

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

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

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

The assets' residual values, useful lives methods are reviewed and adjusted if appropriate, at each financial year. The Company's estimate of residual values of property, plant and equipment as at 30 September 2013 did not require any adjustment as its impact is considered insignificant.

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

Capital work in progress

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

3.2 Stores, spares and loose tools

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

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

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

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

3.3 Stock in trade

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

- Finished sugar at average manufacturing cost;

- Sugar in process at average manufacturing cost;

- Molasses at contracted price / net realizable value;

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

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

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

3.4 Trade and other receivables

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

3.5 Cash and cash equivalents

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

3.6 Staff retirement benefits

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

3.7 Current and deferred income tax

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

Current

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

Deferred

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

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

3.8 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the company.

3.9 Provisions

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

3.10 Borrowings

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

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

3.11 Financial assets

3.11.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

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

3.11.2 Recognition and measurement

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

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

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

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

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

3.12 Offsetting financial instruments

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

3.13 Foreign currency translation

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

3.14 Impairment of non-financial assets

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

3.15 Basic and diluted earnings per share

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

3.16 Related Party Transactions

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

3.17 Revenue recognition

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

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

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

3.18 Borrowing costs

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

4 PROPERTY, PLANT & EQUIPMENT

	Leasehold land	Factory building	Office premises	Plant and machinery	Boiler house	Power house	Electric installation	Mills & other equipment	Office equipment	Computers	Furniture and fixture	Vehicles	Agricultural vehicles	Total
	Rupees													
As at October 30, 2011														
Cost	5,824,91	94,150,09	9,855,02	195,276,82	126,921,39	69,930,23	19,556,83	4,494,55	4,317,36	3,563,17	5,513,59	20,289,20	457,00	560,150,22
Accumulated depreciation	-	(86,806,766	(8,829,737	(171,331,593	(116,762,081	(65,332,926	(18,010,156	(3,296,568	(3,416,122	(3,361,976	(5,066,384	(8,963,816	(439,094	(491,617,219
Impairment losses	-	(3,277,508	-	(12,370,799	(2,143,632	(500,000	-	-	(692,344	-	(27,000	-	-	(19,011,283
Net book value	5,824,913	4,065,82	1,025,28	11,574,42	8,015,68	4,097,31	1,546,68	1,197,98	208,90	201,20	420,21	11,325,38	17,90	49,521,72
Year ended September 30, 2012														
Opening net book value	5,824,913	4,065,82	1,025,28	11,574,42	8,015,68	4,097,31	1,546,68	1,197,98	208,90	201,20	420,21	11,325,38	17,90	49,521,72
Additions/transfer during the year	-	-	-	6,953,00	-	-	-	-	109,48	74,00	60,00	-	-	7,196,48
Disposals / transfers														
Cost	-	-	-	-	-	-	-	-	-	-	-	(555,000	-	(555,000
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	495,40		495,40
Net book value	-	-	-	-	-	-	-	-	-	-	-	(59,596	-	(59,596
Depreciation for the year	-	(406,582	(102,529	(1,801,368	(801,568	(409,731	(154,670	(119,798	(29,101	(77,011	(46,521	(2,253,158	(3,581	(6,205,618
Closing net book value	5,824,913	3,659,24	922,76	16,726,06	7,214,11	3,687,58	1,392,01	1,078,18	289,28	198,19	433,69	9,012,63	14,32	50,452,98
As at October 1, 2012														
Cost	5,824,913	94,150,09	9,855,02	202,229,82	126,921,39	69,930,23	19,556,83	4,494,55	4,426,84	3,637,17	5,573,59	19,734,20	457,00	566,791,70
Accumulated depreciation	-	(87,213,348	(8,932,266	(173,132,961	(117,563,649	(65,742,657	(18,164,826	(3,416,366	(3,445,223	(3,438,987	(5,112,905	(10,721,570	(442,675	(497,327,433
Impairment losses	-	(3,277,508	-	(12,370,799	(2,143,632	(500,000	-	-	(692,344	-	(27,000	-	-	(19,011,283
Net book value	5,824,913	3,659,24	922,76	16,726,06	7,214,11	3,687,58	1,392,01	1,078,18	289,28	198,19	433,69	9,012,63	14,32	50,452,98
Year ended September 30, 2013														
Opening net book value	5,824,913	3,659,24	922,76	16,726,06	7,214,11	3,687,58	1,392,01	1,078,18	289,28	198,19	433,69	9,012,63	14,32	50,452,98
Additions/transfer during the year	-	-	-	-	-	-	-	-	-	-	-	72,00	-	72,00
Disposals / transfers														
Cost	-	-	-	-	-	-	-	-	-	-	-	(65,900)	-	(65,900)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	18,270		18,270
Net book value	-	-	-	-	-	-	-	-	-	-	-	(47,630)	-	(47,630)
Depreciation for the year	-	(365,924)	(92,276)	(1,672,606)	(721,412)	(368,758)	(139,201)	(107,818)	(28,928)	(59,458)	(43,369)	(1,803,744)	(2,865)	(5,406,358)
Closing net book value	5,824,913	3,293,317	830,484	15,053,455	6,492,704	3,318,823	1,252,809	970,366	260,352	138,734	390,323	7,233,258	11,460	45,070,997
As at October 1, 2013														
Cost	5,824,913	94,150,097	9,855,026	202,229,821	126,921,396	69,930,238	19,556,836	4,494,550	4,426,847	3,637,179	5,573,597	19,740,302	457,000	566,797,802
Accumulated depreciation	-	(87,579,272)	(9,024,542)	(174,805,567)	(118,285,061)	(66,111,415)	(18,304,027)	(3,524,184)	(3,474,151)	(3,498,445)	(5,156,274)	(12,507,044)	(445,540)	(502,715,522)
Impairment losses	-	(3,277,508)	-	(12,370,799)	(2,143,632)	(500,000)	-	-	(692,344)	-	(27,000)	-	-	(19,011,283)
Net book value	5,824,913	3,293,317	830,484	15,053,455	6,492,704	3,318,823	1,252,809	970,366	260,352	138,734	390,323	7,233,258	11,460	45,070,997
Annual rates of depreciation	0%	10%	10%	10%	10%	10%	10%	10%	10%	30%	10%	20%	20%	

		2013	2012
		Rupees	
4.1	Allocation of Depreciation		
	Cost of sales	3,417,255	3,753,458
	Administrative expenses	1,989,103	2,452,160
		5,406,358	6,205,618

4.2 This represents impairment losses arising due to damages occurring to the factory area and assets within factory premises due to flood in the Badin Region during the month of September 2011.

		2013	2012
5	STORES, SPARES AND LOOSE TOOLS	Rupees	
	Stores	13,321,256	14,500,425
	Spares	9,955,346	9,641,608
	Loose tools	505,008	570,102
		23,781,610	24,712,135
	Less: Provision against slow moving items/obsolescence (note 5.1)	(1,010,123)	(1,010,123)
		22,771,487	23,702,012

5.1 During period September 30, 2012 company has received insurance claim of Rs 29 million. Upon materialization of claim company has written off obsolete stores and spares against which insurance claim of Rs 7,626,093 is received

		2013	2012
6	STOCK IN TRADE	Rupees	
	Sugar in process	7,520,289	3,200,149
	Finished sugar	-	57,396,991
		7,520,289	60,597,140

		2013	2012
7	LOANS AND ADVANCES	Rupees	
	Related parties:		
	Employees - considered good	2,333,817	4,379,738
	Employees - considered doubtful	1,501,033	1,501,033
		3,834,850	5,880,771
	Less: Provision for doubtful loans and advances	(1,501,033)	(1,501,033)
		2,333,817	4,379,738
	Advances to:		
	Growers - considered good	10,032,503	8,976,456
	Growers - considered doubtful	34,544	34,544
		10,067,047	9,011,000
	Less: Provision for doubtful loans and advances	(34,544)	(34,544)
		10,032,503	8,976,456
		12,366,320	13,356,194

		2013	2012
8	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Rupees	
	Trade deposits - considered good		
	Transport contractors	280,655	280,655
	Suppliers	2,705,542	5,272,217
	Expenses	1,400,271	2,457,136
		4,386,468	8,010,008
	Trade deposits - considered doubtful		
	Suppliers	941,246	941,246
	Expenses	483,864	483,864
		1,425,110	1,425,110
	Less: Provision for doubtful trade deposits	(1,425,110)	(1,425,110)
		4,386,468	8,010,008
	Prepayments	104,113	104,197
	Sales tax refundable	100,322	-
		4,590,903	8,114,205

9	OTHER RECEIVABLE		
	Other recievable	30,565	30,565
		30,565	30,565

10 CASH AND BANK BALANCES

Cash at banks		
Current accounts	877,742	2,040,738
Cash in hand	39,396	70,239
	917,138	2,110,977

11 LONG TERM FINANCING

Banking and financial institutions - secured , interest free

	Note	Mark - up rate p.a.	Contracted Cash flows	Installments Number	Installments Commencing from	2013	2012
						(Rupees)	
Long term finance utilised under mark-up arrangements:							
BEL Syndicate -Bankers Equity Limited	11.1	Mark up free	102,689,258	12 quarterly	To be fixed	102,689,258	102,689,258
Allied bank Limited	11.2	Mark up free	2,528,952	8 quarterly	Apr-11	-	818,813
United Bank Limited	11.3	Mark up free	6,412,415	10 quarterly	Apr-10	-	1,269,103
National Bank of Pakistan	11.4	4% cost of fund	19,896,000	8 quarterly	Jun-09	14,955,029	13,280,023
						117,644,287	118,057,197
Less: Current portion shown under current liabilities						3,908,202	5,811,600
Overdue portion shown under current liabilities						107,730,258	102,689,258
						111,638,460	108,500,858
						6,005,827	9,556,339

11.1 This represents the amount of proportionate share of the BEL syndicate for settlement based on the forced sale value of the fixed assets of the company of Rs 215.77 Million approved in October 2004 by the SBP committee in terms of the Circular 29. The remaining balance of Rs 85.6 Million is reflected under deferred liabilities (refer in note 13) pending recognition as income since final settlement with BEL is presently subject to litigation in High court between the parties. BEL is under liquidation and the official liquidator of BEL had filed an application in 2011 with High Court for settlement at Rs. 102 Million in 24 quarterly installments which was not acceded to and decreed on 22nd November 2011 by High Court for recovery of Rs 188 million by sale of company's fixed asstes. The order was susequently suspended by divisional bench vide order dated 21st January 2012.

The company is pressing for settlement with BEL based on FSV of Rs 215.77 Million in line with the settlement accepted by its other syndicate members i.e MCB, HBL, NBP, ABL and UBL. The Company expects that its appeal will be decided on merits, the settlement with BEL on the said times will be reached in due course of time accordingly.

11.2 During the period Sepetmber 30, 2012, ABL has separately restructured its loan for repayment in 8 quarterly instalment without any interest in quarterly instalment of Rs. 0.421 million. The Company has made down payment of Rs. 1 million and six instalment of Rs. 0.421 million each, the balance reflects the amount of loan amortized @ 14.35% per annum using two year KIBOR at the agreement date. During the current period company has repaid all of its loan liability.

11.3 UBL has separately restructured its loan for repayment in 10 quarterly instalment without any interest in quarterly instalment of Rs. 1.282 million. The Company has made nine instalment of Rs. 1.282 million each, the balance reflects the amount of loan amortized @ 13.21% per annum using two year KIBOR at the agreement date. During the current period company has repaid all of its loan liability.

11.4 NBP has also separately restricted all its loans for repayment over a period of seven years in 14 half yearly installments with cost of funds @ 4.31% per annum. The Company has made default in payment of two installments to NBP during the year under review. The balance reflects the amount of loan amortized @ 14.96% per annum using three year KIBOR.

Securities

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

	Notes	2013	2012
		Rupees	
12 RELATED PARTY - UNSECURED - INTEREST FREE			
Long term loan received from related party	12.1	70,000,000	70,000,000

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

	Notes	2013	2012
13 DEFERRED LIABILITIES		Rupees	
Staff gratuity	13.1	3,929,807	3,929,807
Quality premium	13.2	93,778,123	93,778,123
Banking companies	13.3	193,703,370	195,097,444
		291,411,300	292,805,374

13.1 Staff Gratuity

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

13.2 Quality premium

This represents provision in respect of quality premium (QP) payable to growers for the period from 1998-99 to 2003-04. The matter of payment of quality premium is subjudiced and appeals filed in this matter are pending before the Supreme Court of Pakistan.

	2013	2012
13.3 Banking companies	Rupees	
Bankers equity limited	85,613,994	85,613,994
United bank limited	-	811,250
National bank of Pakistan	108,089,376	108,089,376
Allied bank limited	-	582,824
	193,703,370	195,097,444

13.3.1 As a result of settlement, the company has transferred the settlement liability of Rs. 222.170 million to long term finances (Note - 11). The balance amount of Rs. 353.810 million has been transferred to deferred liabilities, being the difference between amount as per books (Rs. 575.98 million) and settlement amount (Rs. 222.170 million). The amount due to ABL & UBL were settled during the year. According to the terms of settlement letter, in case of any single default in payment of settlement instalment, the arrangement would be cancelled and financial institutions would be entitled to recover entire outstanding liabilities as per their record/ decree issued by the court. Because of this condition, the difference amount of principal and markup has not been reversed during the year and kept in the deferred liabilities and will be reversed when the long term loans are fully repaid.

The agreement with Bankers Equity Limited have not yet been signed and the effect of settlement arrangement have not been incorporated. The management is confident that the agreements with remaining banks will be signed soon.

13.3.2 As per the terms of settlement of deferred liabilities disclosed in note 13.3.1 to the financial statements, in case of any default in single payment the arrangement would be cancelled and financial institutions would be entitled to recover the entire deferred amount. During the year, the Company has defaulted in payment to the financial institution as per term of settlement and is required to classify the whole amount as current liability. However, the amount is still classified as non current because management have requested bank with a letter dated October 22, 2013 requesting relaxation in the agreed terms of repayment of loan. However, Bank has not responded to the Company.

14 CURRENT PORTION OF LONG TERM LIABILITIES

	Notes	2013	2012
		Rupees	
Cash finance	14.1	2,646,116	2,646,116
Payable within one year		3,908,202	5,811,600
		6,554,318	8,457,716
Overdue portion		107,730,258	102,689,258
		114,284,576	111,146,974

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

15 SHORT TERM BORROWINGS

	Notes	2013	2012
		Rupees	
Payable against bank guarantee			
Secured - under markup arrangement	15.1	22,595,369	22,595,369

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

16	TRADE AND OTHER PAYABLES	Notes	2013	2012
			Rupees	
	Creditors		2,963,537	3,210,614
	Accrued liabilities		22,940,118	16,214,737
	Road cess		2,269,784	2,397,468
	Advance against sale		200,437,848	165,241,848
	Growers liabilities	16.1	127,350,192	120,963,596
	Income tax		537,630	557,528
	Unclaimed dividend		670,864	670,864
	Sales tax		-	178,007
	Others		2,586,034	12,270
			359,756,007	309,446,932

16.1 This includes outstanding liability of Rs. 31.85 million relating to period before the year 1994 and remained unpaid due to company's financial constraints. These are partly held up for settlement owing to death of some growers for completion of required legal formalities by their legal heirs.

17	ACCRUED MARKUP ON LOANS	Notes	2013	2012
			Rupees	
	Long term financing		314,063	314,063
	Short term borrowings	15.1	48,254,598	48,254,598
			48,568,661	48,568,661

18 CONTINGENCIES AND COMMITMENTS

Contingencies

The matter of quality premium continues to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company purchased sugar cane at market rate, which was higher than minimum support price fixed by the government during the period from 2004-2010 except for 2007-08 and the resultant aggregate extra liability on account of various subsidies born by it amounted to Rs.1,282.93 million that absorbed the quality premium for the said years of Rs.213.92 million. It also holds the view that uniform formula being developed by MINFAL for mills and cane growers would be applicable prospectively. In view of above, the company has not recorded any obligation with respect to quality premium.

		Notes	2013	2012
19	SALES - net		Rupees	
	Sugar		139,247,100	638,291,761
	Molasses		7,998,000	36,780,000
			147,245,100	675,071,761
	Less: direct taxes levied and brokerage		(10,420,851)	(48,028,077)
			136,824,249	627,043,684
20	COST OF SALES			
	Sugar cane consumed		90,590,258	462,965,989
	Packing material		759,786	4,431,850
	Road cess		127,694	726,773
	Salaries, wages and benefits	20.1	41,951,991	60,800,733
	Fuel and power		6,683,707	6,165,477
	Stores and spares consumed		9,303,207	32,563,540
	Repairs and maintenance		167,680	1,237,313
	Insurance		4,409,954	4,476,618
	Travelling		1,275,918	2,124,561
	Telephone and postage		121,012	224,409
	Vehicles running		3,928,401	6,300,543
	Depreciation	4.1	3,417,256	3,753,458
	Freight handling and mud removal		2,098,273	1,971,453
	Others		1,460,244	4,859,999
	Cost of goods manufactured		166,295,381	592,602,716
	Add: Opening Stock			
	Finished sugar		60,597,140	202,730,751
	Less: Closing Stock			
	Finished sugar		-	(57,396,991)
	Sugar in process		(7,520,289)	(3,200,149)
			(7,520,289)	(60,597,140)
			219,372,232	734,736,327

20.1 This includes an amount of Rs. 1.518 million (2012: Rs. 1.496 million) in respect of staff retirement benefits.

		Note	2013	2012
			Rupees	
21	ADMINISTRATIVE EXPENSES			
	Directors' remuneration		5,302,206	5,362,252
	Salaries, wages and benefits	21.1	13,086,981	16,982,506
	Electricity, gas and water		814,861	2,222,692
	Repairs and maintenance		890,847	1,823,922
	Insurance		529,297	783,913
	Rent, rates and taxes		298,566	847,947
	Travelling		114,695	223,630
	Printing and stationery		614,508	759,051
	Auditor's remuneration	21.2	582,500	582,500
	Legal and professional		391,500	487,226
	Vehicles running		1,564,333	5,291,886
	Telephone and postage		1,035,231	1,680,571
	Fees and subscription		657,455	983,159
	Advertisement		38,820	58,500
	Depreciation	4.1	1,989,103	2,452,160
	General expenses		720,035	875,224
			28,630,938	41,417,139

21.1 This includes an amount of Rs. 0.616 million (2012 : Rs. 0.475 million) in respect of staff retirement benefits.

		Note	2013	2012
21.2	Auditors' remuneration		Rupees	
	Audit fee		425,000	425,000
	Other services			
	-half yearly review of financial statement		120,000	120,000
	-review of compliance with Code of Corporate Governance		37,500	37,500
			582,500	582,500

		2013	2012
22	FINANCE COSTS		
	Markup on long term financing	1,712,573	2,790,849
	Bank charges	331,461	844,106
		2,044,034	3,634,955

23 OTHER INCOME

Scrap sales	7,875	435,444
Gain on disposal of property, plant and equipment	18,287	168,732
Reversal of Liability	1,394,074	2,863,261
Written off unclaimed liabilities	-	8,371,657
	1,420,236	11,839,094

24 PROVISION FOR TAXATION

Current		
for the year	-	-

Current - for the year

The Company has incurred gross loss before set off of depreciation and other inadmissible expenses, so the company is not liable to pay minimum tax as per Section 113 of Income Tax Ordinance, 2001.

Deferred

Deferred tax on account of deductible temporary differences resulting from brought forward tax losses ,has not been recognized as it is not probable that sufficient taxable profits will be available in the foreseeable future against which such an asset may be realised.

TAX CHARGE RECONCILIATION

Since the company is in tax losses, therefore it is impracticable to prepare the tax charge reconciliation.

25 PLANT CAPACITY AND PRODUCTION

	2013	2012
Crushing capacity (Metric Tons based on 180 days of productio	648,000	648,000
Actual crushing (Metric Tons)	20,431	116,299
Percentage of crushing capacity attained	3.2%	17.9%
Number of days of production	30	59
Sugar capacity (Metric Tons based on 180 days of production)	42,600	42,600
Production of sugar (Metric Tons)	1,688	10,698
Percentage of capacity attained	3.96%	25.11%

Reasons for shortfall:

Non-availability of sugar cane in the area.

26 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

PARTICULARS	2013 Chief Executive	2013 Director	2013 Total	2012 Chief Executive	2012 Director	2012 Total
	Rupees					
Remuneration	2,338,400	1,407,575	3,745,975	2,523,400	1,255,500	3,778,900
House rent	943,200	564,981	1,508,181	898,500	684,852	1,583,352
Utilities	220,559	254,602	475,161	175,644	203,127	378,771
Others	262,027	496,846	758,873	258,829	391,258	650,087
Meeting fee	-	34,000	34,000	-	53,000	53,000
TOTAL	3,764,186	2,758,004	6,522,190	3,856,373	2,587,737	6,444,110
NO. OF PERSONS	1	2	3	1	2	3

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

27 EARNINGS PER SHARE

	2013	2012
	Rupees	
BASIC		
Profit after taxation - Rupees	(112,650,031)	(142,645,775)
Weighted average number of ordinary shares	10,850,000	10,850,000
Earning per share - Rupees	(10.38)	(13.15)

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

28 RELATED PARTY TRANSACTIONS

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

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

Details of transactions with related parties are as follows:	2013	2012
	Rupees	
Transactions during the year		
Contribution to staff provident fund	1,707,751	1,633,031

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

29 FINANCIAL INSTRUMENTS

Financial instruments by category

	2013	2012
FINANCIAL ASSETS	Rupees	
Loans and receivables		
Long term deposits	58,000	58,000
Trade deposits and short term prepayments	4,590,903	8,114,205
Other receivable	30,565	30,565
Cash and bank balances	917,138	2,110,977
	5,596,606	10,313,746

FINANCIAL LIABILITIES AT AMORTIZED COST		
Long-term financing	117,644,287	118,057,197
Trade and other payables	359,218,377	308,711,397
Accrued markup on finances	48,568,662	48,568,661
Short term borrowings	22,595,369	22,595,369
	548,026,695	497,932,624

30 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 interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

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

30.1 Credit risk

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

	2013	2012
	Rupees	
Trade deposits and short term prepayments	4,590,903	8,114,205
Other receivable	30,565	30,565
Bank balances	877,742	2,040,738
	5,499,210	10,185,508

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

	2013	2012
	Rupees	
A1+	619,894	1,019,414
A - 1 +	257,849	1,091,564
	877,743	2,110,978

30.2 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):

	2013			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
Non-Derivative	Rupees			
Financial liabilities				
Long-term financing	381,347,657	395,229,995	114,284,576	267,063,081
Trade and other payables	358,755,877	358,755,877	358,755,877	-
Short term borrowings	22,595,369	22,595,369	22,595,369	-
Accrued markup on finances	48,568,661	48,568,661	48,568,661	-
	811,267,564	825,149,902	544,204,483	267,063,081

	2012			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
Non-Derivative	Rupees			
Financial liabilities				
Long-term financing	383,154,641	396,624,069	111,146,974	272,007,667
Trade and other payables	308,711,397	308,711,397	308,711,397	-
Short term borrowings	22,595,369	22,595,369	22,595,369	-
Accrued markup on finances	48,568,661	48,568,661	48,568,661	-
	763,030,068	776,499,496	491,022,401	272,007,667

30.3 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 comprise of interest/mark up rate risk. The market risk associated with the Company's business activities are discussed as under:

30.3.2 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:

	2013	2012	2013	2012
	Effective interest rate (%)		Carrying amount	
			Rupees	
Fixed rate instruments				
Long term financing	6% - 14.96%	6% - 14.48%	381,347,657	383,154,641
			381,347,657	383,154,641

30.4 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.

31 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.

32 PROVIDENT FUND

		2013	2012
		-------------- (Rupees)	--------------
(i)	Size of the fund	98,345,430	89,138,665
(ii)	Cost of investment made	59,349,463	59,349,463
(iii)	Percentage of investments made	91.2%	96.9%
(iv)	Fair value of investments	89,710,049	86,408,233

	2013 Rupees	%	2012 Rupees	%
- Shares in listed Companies	33,265,580	37.1%	30,936,052	35.8%
- Mutual Funds	3,444,469	3.8%	2,472,181	2.9%
- Investment in deposit certificates	53,000,000	59.1%	53,000,000	61.3%
	89,710,049		86,408,233	

The investment of provident fund trust have been made in accordance with the provisions of section 227 of Companies Ordinance, 1984 and the rules formulated for the purpose.

	2013	2012
NUMBER OF EMPLOYEES	(Number)	
Total number of employees as at June 30	345	365
Average number of employees during the year	355	370

33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on January 03, 2014

34 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

FORM OF PROXY

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

I/We_________________________________ S/o ____

CNIC __________________________________ of ____

being a member of PANGRIO SUGAR MILLS LIMITED and holder of_____________________

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

hereby appoint___________________________________ S/o _______________________________

CNIC ____________________________ Folio No. / CDC A/C. No. ____________________________

of ____

who is also a member of the Company as my/our Proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on January 30, 2014 or at any adjournment thereof.

Signed:___________________________day of____2014.

Witness

1) Name_______________________________
C.N.I.C No.__________________________
Address______________________________
Signature_____________________________

2) Name_______________________________
C.N.I.C No.__________________________
Address______________________________
Signature_____________________________

Five Rupees Revenue Stamp

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

NOTE:

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

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

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