annual report 2009

THE PREMIER SUGAR MILLS & DISTILLERY CO. LIMITED

CONTENTS

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

COMPANY INFORMATION

BOARD OF DIRECTORS		
CHAIRMAN	KHAN AZIZ SARFARAZ KHAN	
CHIEF EXECUTIVE	MR. ABBAS SARFARAZ KHAN	
DIRECTORS	BEGUM LAILA SARFARAZ	
	MS. ZARMINE SARFARAZ	
	MS. NAJDA SARFARAZ	
	MS. MAHNAZ SAIGOL	
	MR. ISKANDER M. KHAN	
	MR. ABDUL QADAR KHATTAK	
	MR. BABAR ALI KHAN	
BOARD AUDIT COMMITTEE	KHAN AZIZ SARFARAZ KHAN	CHAIRMAN
	MS. NAJDA SARFARAZ	MEMBER
	MR. BABAR ALI KHAN	MEMBER
COMPANY SECRETARY	MR. MUJAHID BASHIR	
CHIEF FINANCIAL OFFICER	MR. RIZWAN ULLAH KHAN	
AUDITORS	MESSRS HAMEED CHAUDHRI & CO.,	
	CHARTERED ACCOUNTANTS	
COST AUDITORS	MESSRS MUNAWAR ASSOCIATES,	
	CHARTERED ACCOUNTANTS.	
TAX CONSULTANTS	MESSRS HAMEED CHAUDHRI & CO.,	
	CHARTERED ACCOUNTANTS	
LEGAL ADVISORS	MR. QAZI MUHAMMAD ANWAR	ADVOCATE
BANKERS	NATIONAL BANK OF PAKISTAN	
	HABIB BANK LMITED	
	MCB BANK LIMITED	
	UNITED BANK LIMITED	
	ALLIED BANK LIMITED	
	THE BANK OF KHYBER	
	PICIC COMMERCIAL BANK LIMITED	
	INNOVATIVE INVESTMENT BANK LIMITED	
	THE BANK OF PUNJAB	
	BANK ALFALAH LIMITED	
	FAYSAL BANK LIMITED	
REGISTERED OFFICE	MARDAN (N.W.F.P.)	
	PHONES: (0937) 862051-862052	
	FAX: (0937) 862989	
FACTORY	MARDAN	

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 64th Annual General Meeting of the shareholders of **The Premier Sugar Mills & Distillery Company Limited** will be held on 30 January, 2010 at 12.30 PM at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

ORDINARY BUSINESS

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2009.

(2) To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended 30 September, 2009.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2010. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment..

(4) To transact any other business of the Company as may be permitted by the Chair.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modification, as special resolutions:-

a) “Resolved that the Company may henceforth place its quarterly financial statements on its website instead of sending the same to the individual members by post, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 19 of 2004 dated 14 April, 2004.”

b) “Resolved that the consent of the shareholders be and is hereby accorded to increase the grace period for further period of three years for repayment of loan by Chashma Sugar Mills Limited, an associated undertaking.”

c) “Resolved that the consent of the shareholders be and is hereby accorded to sell one Horizontal Multi Stage Turbo Alternator Set, complete with all equipment, to Chashma Sugar Mills Limited, an associated undertaking.

Further resolved that the Chief Executive be and is hereby authorized to negotiate the price of the said Generator.”

d) “Resolved that the consent of the shareholders be and is hereby accorded to sell House No. 2 Street No. 27, Sector F-6/2 Islamabad measuring 622 square yards along with fittings, fixture and installations.

Further Resolved that the Chief Executive be and is hereby authorized to negotiate the price of the said property.

And further resolved that the Chief Executive and Company Secretary be and are hereby authorized to execute the documentation on behalf of the Company relating to the disposal of the property.”

e) “Resolved that the consent of the shareholders be and is hereby accorded to purchase the ordinary and preference shares of The Frontier Sugar Mills & Distillery Limited from the general public at a price of Rs. 32/= (Rupees:- Thirty two only) per ordinary share and Rs. 18/60 (Rupees:- Eighteen and paisa sixty only) per preference share in accordance with their listing regulations.

“ Further Resolved that the Chief Executive and Company Secretary be and are hereby authorized to take all steps on behalf of the Company required in this regard”.

The share transfer books of the Company will remain closed from 20 January, 2010 to 29 January, 2010 (both days inclusive).

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BY ORDER OF THE BOARD

Mardan
29 December, 2009

MUJAHID BASHIR
Company Secretary

Statement of Material Facts Under Section 160(1) (b) of the Companies Ordinance, 1984.

a) PLACEMENT OF QUATERLY ACCOUNTS ON WEBSITE

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 19 of 2004 dated 14 April, 2004 has allowed listed companies to place the quarterly financial statements on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the financial statements by post.

Prior permission of the SECP would be sought for transmitting the quarterly statements on Company's website after the approval of the shareholders. The Company, however, will make available printed copies of the financial statements to the shareholders on demand at their registered address free of charge, within one week of receiving such request.

b) EXTENSION OF GRACE PERIOD OF LOAN GRANTED TO CSM

The Company and Chashma Sugar Mills Limited (CSM) entered in to a loan agreement on 20 May, 2008 whereby the Company agreed to lend Rs.350 million to CSM. The loan is repayable in 8 equal half yearly installments after a grace period of two years for which CSM has requested to increase the grace period for further period of three years.The request of Chashma Sugar Mills Limited is being acceded to and grace period is being extended by further period of three years. Other terms and conditions will remain the same.

c) SALE OF GENERATOR SET TO CSM

The Company entered in to a lease agreement with Chashma Sugar Mills Limited (CSM)-an associated undertaking during December, 1994 for letting-out Horizontal Multi Stage Turbo Alternator Set, complete with all equipments on lease for period of three years. The lease period has been extended for three years after every expiry. Now it became unserviceable and scraped after working of long period.

d) SALE OF PROPERTY

The Company intends to sell House No. 2 Street No. 27 Sector F-6/2 Islamabad along with fittings, fixture and installations thereon which is free from all encumbrances, lien and charges etc. The property is being sold as the Company desires to withdraw its investment from this property.

e) PURCHASE OF SHARES OF FSM FROM GENERAL PUBLIC

The Frontier Sugar Mills & Distillery Limited (FSM) is subsidiary company of The Premier Sugar Mills & Distillery Company Limited (PSM) and its ordinary and preference shares are quoted on Karachi and Islamabad Stock Exchanges. FSM intends to de-list the Company and de-quote its ordinary and preference shares from two Stock Exchanges. It is proposed to allow PSM to purchase the ordinary and preference shares of FSM from general public at a price of Rs.32/= (Rupees:- Thirty two only) per ordinary shares and Rs. 18/60 (Rupees:- Eighteen and paisa sixty only) per preference shares in accordance with their Listing Regulations.

N.B:

1. Members unable to attend in person may kindly send proxy form attached with the Balance Sheet signed and witnessed to the Company at least 48 hours before the time of the meeting. No person shall act, as proxy unless he is entitled to be present and vote in his own right.
2. Members are requested to notify any change in address immediately.
3. C.D.C shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and participants I.D numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.
4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited along with the form of proxy. Representative of corporate members should bring the usual documents required for such purpose.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

DIRECTORS' REPORT

The Board of Directors is pleased to present Directors' Report of The Premier Sugar Mills & Distillery Company Limited, together with the audited financial statements for the year ended 30 September, 2009.

1. SUMMARISED FINANCIAL RESULTS

The financial results of the Company for the year under review are as under:-

	2009	2008
	Rupees in thousand	
Profit before taxation	**46,716**	7,935
Taxation		
- current year	**16,174**	302
- prior	**(1,064)**	152
- deferred	**(23,599)**	(26,162)
	(8,489)	(25,708)
Profit after taxation	**55,205**	33,643
Earnings per share	**14.72**	8.97

2. SUGARCANE PROCUREMENT AND UNEVEN COMPETITION WITH GUR

In Peshawar valley, the sugar industry is facing unfair competition from commercial tax free Gur manufacturers, producing approximately 300,000 tons of Gur, valuing Rs. 8.400 Billion from 3 Million Metric tons of sugarcane. Though, the commercial Gur manufacturing qualifies the status of Medium Scale Industry and is not exempt from the sales tax, despite this, the Government has failed to collect sales tax at the Mandies level on the false pretext that the Gur making is a Cottage Industry. As a result, the sales tax and income tax to the tune of Millions of Rupees is not collected from lucrative Gur trade, depriving the National exchequer of huge revenues. The sugar factories in the Peshawar Valley have a capacity to produce 125,000 tons of sugar and contribute Rs. 625 million in taxes to the GOP, instead Gur traders are benefiting at the cost of exchequer, because of inability of FBR to collect sales tax on Gur trade.

3. REVIEW OF OPERATIONS

3.1 SUGARCANE SEASON 2008-2009

The sugar factory commenced operations on November 11, 2008, crushed 88,613 metric tons (2008: 197,313 metric tons) of sugarcane against a crushing capacity of 400,000. Sugar production was 8,153 Metric tons (2008: 16,772 metric tons) and average recovery improved to 9.20% from 8.50% in the previous crushing season. The sugarcane supplies were regular upto Eid Holidays, however, despite shortage of sugar in the country, GOP allowed unbridled export of raw sugar (Gur) to Afghanistan, as a result, the sugarcane supplies to the factory were diverted towards tax free commercial Gur making, because of intermittent operations, on January 24, 2009 the Management had to perforce end the crushing season 2008-09. We have to pay multiple taxes, whereas, there is not a single tax on commercial gur manufacturing. In this situation, we cannot compete with the tax free commercial gur manufacturing in the absence of the following measures:

- Implementation of Gur Control Act 1948 in letter and spirit
- Collection of sales tax on the commercial sale of Gur at mandi level as per Sales Tax Act 1990, because Gur has a levy of sales tax.
- Imposing ban / duty on export of Gur.
- Linkage of the support price of sugarcane with its sucrose contents.

The Government in order to control the shortage of sugar has banned the sugar export, whereas, despite our repeated requests, raw sugar exports in the form of GUR is allowed at the cost of local consumer, national exchequer and wastage of precious foreign exchange on the import of equivalent quantity of expensive international sugar.

The Company earned profits from sale of carryover stocks of the season 2007-08.

3.2 SUGARBEET SEASON 2009

TThe Government has fixed the wheat prices (competitive crop with beet) @ Rs.950 per maund, in anticipation of higher returns, the farmers have opted to sow wheat instead of sugarbeet. We can not compete with the wheat prices because the Government procures wheat on predetermined fixed support price, whereas the support price of the sugarbeet fixed by the Provincial Government is not linked with the price of the sugar that is determined by the market forces, further, unlike sugarcane, the production of sugar from sugarbeet consumes external fuel and because of the high fuel prices, sugar production from the sugarbeet has become uncompetitive. In the past, the Government in order to compensate the high fuel cost incurred to produce sugar from sugarbeet, had exempted it from the payment of Central Excise duty. Subsequently, this benefit was withdrawn. Beet sugar production without exemption of sales tax, special excise duty, is no longer viable.

4. DISTILLERY

The production of Industrial Alcohol from Distillery plant during the year was 189,526 gallons (2008: 351,801 gallons).

5. STAFF

The Management and Labour relations remained cordial during the year. The management subsequent to balance sheet date , based on the current year's results, declared bonus equivalent to 2 months' salary in addition to other amenities and statutory benefits.

6. CURRENT SEASON 2009-2010

Sugarcane Control Board meeting under the chairmanship of Provincial Cane Commissioner was held and based on the pledges, it was unanimously decided that both the Provincial Government and Millers will play their part positively to start crushing on November 11, 2009. The millers performed on their part and were prepared to start the crushing season, but unfortunately, the Provincial Cane Commissioner failed to take the measures as suggested by the PSMA NWFP zone in order to curb the tax free commercial Gur production. The factory during first week of November issued indents for the purchase of sugarcane to start the crushing on November 11, 2009. The Gur prices were very high due to its unbridled export to Afghanistan, due to this, the commercial gur manufacturer through middlemen are procuring entire sugarcane crop.

Uptill December 7, 2009, Growers supplied only 3,864 tons of sugarcane. Mills crushed this minimal quantity and suffered heavy losses due to uneconomical operation and inversion of sugar. On December 16, 2009 the management had to perforce close down the mills due to the non-availability of sugarcane.

7. SUGARBEET CROP 2010

Seed distribution was started during the month of October 2009. The farmer's response to the sugar beet seed sowing campaign is not satisfactory.

8. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

Proper books of account were maintained by the Company.

Appropriate accounting policies have been consistently applied, in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

The system of internal control is sound in design and has been effectively implemented and monitored.

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

There are no significant doubts upon the Company's ability to continue as a going concern.

Key operating and financial data for the last six years in summarized form is annexed.

There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as at 30 September, 2009 except for those disclosed in the financial statements.

The value of investments of staff provident fund, based on audited accounts, was Rs. 63.50 million as at 30 September, 2009.

During the year 5 meetings of the Board of Directors were held. Attendance by each director was as follows:

NAME OF DIRECTORS	NO OF MEETINGS ATTENDED
Mr. Abbas Sarfaraz Khan	3
Khan Aziz Sarfaraz Khan	3
Mr. Iskandar M. Khan	5
Mr. Abdul Qadar Khattak	4
Begum Laila Sarfaraz	5
Ms. Zarmine Sarfaraz	2
Mr. Babar Ali Khan	2
Ms. Mehnaz Sehgal	1
Ms. Najda Sarfaraz	4

Leave of absence was granted to directors who could not attend some of Board meetings.

The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.

No trades in the shares of The Premier Sugar Mills & Distillery Co. Limited were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30 September, 2009.

9. ROLE OF SHAREHOLDERS

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of affairs. To achieve this objective, information is communicated to the shareholders through quarterly, half-yearly and annual reports. The Board encourages the shareholders participation at the annual general meeting to ensure a high level of accountability.

10. DIVIDEND

The Company earned profits and paid 30% interim dividend to the shareholders.

11. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended re-appointing M/s Hameed Chaudhri & Co., Chartered Accountants, as external Auditors for the year 2009-2010.

12. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set-out by the Karachi and Islamabad Stock Exchanges in their Listing Rules, relevant for the year ended 30 September, 2009, have been duly complied with. A statement to this effect is annexed with the report.

13. ACKNOWLEDGEMENT

The directors appreciate the spirit of good work done by the Company's staff at all levels.

ON BEHALF OF THE BOARD

Mardan:
29 December, 2009

(ABBAS SARFARAZ KHAN)
Chief Executive

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

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PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30TH SEPTEMBER, 2009

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
485	1	100	19,446
430	101	500	104,105
184	501	1,000	136,917
212	1,001	5,000	443,389
34	5,001	10,000	246,971
10	10,001	20,000	118,713
5	20,001	50,000	123,331
3	50,001	150,000	199,138
1	305,001	310,000	307,370
1	395,001	400,000	400,000
1	450,001	600,000	530,000
1	600,001	1,125,000	1,120,620
1367			**3,750,000**

S.No.	Categories of shareholders	No of shares held	Percentage of paid up capital
1.	**Directors and Chief Executive Officer**		
	Khan Aziz Sarfaraz Khan	1,120,620	29.88
	Begum Laila Sarfaraz	307,370	8.20
	Mr. Abbas Sarfaraz Khan	530,000	14.13
	Ms. Zarmine Sarfaraz	2,925	0.08
	Ms. Mehnaz Saigol	500	0.01
	Ms. Najda Sarfaraz	2,274	0.06
	Mr. Iskander M. Khan	500	0.01
	Mr. Babar Ali Khan	3,084	0.08
	Mr. Abdul Qadar Khattak	24,205	0.65
2.	**Company Secretary**		
	Mr. Mujahid Bashir	7	-
3.	**Shares held by relatives**		-
4.	**Associated Companies**		
	Arpak International Investment Ltd.	400,000	10.67
	Azlak Enterprises (Pvt) Ltd.	13,451	0.36
5.	**Financial Institutions, Investment & Securities Companies**		
	Securities & Exchange Commission of Pakistan	1	-
	Deputy Administrator Abandoned Properties	87	-
	The Society for Rehabilitation of crippled children	174	-
	Chief Administrator of Auqaf	3,798	0.10
	The Ida Rieu Poor Welfare Association School		-
	for the Deaf Dumb Blind & Poor Asylum	349	0.01
	Madrasa Haqania Akora Khattak	52	-
	N.H Holding Ltd	1900	0.05
	Pyramid Investment Pvt Ltd	500	0.01
	Secretary Municipal Committee Mardan.	226	0.01
	Frontier Co-operative Bank Ltd.	8,452	0.23
	Freedom Enterprises Ltd.	1,000	0.03
	Ali Hussain Rajabali Ltd	3,000	0.08
	Investment Corporation of Pakistan	116	-
	Y S Securities Ltd.	27	-
	Guardian Securities (Pvt) Ltd	9,664	0.26
	A.H.K.D Securities (Pvt) Ltd	4,800	0.13
	National Bank of Pakistan, Trustee Department	149,137	3.98
	United Bank Ltd.	37	-
	State Life Insurance Corporation of Pakistan	5,000	0.13
	Moosani Securities Pvt Ltd.	2,700	0.07
	Ismail Abdul Shakoor Securities (Pvt) Ltd	1,000	0.03
	Mollasses Export Co. (Pvt) Ltd	50,501	1.35
	Durvesh Securities (Pvt) Ltd	1,324	0.04

6. Shares held by General Public

Held by General Public	2,529,209	67.44
	3,750,000	100.00

7. Shareholders holding 10% or more voting Interest in the Company

Khan Aziz Sarfaraz Khan	1,120,620	14.39
Mr. Abbas Sarfaraz Khan	530,000	14.13
M/s. Arpak International Investment Ltd.	400,000	10.67

8. Auditors

M/s. Hameed Chaudhri & Co. Chartered Accountants	Auditors	Nil	Nil

9. Cost Auditors

M/s. Munawar Associates	Cost Auditors	Nil	Nil

10. Legal Advisor

Qazi Muhammad Anwar	Legal Advisor	Nil	Nil

None of the directors, the CEO, the CFO and the Company Secretary and their spouses and minor children have traded in the shares of the Company during the year.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

TEN YEARS' REVIEW

YEAR	CANE			BEET		
	CANE CRUSHED	RECOVERY	SUGAR PRODUCED	BEET SLICED	RECOVERY	SUGAR PRODUCED
	M. Tons		M. Tons	M. Tons		M. Tons
2000	209,345.89	7.68	16,078.000	94,098.280	7.30	6,870.000
2001	61,464.972	7.80	4,792.800	108,134.157	7.21	7,433.000
2002	35,741.061	7.43	2,656.000	145,861.661	9.22	13,446.500
2003	239,818.622	8.80	21,105.000	104,568.115	10.00	10,335.000
2004	388,057.446	8.92	34,614.000	113,968.615	9.20	10,407.000
2005	209,744.959	9.20	19,225.000	68,745.000	8.50	5,750.000
2006	45,367.358	7.14	3,240.000	53,172.495	9.10	4,839.000
2007	28,596.745	7.88	2,252.500	83,579.526	9.04	7,556.000
2008	197,313.428	8.50	16,771.500	64,095.180	8.80	5,640.000
2009	88,612.756	9.20	8,006.000	Not Operated	-	-

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY Glns Per Mnd	PRODUCTION GALLONS
1998	16,586.80	2.161	767,384
1999	17,748.00	2.142	828,668
2000	19,396.60	2.127	912,000
2001	12,812.30	2.132	601,000
2002	15,094.22	2.373	636,000
2003	18,710.00	2.484	753,144
2004	22,060.00	2.464	895,258
2005	14,700.58	2.027	725,413
2006	5,570.28	1.846	276,522
2007	4,255.703	1.763	201,043
2008	7,300.000	1.799	351,801
2009	3,728.000	1.897	189,526

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

SIX YEARS GROWTH AT A GLANCE

(Rupees in Thousand)

PARTICULARS	2009	2008	2007	2006	2005	2004
			(R U P E E S	I N T H O U S A N D)		
Turnover	530,414	375,052	219,177	212,928	789,430	808,031
Operating profit/(Loss)	97,859	(109,131)	(111,814)	(52,914)	115,812	(23,013)
Profit/(Loss) before tax	47,049	7,935	(68,771)	48,251	137,953	(16,074)
Profit/(Loss) After tax	59,207	33,643	(64,733)	51,250	133,361	(21,517)
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,009,263	922,074	881,602	942,543	890,464	755,400
Fixed assets - net	738,002	256,264	282,032	307,633	330,688	319,429
Total assets	1,669,155	1,249,166	1,069,162	1,231,431	1,444,461	1,008,298
Long term liabilities	-	-	-	297	774	1,212
Current assets	508,279	565,699	561,668	698,308	588,155	463,310
Current liabilities	44,209	198,052	28,033	120,837	73,090	61,572
Dividend						
Cash dividend	30%	0	0	10%	20%	-
Ratios:						
Profitability (%)						
Operating profit	18.45	(29.10)	(51.02)	(24.85)	14.67	(2.85)
Profit/ (Loss) before tax	8.87	2.12	(31.38)	22.66	17.48	(1.99)
Profit/(Loss) after tax	11.16	8.97	(29.53)	24.07	16.89	(2.66)
Return to Shareholders						
ROE - Before tax	4.66	0.86	(7.80)	5.12	0.15	(0.02)
ROE - After tax	5.87	3.65	(7.34)	5.44	14.98	(0.03)
Return on Capital Employed	5.87	3.65	(7.34)	5.44	14.96	(0.03)
E. P. S. - After tax	1.58	0.90	(1.73)	1.37	3.56	(0.57)
Activity						
Income to total assets	0.32	0.30	0.20	0.17	0.55	0.80
Income to fixed assets - net	0.72	1.46	0.78	0.69	2.39	2.53
Liquidity/Leverage						
Current ratio	11.50	2.86	20.04	5.78	8.05	7.52
Break up value per share	26.91	24.59	23.51	25.13	23.75	20.14
Total Liabilities to equity (Times)	(0.96)	(0.79)	(0.97)	(0.87)	(0.92)	(0.92)

VISION STATEMENT

Efficient organization with professional competence of top order is engaged to remain a Market Leader in the sugar industry in manufacturing and marketing of white sugar and industrial alcohol.

To ensure attractive returns to business associates and optimizing the shareholders' value as per their expectations.

MISSION STATEMENT

Quality objectives are designed with a view to enhance customer satisfaction and operational efficiencies.

To be a good corporate citizen to fulfil the social responsibilities.

Commitment to building, Safe, Healthy and Environment friendly atmosphere.

The Premier Sugar Mills & Distillery Company Limited (PSM) with professional and dedicated team, ensure continual improvement in quality and productivity through effective implementation of Quality Management System. Be a responsible employer and reward employees according to their ability and performance.

The quality policy encompasses The Premier Sugar Mills & Distillery Company Limited long term **Strategic Goals** and **Core Values**, which are integral part of our business.

STRATEGIC GOALS

Providing customer satisfaction by serving with superior quality production of white sugar and industrial alcohol at lowest cost.

Ensuring security and accountability by creating an environment of security and accountability for employees, production facilities and products.

Expanding customer base by exploring new national and international markets and undertaking product research and development in sugar industry.

Ensuring Efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

1. National interest is The Premier Sugar Mills & Distillery Company Limited first priority.

2. The Premier Sugar Mills & Distillery Company Limited believes in the highest standard of personal and professional ethics and integrity. Due care is given to every employee achieving results in their respective areas making it mandatory to maintain the highest norms of ethical standards.

3. The Premier Sugar Mills & Distillery Company Limited believes that serving our growers, employees, government, communities and public domain is an ongoing and rewarding investment.

4. The Premier Sugar Mills & Distillery Company Limited employees are trained on lines of developing good leaders rather than good managers.

5. The Premier Sugar Mills & Distillery Company Limited sternly emphasizes on maximizing shareholders' value through meeting the expectations of shareholders.

6. The Premier Sugar Mills & Distillery Company Limited believes that the right structure and the right people with the requisite authority to perform their jobs are integral to organizational development, which is a pre-requisite to the development of our human resource.

7. The Premier Sugar Mills & Distillery Company Limited believes that the sense of belonging to the PSM Group fulfils an essential need of our employees and the organization and as such will always be nurtured.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The organisation of The Premier Sugar Mills & Distillery Company Limited (PSM) will be guided by the following principles in its pursuit of excellence in all activities for attainment of the organisational objectives:

As Director:

- Formulate and monitor the objectives, strategies and overall business plan of the PSM.
- Oversee that the affairs of the PSM are being carried-out prudently within the framework of existing laws and regulations and high business ethics.
- Ensure compliance of legal and regulatory requirements.
- Protect the interest and assets of the PSM.
- Maintain organisational effectiveness for the achievement of the organisational goals.
- Foster the conducive environment through responsive policies.
- Ensure that PSM interest supersedes all other interests.
- Transparency in the functioning of PSM.
- Ensure efficient and effective use of PSM's resources.

As Executives, Managers and Staff:

- Follow the policy guidelines strictly adhering the rules and procedures as approved by the Board.
- Strike and work diligently for profitable operations of the PSM.
- Provide the direction and leadership for the organisation.
- Ensure customer satisfaction through excellent product.
- Promote a culture of excellence, conservation and continual improvement.
- Cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self-realization in employees.
- Ensure an equitable way of working and reward system.
- Institute commitment to healthy environment.
- Productive devotion of time and efforts.
- Promote and protect the interest of the PSM and ensure that PSM's interest supersedes all other interests.
- Exercise prudence in using PSM's resources.
- Observe cost effective practice in daily activities.
- Strive for excellence and quality.
- Avoid making personal gains (other than authorized salaries and benefits) at the PSM's expense, participating in or assisting activities, which compete with PSM.
- Efforts to create succession in related areas would be appreciated / encouraged.

Financial Integrity:

- Compliance with accepted accounting rules and procedus.
- In addition to being duly authorized, all transactions must be properly and fully recorded. No record entry or document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No corporate payment may be requested, approved or made with the intention that any part of such payment is to be used for any purpose other than as described in the document supporting it..
- All information supplied to the Auditors must be complete and not misleadingg
- PSM will not knowingly assist fraudulent activities by others

Mardan:
29 December, 2009

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XI of the listing regulations of the Islamabad Stock Exchange for the purpose of establishing a framework 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; at present the Board includes one independent non-executive director.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or being a member of a stock exchange has not been declared as a defaulter by such stock exchange.

4. No casual vacancies were occurred in the Board during the year.

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

6. The Board has developed a vision/mission statement, 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 directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged and orientation course for its directors during the year to apprise them of their duties and responsibilities.

10. There was no new appointments of CFO, Company Secretary or Head of Internal Audit Department during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by 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 share-holding.

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

15. The Board has formed an Audit Committee, which comprises of three members, of whom one is non-executive director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.

17. The Company has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), 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 ICAP.

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with requirements of listing regulation number 35 of the Karachi Stock Exchange (Guarantee) Limited.

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

For and on behalf of the Board of Directors

Mardan:
29 December, 2009

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
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 **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.
mply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub Regulation (xiii) of Listing Regulations 37 (now35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications 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 the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of 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 30 September, 2009.

LAHORE;	**HAMEED CHAUDHRI & CO.,**
30 December, 2009	**CHARTERED ACCOUNTANTS**

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

AUDITORS' REPORT TO THE MEMBERS

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

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

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

(b) in our opinion:

- **(i)** the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- **(ii)** the expenditure incurred during the year was for the purpose of the Company's business; and
- **(iii)** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Majeed Chaudhri

LAHORE;
30 December, 2009

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

BALANCE SHEET AS AT 30 SEPTEMBER, 2009

	Note	2009	2008
		Rupees in thousand	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
5,750,000 ordinary shares of Rs.10 each		57,500	57,500
Issued, subscribed and paid-up capital	7	37,500	37,500
Reserves		900,001	900,001
Unappropriated profit / (accumulated loss)		67,759	(15,427)
		1,005,260	922,074
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	384,267	69,563
NON-CURRENT LIABILITIES			
Deferred taxation	9	206,123	39,141
Staff retirement benefits - gratuity	10	17,474	20,037
		223,597	59,178
CURRENT LIABILITIES			
Trade and other payables	11	43,004	33,110
Accrued mark-up		0	5,573
Short term borrowings	12	0	157,968
Taxation	13	14,803	1,700
		57,807	198,351
CONTINGENCIES AND COMMITMENTS	14		
		1,670,931	1,249,166

	Note	2009	2008
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	688,890	204,408
Investment property	16	49,110	51,856
Investments	17	99,552	104,206
Long term loan to an Associated Company	18	282,187	322,500
Deposits with a non-bank finance institution	19	23,400	31,200
Security deposits		497	497
		1,143,636	714,667
CURRENT ASSETS			
Stores and spares	20	78,857	72,526
Stock-in-trade	21	209,537	319,696
Trade debts - unsecured - considered good		1,439	16,297
Loans and advances	22	54,566	16,414
Trade deposits and short term prepayments	23	1,393	835
Accrued profit / mark-up on bank deposits and loan to an Associated Company		45,300	6,749
Other receivables	24	110	4,107
Income tax refundable, advance income tax and tax deducted at source		23,753	23,033
Bank balances	25	112,340	74,842
		527,295	534,499
		1,670,931	1,249,166

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	Note	2009	2008
		Rupees in thousand	
SALES - Net	26	530,415	375,052
COST OF SALES	27	470,477	392,389
GROSS PROFIT / (LOSS)		59,938	(17,337)
DISTRIBUTION COST	28	995	913
ADMINISTRATIVE EXPENSES	29	44,262	33,882
OTHER OPERATING EXPENSES	30	13,292	56,999
		58,549	91,794
		1,389	(109,131)
OTHER OPERATING INCOME	31	63,322	127,690
OPERATING PROFIT		64,711	18,559
FINANCE COST	32	17,995	10,624
PROFIT BEFORE TAXATION		46,716	7,935
TAXATION			
- Current	13	16,174	302
- Prior years'	13	(1,064)	152
- Deferred	9	(23,599)	(26,162)
		(8,489)	(25,708)
PROFIT AFTER TAXATION		55,205	33,643
		------- Rupees -------	
EARNINGS PER SHARE	33	14.72	8.97

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	2009	2008
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	**46,716**	7,935
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**70,341**	20,502
Depreciation on investment property	**2,746**	2,994
Mark-up on loan to an Associated Company and profit / mark-up on bank deposits	**(49,885)**	(26,622)
Staff retirement benefits-gratuity (net)	**(1,887)**	2,205
Dividend income	**0**	(200)
Unclaimed balances written-back	**(622)**	(686)
Gain on sale of freehold land (investment property)	**0**	(10,430)
Gain on sale of long term investments in an Associated Company	**0**	(72,584)
Obsolete beet seed stocks written-off	**3,799**	0
Impairment loss on remeasurement of long term investments at fair value	**4,654**	54,917
Finance cost (excluding bank charges)	**17,642**	10,184
CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		
- Before working capital changes	**93,504**	(11,785)
Decrease / (increase) in current assets		
Stores and spares	**(10,130)**	7,446
Stock-in-trade	**110,159**	(201,858)
Trade debts	**14,858**	(4,434)
Loans and advances	**2,161**	(9,931)
Trade deposits and short term prepayments	**(558)**	(200)
Other receivables	**3,997**	(1,484)
Increase in trade and other payables	**7,909**	8,776
	128,396	(201,685)
CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES - Before taxation	**221,900**	(213,470)
Income tax paid	**(2,727)**	(3,817)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES - After taxation	**219,173**	(217,287)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(10,339)**	(47)
Sale proceeds of vehicle	**32**	0
Sale proceeds of investment property	**0**	12,750
Mark-up on loan to an Associated Company and profit / mark-up on bank deposits	**11,334**	20,975
Investments made in an Associated Company	**0**	(42,170)
Long term loan advanced to an Associated Company	**0**	(322,500)
Sale proceeds of long term investments in an Associated Company	**0**	180,596
Dividends received	**0**	200
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**1,027**	(150,196)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings - net	**(157,968)**	157,968
Finance cost paid	**(23,215)**	(5,239)
Dividends paid	**(9,319)**	(26)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	**(190,502)**	152,703
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,698**	(214,780)
CASH AND CASH EQUIVALENTS - At beginning of the year	**74,842**	281,822
CURRENT PORTION OF DEPOSITS WITH A NON-BANK FINANCE INSTITUTION	**7,800**	7,800
	82,642	289,622
CASH AND CASH EQUIVALENTS - At end of the year	**112,340**	74,842

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	Share capital	Reserves			(Accumulated loss) / unappropriated profit	Total
		Capital	Revenue			
		Share redemption	General	Sub-total		
	---------------------- Rupees in thousand ----------------------					
Balance as at 30 September, 2007	37,500	1	900,000	900,001	(55,899)	881,602
Profit for the year ended 30 September, 2008	0	0	0	0	33,643	33,643
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	6,829	6,829
Balance as at 30 September, 2008	37,500	1	900,000	900,001	(15,427)	922,074
Profit for the year ended 30 September, 2009	0	0	0	0	55,205	55,205
Interim cash dividend for the current year at the rate of Rs.3 per share	0	0	0	0	(11,250)	(11,250)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	39,231	39,231
Balance as at 30 September, 2009	**37,500**	**1**	**900,000**	**900,001**	**67,759**	**1,005,260**

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

1. CORPORATE INFORMATION

The Premier Sugar Mills & Distillery Company Limited (the Company) was incorporated on 24 July, 1944 as a Public Company and its shares are quoted on Islamabad and Karachi Stock Exchanges. The Company is principally engaged in manufacture and sale of white sugar and spirit. The Company's Mills and its Head Office are located at Mardan (N.W.F.P).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 provisions of the Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Ordinance and the directives issued by SECP differ with the requirements of IFRSs, the requirements of the Ordinance and the directives issued by SECP shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the following:

- recognition of employee retirement benefits at present value;
- modification of foreign currency translation adjustments ; and
- measurement of certain operating fixed assets at revalued amounts.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded-off to the nearest thousand.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

a) staff retirement benefits;

b) provisions and contingencies;

c) recognition and measurement of deferred tax assets and liabilities;

d) useful life of property, plant and equipment;

e) provision for impairment of investments, trade debts and other receivables; and

f) taxation.

5. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

5.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current financial year

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Company's accounting year beginning on 01 October, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The SECP, vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7, which is mandatory for the Company's accounting periods beginning on or after the date of notification. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 October, 2008, which are not considered relevant nor have any significant effect on the Company's operations are not detailed in these financial statements.

5.2 Standards, interpretations and amendments to published approved accounting standards that are issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October, 2009:

(a) IAS 1 (Revised), ‘Presentation of Financial Statements’ (effective from 01 January, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

(b) IAS 16, 'Property, Plant and Equipment' (effective from 01 January, 2009); it replaces the term 'net selling price' with 'fair value less cost to sell'.

(c) IAS 19 (Amendment), 'Employee Benefits' (effective from 01 January, 2009).

(i) The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

(ii) The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

(iii) The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

(iv) IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of adoption of IAS 19 on the Company's financial statements.

(d) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Company's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

(e) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1, 'Presentation of Financial Statements' (effective from 01 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Company.

(f) IAS 36 (Amendment), 'Impairment of Assets' (effective from 01 January, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Company's financial statements.

(g) IAS 38 (Amendment), 'Intangible Assets' (effective from 01 January, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 October, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

6.1 Equity instruments

These are recorded at their face value.

6.2 Borrowings

Loans and borrowings are initially recognised at the proceeds received; subsequent to initial recognition, these are stated at amortised cost.

6.3 Staff retirement benefits

(a) Defined contribution plan

The Company is operating a contributory provident fund scheme for all its permanent employees and equal monthly contributions at the rate of 9% of the basic salaries are made both by the employees and the Company.

(b) Defined benefit plan

The Company also operates an un-funded gratuity scheme for its permanent employees under which benefits are paid on cessation of employment subject to a minimum qualifying period of service.

Employees' benefits under this scheme are accounted for on the basis of actuary's recommendations based on the actuarial valuation of the scheme. Latest valuation of the scheme was carried-out as on 30 September, 2008.

6.4 Trade and other payables

Creditors relating to trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

6.5 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

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

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.6 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

6.7 Property, plant and equipment

Buildings on leasehold and freehold land and plant & machinery are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.The remaining property, plant and equipment, except freehold land and capital work-in-progress, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Freehold land and capital work-in-progress are stated at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which they are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 15. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

6.8 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Company uses cost model for valuation of its investment property; freehold land has been valued at cost whereas buildings on freehold land have been valued at cost less accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income applying reducing balance method at the rates stated in note 16. Depreciation on additions is charged from the month in which the asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to profit and loss account.

6.9 Impairment of assets

The management assess at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

6.10 Investments

Investments in associates and subsidiaries are carried at cost less impairment loss, if any. Gain / loss on sale of investments is included in profit and loss account. Bonus shares are accounted for by increase in number of shares without any change in value.

6.11 Stores and spares

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date.

6.12 Stock-in-trade

a) Stock of manufactured products is valued at the lower of cost and net realisable value except stock of molasses-in-hand and component of molasses included in the distillery products, which are taken at nil value.

b) Cost in relation to finished goods and work-in-process represents the annual average manufacturing cost, which comprises of prime cost and appropriate production overheads.

c) Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

6.13 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

6.14 Cash and cash equivalents

Cash-in-hand and at banks and short term deposits, which are held to maturity are carried at cost. For the purposes of cash flow statement, cash equivalents are short term highly liquid instruments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

6.15 Revenue recognition

(a) Sales are recorded on despatch of goods.

(b) Dividend income is accounted for when the right of receipt is established.

(c) Income on long term deposit accounts is accounted for on `accrual basis'.

(d) Lease rental income is accounted for on `accrual basis'.

6.16 Development expenditure

Expenditure for development of Sugar Cane and Beet is taken to profit and loss account in the year of incurrence.

6.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.18 Provisions

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

6.19 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

6.20 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.21 Off setting of financial instruments

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

6.22 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		**2009**	2008
(No. of shares)			**Rupees in thousand**	
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash	**14,763**	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares	**22,737**	22,737
3,750,000	3,750,000		**37,500**	37,500

7.1 Arpak International Investments Ltd. and Azlak Enterprises (Pvt.) Ltd. (Associated Companies) hold 400,000 and 13,451 ordinary shares respectively as at 30 September, 2009 and 30 September, 2008.

8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net

8.1 The Company, during the financial year ended 30 September, 2000, had revalued buildings on freehold and leasehold land excluding some portion of buildings on freehold and leasehold land situated outside the factory and plant & machinery excluding tools and implements, farm machinery and turbo generator. The revaluation exercise was carried-out by independent Valuers Hamid Mukhtar & Company (Valuation Consultants and Surveyors, Lahore) to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on the revaluation aggregating Rs.229.409 million was credited to this account.

8.2 The Company, as at 01 October, 2008, has again revalued its aforementioned operating fixed assets. The revaluation exercise has been carried-out by Hasib Associates (Pvt.) Ltd. (Engineers, Plant & Machinery and Industrial Property Valuers), Gulberg II, Lahore to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.544.516 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

		2009	2008
	Note	**Rupees in thousand**	
Balance at beginning of the year		**69,563**	76,392
Add: surplus arisen on revaluation carried-out during the year	**15.1**	**544,516**	0
Less: transferred to (accumulated loss) / unappropriated profit on account of incremental depreciation for the year		**(60,356)**	(10,507)
		484,160	(10,507)
Less: deferred tax on:			
- surplus on revaluation of property, plant and equipment		**(190,581)**	0
- incremental depreciation		**21,125**	3,678
		(169,456)	3,678
Balance at end of the year		**384,267**	69,563

9. DEFERRED TAXATION

This is composed of the following:

	2009	2008
	Rupees in thousand	
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**27,982**	29,759
- surplus on revaluation of property, plant and equipment	**206,913**	37,457
	234,895	67,216
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(6,116)**	(7,104)
- impairment loss against investments	**(20,906)**	(19,221)
- doubtful bank balances	**(1,750)**	(1,750)
	(28,772)	(28,075)
	206,123	39,141

10. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2009	2008
- discount rate - per annum	**14%**	14%
- expected rate of growth per annum in future salaries	**13%**	13%
- average expected remaining working life time of employees	**06 years**	06 years

The amount recognised in the balance sheet is as follows:

	2009	2008
Present value of defined benefit obligation	**23,936**	27,275
Unrecognised actuarial loss	**(6,462)**	(7,209)
Unrecognised past service cost	**0**	(29)
Net liability as at 30 September,	**17,474**	20,037
Net liability as at 01 October,	**20,037**	17,832
Charge to profit and loss account	**6,234**	3,320
Payments made during the year	**(8,073)**	(856)
Benefits payable to outgoing members - grouped under current liabilities	**(724)**	(259)
Net liability as at 30 September,	**17,474**	20,037

The movement in the present value of defined benefit obligation is as follows:	**2009**	2008
	Rupees in thousand	
Present value of defined benefit obligation - opening	**27,275**	20,033
Current service cost	**1,640**	1,464
Interest cost	**3,818**	1,803
Benefits payable to outgoing members - grouped under current liabilities	**(724)**	(259)
Benefits paid	**(8,073)**	(856)
Actuarial loss	**0**	5,090
Present value of defined benefit obligation - closing	**23,936**	27,275

Charge to profit and loss account

Current service cost	**1,639**	1,464
Interest cost	**3,819**	1,803
Actuarial loss recognised	**747**	24
Past service cost	**29**	29
	6,234	3,320

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2009	2008	2007	2006	2005
	--------------- Rupees in thousand ---------------				
Present value of defined benefit obligation	**23,936**	27,275	20,033	18,719	16,245
Experience adjustment arising on plan liabilities	**0**	5,090	N/A	1,755	(465)

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

11. TRADE AND OTHER PAYABLES

	Note	2009	2008
		Rupees in thousand	
Creditors		**1,946**	3,103
Due to the Subsidiary Company		**1,240**	0
Accrued expenses		**15,246**	14,872
Security deposits	**11.1**	**564**	773
Advance rent		**4,114**	3,610
Sales tax payable	**11.2**	**5,504**	3,467
Income tax deducted at source		**16**	48
Gratuity payable to ex-employees		**1,244**	568
Workers' (profit) participation fund	**11.3**	**2,601**	83
Workers' welfare fund		**957**	0
Unclaimed dividends		**7,900**	5,969
Others		**1,672**	617
		43,004	33,110

11.1 Security deposits include Rs.476 thousand (2008:Rs.473 thousand) representing mark-up bearing deposits. The Company will pay mark-up at the same rate at which it will receive from the bank as these deposits have been kept in a PLS bank account.

11.2 The Additional Collector of Sales Tax, Customs and Central Excise, Peshawar, had served a Show Cause Notice raising sales tax demands aggregating Rs.15.318 million along with additional tax on the grounds that the Company under-valued the spirit during the financial years 1994-95 to 1998-99 and paid lesser sales tax. However, during the financial year ended 30 September, 2001, the Collector of Customs, Sales Tax & Central Excise, Peshawar had assessed the final tax liability at Rs.0.755 million plus the additional tax. The Company paid Rs.0.730 million during the financial year ended 30 September, 2002 against these demands and filed an appeal with the Customs, Central Excise & Sales Tax Appellate Tribunal, Islamabad Bench against the Collector's order. The appeal is pending adjudication. The Company, during the financial year ended 30 September, 2005, had paid Rs.0.183 million as per the requirements of S.R.O. 247(I)/2004 dated 05 May, 2004.

11.3 Workers' (profit) participation fund

	2009	2008
Opening balance	**83**	89
Add: allocation for the year	**2,518**	0
	2,601	89
Less: payments made during the year	**0**	6
Closing balance	**2,601**	83

12. SHORT TERM BORROWINGS

	Note	2009	2008
Cash and running finances - secured	**12.1**	**0**	157,795
Temporary bank overdraft - unsecured		**0**	173
		0	157,968

12.1 The Company, during the current financial year, has utilised running and cash finance facilities aggregating Rs.195 million (2008:Rs.175 million) from commercial banks under mark-up arrangements. These facilities were secured against pledge of stock of refined sugar, hypothecation over stock-in-trade & book debts and pari passu charge on assets of the Company for Rs.100 million. These facilities, during the year, carried mark-up at the rates ranging from 15.44% to 16.77% (2008: 10.74% to 14.74%) per annum. During the current financial year, one of the commercial banks has charged additional mark-up at the rate of 5% per annum due to classification of the Company's running finance facility; the facility had expired on 28 February, 2009 but was not renewed till 31st August, 2009 i.e. the facility adjustment date. All of these finance facilities had expired and fully adjusted during the current financial year.

12.2 During the current financial year, facilities available for opening letters of credit and guarantee from commercial banks aggregated Rs. 95 million (2008: Rs.35 million) and were secured against lien over import documents and the securities detailed in note 12.1. These facilities had expired during the year and their renewal was in process.

13. TAXATION - Net

	2009	2008
	Rupees in thousand	
Opening balance	1,700	2,360
Add: provision / (reversal) made during the year:		
- current	16,174	302
- prior years'	(1,064)	152
	15,110	454
Less: adjustments made during the year against completed assessments	2,007	1,114
	14,803	1,700

13.1 In the re-assessment proceedings for the Assessment Year 2002-03 (Income Year ended 30 September, 2001) under section 124(2) of the Income Tax Ordinance, 2001 (the Ordinance), the Assessing Officer has allowed reliefs as directed by the Income Tax Appellate Tribunal, Islamabad Bench and determined a net refund amounting Rs.1.371 million for the said year.

13.2 The returns for Tax Years 2003 to 2009 have been filed after complying with all the provisions of the Ordinance. Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.

13.3 The Federal Board of Revenue, as per random selection of Taxpayers for audit conducted during December, 2009, has selected the Company's return for Tax Year 2008.

13.4 Relationship between tax expense and accounting profit

	2009 Rupees in thousand
Accounting profit before taxation	**46,716**
Tax at the applicable rate of 35%	**16,351**
Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account	**30,987**
Tax effect of expenses, which are deductible for tax purposes but are not taken to profit and loss account	**(7,661)**
Tax effect of income exempt from tax	**(1,602)**
Tax effect of income chargeable under the Presumptive Tax Regime	**584**
Tax effect of unused tax losses	**(19,583)**
Tax effect of minimum tax paid under section 113 of the Ordinance in prior years	**(2,902)**
Effect of prior years' tax	**(1,064)**
Tax expense for the year	**15,110**

13.5 No numeric tax rate reconciliation for the corresponding year is given in these financial statements as provision made during the preceding year represented final tax deducted at source under various sections of the Ordinance.

13.6 Provision for taxation is considered adequate to discharge the expected liability.

14. CONTINGENCIES AND COMMITMENTS

14.1 No commitments were outstanding as at 30 September, 2009 and 30 September, 2008.

14.2 The Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Peshawar, during the financial year ended 30 September, 2001, had raised sales tax demands aggregating Rs.4.336 million along with additional tax on the grounds that the Company claimed input tax on the whole value of supplies made during that year which included taxable as well as exempt supplies, in contravention of section 8(2) read with S.R.O. 698(1)/96 dated 22 August, 1996. Further, the Company either not charged or charged lesser sales tax on these supplies. The Company had not accepted the said demands and filed an appeal with the Customs, Sales Tax & Central Excise Appellate Tribunal, which vide its judgment dated 12 August, 2003 had partially allowed the appeal.

The Company, during the financial year ended 30 September, 2005, had filed an appeal with the Peshawar High Court against the order of the Tribunal, which is pending adjudication. The Company, however during the financial year ended 30 September, 2005, had paid sales tax amounting Rs.2.123 million along with additional tax amounting Rs.0.658 million as per the requirements of S.R.O. 247(I) / 2004 dated 05 May, 2004.

14.3 The Customs, Excise and Sales Tax Appellate Tribunal, Peshawar Bench, during the financial year ended 30 September, 2005, had confirmed the orders of the Additional Collector of Sales Tax & Central Excise and the Collector of Sales Tax & Central Excise, Peshawar and held that leasing-out of some of the plant & machinery to an Associated Company by the Company on annual rental basis under an operating lease agreement constitutes a taxable supply upto 17 June, 2001, i.e. prior to the Finance Ordinance, 2001. The Tribunal had confirmed the levy of principal amount of sales tax amounting Rs.3.550 million; however, the Tribunal directed that additional tax be calculated at current simple rate of 2% of tax per month and remitted the 5% penalty. The Company, against the aforementioned judgment of the Tribunal, has filed an appeal before the Peshawar High Court, which vide its judgment dated 25 March, 2009 has dismissed the appeal.

14.4 The Collectorate of Customs, Sales Tax and Federal Excise (Appeals), Rawalpindi, vide its judgment dated 21 October, 2008, had rejected the Company's appeal and upheld the order of the Assistant Collector wherein the Company was directed to deposit 1% special federal excise duty amounting Rs. 63 thousand and excess input tax adjustment to the tune of Rs. 694 thousand. The Company has filed an appeal with the Appellate Tribunal of Customs, Sales Tax and Federal Excise, Peshawar Bench against the aforementioned judgment, which is pending adjudication.

14.5 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at 30 September, 2009 was for Rs.10 million (2008: Rs.10 million).

14.6 Also refer contents of note 11.2.

15. PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - Freehold	Land - Leasehold	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	Total
	-----------------Rupees in thousand-----------------							
As at 30 September, 2007								
Cost / revaluation	5,082	2,725	37,137	36,691	485,071	18,368	8,857	593,931
Accumulated depreciation	0	277	18,631	18,409	310,341	14,733	6,677	369,068
Book value	5,082	2,448	18,506	18,282	174,730	3,635	2,180	224,863
Year ended 30 September, 2008:								
Additions	0	0	0	0	0	47	0	47
Depreciation charge	0	27	1,067	1,054	17,477	441	436	20,502
Book value as at 30 September , 2008	5,082	2,421	17,439	17,228	157,253	3,241	1,744	204,408
Year ended 30 September, 2009:								
Additions	0	0	0	0	0	2,295	8,044	10,339
Revaluation adjustments:								
Cost	0	0	102,557	101,333	153,707	0	0	357,597
Elimination against gross carrying amount	0	0	15,740	15,553	155,626	0	0	186,919
Revaluation surplus	0	0	118,297	116,886	309,333	0	0	544,516
Disposals:								
Cost	0	0	0	0	0	0	53	53
Depreciation	0	0	0	0	0	0	(21)	(21)
	0	0	0	0	0	0	32	32
Depreciation charge	0	28	11,002	10,871	46,680	592	1,168	70,341
Book value as at 30 September , 2009	5,082	2,393	124,734	123,243	419,906	4,944	8,588	688,890
As at 30 September, 2008								
Cost / revaluation	5,082	2,725	37,137	36,691	485,071	18,415	8,857	593,978
Accumulated depreciation	0	304	19,698	19,463	327,818	15,174	7,113	389,570
Book value	5,082	2,421	17,439	17,228	157,253	3,241	1,744	204,408
As at 30 September, 2009								
Cost / revaluation	5,082	2,725	139,694	138,024	638,778	20,710	16,848	961,861
Accumulated depreciation	0	332	14,960	14,781	218,872	15,766	8,260	272,971
Book value	5,082	2,393	124,734	123,243	419,906	4,944	8,588	688,890
Depreciation rate (%)	-	1.01	5-10	5-10	10-12	10-15	10-20	

15.1 As detailed in note 8.2, surplus on operating fixed assets as a result of latest revaluation has been determined as follows:

Particulars	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Total
	------------------- Rupees in thousand -------------------			
Cost / revaluation as at 01 October, 2008	30,489	30,126	456,344	516,959
Accumulated depreciation to 01 October, 2008	15,740	15,553	305,602	336,895
Book value before revaluation adjustments as at 01 October, 2008	14,749	14,573	150,742	180,064
Revalued amounts	133,046	131,459	460,075	724,580
Revaluation surplus	**118,297**	**116,886**	**309,333**	**544,516**
	118,297,042.38	116,885,944.46	309,332,884.36	**544,515,871.20**
	(118,178,745.38)	(116,769,058.46)	(309,023,551.36)	**543,971,355**

15.2 Had the aforementioned operating fixed assets of the Company been recognised under the cost model, the carrying amounts of these assets would have been as follows:

	2009	2008
	Rupees in thousand	
- buildings on freehold land	**2,858**	3,012
- buildings on leasehold land	**2,827**	2,979
- plant & machinery	**71,017**	78,909
	76,702	84,900

15.3 The Company had entered into a lease agreement with Chashma Sugar Mills Limited (CSM) - an Associated Company - during December, 1994 for letting-out machinery, i.e. 4,000 K.W. Horizontal Multi Stage Turbo Alternator Set, complete with all equipment on lease at prime cost of Rs.30.000 million at an annual lease rent of Rs.6.000 million for a period of three years. The Company, during the years ended 30 September, 2001 and 30 September, 2004, had extended the lease periods of the said machinery for further periods of three years at annual rentals of Rs.3.400 million and Rs.3.000 million per annum respectively. The Company, during the financial year ended 30 September, 2007, has again extended the lease period expired on 31 December, 2006 for a further period of three years at lease rentals of Rs.1.800 million per annum. The agreement is secured against demand promissory note of Rs.18.000 million. Book value of the leased machinery as at 30 September, 2009 was Rs.5.845 million (2008: Rs.6.494 million).

15.4 Depreciation for the year has been allocated as follows:

	2009	2008
	Rupees in thousand	
Cost of sales	**68,017**	19,183
Administrative expenses	**2,324**	1,319
	70,341	20,502

15.5 The Company had availed its option of renewal of leasehold land agreement expired during the preceding financial year; necessary legal formalities in this regard are in process. Buildings on leasehold land, however, have been revalued during the current financial year and revaluation surplus on these assets aggregating Rs.116.886 million has been incorporated in the books of account (note 15.1).

16. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------Rupees in thousand ------------		
As at 30 September, 2007			
Cost	16,863	74,540	91,403
Accumulated depreciation	0	34,234	34,234
Book value	16,863	40,306	57,169
Year ended 30 September, 2008:			
Disposals	(2,319)	0	(2,319)
Depreciation charge	0	2,994	2,994
Book value as at 30 September, 2008	14,544	37,312	51,856
Year ended 30 September, 2009:			
Depreciation charge	0	2,746	2,746
Book value as at 30 September, 2009	**14,544**	**34,566**	**49,110**
As at 30 September, 2008			
Cost	14,544	74,540	89,084
Accumulated depreciation	0	37,228	37,228
Book value	14,544	37,312	51,856
As at 30 September, 2009			
Cost	14,544	74,540	89,084
Accumulated depreciation	0	39,974	39,974
Book value	**14,544**	**34,566**	**49,110**
Depreciation rate (%)		5-10	

16.1 Fair value of the investment property, based on the independent Valuers' certification dated 19 December, 2009, as at 30 September, 2009 was Rs. 259.172 million.

17. INVESTMENTS - In Related Parties

	2009	2008	2009	2008
	Share-holding %		**Rupees in thousand**	
QUOTED - SUBSIDIARY COMPANY				
- The Frontier Sugar Mills & Distillery Limited				
1,057,544 (2008: 1,057,544) ordinary shares of Rs.10 each	**78.34**	78.34	**15,840**	15,840
22,820 (2008: 22,820) 7% irredeemable preference shares of Rs.10 each	**45.64**	45.64	**222**	222
Market value - Rs.40.611 million (2008: Rs.73.078 million)			**16,062**	16,062
ASSOCIATED COMPANIES QUOTED:				
- Chashma Sugar Mills Limited				
13,751,000 (2008: 13,751,000) ordinary shares of Rs.10 each	**47.93**	47.93	**137,584**	137,584
Less: impairment loss			**58,516**	55,078
Market value Rs.79.068 million (2008: Rs.82.506 million)			**79,068**	82,506
- Arpak International Investments Limited				
229,900 (2008: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Less: impairment loss			**894**	0
Market value Rs.1.952 million (2008: Rs.4.253 million)			**1,952**	2,846
UN-QUOTED:				
- National Computers (Pvt.) Ltd.				
14,450 (2008: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**322**	322
Less: impairment loss			**322**	0
- Value of investments based on net assets shown in the audited financial statements for the year ended 30 June, 2009 - Rs. Nil			**0**	322
- Premier Board Mills Limited				
47,002 (2008: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**470**	470
- Value of investments based on net assets shown in the audited financial statements for the year ended 30 June, 2009 Rs.1.841 million (2008: Rs.1.572 million)				
- Azlak Enterprises (Pvt.) Ltd.				
200,000 (2008: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**2,000**	2,000
- Value of investments based on net assets shown in the audited financial statements for the year ended 30 June, 2008 Rs.21.726 million				
			99,552	104,206

18. LONG TERM LOAN TO AN ASSOCIATED COMPANY - Secured

	Note	2009	2008
		Rupees in thousand	
Balance as at 30 September,		**322,500**	322,500
Less: current portion grouped under current assets		**40,313**	0
		282,187	322,500

18.1 The Company and Chashma Sugar Mills Ltd. (CSM) have entered into a loan agreement on 20 May, 2008 whereby the Company has advanced amounts aggregating Rs.322.500 million to CSM. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by the Company during the year ranged between 13.54% to 16.50% (2008:13.83% to 14.74%) per annum. The loan is receivable in 8 equal half-yearly instalments commencing September, 2010 and is secured against a promissory note of Rs.397.810 million.

19. DEPOSITS WITH A NON-BANK FINANCE INSTITUTION - Unsecured

These represent deposits lying with Innovative Investment Bank Limited (IIBL), Islamabad carrying profit at the rate of 5% per annum. The maturity dates of these deposits are as follows:

Date of maturity	Note	2009 Amount of deposit Rupees in thousand
29 July, 2009	19.1	7,800
29 July, 2010		7,800
29 July, 2011		7,800
29 July, 2012		15,600
		39,000

19.1 This deposit could not be encashed on the maturity date; the management is negotiating with IIBL for realisation.

20. STORES AND SPARES

	2009	2008
Stores including in transit valuing Rs. 3.243 million (2008: Rs. nil)	**35,310**	26,979
Spares	**43,547**	45,547
	78,857	72,526

20.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

21. STOCK-IN-TRADE

	Note	2009	2008
		Rupees in thousand	
Sugar-in-process		**2,814**	1,365
Finished goods:			
- Sugar		**188,425**	315,300
- Spirit		**18,298**	3,031
		206,723	318,331
		209,537	319,696

21.1 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 2,100.169 metric tonnes (2008: 2,060.904 metric tonnes) valued at Rs.nil.

21.2 Finished sugar inventory as at 30 September 2009 has been measured at net realisable value being lower than the cost (2008: at cost).

22. LOANS AND ADVANCES

	Note	2009	2008
Due from related parties:			
- Subsidiary Company		**0**	28
- Associated Companies	**22.1**	**11,073**	11,488
		11,073	11,516
Advances to:			
- suppliers and contractors - considered good		**1,567**	4,617
- employees - considered good		**1,613**	281
		3,180	4,898
Current portion of long term loan to an Associated Company	**18**	**40,313**	0
		54,566	16,414

22.1 Due from Associated Companies:

	2009	2008
Chashma Sugar Mills Ltd.	**11,067**	10,249
Syntronics Ltd.	**0**	1,023
Syntron Ltd.	**1**	0
Azlak Enterprises (Pvt.) Ltd.	**0**	20
Arpak International Investments Ltd.	**0**	191
Premier Board Mills Ltd.	**5**	5
	11,073	11,488

22.2 No amount was due from the Company's executives during the current and preceding years.

23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2009	2008
		Rupees in thousand	
Excise duty deposit		**136**	136
Short term prepayments		**1,257**	699
		1,393	835

24. OTHER RECEIVABLES

Letters of credit		**0**	3,108
Others		**110**	999
		110	4,107

25. BANK BALANCES

Cash at banks on:

- PLS accounts	**25.1**	**7,108**	63,596
- current accounts		**3,528**	1,089
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.15.600 million (2008: Rs.7.800 million) - note19]		**104,474**	14,844
- dividend accounts		**2,230**	313
		117,340	79,842
Less: provision for doubtful bank balance	**25.3**	**5,000**	5,000
		112,340	74,842

25.1 These include Rs. 0.475 million (2008: Rs.0.475 million) in security deposit account.

25.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 10.25% to 11.00% (2008: 9.00% to 10.25%) per annum.

25.3 The Company had deposited Rs.5 million in Term Deposit with Mehran Bank Limited at Peshawar for a period of six months @ 12.5% per annum on 25 September, 1993 vide TDR No.007902, which was to mature on 25 March, 1994. The aforesaid TDR could not be encashed because of the crisis of Mehran Bank's affairs which were being administered by the State Bank of Pakistan (SBP). Mehran Bank was eventually merged into National Bank of Pakistan (NBP).

The Company, through its lawyers, had issued legal notices to SBP, NBP and the defunct Mehran Bank Limited. In response, the Company had received a letter from NBP dated 05 November, 1995 stating that the investment by the Company was shown in Fund Management Scheme, which was an unrecorded liability of Mehran Bank Limited. The Company had filed a suit with the Civil Court for recovery of the said amount along with profit @ 12.5% per annum with effect from 25 September, 1993 till the date of payment. The Civil Judge, Peshawar, vide his judgment dated 13 May, 2004, had decreed against SBP. SBP, against the said judgment, has filed an appeal with the Peshawar High Court, which is pending adjudication. Full provision for the said doubtful amount exists in these financial statements.

26. SALES - Net

	Note	2009	2008
		Rupees in thousand	
Turnover - local		**603,572**	434,206
Less:			
Commission		**983**	964
Sales tax		**66,867**	55,592
Federal excise duty		**5,307**	2,598
		73,157	59,154
		530,415	375,052

27. COST OF SALES

	Note	2009	2008
Raw materials consumed		**186,456**	425,709
Chemicals and stores consumed		**5,564**	11,274
Salaries, wages and benefits	**27.1**	**60,530**	58,624
Power and fuel		**25,847**	70,360
Insurance		**919**	560
Repair and maintenance		**12,985**	13,182
Depreciation		**68,017**	19,183
		360,318	598,892
Adjustment of sugar-in-process:			
Opening		**1,365**	5,541
Closing		**(2,814)**	(1,365)
		(1,449)	4,176
Cost of goods manufactured		**358,869**	603,068
Adjustment of finished goods:			
Opening stock		**318,331**	107,652
Closing stock		**(206,723)**	(318,331)
		111,608	(210,679)
		470,477	392,389

27.1 These include Rs.1.148 million (2008: Rs.1.100 million) and Rs.4.801 million (2008: Rs.2.556 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

28. DISTRIBUTION COST	**Note**	**2009**	2008
		Rupees in thousand	
Salaries, wages and amenities		**379**	311
Stacking and loading		**396**	424
Others		**220**	178
		995	913

29. ADMINISTRATIVE EXPENSES

Salaries and amenities	**29.1**	**17,913**	16,213
Travelling, vehicles' running and maintenance		**5,844**	2,830
Utilities		**1,375**	747
Directors' travelling		**1,800**	723
Rent, rates and taxes		**1,383**	1,583
Insurance		**1,410**	565
Repair and maintenance		**3,740**	2,773
Printing and stationery		**894**	615
Communication		**1,232**	680
Legal and professional charges (other than Auditors')		**645**	651
Subscription		**542**	265
Auditors' remuneration	**29.3**	**505**	505
Depreciation on:			
- operating fixed assets		**2,324**	1,319
- investment property		**2,746**	2,994
General office expenses		**1,909**	1,419
		44,262	33,882

29.1 These include Rs.0.331 million (2008: Rs.0.427 million) and Rs.1.434 million (2008: Rs.0.764 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

29.2 The Company has shared expenses aggregating Rs.15.249 million (2008: Rs.6.902 million) with Associated Companies and Subsidiary Company on account of combined office expenses. These expenses have been booked in the respective heads of account.

29.3 Auditors' remuneration

	Note	2009	2008
		Rupees in thousand	
Hameed Chaudhri & Co.			
- statutory audit		**125**	125
- half yearly review		**60**	60
- consultancy, tax services and certification charges		**223**	223
- out-of-pocket expenses		**59**	59
		467	467
Munawar Associates			
- cost audit fee		**30**	30
- provident fund's audit fee		**5**	5
- out-of-pocket expenses		**3**	3
		38	38
		505	505

30. OTHER OPERATING EXPENSES

	Note	2009	2008
Donations (without directors' interest)	**30.1**	**1,098**	45
Impairment loss on remeasurement of long term investments at fair value		**4,654**	54,917
Loss from petrol pump and fertilizer sales	**31.2**	**107**	0
Zakat paid on bank deposits		**0**	2,037
Obsolete beet seed stocks written-off		**3,799**	0
Workers' (profit) participation fund	**11.3**	**2,518**	0
Workers' welfare fund		**1,116**	0
		13,292	56,999

30.1 Expense for the current financial year includes Rs.1.020 million donated to the Internally Displaced Persons of Swat.

31. OTHER OPERATING INCOME

	Note	2009	2008
Income from financial assets:			
Interest / profit on bank deposits / saving accounts and certificates		**1,160**	19,873
Dividends		**0**	200
Mark-up on loan to an Associated Company		**48,725**	6,749
Income from other than financial assets:			
Rent		**6,189**	5,811
Reversal of sales tax paid under protest in prior year		**0**	3,550
Machinery lease rentals	**15.3**	**1,800**	1,800
Gain on sale of freehold land (Investment Property)		**0**	10,430
Gain on sale of long term investments in an Associated Company	**31.1**	**0**	72,584
Sale of scrap		**0**	2,095
Lime sales		**0**	35
Unclaimed payable balances written-back		**622**	686
Profit from petrol pump and fertilizer sales	**31.2**	**0**	293
Miscellaneous		**4,826**	3,584
		63,322	127,690

31.1 The Company, during the preceding financial year, had transferred its entire shareholding in Syntronics Ltd. (an Associated company) i.e. 10,801,250 ordinary shares to Gran Via Global Limited of The British Virgin Islands in consideration of the sum of Pak Rupees 180.596 million. The resultant gain amounting Rs.72.584 million was recognised under the head of other operating income.

	2009	2008
	Rupees in thousand	
31.2 (Loss) / profit from petrol pump and fertilizer sales		
Sales	**8,639**	2,637
Less: cost of sales		
opening stock	**490**	324
purchases	**10,343**	2,319
salaries	**172**	144
other expenses	**57**	47
closing stock	**(2,316)**	(490)
	8,746	2,344
	(107)	293

32. FINANCE COST

	2009	2008
Mark-up on short term borrowings	**17,642**	10,185
Bank charges	**353**	439
	17,995	10,624

33. EARNINGS PER SHARE - Basic

	2009	2008
Profit after taxation attributable to ordinary shareholders	**55,205**	33,643
	No. of shares	
Number of ordinary shares issued and subscribed at the year end	**3,750,000**	3,750,000
	Rupees	
Earnings per share	**14.72**	8.97

33.1 There were no convertible dilutive potential ordinary shares outstanding on 30 September, 2009 and 2008.

34. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

34.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks and a non-bank finance institution, as well as credit exposures to customers and other counter parties, which include trade debts and other receivables. Out of the total financial assets aggregating Rs.508.901 million (2008:Rs.458.118 million), financial assets which were subject to credit risk aggregated Rs.141.427 million (2008: Rs. 128.869 million).

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

In respect of other counter parties, due to the Company's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Company.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 September, 2009 along with comparative is tabulated below:

	2009	2008
	Rupees in thousand	
Deposits with a non-bank finance institution	**39,000**	39,000
Security deposits	**497**	497
Trade debts	**1,439**	16,297
Loans and advances	**3,180**	4,898
Trade deposits	**136**	136
Accrued profit / mark-up on bank deposits	**325**	0
Other receivables	**110**	999
Bank balances	**96,740**	67,042
	141,427	128,869

The management does not expect any losses from non-performance by these counter parties.

All the trade debts, which are domestic parties, were not past due at the balance sheet date.

34.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2009			
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	------------------------------ Rupees in thousand ------------------------			
Trade and other payables	**32,688**	**32,688**	**32,688**	**0**

	2008			
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	--------------------------------Rupees in thousand---------------------------			
Trade and other payables	29,512	29,512	29,512	0
Accrued mark-up	5,573	5,573	5,573	0
Short term borrowings	157,795	163,600	163,600	0
	192,880	198,685	198,685	0

The contractual cash flows relating to the corresponding financial liabilities have been determined on the basis of mark-up rates effective at 30 September, 2008 as disclosed in note 12.1 to these financial statements.

34.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is not exposed to currency risk as it has no foreign currency liabilities at the year-end.

(b) Interest rate risk

At the reporting date, the interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2009	2008	2009	2008
	Effective rate		**Carrying amount**	
	Percentage		**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Deposits with a non-bank finance institution	**5%**	5%	**39,000**	39,000
Bank balances	**10.25% to 11.00%**	9.00% to 10.25%	**95,982**	70,640
Variable rate instruments				
Financial assets				
Long term loan to an Associated Company	**13.54% to 16.50%**	13.83% to 14.74%	**322,500**	322,500
Financial liabilities				
Short term borrowings	**-**	10.74% to 14.74%	**0**	157,795

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest and mark-up rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments - not applicable as no variable rate financial liability was outstanding as at 30 September, 2009.

34.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. 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.

35. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to the shareholders, benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

The Company is not exposed to external capital maintenance requirements.

36. TRANSACTIONS WITH RELATED PARTIES

36.1 Maximum aggregate balance due from Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs.4.326 million (2008: Rs.4.665 million).

36.2 The Company has related party relationship with its Associated Companies, Subsidiary Company, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Subsidiary Company and Associated Companies during the year were as follows:

	2009	2008
	Rupees in thousand	
- dividends received	**0**	200
- dividends paid	**1,240**	0
- purchase of goods and services	**11,328**	7,449
- machinery lease rentals	**1,800**	1,800
- sale of goods and services	**168**	720
- mark-up earned on long term loan	**48,725**	6,749

36.3 Return has not been charged on the current account balances of Associated Companies and Subsidiary Company as these have arisen due to normal trade dealings.

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	**Chief Executive**		**Directors**		**Executive**	
	2009	2008	**2009**	2008	**2009**	2008
	----------------------- Rupees in thousand -----------------------					
Managerial remuneration	**400**	230	**4,745**	2,549	**3,660**	3,819
Retirement benefits	**0**	0	**2,027**	1,512	**200**	496
Medical expenses reimbursed	**0**	0	**596**	84	**0**	0
	400	230	**7,368**	4,145	**3,860**	4,315
No. of persons	**1**	1	**2**	3	**3**	3

37.1 The Chief Executive, one director and the executives residing in the factory are provided free housing (with the Company's generated electricity in the residential colony within the factory compound). The Chief Executive and one director are also provided with the Company maintained cars.

37.2 Remuneration of directors does not include amounts paid or provided for, if any, by the Associated Companies / Subsidiary Company.

38. CAPACITY AND PRODUCTION

		2009	2008
SUGAR CANE PLANT			
Rated crushing capacity per day	**M.Tonnes**	**3,810**	3,810
Cane crushed	**M.Tonnes**	**88,613**	197,313
Sugar produced	**M.Tonnes**	**8,153**	16,772
Days worked	**Nos.**	**75**	109
Sugar recovery	**%**	**9.20**	8.50
SUGAR BEET PLANT			
Rated slicing capacity per day	**M.Tonnes**	**2,500**	2,500
Beet sliced	**M.Tonnes**	**0**	64,095
Sugar produced	**M.Tonnes**	**0**	5,640
Days worked	**Nos.**	**0**	22
Sugar recovery	**%**	**0**	8.80
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**189,526**	351,801
Days worked	**Nos.**	**32**	86

- The normal season days are 150 days for Sugar Cane crushing and 50 days for Beet slicing.
- Production was restricted to the availability of raw materials to the Company.

38.1 Beet plant had remained closed during the current financial year due to non-availability of raw materials.

39. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 29 December, 2009 by the board of directors of the Company.

40. SEGMENT REPORTING

Operating results of the Distillery have not been separately disclosed in the financial statements as these do not meet the minimum thresholds prescribed by IAS 14 (Segment Reporting).

41. FIGURES

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.

- Corresponding year's figures have been reclassified for the purpose of better presentation and comparison; significant reclassifications made during the year are as follows:
  - unclaimed dividends, which were shown as a separate line item in the preceding year's balance sheet, have been grouped under the head of trade and other payables;

- investment property, which was grouped under property, plant and equipment in the preceding year's balance sheet, has been shown as a separate line item in the balance sheet; and

- deposits with a non-bank finance institution, which were grouped under bank balances in the preceding year's balance sheet, have been shown as a separate line item in the balance sheet .

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

annual report

2009

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

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THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS		
CHAIRPERSON /CHIEF EXECUTIVE	BEGUM LAILA SARFARAZ	
DIRECTORS	KHAN AZIZ SARFARAZ KHAN	
	MR. ABBAS SARFARAZ KHAN	
	MS. ZARMINE SARFARAZ	
	MS. NAJDA SARFARAZ	
	MR. BABAR ALI KHAN	
	MR. ISKANDER M. KHAN	
	MR. ABDUL QADAR KHATTAK	
BOARD AUDIT COMMITTEE	KHAN AZIZ SARFARAZ KHAN	CHAIRMAN
	MS. ZARMINE SARFARAZ	MEMBER
	MR. ISKANDER M. KHAN	MEMBER
COMPANY SECRETARY	MR. MUJAHID BASHIR	
CHIEF FINANCIAL OFFICER	MR. RIZWAN ULLAH KHAN	
AUDITORS	MESSRS HAMEED CHAUDHRI & CO., CHARTERED ACCOUNTANTS	
COST AUDITORS	MESSRS MUNAWAR ASSOCIATES, CHARTERED ACCOUNTANTS.	
TAX CONSULTANT	MR. MEHMOOD MIRZA	ADVOCATE
LEGAL ADVISOR	MR. QAZI MUHAMMAD ANWAR	ADVOCATE
BANKERS	NATIONAL BANK OF PAKISTAN	
	HABIB BANK LMITED	
	MCB BANK LIMITED	
	UNITED BANK LIMITED	
	ALLIED BANK LIMITED	
	THE BANK OF KHYBER	
	PICIC COMMERCIAL BANK LIMITED	
	INNOVATIVE INVESTMENT BANK LIMITED	
	FAYSAL BANK LIMITED	
	BANK ALFALAH LIMITED	
REGISTERED OFFICE	NOWSHERA ROAD, MARDAN	
FACTORY	TAKHT-BHAI DISTT. MARDAN	
	PHONES: (0937) 551051-551049-551041	
	FAX: (0937) 552878	

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 72nd Annual General Meeting of the shareholders of **The Frontier Sugar Mills & Distillery Limited** will be held on 30 January, 2010 at 12.00 Noon at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on 31 January, 2009.

2. To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditors' Report for the year ended 30 September, 2009.

3. To appoint Auditors and fix their remunerations for the financial year ending 30 September, 2010. The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

4. To transact any other business of the Company as may be permitted by the Chair.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modification, as special resolutions:-

a)- "RESOLVED that the Company may apply to Karachi Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited to delist the Company and de-quote its ordinary and preference shares.

"FURTHER RESOLVED that M/s The Premier Sugar Mills & Distillery Company Limited, the Holding Company, be and is hereby authorized to purchase the ordinary and preference shares of the company from the general public at the prevailing market price which on the Board of Director meeting is Rs. 32.00 per ordinary share and Rs.18.60 per preference share.

AND FURTHER RESOLVED that the Chief Executive and Company Secretary be and are hereby authorized, jointly and severally, to take all steps required in this regard"

b)- "RESOLVED that the consent of the shareholders be and is hereby accorded to give long term loan/advance to Chashma Sugar Mills Limited to the extent of Rs. 50.000 million. The loan/advance shall be repayable in 8 half yearly installments, commencing after two years of the grace period and be secured against the Demand Promissory Note. The rate of return on such loan/advance to be not less than the borrowing cost of the Company."

AND FURTHER RESOLVED, that the Chief Executive and Company Secretary be and are hereby authorized to take any or all actions as deemed fit in this regard".

The share transfer books of the Company will remain closed from 20 January to 29 January, 2010 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
29 December, 2009

(MUJAHID BASHIR)
Company Secretary

Statement of Material Facts Under Section 160(1) (b) of the Companies Ordinance, 1984.

a) DELISTING FROM STOCK EXCHANGES

The primary reason for seeking delisting is that the shares of the Company are highly illiquid and are not traded on the Stock Exchanges, and only 5,900 ordinary shares were trade during last three years. There has been no trading in the preference shares during the last three years. Furthermore, the mills has been closed since five years due to non availability of sugarcane and sugarbeet in the area. As such there is no benefit of listing to the investors/shareholders. The Board of Directors has approved to apply for delisting of the Company from Karachi and Islamabad Stock Exchanges and de-quotation of its ordinary and preference shares. The parent company M/s Premier Sugar Mills & Distillery Co. Limited is being authorized to purchase ordinary shares and preference shares of the company from the general public at the prevailing market price which on the Board of Director meeting is Rs. 32 per ordinary share and Rs.18.60 per preference share.

b) LOAN/ADVANCE TO ASSOCIATED COMPANY

The Company proposes to give loan/advance to the extent of Rs. 50.000 million to M/s Chashma Sugar Mills Limited, Associated company. The rate of return shall not be less than the borrowing cost of the Company. It shall be repayable in 8 equal half yearly installments commencing after two years of grace period. Information as required under SRO 865(1)(b) /2000 is provided below:-

Name of investee Company together with the amount and purpose of loan or advance ; in case any loan had already been provided or loan has been written off to the said investee company, the complete details of the loan;	Chashma Sugar Mills Limited. The loan/advance of Rs. 50.000 million will earn higher return. The Company has neither provided any loan nor written off any loan of Investee Company.
A brief about the financial position of the investee company on the basis of last published financial statements	Chashma Sugar Mills Limited earned handsome profit during most of the preceding year, however during previous two years the Company has incurred losses due to conditions beyond its control.
Rate of mark-up to be charged.	The rate will not be less than the borrowing cost of the Company.
Particulars of collateral security to be obtained from borrower and; if not needed, justification thereof;	Demand Promissory Note as a Collateral Security had been obtained.
Source of founds from where loan or advance will be given;	Retained earnings.
Repayment Schedule;	Eight half yearly installments, commencing after two years of grace period.
Purpose of loans and advance; and	to earn higher return on funds available with the Company.
Benefits likely to accrue to the Company and the shareholders from loans and advances.	Higher returns on the loan/advance leading to increase in income of the Company/Shareholders.

N.B:

1. Members unable to attend in person may kindly send proxy form attached with the Balance Sheet signed and witnessed to the Company at least 48 hours before the time of the meeting. No person shall act, as proxy unless he is entitled to be present and vote in his own right.

2. Members are requested to notify any change in address immediately.

3. C.D.C shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and participants I.D numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.

4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited along with the form of proxy. Representative of corporate members should bring the usual documents required for such purpose.

DIRECTORS' REPORT

The Board of Directors of The Frontier Sugar Mills & Distillery Limited is presenting the Directors' Report of the Company, together with the audited financial statements for the year ended 30 September, 2009.

The Company and other Sugar Mills of the Peshawar valley due to higher Gur prices, are facing severe competition from the tax-free commercial Gur traders, due to this; the entire sugarcane crop is diverted towards the lucrative tax free commercial Gur manufacturing. The Gur manufacturing business is tax free, whereas, Sugar sector is heavily burdened under various taxes like Sales tax, Income tax, FED etc. We requested the Provincial Government to provide us level playing field and suggested following measures:

Implementation of Gur Control Act 1948 in letter and spirit

Collection of sales tax on the commercial sale of Gur at mandi level, as under the Sales Tax Act 1990, Gur has a levy of sales tax.

To apply law with the same yardstick by imposing ban / duty on export of Gur as applied on sugar

Linkage of the support price of sugarcane with its sucrose contents.

The system of internal control is sound in design and has been effectively implemented and monitored.

We have aggressively followed the above with the Government of Pakistan but of no avail. The Company could not operate due to non availability of raw material and has suffered losses.

1. PESHAWAR VALLEY SUGAR INDUSTRY

In Peshawar valley two of the four sugar mills are closed and the rest are at the verge of collapse. The Gur manufacturers are producing approximately 300,000 tons of Gur (valuing Rs.8.400 billion) every year by diverting 3.00 million metric ton of sugarcane. They claim the benefits of Cottage industry to avoid payment of sales tax and Income tax and deprive the National exchequer of huge revenues i.e. sales tax of Rs. 1.25 billion. The Government is thus subsidizing Gur making by surrendering Rs. 1.25 billion of sales tax for the benefit of individuals operating commercial gur manufacturing. The organized sugar industry, on the other hand has to pay road cess @ Rs. 0.50/ maund of sugar cane and sales tax and FED @ 17 % on sugar sale price along with other Federal and Provincial levies like social security, EOBI etc., etc. Further, the factories have to pay income tax @ 35% on its profits. This uneven competition between the tax free commercial Gur manufacturing and Sugar Industry will eventually result in the closure of industry in the Peshawar valley, and the country would loose a sugar production of 125,000 metric tons annually, this also will leave the farmers of the area at the mercy of Gur traders in absence of sugar industry.

2. STAFF

The Management has laid off most of the labour and is retaining the minimum number of staff in order to curtail the expenses.

3. REPLY TO AUDITORS RESERVATION

The Auditors have raised doubts regarding the Company's ability to continue business as a going concern due to the non availability of raw materials. The company and the other Sugar Industry of the Peshawar valley is facing similar difficulties in procuring the raw material and are at the verge of closure. We have taken up the matter with the Federal and the Provincial Governments and requested them to provide level playing field but of no avail. The tax free gur prices are higher than sugar and the commercial middlemen are procuring sugarcane and are diverting sugarcane towards gur making. The factory cannot operate intermittently, as it renders operations uneconomical. Therefore, we have decided to close down operations till such time it is not certain that the factory will crush substantial quantity of sugarcane to make the operation viable.

4. DELISTING FROM STOCK EXCHANGES

The shares of the Company are highly illiquid and are not traded on the stock exchanges. Furthermore, due to the non availability of sugarcane, the Mills continues to suffer losses. As such there is no benefit of Company's listing to the investors / shareholders. Accordingly, the Board of Directors has decided to apply for the delisting of the Company from the Karachi and Islamabad Stock Exchanges and de-quotation of its ordinary and preference shares.

5. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

Proper books of account were maintained by the Company.

Appropriate accounting policies have been consistently applied, in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

The system of internal control is sound in design and has been effectively implemented and monitored.

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

There are no significant doubts upon the Company's ability to continue as a going concern.

Key operating and financial data for the last six years in summarized form is annexed.

There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as at 30 September, 2009 except for those disclosed in the financial statements. .

The value of investments of staff provident fund, based on audited accounts, was Rs. 18.500 million as at 30 September, 2008.

During the year 5 meetings of the Board of Directors were held. Attendance by each director was as follows:

NAME OF DIRECTORS	NO OF MEETINGS ATTENDED
Khan Aziz Sarfaraz Khan	3
Begum Laila Sarfaraz	5
Mr. Abbas Sarfaraz Khan	3
Mr. Iskandar M. Khan	5
Mr. Abdul Qadar Khattak	4
Ms. Zarmine Sarfaraz	2
Mr. Baber Ali Khan	2
Ms. Najda Sarfaraz	4

Leave of absence was granted to directors who could not attend some of Board meetings.

The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.

No trades in the shares of Company were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30 September, 2009.

6. ROLE OF SHAREHOLDERS.

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of affairs. To achieve this objective, information is communicated to the shareholders through quarterly, half-yearly and annual reports. The Board encourages the shareholders participation at the annual general meeting to ensure a high level of accountability.

7. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended re-appointing M/s Hameed Chaudhri & Company, Chartered Accountants, as external Auditors for the year 2009-2010

8. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE..

The requirements of the Code of Corporate Governance set-out by the Karachi and Islamabad Stock Exchanges in their Listing Rules, relevant for the year ended 30 September, 2009, have been duly complied with. A statement to this effect is annexed with the report.

9. ACKNOWLEDGMENT

The directors appreciate the spirit of good work done by the Company's staff at all levels.

ON BEHALF OF THE BOARD

Mardan:
29 December, 2009

(BEGUM LAILA SARFARAZ)
Chairperson / Chief Executive

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED MARDAN

FORM - 34

PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30TH SEPTEMBER, 2009

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		SHARES HELD		TOTAL
	FROM	TO	PREFERENCE	ORDINARY	
555	1	100	1,470	10,855	12,325
124	101	500	3,710	33,385	37,095
42	501	1,000	2,000	29,993	31,993
48	1,001	5,000	-	107,135	107,135
6	5,001	10,000	-	46,014	46,014
4	10,001	20,000	20,000	41,097	61,097
1	20,001	50,000	22,820	23,977	46,797
1	1,050,001	1,080,000		1,057,544	1,057,544
781			**50,000**	**1,350,000**	**1,400,000**

S.No.	Catagories of Shareholders		No of Shares Ordinary	Preference	Total	Percentage of holding
1	**Name of Directors, Chief Executive Officer**					
	Khan Aziz Sarfaraz Khan		23,977		23,977	1.71
	Begum Laila Sarfaraz		500		500	0.04
	Mr. Abbas Sarfaraz Khan		1,342		1,342	0.10
	Ms. Zarmine Sarfaraz		500		500	0.04
	Ms. Najda Sarfaraz		500		500	0.04
	Mr. Iskander M. Khan		500		500	0.04
	Mr. Babar Ali Khan		1,903	210	2,113	0.15
	Mr. Abdul Qadar Khattak		100		100	0.01
2	**Company Secretary/Chief Financial Officer (CFO)**					0.00
	Mr. Mujahid Bashir	Company Secretary	2		2	0.00
3	**Shares held by relatives**		-	-	-	-
4	**Shares held by the Holding Company**					
	The Premier Sugar Mills & Distillery Company Ltd.		1,057,544	22,820	1,080,364	77.17
5	**Shares held by Financial Institutions, Investment, Insurance, Securities Companies and others**					
	The Frontier Cooperative Bank Ltd.		5,501	0	5,501	0.39
	Investment Corporation of Pakistan		3	300	303	0.02
	Government of N.W.F.P.		-	20,000	20,000	1.43
	District Council, Mardan		72	1,000	1,072	0.08
	Municipal Committee, Mardan		73	1,000	1,073	0.08
	Frontier Association for Mentally Handicape School, Mardan		760	0	760	0.05
6	**Shares held by General Public**					
	Held by General Public		256,723	4,670	261,393	18.67
			1,350,000	50,000	1,400,000	100.00
7	**Shareholders holding ten percent or more voting interest in the Company.**					
	The Premier Sugar Mills & Distillery Co, Limited. Co. Ltd. Mardan.		1,057,544	22,820	1,080,364	77.17
8	**Auditors**					
	M/s. Hameed Chaudhri & Co., Chartered Accountants	Auditors	Nil	Nil	Nil	-
9	**Cost Auditors**					
	M/s. Munawar Associates	Cost Auditors	Nil	Nil	Nil	-
10	**Legal Advisor**					
	Qazi Muhammad Anwar	Legal Advisor	Nil	Nil	Nil	-

None of the directors, the CEO, the CFO and the Company Secretary and their spouses and minor children have traded in the shares of the Company during the year.

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

SIX YEARS GROWTH AT A GLANCE

(Rupees in thousand)

PARTICULARS	2009	2008	2007	2006	2005	2004
			(R U P E E S	I N	T H O U S A N D)	
Turnover	1,268	497	19,960	17,144	177,537	371,397
Operating profit/(Loss)	(18,252)	(22,576)	(44,327)	(32,600)	13,773	3,306
Profit/(Loss) before tax	(5,055)	(8,800)	(35,785)	(11,485)	24,228	5,646
Profit/(Loss) After tax	(5,055)	(8,800)	(35,880)	(9,301)	28,904	10,890
Share capital	14,000	14,000	14,000	14,000	14,000	14,000
Shareholders' equity	155,966	211,565	171,463	202,070	211,522	182,204
Fixed assets - net	111,338	26,291	29,207	32,436	36,329	40,170
Total assets	263,592	193,376	214,029	247,573	264,174	241,492
Current assets	113,424	116,178	164,461	198,173	210,705	183,699
Current liabilities	3,815	5,129	12,037	12,513	15,286	14,519
Dividend						
Cash dividend	0%	0%	0%	0%	0%	10%
Ratios:						
Profitability (%)						
Operating profit	(1,439.43)	(4,542.45)	(222.08)	(190.15)	7.76	0.89
Profit/ (Loss) before tax	(398.66)	(1,770.62)	(179.28)	(66.99)	13.65	1.52
Profit/(Loss) after tax	(398.66)	(1,770.62)	(179.76)	(54.25)	16.28	2.93
Return to Shareholders						
ROE - Before tax	(3.24)	(0.04)	(0.21)	(0.06)	0.11	0.03
ROE - After tax	(3.24)	(0.04)	(0.21)	(0.05)	0.14	0.06
Return on Capital Employed	(3.24)	(0.04)	(0.21)	(0.05)	0.14	0.06
E. P. S. - After tax	(0.36)	21.38	(26.58)	6.89	21.38	8.07
Activity						
Income to total assets	0.00	(4.55)	(16.76)	(3.76)	10.94	4.51
Income to fixed assets - net	0.01	(33.47)	(122.85)	(28.67)	79.56	27.11
Liquidity/Leverage						
Current ratio	29.73	22.65	13.66	15.84	13.78	12.65
Break up value per share	11.14	151.12	122.47	144.34	151.09	130.15

TEN YEARS REVIEW

YEAR	CANE			BEET		
	CANE CRUSHED	RECOVERY %	SUGAR PRODUCED	BEET SLICED	RECOVERY %	SUGAR PRODUCED
	M. Tons		M. Tons	M. Tons		M. Tons
2000	62,512	8.12	5,323.600	38,256	8.33	3,342.40
2001	6,011	6.32	379.65	45,237	8.23	3,721.85
2002	5,333	6.40	341.70	60,560	9.34	5,656.35
2003	110,158	9.70	10,680.25	40,866	10.24	4,175.70
2004	145,686	10.38	15,002.25	45,934	9.12	4,252.05
2005	82,999	9.86	8,201.95	Not Operated		
2006	7,604.031	7.68	584.00	Not Operated		
2007	**10,290**	**8**	**848**	**Not Operated**		
2008	**-**	**-**	**-**	**Not Operated**		
2009	**-**	**-**	**-**	**Not Operated**		

VISION STATEMENT

Efficient organization with professional competence of top order is engaged to remain a Market Leader in the sugar industry in manufacturing and marketing of white sugar.

To ensure attractive returns to business associates and optimizing the shareholders' value as per their expectations.

MISSION STATEMENT

Quality objectives are designed with a view to enhance customer satisfaction and operational efficiencies.

To be a good corporate citizen to fulfil the social responsibilities.

Commitment to building, Safe, Healthy and Environment friendly atmosphere.

The Frontier Sugar Mills & Distillery Limited (FSM) with professional and dedicated team, ensure continual improvement in quality and productivity through effective implementation of Quality Management System. Be a responsible employer and reward employees according to their ability and performance.

The quality policy encompasses FSM long term **Strategic Goals** and **Core Values,** which are integral part of our business

STRATEGIC GOALS

Providing customer satisfaction by serving with superior quality production of white sugar at lowest cost.

Ensuring security and accountability by creating an environment of security and accountability for employees, production facilities and products.

Expanding customer base by exploring new national and international markets and undertaking product research and development in sugar industry.

Ensuring Efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

1. National interest is FSM's first priority.

2. FSM believes in the highest standard of personal and professional ethics and integrity. Due care is given to every employee achieving results in their respective areas making it mandatory to maintain the highest norms of ethical standards.

3. FSM believes that serving our growers, employees, government, communities and public domain is an ongoing and rewarding investment.

4. FSM employees are trained on lines of developing good leaders rather than good managers.

5. FSM sternly emphasizes on maximizing shareholders' value through meeting the expectations of shareholders.

6. FSM believes that the right structure and the right people with the requisite authority to perform their jobs are integral to organizational development, which is a pre-requisite to the development of our human resource.

7. FSM believes that the sense of belonging to the FSM Group fulfils an essential need of our employees and the organization and as such will always be nurtured.

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The organisation of The Frontier Sugar Mills & Distillery Limited (FSM) will be guided by the following principles in its pursuit of excellence in all activities for attainment of the organisational objectives::

As Director:

- Formulate and monitor the objectives, strategies and overall business plan of FSM.
- Oversee that the affairs of FSM are being carried-out prudently within the framework of existing laws and regulations and high business ethics.
- Ensure compliance of legal and regulatory requirements.
- Protect the interest and assets of the FSM.
- Maintain organisational effectiveness for achievement of the organizational goals.
- Foster the conducive environment through responsive policies.
- Ensure that FSM interest supersedes all other interests.
- Transparency in the functioning of FSM.
- Ensure efficient and effective use of FSM's resources.

As Executives, Managers and Staff:

- Follow the policy guidelines strictly adhering the rules and procedures as approved by the Board.
- Strike and work diligently for profitable operations of FSM.
- Provide the direction and leadership for the organization.
- Ensure customers satisfaction through excellent product.
- Promote a culture of excellence, conservation and continual improvement.
- Cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self-realization in employees.

- Ensure an equitable way of working and reward system.
- Institute commitment to healthy environment.
- Productive devotion of time and efforts.
- Promote and protect the interest of FSM and ensure that FSM's interest supersedes all other interests.
- Exercise prudence in using FSM's resources.
- Observe cost effective practice in daily activities.
- Strive for excellence and quality.
- Avoid making personal gains (other than authorized salaries and benefits) at the FSM's expense, participating in or assisting activities, which compete with FSM.
- Efforts to create succession in related areas would be appreciated/encouraged.

Financial Integrity:

- Compliance with accepted accounting rules and procedures.
- In addition to being duly authorized, all transactions must be properly and fully recorded. No record entry or document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No corporate payment may be requested, approved or made with the intention that any part of such payment is to be used for any purpose other than as described in the document supporting it.
- All information supplied to the Auditors must be complete and not misleading.
- FSM will not knowingly assist fraudulent activities by others.

Mardan:
29 December, 2009

(BEGUM LAILA SARFARAZ)
Chairperson / Chief Executive

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XI of the listing regulations of the Islamabad Stock Exchange for the purpose of establishing a framework 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; at present the Board includes one independent non-executive director.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or being a member of a stock exchange has not been declared as a defaulter by such stock exchange.

4. No casual vacancies were occurred in the Board during the year.

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

6. The Board has developed a vision/mission statement, 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, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged and orientation course for its directors during the year to apprise them of their duties and responsibilities.

10. There were no new appointments of CFO, Company Secretary or head of Internal Audit Department during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by 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 share-holding.

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

15. The Board has formed an Audit Committee, which comprises of three members, of whom one is non-executive director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.

17. The Company has set-up and effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), 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 ICAP.

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with requirements of listing regulation number 35 of the Karachi Stock Exchange (Guarantee) Limited.

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

For and on behalf of the Board of Directors

Mardan:
29 December, 2009

(BEGUM LAILA SARFARAZ)
Chairperson / Chief Executive

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

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 **The Frontier Sugar Mills & Distillery Limited (FSM)** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub Regulation (xiii) of Listing Regulations 37 (now35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications 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 the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of 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 30 September, 2009.

LAHORE;	**HAMEED CHAUDHRI & CO.,**
30 December, 2009	**CHARTERED ACCOUNTANTS**

AUDITORS' REPORT TO THE MEMBERS

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

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

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) The Company has been unable to carry-out manufacturing operations during the current and preceding financial years due to non-availability of raw materials; the management, subsequent to the balance sheet date, has also decided to close down operations till the availability of substantial quantity of sugarcane. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern; however, these financial statements have been prepared on the going concern basis. The financial statements and the annexed notes do not disclose this fact.

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

(c) in our opinion

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

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

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

(d) except for the omission of information detailed in aforementioned paragraph (a), in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so

Required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

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

LAHORE;
30 December, 2009

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Majeed Chaudhri

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2009

	Note	2009	2008
		Rupees in thousand	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital	7.1	20,000	20,000
Issued, subscribed and paid-up capital	7.2	14,000	14,000
General reserve		134,000	134,000
Fair value reserve on available-for-sale investments	14	9,203	11,347
(Accumulated loss) / unappropriated profit		(1,237)	2,218
		155,966	161,565
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	101,315	15,197
NON-CURRENT LIABILITY			
Staff retirement benefits-gratuity	9	2,496	11,485
CURRENT LIABILITIES			
Trade and other payables	10	3,582	4,793
Accrued mark-up		233	233
Taxation	11	0	103
		3,815	5,129
CONTINGENCIES AND COMMITMENTS	12		
		263,592	193,376

	Note	2009	2008
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	111,338	26,291
Investments	14	15,338	17,482
Long term loan to an Associated Company	15	0	33,333
Deposits with a non-bank finance institution	16	23,400	31,200
Security deposits		92	92
		150,168	108,398
CURRENT ASSETS			
Stores and spares	17	33,603	33,603
Stock-in-trade	18	2,097	2,097
Trade debts		0	29
Loans and advances	19	1,945	17,565
Short term prepayments		51	48
Accrued profit / mark-up on bank deposits and loan to an Associated Company		973	3,539
Other receivables	20	1,265	1,338
Tax deducted at source		5,329	5,071
Bank balances	21	68,161	21,688
		113,424	84,978
		263,592	193,376

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	Note	2009	2008
		Rupees in thousand	
SALES - Net	22	**1,268**	497
COST OF SALES	23	**10,424**	14,895
GROSS LOSS		**(9,156)**	(14,398)
ADMINISTRATIVE EXPENSES	24	**7,897**	7,203
OTHER OPERATING EXPENSES	25	**1,199**	975
		9,096	8,178
		(18,252)	(22,576)
OTHER OPERATING INCOME	26	**13,238**	13,809
OPERATING LOSS		**(5,014)**	(8,767)
FINANCE COST	27	**41**	33
LOSS FOR THE YEAR		**(5,055)**	(8,800)
		------ Rupees ------	
LOSS PER SHARE	28	**(3.74)**	(6.52)

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	2009	2008
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year	**(5,055)**	(8,800)
Adjustments for non-cash charges and other items:		
Depreciation	**2,671**	2,904
Staff retirement benefits - gratuity (net)	**(8,989)**	(2,158)
Mark-up on loan to an Associated Company and profit / mark-up on bank deposits	**(8,779)**	(8,369)
Unclaimed payable balances written-back	**(788)**	0
Gain on sale of land	**0**	(4,488)
Dividend income	**(657)**	0
Receivable balances written-off	**224**	0
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before working capital changes	**(21,373)**	(20,911)
Decrease / (increase) in current assets		
Stores and spares	**0**	666
Trade debts	**29**	0
Loans and advances	**(1,271)**	886
Short term prepayments	**(3)**	227
Other receivables	**73**	(79)
Decrease in trade and other payables	**(423)**	(1,563)
	(1,595)	137
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before taxation	**(22,968)**	(20,774)
Taxes (paid) / refund	**(361)**	3,150
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - After taxation	**(23,329)**	(17,624)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds of land	**0**	4,500
Long term loan received-back from / (advanced to) an Associated Company	**50,000**	(50,000)
Mark-up on loan to an Associated Company and profit / mark-up on bank deposits	**11,345**	6,096
NET CASH INFLOW / (OUTFLOW) /FROM INVESTING ACTIVITIES	**61,345**	(39,404)
CASH INFLOW FROM FINANCING ACTIVITIES		
Dividend received	**657**	0
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**38,673**	(57,028)
CASH AND CASH EQUIVALENTS - At beginning of the year	**21,688**	70,916
CURRENT PORTION OF DEPOSITS WITH A NON-BANK FINANCE INSTITUTION	**7,800**	7,800
	29,488	78,716
CASH AND CASH EQUIVALENTS - At end of the year	**68,161**	21,688

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	Share capital	General reserve	Fair value reserve on available-for-sale investments	(Accumulated loss) / unappropri - ated profit	Total
	---------------- Rupees in thousand ----------------				
Balance as at 30 September, 2007	14,000	184,000	14,134	(40,671)	171,463
Loss for the year ended 30 September, 2008	0	0	0	(8,800)	(8,800)
Transfer	0	(50,000)	0	50,000	0
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,689	1,689
Fair value loss on available-for-sale investments for the year ended 30 September, 2008	0	0	(2,787)	0	(2,787)
Balance as at 30 September, 2008	14,000	134,000	11,347	2,218	161,565
Loss for the year ended 30 September, 2009	0	0	0	(5,055)	(5,055)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,600	1,600
Fair value loss on available-for-sale investments for the year ended 30 September, 2009	0	0	(2,144)	0	(2,144)
Balance as at 30 September, 2009	**14,000**	**134,000**	**9,203**	**(1,237)**	**155,966**

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

1. CORPORATE INFORMATION

1.1 The Frontier Sugar Mills & Distillery Limited (the Company) was incorporated on 31 March, 1938 as a Public Company and its shares are quoted on Karachi and Islamabad Stock Exchanges. The principal activity of the Company is manufacturing and sale of white sugar. The Company's Mills and Registered Office are located at Takht-I-Bhai, Mardan (N.W.F.P). The Company is a Subsidiary of The Premier Sugar Mills & Distillery Company Limited.

1.2 The Company has been suffering losses over the years and during the current and preceding financial years had not carried-out manufacturing operations due to non-availability of raw materials.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 provisions of the Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Ordinance and the directives issued by SECP differ with the requirements of IFRSs, the requirements of the Ordinance and the directives issued by SECP shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the following:

- recognition of employee retirement benefits at present value;
- modification of foreign currency translation adjustments ; and
- measurement of certain operating fixed assets at revalued amounts.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded-off to the nearest thousand.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

a) staff retirement benefits;

b) provisions and contingencies;

c) useful life of property, plant and equipment; and

d) taxation.

5. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

5.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current accounting year

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Company's accounting year beginning on 01 October, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The SECP, vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7, which is mandatory for the Company's accounting periods beginning on or after the date of notification. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 October, 2008, which are not considered relevant nor have any significant effect on the Company's operations are not detailed in these financial statements.

5.2 Standards, interpretations and amendments to published approved accounting standards that are issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October, 2009:

(a) IAS 1 (Revised), ‘Presentation of Financial Statements’ (effective from 01 January, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact presentation of the financial statements.

(b) IAS 16, 'Property, Plant and Equipment' (effective from 01 January, 2009); it replaces the term 'net selling price' with 'fair value less cost to sell'.

(c) IAS 19 (Amendment), ‘Employee Benefits’ (effective from 01 January, 2009).

(i) The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

(ii) The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

(iii) The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

(iv) IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of adoption of IAS 19 on the Company's financial statements.

(d) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Company's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

(e) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 01 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Company.

(f) IAS 36 (Amendment), ‘Impairment of Assets’ (effective from 01 January, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Company's financial statements.

(g) IAS 38 (Amendment), ‘Intangible Assets’ (effective from 01 January, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 October, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

6.1 Equity instruments

These are recorded at their face value.

6.2 Borrowings

Loans and borrowings are initially recognised at the proceeds received; subsequent to initial recognition, these are stated at amortised cost.

6.3 Staff retirement benefits

(a) Defined contribution plan

The Company is operating a contributory provident fund scheme for all its permanent employees and equal monthly contributions at the rate of 8% of the basic salaries are made both by the employees and the Company.

(b) Defined benefit plan

The Company also operates an un-funded gratuity scheme for its permanent employees under which benefits are paid on cessation of employment subject to a minimum qualifying period of service.

Employees' benefits under this scheme are accounted for on the basis of actuary's recommendations based on the actuarial valuation of the scheme. Latest valuation of the scheme was carried-out as on 30 September, 2008.

6.4 Trade and other payables

Creditors relating to trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

6.5 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

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

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.6 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

6.7 Property, plant and equipment

Freehold land, buildings on freehold land and plant & machinery are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.The remaining property, plant and equipment, except capital work-in-progress, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which they are incurred.

Depreciation on operating fixed assets is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 13. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

6.8 Impairment of assets

The management assess at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

6.9 Investments (available-for-sale)

Investments available-for-sale represent investments which are not held for trading. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value of investments available-for-sale is recognised directly in equity as unrealised, unless sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in the equity is included in the profit and loss account for the year.

6.10 Stores and spares

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date.

6.11 Stock-in-trade

a) Stock of manufactured products is valued at lower of cost and net realisable value except stock of molasses-in-hand, which is taken at nil value. Sugar-in-process is valued at cost.

b) Cost in relation to finished sugar and sugar-in-process represents annual average manufacturing cost, which consists of prime cost and appropriate production overheads.

c) Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

6.12 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

6.13 Cash and cash equivalents

Cash-in-hand and at banks and short term deposits, which are held to maturity are carried at cost. For the purposes of cash flow statement, cash equivalents are short term highly liquid instruments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

6.14 Revenue recognition

(a) Sales are recorded on despatch of goods to customers.

(b) Dividend income is accounted for when the right of receipt is established.

(c) Return on bank deposits is accounted for on `accrual basis'.

(d) Rental income is accounted for on `accrual basis'.

6.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.16 Provisions

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

6.17 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

6.18 **Financial assets and liabilities**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.19 **Off setting of financial instruments**

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

6.20 **Related party transactions**

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

7. **SHARE CAPITAL**

7.1 **Authorised capital**

2009	2008		2009	2008
(No. of shares)			**Rupees in thousand**	
50,000	50,000	7% irredeemable preference shares of Rs.10 each	**500**	500
1,950,000	1,950,000	ordinary shares of Rs.10 each	**19,500**	19,500
2,000,000	2,000,000		**20,000**	20,000

7.2 **Issued, subscribed and paid-up capital**

50,000	50,000	7% irredeemable preference shares of Rs.10 each issued for cash	**500**	500
1,037,500	1,037,500	ordinary shares of Rs.10 each fully paid in cash	**10,375**	10,375
1,087,500	1,087,500		**10,875**	10,875
312,500	312,500	ordinary shares of Rs.10 each issued as fully paid bonus shares	**3,125**	3,125
1,400,000	1,400,000		**14,000**	14,000

7.3 The Premier Sugar Mills & Distillery Company Limited (the Holding Company) holds 1,057,544 ordinary shares and 22,820 7% irredeemable preference shares as at 30 September, 2009 and 30 September, 2008.

8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net

8.1 The Company, during the financial year ended 30 September, 2000, had revalued buildings on freehold land excluding some portion of buildings situated outside the factory and plant & machinery excluding tools & implements, farm machinery and turbo generator. The revaluation exercise was carried-out on the basis of depreciated market values and it produced appraisal surplus aggregating Rs.55.414 million, which was credited to this account.

8.2 The Company, as at 17 September, 2009, has again revalued its aforementioned operating fixed assets and freehold land. The revaluation exercise has been carried-out by Independent Valuers - Hamid Mukhtar & Co. (Pvt.) Ltd. (Consulting Engineers, Surveyors & Loss Adjusters and Valuation Consultants), Lahore - to replace the carrying amounts of these assets with their fair present market values. The appraisal surplus arisen on latest revaluation aggregating Rs.87.718 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	**2009**	2008
		Rupees in thousand	
Balance at beginning of the year		**15,197**	16,886
Add: surplus arisen on revaluation carried-out during the year	**13.1**	**87,718**	0
		102,915	16,886
Less: transferred to (accumulated loss) / unappropriated profit on account of incremental depreciation for the year		**1,600**	1,689
Balance at end of the year		**101,315**	15,197

9. **STAFF RETIREMENT BENEFITS -** Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2009	2008
- discount rate - per annum	**14%**	14%
- expected rate of growth per annum in future salaries	**13%**	13%
- average expected remaining working life time of employees	**04 years**	04 years

The amount recognised in the balance sheet is as follows:	**2009**	2008
	Rupees in thousand	
Present value of defined benefit obligation	**943**	9,739
Unrecognised actuarial gain	**1,553**	1,746
Net liability as at 30 September,	**2,496**	11,485

Net liability as at 01 October,	**11,485**	13,643
Charge to profit and loss account	**1,392**	1,447
Payments made during the year	**(10,381)**	(3,605)
Net liability as at 30 September,	**2,496**	11,485

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation - opening	**9,739**	12,795
Current service cost	**222**	277
Interest cost	**1,363**	1,152
Benefits paid	**(10,381)**	(3,605)
Actuarial gain	**0**	(880)
Present value of defined benefit obligation - closing	**943**	9,739

Charge to profit and loss account

Current service cost	**222**	277
Interest cost	**1,363**	1,152
Past service cost	**0**	18
Actuarial gain recognised	**(193)**	0
	1,392	1,447

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

Present value of defined benefit obligation	**943**	9,739	12,795	13,398	14,397
Experience adjustment arising on plan liabilities	**0**	(880)	N/A	(968)	508

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

10. TRADE AND OTHER PAYABLES

	2009	2008
	Rupees in thousand	
Due to:		
- the Holding Company	**0**	28
- an Associated Company - Chashma Sugar Mills Ltd.	**907**	979
Creditors	**225**	918
Accrued expenses	**1,853**	2,223
Interest free deposits	**21**	46
Tax deducted at source	**0**	1
Workers' (profit) participation fund	**3**	3
Unclaimed dividends	**572**	572
Provision for property tax	**0**	2
Others	**1**	21
	3,582	4,793

11. TAXATION - Net

	2009	2008
Opening balance	**103**	5,448
Less: adjustment made during the year against completed assessments	**103**	5,345
	0	103

11.1 The Tax Department against the judgment of the Peshawar High Court, Peshawar (PHC) dated 22 October, 2008 has filed an appeal before the Supreme Court of Pakistan. The PHC, vide its aforementioned judgment, rejected the departmental application and upheld the order of the Income Tax Appellate Tribunal (ITAT) dated 28 April, 2007. Earlier, the ITAT had upheld the Commissioner of Income Tax - Appeals' action of annulment of amendment of assessment orders passed by the Additional Commissioner (Audit) under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance).

11.2 The returns for Tax Years 2003 to 2009 have been filed after complying with all the provisions of the Ordinance. Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing out of deficiency by the Commissioner.

11.3 No provision for taxation was necessary during the current and preceding years due to incorporation of amendments in the Ordinance in these years.

11.4 Deferred tax asset arising on unused tax losses has not been recognised in these financial statements due to uncertainty about the availability of taxable profits in the foreseeable future.

12. CONTINGENCIES AND COMMITMENTS

12.1 Guarantee given by a bank on behalf of the Company outstanding as at 30 September, 2009 was for Rs.1.143 million (2008: Rs1.143 million).

12.2 The Additional Collector of Sales Tax, Peshawar, served a show cause notice raising sales tax demands aggregating Rs.1.528 million along with additional tax on the grounds that the Company under-valued the price of spirit during the financial years 1994-95 & 1995-96 and paid lesser sales tax. The Company paid Rs.0.248 million against the said demands and filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Peshawar Bench, which is pending adjudication.

12.3 No commitments were outstanding as at 30 September, 2009 and 30 September, 2008.

13. PROPERTY, PLANT AND EQUIPMENT

Particulars	Freehold land	Buildings on freehold land	Plant and machinery	Tools	Railway sidings and weigh bridges	Beet water line	Electric and gas equipment	Laboratory equipment	Furniture and fixtures	Vehicles	Tube well	Arms	Total
As at 30 September, 2007													
Cost / revaluation	337	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	116,571
Accumulated depreciation:	0	10,211	72,192	911	422	206	1,003	115	892	1,318	58	36	87,364
Book value	337	4,094	24,412	3	109	0	32	5	82	114	1	18	29,207
Year ended 30 September, 2008:													
Disposal - cost	12	0	0	0	0	0	0	0	0	0	0	0	12
Depreciation charge	0	410	2,441	0	16	0	3	1	8	23	0	2	2,904
Book value as at 30 September , 2008	325	3,684	21,971	3	93	0	29	4	74	91	1	16	26,291
Year ended 30 September, 2009:													
Revaluation adjustments: Cost	78,094	0	0	0	0	0	0	0	0	0	0	0	78,094
Elimination against gross carrying amount	0	3,867	5,757	0	0	0	0	0	0	0	0	0	9,624
Revaluation surplus	78,094	3,867	5,757	0	0	0	0	0	0	0	0	0	87,718
Depreciation charge	0	398	2,229	0	14	0	3	0	7	18	0	2	2,671
Book value as at 30 September , 2009	78,419	7,153	25,499	3	79	0	26	4	67	73	1	14	111,338
As at 30 September, 2008													
Cost / revaluation	325	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	116,559
Accumulated depreciation	0	10,621	74,633	911	438	206	1,006	116	900	1,341	58	38	90,268
Book value	325	3,684	21,971	3	93	0	29	4	74	91	1	16	26,291
As at 30 September, 2009													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	194,653
Accumulated depreciation	0	7,152	71,105	911	452	206	1,009	116	907	1,359	58	40	83,315
Book value	78,419	7,153	25,499	3	79	0	26	4	67	73	1	14	111,338
Depreciation rate (%)	-	10	10	15	15	15	10	10	10	20	10	10	

13.1 As detailed in note 8.2, surplus on operating fixed assets as a result of latest revaluation has been determined as follows:

Particulars	Freehold land	Buildings on freehold land	Plant and machinery	Total
	---------------- Rupees in thousand----------------			
Cost / revaluation as at 17 September, 2009	325	14,305	96,604	111,234
Accumulated depreciation to 17 September, 2009	0	10,958	76,647	87,605
Book value before revaluation adjustments as at 17 September, 2009	325	3,347	19,957	23,629
Revalued amounts	78,419	7,214	25,714	111,347
Revaluation surplus	**78,094**	**3,867**	**5,757**	**87,718**

13.2 Had the aforementioned operating fixed assets of the Company been recognised under the cost model, the carrying amounts of these assets would have been as follows:

	2009	2008
	Rupees in thousand	
- freehold land	**325**	325
- buildings on freehold land	**118**	128
- plant & machinery	**1,949**	2,146
	2,392	2,599

13.3 **Depreciation for the year has been apportioned as under:**

- cost of sales	**2,527**	2,754
- administrative expenses	**144**	150
	2,671	2,904

13.4 The Company has rented / leased approximately 75 marlas of land and shops to various Tenants. Book value of this land and shops aggregated Rs.4,306 as at 30 September, 2009 (2008: Rs.4,784).

14. **INVESTMENTS** - Available-for-sale (Quoted)

Ibrahim Fibres Limited		
438,250 (2008: 438,250) ordinary shares of Rs.10 each	**6,135**	6,135
Add: adjustment arising from re-measurement to fair value	**9,203**	11,347
	15,338	17,482

15. **LONG TERM LOAN TO AN ASSOCIATED COMPANY** - Secured

Balance as at 30 September,	**0**	50,000
Less: current portion grouped under current assets	**0**	16,667
	0	33,333

15.1 The Company and Chashma Sugar Mills Ltd. (CSM) had entered into a loan agreement on 10 April, 2008 whereby the Company advanced Rs.50 million to CSM. The loan carried mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by the Company during the year ranged between 12.39% to 15.85% (2008:11.19% to 14.63%) per annum. As per the original agreement terms, the loan was recoverable in 3 equal annual instalments; however, the entire loan balance was fully received-back during August, 2009. The loan was secured against a promissory note of Rs.55.720 million.

16. DEPOSITS WITH A NON-BANK FINANCE INSTITUTION - Unsecured

These represent deposits lying with Innovative Investment Bank Limited (IIBL), Islamabad carrying profit at the rate of 5% per annum. The maturity dates of these deposits are as follows:

Date of maturity	Note	2009 Amount of deposit Rupees in thousand
29 July, 2009	**16.1**	7,800
29 July, 2010		7,800
29 July, 2011		7,800
29 July, 2012		15,600
		39,000

16.1 This deposit could not be encashed on the maturity date; the management is negotiating with IIBL for realisation.

17. STORES AND SPARES

	2009	2008
	Rupees in thousand	
Stores	**23,672**	23,672
Spares	**9,931**	9,931
	33,603	33,603

17.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

18. STOCK-IN-TRADE

Work-in-process	**2,097**	2,097

18.1 The entire molasses inventory of 361 metric tonnes lying as at 30 September, 2008 was sold during the current financial year.

19. LOANS AND ADVANCES

	Note	2009	2008
		Rupees in thousand	
Due from the Holding Company - (in respect of current account transactions)		**1,240**	0
Unsecured advances to:			
- employees - considered good		**187**	189
- suppliers/contractors - considered good		**518**	709
Current portion of long term loan to an Associated Company	**15**	**0**	16,667
		1,945	17,565

20. OTHER RECEIVABLES

	Note	2009	2008
Excise duty deposit / refundable		**83**	83
Sales tax refundable	**20.1**	**1,172**	1,245
Others		**10**	10
		1,265	1,338

20.1 The Company had filed an appeal before the Collector (Appeals) Customs, Central Excise & Sales Tax, Peshawar Zone praying that the order passed by the Assistant Collector (Refund) Sales Tax during July, 2007 be set-aside and refund claims pertaining to period April to December, 2006 aggregating Rs. 421 thousand be sanctioned. The appeal is pending adjudication.

21. BANK BALANCES

	2009	2008
Cash at banks on:		
- current accounts	**199**	202
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.15.600 million (2008: Rs.7.800 million) - note16]	**65,847**	13,800
- saving accounts	**2,115**	7,686
	68,161	21,688

21.1 Deposit and saving accounts during the year carried profit / mark-up at the rates ranging from 5.0% to 11.5% (2008: 5.25% to 10.25%) per annum.

22. SALES - Net

	Note	2009	2008
		Rupees in thousand	
Gross sales - local		**1,471**	572
Less: sales tax		**203**	75
		1,268	497

23. COST OF SALES

	Note	2009	2008
Salaries and benefits	**23.1**	**5,146**	8,370
Power and fuel		**2,634**	3,590
Repair and maintenance		**0**	34
Depreciation		**2,527**	2,754
Insurance		**117**	147
Cost of goods sold		**10,424**	14,895

23.1 These include Rs.79 thousand (2008: Rs.250 thousand) and Rs.1,253 thousand (2008: Rs.1,302 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

24. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries and benefits	**24.1**	**6,379**	5,757
Travelling and vehicles' running		**129**	250
Rent, rates and taxes		**172**	36
Communication		**50**	96
Printing and stationery		**80**	71
Insurance		**144**	29
Repair and maintenance		**4**	33
Subscription		**31**	161
Auditors' remuneration	**24.2**	**282**	267
Legal and professional charges (other than Auditors')		**385**	215
General		**97**	138
Depreciation		**144**	150
		7,897	7,203

24.1 These include Rs. 89 thousand (2008: Rs.105 thousand) and Rs.139 thousand (2008: Rs.145 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

24.2 Auditors' remuneration:	2009	2008
	Rupees in thousand	
Hameed Chaudhri & Co.		
- statutory audit	**125**	125
- half-yearly review	**60**	60
- review of compliance with best practices of Code of Corporate Governance	**25**	25
- certification charges	**15**	0
- out-of-pocket expenses	**21**	21
	246	231
Munawar Associates		
- cost audit	**30**	30
- workers' (profit) participation fund's audit fee	**3**	3
- out-of-pocket expenses	**3**	3
	36	36
	282	267

24.3 The Company has shared with its Holding Company and Associated Companies approximately Rs.75 thousand (2008: Rs.152 thousand) on account of combined office expenses, which have been booked in the respective heads of account.

25. OTHER OPERATING EXPENSES

	2009	2008
Zakat on bank deposits	**975**	975
Receivable balances written-off	**224**	0
	1,199	975

26. OTHER OPERATING INCOME

	2009	2008
Income from financial assets:		
Interest / profit on bank deposits	**2,588**	5,317
Mark-up on loan to an Associated Company	**6,191**	3,052
Dividend	**657**	0
Income from other than financial assets:		
Rental income	**6**	0
Sale of lime and press mud (2008:net of sales tax of Rs.2 thousand)	**0**	15
Sale of obsolete stores and scrap (2008:net of sales tax of Rs.140 thousand)	**0**	935
Gain on sale of land	**0**	4,488
Unclaimed payable balances written-back	**788**	0
Sale of trees	**3,008**	0
Miscellaneous	**0**	2
	13,238	13,809

	2009	2008
27. FINANCE COST	**Rupees in thousand**	
Bank charges	**41**	33

28. LOSS PER SHARE

	2009	2008
Loss after taxation attributable to ordinary shareholders	**(5,055)**	(8,800)
	Number of shares	
Number of ordinary shares issued and subscribed at the end of the year	**1,350,000**	1,350,000
	-------Rupees-------	
Loss per share	**(3.74)**	(6.52)

28.1 There were no convertible dilutive potential ordinary shares outstanding on 30 September, 2009 and 2008.

29. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

29.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks and a non-bank finance institution and other receivables. Out of the total financial assets aggregating Rs.108.679 million (2008:Rs.124.938 million), financial assets which were subject to credit risk aggregated Rs.108.679 million (2008: Rs. 71.886 million).

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

Due to the Company's long standing business relationship, management does not expect non-performance by the counter parties on their obligations to the Company.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 September, 2009 along with comparative is tabulated below:

	2009	2008
	Rupees in thousand	
Investments	**15,338**	17,482
Deposits with a non-bank finance institution	**39,000**	39,000
Security deposits	**92**	92
Trade debts	**0**	29
Loans and advances	**705**	898
Accrued profit / mark-up on bank deposits	**973**	487
Other receivables	**10**	10
Bank balances	**52,561**	13,888
	108,679	71,886

The management does not expect any losses from non-performance by these counter parties.

29.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2009			
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	Rupees in thousand			
Trade and other payables	**2,672**	**2,672**	**2,672**	**0**
Accrued mark-up	**233**	**233**	**233**	**0**
	2,905	**2,905**	**2,905**	**0**

	2008			
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	Rupees in thousand			
Trade and other payables	3,780	3,780	3,780	0
Accrued mark-up	233	233	233	0
	4,013	4,013	4,013	0

29.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is not exposed to currency risk as it has no foreign currency liabilities at the year-end.

(b) Interest rate risk

At the reporting date, the mark-up rate profile of the Company's significant financial assets is as follows:

	2009	2008	**2009**	2008
	Effective rate Percentage		**Carrying amount Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Deposits with a non-bank finance institution	**5%**	5%	**39,000**	39,000
Bank balances	**5.00% to 11.50%**	5.25% to 10.25%	**52,362**	13,686
Variable rate instruments				
Financial assets				
Long term loan to an Associated Company	**-**	11.19% to 14.63%	**0**	50,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest and mark-up rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments - not applicable as no variable rate financial liability was outstanding as at 30 September, 2009.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordinary shares of a listed company.

A 10% increase / decrease in share prices of the investee company at the balance sheet date would have increased / decreased Company's equity and investments as follows:

	2009	2008
	Rupees in thousand	
Effect on equity	**1,534**	1,749
Effect on investments	**1,534**	1,749

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and investments of the Company.

29.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. 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.

30. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to the shareholders, benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

The Company is not exposed to external capital maintenance requirements.

31. TRANSACTIONS WITH THE HOLDING COMPANY AND ASSOCIATED COMPANIES

31.1 The Company has related party relationship with its Holding Company, Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel. Aggregate transactions with the Holding Company and Associated Companies during the year were as follows:

	2009	2008
	Rupees in thousand	
- sale of goods	**0**	919
- purchase of goods and services	**50**	99
- mark-up earned on long term loan	**6,191**	3,052

31.2 No return was charged on the balances of the Holding Company and Associated Companies as these have arisen due to normal trade dealings.

32. REMUNERATION OF DIRECTORS

32.1 No managerial remuneration was paid to chief executive and directors during the current and preceding years; however, they are provided with free use of the Company maintained cars.

32.2 No employee of the Company can be categorised as executive as per the definition contained in the Fourth Schedule to the Companies Ordinance, 1984.

33. CAPACITY AND PRODUCTION

SUGAR CANE PLANT

Rated crushing capacity per day	**M.Tonnes**	**880**	880

SUGAR BEET PLANT

Rated slicing capacity per day	**M.Tonnes**	**1,000**	1,000

33.1 Due to non-availability of raw materials, sugar cane and beet plants had remained closed during the current and preceding years.

34. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 29 December, 2009 by the board of directors of the Company.

35. FIGURES

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.

- Corresponding year's figures have been reclassified for the purpose of better presentation and comparison; significant reclassifications made during the year are as follows:

  - unclaimed dividends, which were shown as a separate line item in the preceding year's balance sheet, have been grouped under the head of trade and other payables; and

  - deposits with a non-bank finance institution, which were grouped under bank balances in the preceding year's balance sheet, have been shown as a separate line item in the balance sheet .

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

Mardan.

PROXY FORM

I/We...of..........................being a member of

The Frontier Sugar Mills & Distillery Ltd and holding ....ordinary shares entitled to

vote or votes hereby appoint... .of ....

or failing him...of...

as my proxy, to vote for me and on my behalf at the Annual General Meeting of the Company to

be held on 30 January, 2010 and at any adjournment thereof.

As witness my hand this ....day of 2010

Signed by the said
in the presence of

Revenue Stamp

Address..

....

....

Signature

annual report

2009

THE PREMIER SUGAR MILLS & DISTILLERY CO. LIMITED CONSOLADITED FINANCIAL STATEMENTS

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD.

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of The Premier Sugar Mills & Distillery Company Limited feel pleasure in presenting the Directors' Report on the consolidated audited financial statements for the year ended 30 September, 2009.

1. GENERAL REVIEW

During the year under review, the Subsidiary Company suffered losses due to non supply of sugarcane. The summarized consolidated financial overview given below:

2. SUMMARISED FINANCIAL OVERVIEW

Following are the comparative financial results for the year-ended 30 September, 2009 with the preceding financial year:

	2009	2008
	Rupees in thousand	
- Sales	**531,683**	**375,549**
- Gross Profit / (Loss)	**50,782**	**(31,720)**
- Operating (loss)	**(12,209)**	**(73,718)**
- Net Profit / (Loss) from operations	**46,314**	**(4,696)**
- (Loss) from Associated Companies	**(58,745)**	**(28,410)**
- Taxation		
Group		
- current	**16,174**	**302**
- prior years'	**(1,064)**	**152**
- deferred	**(23,599)**	**(26,162)**
Associated Companies	**37,427**	**(20,090)**
	28,938	**(5,618)**
- (Loss) / Profit after taxation	**(41,369)**	**222**
- Minority interest	**(749)**	**(1,540)**
- (Loss) / Profit after taxation and minority Interest	**(40,620)**	**1,762**
	---------Rupees---------	
- Combined (loss) /earnings per share	**(10.83)**	**0.47**

3. REVIEW OF OPERATIONS

The Directors' Reports on the financial statements of the Holding Company and the Subsidiary Company fully cover all the important events which took place during the financial year under review.

4. CURRENT SEASON 2009-2010

Sugar cane crushing season started on 07th December, 2009. We crushed 3,864 metric tons at an average recovery of 7.10% upto December 16, 2009. The supply of sugarcane to the factory was not satisfactory and the management had to perforce close down the mills due to non-availability of sugarcane.

5. REPLIES TO AUDITORS RESERVATION

The Auditors have raised doubts regarding the Company's ability to continue business as a going concern due to the non availability of raw materials. The company and the other Sugar Industry of the Peshawar valley is facing similar difficulties in procuring the raw material and are at the verge of closure. We have taken up the matter with the Federal and the Provincial Governments and requested them to provide level playing field but of no avail. The tax free gur prices are higher than sugar and the commercial middlemen are procuring sugarcane and are diverting sugarcane towards gur making. The factory cannot operate intermittently, as it renders operations uneconomical. Therefore, we have decided to close down operations till such time it is not certain that the factory will crush substantial quantity of sugarcane to make the operation viable.

6. CUSTOMERS' SUPPORT AND STAFF RELATIONS

We thank our valued customers for their feedback and continued support and recognize the role they play in the success of the Group. We would also like to extend our appreciation to all the employees of the Group for their commitment and hard work.

7. PATTERN OF SHAREHOLDING

The pattern of shareholding is included in the Holding Company's shareholders' information annexed to the Directors' report.

ON BEHALF OF THE BOARD

Mardan:
29 December, 2009

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Parent Company) and its Subsidiary Company [The Frontier Sugar Mills & Distillery Limited (hereinafter referred as " the Group")] as at 30 September, 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Parent Company and the Subsidiary Company. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial 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.

> The Subsidiary Company has been unable to carry-out manufacturing operations during the current and preceding financial years due to non-availability of raw materials; the management, subsequent to the balance sheet date, has also decided to close down its operations till the availability of substantial quantity of sugarcane. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Subsidiary Company's ability to continue as a going concern; however, the financial statements of the Subsidiary Company have been prepared on the going concern basis. The financial statements of the Subsidiary Company as well as the annexed consolidated financial statements do not disclose this fact.

Except for the omission of information detailed in preceding paragraph and the contents of note 18.2 and the extent to which these may affect the annexed consolidated financial statements, in our opinion the consolidated financial statements present fairly the financial position of the Group as at 30 September, 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Majeed Chaudhri

LAHORE;
30 December, 2009

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER, 2009

	Note	2009 Rupees in thousand	2008 Rupees in thousand
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 5,750,000 ordinary shares of Rs.10 each		57,500	57,500
Issued, subscribed and paid-up capital	8	37,500	37,500
Reserves		1,004,977	1,004,977
Fair value reserve on available-for-sale investments		7,209	8,889
Unappropriated profit		46,180	18,087
		1,095,866	1,069,453
MINORITY INTEREST		33,951	35,164
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	9	485,582	84,760
NON-CURRENT LIABILITIES			
Deferred taxation	10	206,123	39,141
Staff retirement benefits - gratuity	11	19,970	31,522
		226,093	70,663
CURRENT LIABILITIES			
Trade and other payables	12	44,774	37,303
Accrued mark-up		233	5,806
Short term borrowings	13	0	157,968
Dividends payable to minority shareholders		572	572
Taxation	14	14,803	1,803
		60,382	203,452
CONTINGENCIES AND COMMITMENTS	15		
		1,901,874	1,463,492

	Note	2009 Rupees in thousand	2008 Rupees in thousand
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	800,112	230,583
Investment property	17	49,110	51,856
Investments	18	83,353	142,537
Long term loans to an Associated Company	19	282,187	355,833
Deposits with a non-bank finance institution	20	46,800	62,400
Security deposits		589	589
		1,262,151	843,798
CURRENT ASSETS			
Stores and spares	21	112,460	106,129
Stock-in-trade	22	211,634	321,793
Trade debts - unsecured - considered good		1,439	16,326
Loans and advances	23	55,271	33,951
Trade deposits and short term prepayments	24	1,526	966
Accrued profit / mark-up on bank deposits and loans to an Associated Company		46,272	10,288
Other receivables	25	1,538	5,607
Income tax refundable, advance income tax and tax deducted at source		29,082	28,104
Bank balances	26	180,501	96,530
		639,723	619,694
		1,901,874	1,463,492

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	Note	2009	2008
		Rupees in thousand	
SALES - Net	27	531,683	375,549
COST OF SALES	28	480,901	407,269
GROSS PROFIT / (LOSS)		50,782	(31,720)
DISTRIBUTION COST	29	995	913
ADMINISTRATIVE EXPENSES	30	52,159	41,085
OTHER OPERATING EXPENSES	31	9,837	13,057
		62,991	55,055
		(12,209)	(86,775)
OTHER OPERATING INCOME	32	76,509	69,021
OPERATING PROFIT / (LOSS)		64,300	(17,754)
FINANCE COST	33	17,986	10,657
		46,314	(28,411)
(LOSS) / PROFIT FROM ASSOCIATED COMPANIES - Net		(58,745)	23,014
LOSS BEFORE TAXATION		(12,431)	(5,397)
TAXATION			
Group			
- current	14	16,174	302
- prior years'		(1,064)	152
- deferred		(23,599)	(26,162)
		(8,489)	(25,708)
Associated Companies	18.1	37,427	20,090
		28,938	(5,618)
(LOSS) / PROFIT AFTER TAXATION		(41,369)	221
MINORITY INTEREST		(749)	(1,540)
(LOSS) / PROFIT AFTER TAXATION AND MINORITY INTEREST		(40,620)	1,761
		------ Rupees-----	
(LOSS) / EARNINGS PER SHARE	34	(10.83)	0.47

- The annexed notes form an integral part of these financial statements.
- Appropriations have been reflected in the statement of changes in equity.

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES	**Rupees in thousand**	
Loss for the year - before taxation	**(12,431)**	(5,397)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**73,012**	23,406
Depreciation on investment property	**2,746**	2,994
Loss / (profit) from Associated Companies -net	**58,745**	(23,014)
Mark-up on loans to an Associated Company and profit on bank deposits	**(58,613)**	(34,991)
Staff retirement benefits - gratuity (net)	**(10,876)**	306
Dividend income	**(657)**	0
Finance cost	**17,592**	10,185
Receivable balances written-off	**224**	0
Obsolete beet seed stocks written-off	**3,799**	0
Impairment loss on investments reversed	**0**	(322)
Un-claimed payable balances written-back	**(1,410)**	(686)
Gain on sale of freehold land and investment property	**0**	(14,918)
Loss on sale of investments in an Associated Company	**0**	10,000
CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		
- Before working capital changes	**72,131**	(32,437)
Decrease / (increase) in current assets		
Stores and spares	**(10,130)**	8,112
Stock-in-trade	**110,159**	(201,858)
Trade debts	**14,663**	(4,434)
Loans and advances	**2,326**	(10,671)
Trade deposits and short term prepayments	**(560)**	112
Other receivables	**4,069**	(1,647)
Increase in trade and other payables	**6,274**	8,580
	126,801	(201,806)
CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES - Before taxation	**198,932**	(234,243)
Income tax paid	**(3,088)**	(667)
CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES - After taxation	**195,844**	(234,910)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(10,339)**	(47)
Sale proceeds of vehicle	**32**	0
Sale proceeds of freehold land and investment property	**0**	17,249
Long term loans received-back from / (advanced to) an Associated Company	**50,000**	(372,500)
Investments made in an Associated Company	**0**	(42,170)
Proceeds from sale of long term investments of an Associated Company	**0**	180,596
Mark-up on loans to an Associated Company and profit on bank deposits	**22,629**	27,071
Dividends received	**657**	200
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**62,979**	(189,601)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings - net	**(157,968)**	157,968
Finance cost paid	**(23,165)**	(5,239)
Dividends paid	**(9,319)**	(26)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	**(190,452)**	152,703
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**68,371**	(271,808)
CASH AND CASH EQUIVALENTS - At beginning of the year	**96,530**	352,738
CURRENT PORTION OF DEPOSITS WITH A NON-BANK FINANCE INSTITUTION	**15,600**	15,600
	112,130	368,338
CASH AND CASH EQUIVALENTS - At the end of the year	**180,501**	96,530

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

	Share capital	Reserves			Fair value reserve on available-for-sale investments	(Accumulated loss) / unappropriated profit	Total
		Capital	Revenue				
		Share redemption	General	Sub-total			
	---- Rupees in thousand ----						
Balance as at 30 September, 2007	37,500	1	1,044,146	1,044,147	11,072	(31,362)	1,061,357
Profit for the year ended 30 September, 2008	0	0	0	0	0	1,761	1,761
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	0	0	0	0	0	8,518	8,518
Fair value loss on re-measurement of available-for-sale investments as at 30 September, 2008	0	0	0	0	(2,183)	0	(2,183)
Transfer	0	0	(39,170)	(39,170)	0	39,170	0
Balance as at 30 September, 2008	37,500	1	1,004,976	1,004,977	8,889	18,087	1,069,453
Loss for the year ended 30 September, 2009	0	0	0	0	0	(40,620)	(40,620)
Interim cash dividend for the current year at the rate of Rs.3 per share paid by the Holding Company	0	0	0	0	0	(11,250)	(11,250)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	0	0	0	0	0	40,831	40,831
Fair value loss on re-measurement of available-for-sale investments as at 30 September, 2009	0	0	0	0	(1,680)	0	(1,680)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	39,132	39,132
Balance as at 30 September, 2009	**37,500**	**1**	**1,004,976**	**1,004,977**	**7,209**	**46,180**	**1,095,866**

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2009

1. THE GROUP AND ITS OPERATIONS

1.1 The Holding Company

The Premier Sugar Mills and Distillery Company Limited was incorporated on 24 July, 1944 as a Public Company and its shares are quoted on Islamabad and Karachi Stock Exchanges. The Company is principally engaged in manufacture and sale of white sugar and spirit. The Company's Mills and its Registered Office are located at Mardan (N.W.F.P).

1.2 Subsidiary Company

(a) The Frontier Sugar Mills and Distillery Limited was incorporated on 31 March, 1938 as a Public Company and its shares are quoted on Karachi and Islamabad Stock Exchanges. It is principally engaged in manufacture and sale of white sugar. The Company's Mills and Registered Office are located at Takht-I-Bhai, Mardan (N.W.F.P).

(b) The Company has been suffering losses over the years and during the current and preceding financial years had not carried-out manufacturing operations due to non-availability of raw materials.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 provisions of the Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Ordinance and the directives issued by SECP differ with the requirements of IFRSs, the requirements of the Ordinance and the directives issued by SECP shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the following:

- recognition of employee retirement benefits at present value;
- modification of foreign currency translation adjustments ; and
- measurement of certain operating fixed assets at revalued amounts.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded-off to the nearest thousand.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Group's financial statements or where judgement was exercised in application of accounting policies are as follows:

- **a)** staff retirement benefits;
- **b)** provisions and contingencies;
- **c)** recognition and measurement of deferred tax assets and liabilities;
- **d)** useful life of property, plant and equipment;
- **e)** provision for impairment of investments, trade debts and other receivables; and
- **f)** taxation.

5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of The Premier Sugar Mills & Distillery Company Limited as at 30 September, 2009 and its Subsidiary Company (The Frontier Sugar Mills and Distillery Limited) as at 30 September, 2009. The Holding Company's interest in the Subsidiary Company was 78.34% as at 30 September, 2009 and 30 September, 2008.

All Intra-company balances and transactions have been eliminated.

Investments in Associated Companies, as defined in the Companies Ordinance, 1984, are accounted for by the equity method.

Minority interest is calculated on the basis of their proportionate share in the net assets of the Subsidiary Company.

6. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

6.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current financial year

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Group's accounting year beginning on 01 October, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The SECP, vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7, which is mandatory for the Group's accounting periods beginning on or after the date of notification. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 October, 2008, which are not considered relevant nor have any significant effect on the Group's operations are not detailed in these financial statements.

6.2 Standards, interpretations and amendments to published approved accounting standards that are issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 October, 2009:

(a) IAS 1 (Revised), ‘Presentation of Financial Statements’ (effective from 01 January, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

(b) IAS 16, 'Property, Plant and Equipment' (effective from 01 January, 2009); it replaces the term 'net selling price' with 'fair value less cost to sell'.

(c) IAS 19 (Amendment), ‘Employee Benefits’ (effective from 01 January, 2009).

- **(i)** The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- **(ii)** The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- **(iii)** The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- **(iv)** IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of adoption of IAS 19 on the Group's financial statements.

(d) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Group's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

(e) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1, 'Presentation of Financial Statements' (effective from 01 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Group.

(f) IAS 36 (Amendment), 'Impairment of Assets' (effective from 01 January, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Group's financial statements.

(g) IAS 38 (Amendment), 'Intangible Assets' (effective from 01 January, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Group's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 October, 2009 but are considered not to be relevant or to have any significant effect on the Group's operations and are therefore not detailed in these financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

7.1 Equity instruments

These are recorded at their face value.

7.2 Borrowings

Loans and borrowings are initially recognised at the proceeds received; subsequent to initial recognition, these are stated at amortised cost.

7.3 Staff retirement benefits

(a) Defined contribution plan

The Group operates a contributory provident fund scheme for all its permanent employees and equal monthly contributions at the rates ranging from 8% to 9% of the basic salaries are made both by the employees and the Group.

(b) Defined benefit plan

The Group also operates an un-funded gratuity scheme for its permanent employees under which benefits are paid on cessation of employment subject to a minimum qualifying period of service.

Employees' benefits under this scheme are accounted for on the basis of actuary's recommendations based on the actuarial valuation of the scheme. Latest valuation of the scheme was carried-out as on 30 September, 2008.

7.4 Trade and other payables

Creditors relating to trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group.

7.5 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

7.6 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

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

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

7.7 Property, plant and equipment

Freehold land of the Subsidiary Company, buildings on leasehold & freehold land and plant & machinery are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment, except freehold land of the Holding Company and capital work-in-progress, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Freehold land of the Holding Company and capital work-in-progress are stated at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which they are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 16. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

7.8 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Group uses cost model for valuation of its investment property; freehold land has been valued at cost whereas buildings on freehold land have been valued at cost less accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income applying reducing balance method at the rates stated in note 17. Depreciation on additions is charged from the month in which the asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to profit and loss account.

7.9 Impairment of assets

The management assess at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

7.10 Investments

Investments in equity instruments of Associated Companies are stated at the Group's share of their underlying net assets using the equity method.

Investments available-for-sale represent investments, which are not held for trading. All investments are initially recognised at cost, being the fair value of consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value of investments available-for-sale is recognised directly in equity as unrealised, unless sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in the equity is included in the profit and loss account for the year.

7.11 Stores and spares

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date.

7.12 Stock-in-trade

a) Stock of manufactured products is valued at the lower of cost and net realisable value except stock of molasses-in-hand and component of molasses included in the distillery products, which are taken at nil value.

b) Cost in relation to finished goods and work-in-process represents the annual average manufacturing cost, which comprises of prime cost and appropriate production overheads.

c) Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

7.13 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

7.14 Cash and cash equivalents

Cash-in-hand and at banks and short term deposits, which are held to maturity are carried at cost. For the purposes of cash flow statement, cash equivalents are short term highly liquid instruments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

7.15 Revenue recognition

(a) Sales are recorded on despatch of goods.

(b) Dividend income on equity investments is recognised when the Group's right to receive the payment has been established.

(c) Income on long term deposit accounts is accounted for on `accrual basis'.

(d) Lease rental income is accounted for on `accrual basis'.

7.16 Development expenditure

Expenditure for development of Sugar Cane and Beet is taken to profit and loss account in the year of incurrence.

7.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

7.18 Provisions

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

7.19 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

7.20 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

7.21 Off setting of financial instruments

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

7.22 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		Note	**2009**	2008
(No. of shares)				**Rupees in thousand**	
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash		**14,763**	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares		**22,737**	22,737
3,750,000	3,750,000			**37,500**	37,500

8.1 Arpak International Investments Ltd. and Azlak Enterprises (Pvt.) Ltd. (Associated Companies) hold 400,000 and 13,451 ordinary shares respectively as at 30 September, 2009 and 30 September, 2008.

9. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net

9.1 The Group, during the financial year ended 30 September, 2000, had revalued buildings on freehold and leasehold land excluding some portion of buildings on freehold and leasehold land situated outside the factory and plant & machinery excluding tools and implements, farm machinery and turbo generator. The revaluation exercises were carried-out by independent Valuers - Hamid Mukhtar & Company (Valuation Consultants and Surveyors), Lahore - on the basis of depreciated market values and it produced appraisal surplus aggregating Rs.284.823 million, which was credited to this account.

9.2 **(a)** The Holding Company, as at 01 October, 2008, has again revalued its aforementioned operating fixed assets. The revaluation exercise has been carried-out by Hasib Associates (Pvt.) Ltd. (Engineers, Plant & Machinery and Industrial Property Valuers), Gulberg II, Lahore to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.544.516 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

(b) The Subsidiary Company, as at 17 September, 2009, has again revalued its aforementioned operating fixed assets and freehold land. The revaluation exercise has been carried-out by Independent Valuers - Hamid Mukhtar & Co. (Pvt.) Ltd., Lahore - to replace the carrying amounts of these assets with their fair present market values. The appraisal surplus arisen on latest revaluation aggregating Rs.87.718 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

The year-end balance has been arrived at as follows:

	Note	**2009**	2008
		Rupees in thousand	
Balance at beginning of the year		**84,760**	93,278
Add: surplus arisen on revaluations carried-out during the year	**16.1**	**632,234**	0
Less: transferred to (accumulated loss) / unappropriated profit on account of incremental depreciation for the year		**(61,956)**	(12,196)
		570,278	(12,196)
Less: deferred tax on:			
- surplus on revaluation of property, plant and equipment		**(190,581)**	0
- incremental depreciation		**21,125**	3,678
		(169,456)	3,678
Balance at end of the year		**485,582**	84,760

10. DEFERRED TAXATION

	2009	2008
	Rupees in thousand	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**27,982**	29,759
- surplus on revaluation of property, plant and equipment	**206,913**	37,457
	234,895	67,216
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(6,116)**	(7,104)
- impairment loss against investments	**(20,906)**	(19,221)
- doubtful bank balances	**(1,750)**	(1,750)
	(28,772)	(28,075)
	206,123	39,141

11. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2009	2008
- discount rate - per annum	**14%**	14%
- expected rate of growth per annum in future salaries	**13%**	13%
- average expected remaining working life time of employees	**06 years**	06 years

The amount recognised in the balance sheet is as follows:

	2009	2008
Present value of defined benefit obligation	**24,879**	37,014
Unrecognised actuarial loss - net	**(4,909)**	(5,463)
Unrecognised past service cost	**0**	(29)
Net liability as at 30 September,	**19,970**	31,522
Net liability as at 01 October,	**31,522**	31,475
Charge to profit and loss account	**7,626**	4,767
Payments made during the year	**(18,454)**	(4,461)
Benefits payable to outgoing members - grouped under current liabilities	**(724)**	(259)
Net liability as at 30 September,	**19,970**	31,522

The movement in the present value of defined benefit obligation is as follows:	**2009**	2008
	Rupees in thousand	
Present value of defined benefit obligation - opening	**37,014**	32,828
Current service cost	**1,861**	1,741
Interest cost	**5,182**	2,955
Benefits payable to outgoing members - grouped under current liabilities	**(724)**	(259)
Benefits paid	**(18,454)**	(4,461)
Actuarial loss	**0**	4,210
Present value of defined benefit obligation - closing	**24,879**	37,014
Charge to profit and loss account		
Current service cost	**1,861**	1,741
Interest cost	**5,182**	2,955
Actuarial loss recognised - net	**554**	24
Past service cost	**29**	47
	7,626	4,767

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2009	2008	2007	2006	2005
	------------------- **Rupees in thousand** -------------------				
Present value of defined benefit obligation	**24,879**	37,014	32,828	32,117	30,642
Experience adjustment arising on plan liabilities	**0**	4,210	N/A	787	43

The Group's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

12. TRADE AND OTHER PAYABLES

	Note	2009	2008
		Rupees in thousand	
Due to an Associated Company (Chashma Sugar Mills Ltd.)		**907**	979
Creditors		**2,171**	4,021
Accrued expenses		**17,099**	17,095
Security deposits	**12.1**	**585**	819
Advance rent		**4,114**	3,610
Sales tax payable	**12.2**	**5,504**	3,467
Income tax deducted at source		**16**	49
Provision for property tax		**0**	2
Gratuity payable to ex-employees		**1,244**	568
Workers' (profit) participation fund	**12.3**	**2,604**	86
Workers' welfare fund		**957**	0
Unclaimed dividends		**7,900**	5,969
Others		**1,673**	638
		44,774	37,303

12.1 Security deposits include Rs.476 thousand (2008:Rs.473 thousand) representing mark-up bearing deposits. The Holding Company will pay mark-up at the same rate at which it will receive from the bank as these deposits have been kept in a PLS bank account.

12.2 The Additional Collector of Sales Tax, Customs and Central Excise, Peshawar, had served a Show Cause Notice raising sales tax demands aggregating Rs.15.318 million along with additional tax on the grounds that the Holding Company under-valued the spirit during the financial years 1994-95 to 1998-99 and paid lesser sales tax. However, during the financial year ended 30 September, 2001, the Collector of Customs, Sales Tax & Central Excise, Peshawar had assessed the final tax liability at Rs.0.755 million plus the additional tax. The Holding Company paid Rs.0.730 million during the financial year ended 30 September, 2002 against these demands and filed an appeal with the Customs, Central Excise & Sales Tax Appellate Tribunal, Islamabad Bench against the Collector's order. The appeal is pending adjudication. The Holding Company, during the financial year ended 30 September, 2005, had paid Rs.0.183 million as per the requirements of S.R.O. 247(I)/2004 dated 05 May, 2004.

			2009	2008
12.3	**Workers' (profit) participation fund**	**Note**	**Rupees in thousand**	
	Opening balance		**86**	92
	Add: allocation for the year (the Holding Company)		**2,518**	0
			2,604	92
	Less: payments made during the year		**0**	(6)
	Closing balance		**2,604**	86

13. SHORT TERM BORROWINGS

	Note	2009	2008
Cash and running finances - secured	13.1	**0**	157,795
Temporary bank overdraft - unsecured		**0**	173
		0	157,968

13.1 The Holding Company, during the current financial year, has utilised running and cash finance facilities aggregating Rs.195 million (2008:Rs.175 million) from commercial banks under mark-up arrangements. These facilities were secured against pledge of stock of refined sugar, hypothecation over stock-in-trade & book debts and pari passu charge on assets of the Holding Company for Rs.100 million. These facilities, during the year, carried mark-up at the rates ranging from 15.44% to 16.77% (2008: 10.74% to 14.74%) per annum. During the current financial year, one of the commercial banks has charged additional mark-up at the rate of 5% per annum due to classification of the Holding Company's running finance facility; the facility had expired on 28 February, 2009 but was not renewed till 31st August, 2009 i.e. the facility adjustment date. All of these finance facilities had expired and fully adjusted during the current financial year.

13.2 During the current financial year, facilities available for opening letters of credit and guarantee from commercial banks aggregated Rs. 95 million (2008: Rs.35 million) and were secured against lien over import documents and the securities detailed in note 13.1. These facilities had expired during the year and their renewal was in process.

14. TAXATION - Net

	2009	2008
Opening balance	**1,803**	7,808
Add: provision / (reversal) made during the year:		
- current	**16,174**	302
- prior years'	**(1,064)**	152
	15,110	454
Less: adjustments made during the year against completed assessments	**2,110**	6,459
Closing balance	**14,803**	1,803

14.1 Holding Company

(a) In the re-assessment proceedings for the Assessment Year 2002-03 (Income Year ended 30 September, 2001) under section 124(2) of the Income Tax Ordinance, 2001 (the Ordinance), the Assessing Officer has allowed reliefs as directed by the Income Tax Appellate Tribunal (ITAT), Islamabad Bench and determined a net refund amounting Rs.1.371 million for the said year.

(b) The Federal Board of Revenue, as per random selection of Taxpayers for audit conducted during December, 2009, has selected the Company's return for Tax Year 2008.

14.2 Subsidiary Company

(a) The Tax Department against judgment of the Peshawar High Court, Peshawar (PHC) dated 22 October, 2008 had filed an appeal before the Supreme Court of Pakistan. The PHC, vide its aforementioned judgment, rejected the departmental application and upheld the order of the ITAT dated 28 April, 2007. Earlier, the ITAT had upheld the Commissioner of Income Tax - Appeals' action of annulment of amendment of assessment orders passed by the Additional Commissioner (Audit) under section 122(5A) of the Ordinance.

(b) No provision for taxation was necessary during the current and preceding years due to incorporation of amendments in the Ordinance in these years.

14.3 The returns for Tax Years 2003 to 2009 have been filed after complying with all the provisions of the Ordinance. Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.

14.4 Relationship between tax expense and accounting profit

	2009
	Rupees in thousand
Accounting profit before taxation of the Holding Company	**46,716**
Tax at the applicable rate of 35%	**16,351**
Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account	**30,987**
Tax effect of expenses, which are deductible for tax purposes but are not taken to profit and loss account	**(7,661)**
Tax effect of income exempt from tax	**(1,602)**
Tax effect of income chargeable under the Presumptive Tax Regime	**584**
Tax effect of unused tax losses	**(19,583)**
Tax effect of minimum tax paid under section 113 of the Ordinance in prior years	**(2,902)**
Effect of prior years' tax	**(1,064)**
Tax expense for the year - **as per note 14**	**15,110**

14.5 No numeric tax rate reconciliation for the corresponding year is given in these financial statements as provision made during the preceding year represented final tax deducted at source under various sections of the Ordinance.

14.6 Provision for taxation is considered adequate to discharge the expected liability.

15. CONTINGENCIES AND COMMITMENTS

15.1 No commitments were outstanding as at 30 September, 2009 and 30 September, 2008.

15.2 The Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Peshawar, during the financial year ended 30 September, 2001, had raised sales tax demands aggregating Rs.4.336 million along with additional tax on the grounds that the Holding Company claimed input tax on the whole value of supplies made during that year which included taxable as well as exempt supplies, in contravention of section 8(2) read with S.R.O. 698(1)/96 dated 22 August, 1996. Further, the Holding Company either not charged or charged lesser sales tax on these supplies. The Holding Company had not accepted the said demands and filed an appeal with the Customs, Sales Tax & Central Excise Appellate Tribunal, which vide its judgment dated 12 August, 2003 had partially allowed the appeal.

The Holding Company, during the financial year ended 30 September, 2005, had filed an appeal with the Peshawar High Court against the order of the Tribunal, which is pending adjudication. The Holding Company, however during the financial year ended 30 September, 2005, had paid sales tax amounting Rs.2.123 million along with additional tax amounting Rs.0.658 million as per the requirements of S.R.O. 247(I)/2004 dated 05 May, 2004.

15.3 The Customs, Excise and Sales Tax Appellate Tribunal, Peshawar Bench, during the financial year ended 30 September, 2005, had confirmed the orders of the Additional Collector of Sales Tax & Central Excise and the Collector of Sales Tax & Central Excise, Peshawar and held that leasing-out of some of the plant & machinery to an Associated Company by the Holding Company on annual rental basis under an operating lease agreement constitutes a taxable supply upto 17 June, 2001, i.e. prior to the Finance Ordinance, 2001. The Tribunal had confirmed the levy of principal amount of sales tax amounting Rs.3.550 million; however, the Tribunal directed that additional tax be calculated at current simple rate of 2% of tax per month and remitted the 5% penalty. The Holding Company, against the aforementioned judgment of the Tribunal, has filed an appeal before the Peshawar High Court, which vide its judgment dated 25 March, 2009 has dismissed the appeal.

15.4 The Collectorate of Customs, Sales Tax and Federal Excise (Appeals), Rawalpindi, vide its judgment dated 21 October, 2008, had rejected the Holding Company's appeal and upheld the order of the Assistant Collector wherein the Holding Company was directed to deposit 1% special federal excise duty amounting Rs. 63 thousand and excess input tax adjustment to the tune of Rs. 694 thousand. The Holding Company has filed an appeal with the Appellate Tribunal of Customs, Sales Tax and Federal Excise, Peshawar Bench against the aforementioned judgment, which is pending adjudication.

15.5 The Additional Collector of Sales Tax, Peshawar, served a show cause notice raising sales tax demands aggregating Rs.1.528 million along with additional tax on the grounds that the Subsidiary Company under-valued the price of spirit during the financial years 1994-95 & 1995-96 and paid lesser sales tax. The Subsidiary Company had paid Rs.0.248 million against the said demands and filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Peshawar Bench, which is pending adjudication.

15.6 Guarantees given to Sui Northern Gas Pipelines Ltd. by commercial banks on behalf of the Group outstanding as at 30 September, 2009 were for Rs.11.143 million (2008: Rs.11.143 million).

15.7 Also refer contents of note 12.2.

16. PROPERTY, PLANT AND EQUIPMENT

Particulars	Land		Buildi - ngs on freehold land	Buildi - ngs and roads on lease - hold land	Plant and machin - ery	Tools	Beet water line	Electric and gas equipment	Labora - tory equip - ment	Furnit - ure, fittings & office equip - ment	Railway rolling stock and vehicles	Tube well	Arms	Total
	Free - hold	Lease - hold												
	------ Rupees in thousand ------													
As at 30 September, 2007														
Cost / revaluation	5,420	2,725	51,442	36,691	581,784	914	206	1,035	120	19,341	10,819	59	54	710,610
Accumulated depreciation	0	276	28,842	18,409	382,758	911	205	1,003	115	15,626	8,417	58	36	456,656
Book value	5,420	2,449	22,600	18,282	199,026	3	1	32	5	3,715	2,402	1	18	253,954
Year ended 30 September, 2008:														
Additions	0	0	0	0	0	0	0	0	0	47	0	0	0	47
Disposals	12	0	0	0	0	0	0	0	0	0	0	0	0	12
Depreciation charge	0	27	1,477	1,053	19,918	1	0	3	1	449	475	0	2	23,406
Book value as at 30 September, 2008	5,408	2,422	21,123	17,229	179,108	2	1	29	4	3,313	1,927	1	16	230,583
Year ended 30 September, 2009:														
Additions	0	0	0	0	0	0	0	0	0	2,295	8,044	0	0	10,339
Revaluation adjustments:														
Cost	78,094	0	102,557	101,333	153,707	0	0	0	0	0	0	0	0	435,691
Elimination against gross carrying amount	0	0	19,607	15,553	161,383	0	0	0	0	0	0	0	0	196,543
Revaluation surplus	78,094	0	122,164	116,886	315,090	0	0	0	0	0	0	0	0	632,234

Disposals:														
Cost	0	0	0	0	0	0	0	0	0	0	53	0	0	53
Depreciation	0	0	0	0	0	0	0	0	0	0	(21)	0	0	(21)
	0	0	0	0	0	0	0	0	0	0	32	0	0	32
Depreciation charge	0	28	11,400	10,871	48,909	0	0	3	0	599	1,200	0	2	73,012
Book value as at 30 September, 2009	83,502	2,394	131,887	123,244	445,289	2	1	26	4	5,009	8,739	1	14	800,112
As at 30 September, 2008														
Cost / revaluation	5,408	2,725	51,442	36,691	581,784	914	206	1,035	120	19,388	10,819	59	54	710,645
Accumulated depreciation	0	303	30,319	19,462	402,676	912	205	1,006	116	16,075	8,892	58	38	480,062
Book value	5,408	2,422	21,123	17,229	179,108	2	1	29	4	3,313	1,927	1	16	230,583
As at 30 September, 2009														
Cost / revaluation	83,502	2,725	153,999	138,024	735,491	914	206	1,035	120	21,683	18,810	59	54	1,156,622
Accumulated depreciation	0	331	22,112	14,780	290,202	912	205	1,009	116	16,674	10,071	58	40	356,510
Book value	83,502	2,394	131,887	123,244	445,289	2	1	26	4	5,009	8,739	1	14	800,112
Depreciation rate (%)	-	1.01	5-10	5-10	10-12	15	15	10	10	10-15	10-20	10	10	

16.1 As detailed in note 9.2, surplus on operating fixed assets as a result of latest revaluation has been determined as follows:

Particulars	Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Total
	----------------------- Rupees in thousand -----------------------				
Cost / revaluation on revaluation dates	325	44,794	30,126	552,948	628,193
Accumulated depreciation to revaluation dates	0	26,698	15,553	382,249	424,500
Book value before revaluation adjustments on revaluation dates	325	18,096	14,573	170,699	203,693
Revalued amounts	78,419	140,260	131,459	485,789	835,927
Revaluation surplus	**78,094**	**122,164**	**116,886**	**315,090**	**632,234**

16.2 Had the aforementioned operating fixed assets of the Group been recognised under the cost model, the carrying amounts of these assets would have been as follows:

	2009	2008
	Rupees in thousand	
- freehold land	**325**	325
- buildings on freehold land	**2,976**	3,140
- buildings on leasehold land	**2,827**	2,979
- plant & machinery	**72,966**	81,055
	79,094	87,499

16.3 The Holding Company had entered into a lease agreement with Chashma Sugar Mills Limited (CSM) - an Associated Company - during December, 1994 for letting-out machinery, i.e. 4,000 K.W. Horizontal Multi Stage Turbo Alternator Set, complete with all equipment on lease at prime cost of Rs.30.000 million at an annual lease rent of Rs.6.000 million for a period of three years. The Holding Company, during the years ended 30 September, 2001 and 30 September, 2004, had extended the lease periods of the said machinery for further periods of three years at annual rentals of Rs.3.400 million and Rs.3.000 million per annum respectively. The Holding Company, during the financial year ended 30 September, 2007, has again extended the lease period expired on 31 December, 2006 for a further period of three years at lease rentals of Rs.1.800 million per annum. The agreement is secured against demand promissory note of Rs.18.000 million. Book value of the leased machinery as at 30 September, 2009 was Rs.5.845 million (2008: Rs.6.494 million).

16.4 The Subsidiary Company has rented / leased approximately 75 marlas of land and shops to various Tenants. Book value of this land and shops aggregated Rs.4.0 thousand as at 30 September, 2009 (2008: Rs.5.0 thousand).

16.5 The Holding Company had availed its option of renewal of leasehold land agreement expired during the preceding financial year; necessary legal formalities in this regard are in process. Buildings on leasehold land, however, have been revalued during the current financial year and revaluation surplus on these assets aggregating Rs.116.886 million has been incorporated in the books of account.

16.6 Depreciation for the year has been allocated as follows:

Cost of sales	**70,544**	21,937
Administrative expenses	**2,468**	1,469
	73,012	23,406

17. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------Rupees in thousand ------------		
As at 30 September, 2007			
Cost	16,863	74,540	91,403
Accumulated depreciation	0	34,234	34,234
Book value	16,863	40,306	57,169
Year ended 30 September, 2008:			
Disposals	(2,319)	0	(2,319)
Depreciation charge	0	2,994	2,994
Book value as at 30 September, 2008	14,544	37,312	51,856
Year ended 30 September, 2009:			
Depreciation charge	0	2,746	2,746
Book value as at 30 September, 2009	**14,544**	**34,566**	**49,110**
As at 30 September, 2008			
Cost	14,544	74,540	89,084
Accumulated depreciation	0	37,228	37,228
Book value	14,544	37,312	51,856
As at 30 September, 2009			
Cost	14,544	74,540	89,084
Accumulated depreciation	0	39,974	39,974
Book value	**14,544**	**34,566**	**49,110**
Depreciation rate (%)	-	5-10	

17.1 Fair value of the investment property, based on the independent Valuers' certification dated 19 December, 2009, as at 30 September, 2009 was Rs. 259.172 million.

18. INVESTMENTS

	2009	2008	2009	2008
	Share-holding %		Rupees in thousand	
Related parties				
Quoted:				
Chashma Sugar Mills Limited				
13,751,000 (2008: 13,751,000) ordinary shares of Rs.10 each	**47.93**	47.93	**31,974**	97,508
Market value Rs.79.068 million (2008: Rs.82.506 million)				
Arpak International Investments Limited				
229,900 (2008: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**12,480**	5,564
Market value Rs.1.952 million (2008: Rs.4.253 million)				
Un-quoted:				
National Computers (Pvt.) Ltd.				
14,450 (2008: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	436
Premier Board Mills Limited				
47,002 (2008: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**1,835**	1,566
Azlak Enterprises (Pvt.) Ltd.				
200,000 (2008: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**21,726**	19,981
			68,015	125,055
Others:				
Ibrahim Fibres Limited				
438,250 (2008: 438,250) ordinary shares of Rs.10 each			**6,135**	6,135
Add: adjustment arising from re-measurement to fair value			**9,203**	11,347
			15,338	17,482
			83,353	142,537

18.1 Investments in equity instruments of Associated Companies

	2009	2008
Opening balance - cost	**60,927**	209,032
Add: cost of investments acquired	**0**	42,170
Less: cost of investments sold	**0**	(108,012)
Add: post acquisition profit brought forward	**64,128**	61,404
Less: share of post acquisition profit on investments sold	**0**	(82,585)
Impairment loss reversed	**0**	322
	125,055	122,331
Share of (loss) / profit of Associated Companies net-off effect of items directly credited in equity by the Associated Companies	**(19,613)**	23,014
Less: taxation	**(37,427)**	(20,090)
	(57,040)	2,924
Less: distribution received	**0**	(200)
Balance as at 30 September,	**68,015**	125,055

18.2 Chashma Sugar Mills Ltd. (CSM - an Associated Company) has measured its finished sugar inventory as at 30 September, 2008 at net realisable value being higher than the cost thereby increasing the valuation of finished sugar inventory on the aforesaid date by Rs.501.473 million approximately and reducing loss for the preceding financial year by the said amount; the aforementioned accounting treatment has converted CSM's profit for the current financial year amounting Rs.283.563 million into loss amounting Rs.217.910 million. Accordingly, the Group's share of profit amounting Rs.135.912 million approximately has not been recognised in these consolidated financial statements. However, CSM has valued its finished sugar inventory as at 30 September, 2009 as per the requirements of IAS 2 (Inventories).

18.3 Financial statements of Azlak Enterprises (Pvt.) Ltd. for the year ended 30 June, 2009 have not yet been audited; accordingly, these investments have been stated based on its audited financial statements for the year ended 30 June, 2008.

18.4 Summarised financial information of the Associated Companies, based on the latest audited financial statements, are as follows:

Name of the Associated Company	**Assets**	**Liabilities**	**Operating revenues**	**Profit / (loss) after tax**
	2009			
	Rupees in thousand			
Chashma Sugar Mills Ltd. *	**3,535,462**	**2,634,961**	**3,963,602**	**(217,910)**
Arpak International Investments Ltd. **	**221,674**	**4,628**	**9,839**	**17,923**
Premier Board Mills Ltd. **	**228,384**	**7,360**	**46,894**	**40,174**
National Computers (Pvt.) Ltd. **	**60**	**638**	**0**	**0**
Azlak Enterprises (Pvt.) Ltd. ***	**74,922**	**20,607**	**27,956**	**4,866**

*** based on the audited financial statements for the year ended 30 September, 2009.**

**** based on the audited financial statements for the year ended 30 June, 2009.**

***** based on the audited financial statements for the year ended 30 June, 2008.**

Name of the Associated Company	Assets	Liabilities	Operating revenues	Profit / (loss) after tax
	2008			
	Rupees in thousand			
Chashma Sugar Mills Ltd.	4,509,239	3,390,828	2,579,812	(63,163)
Arpak International Investments Ltd.	98,733	1,973	7,994	3,536
Syntronics Ltd.	2,237,567	1,681,405	1,709,792	44,173
Premier Board Mills Ltd.	189,633	907	24,866	24,632
National Computers (Pvt.) Ltd.	2,367	1,460	2,160	1,904
Azlak Enterprises (Pvt.) Ltd.	67,151	17,199	23,662	2,160

19. LONG TERM LOANS TO AN ASSOCIATED COMPANY - Secured

	Note	2009	2008
		Rupees in thousand	
Loan advanced by the:			
- Holding Company	**19.1**	**322,500**	322,500
- Subsidiary Company	**19.2**	**0**	50,000
		322,500	372,500
Less: current portion grouped under current assets		**40,313**	16,667
		282,187	355,833

19.1 The Holding Company and Chashma Sugar Mills Ltd. (CSM) have entered into a loan agreement on 20 May, 2008 whereby the Holding Company has advanced amounts aggregating Rs.322.500 million to CSM. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by the Holding Company during the year ranged between 13.54% to 16.50% (2008:13.83% to 14.74%) per annum. The loan is receivable in 8 equal half-yearly instalments commencing September, 2010 and is secured against a promissory note of Rs.397.810 million.

19.2 The Subsidiary Company and CSM had entered into a loan agreement on 10 April, 2008 whereby the Subsidiary Company advanced Rs.50 million to CSM. The loan carried mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by the Subsidiary Company during the year ranged between 12.39% to 15.85% (2008:11.19% to 14.63%) per annum. As per the original agreement terms, the loan was recoverable in 3 equal annual instalments; however, the entire loan balance was fully received-back during August, 2009. The loan was secured against a promissory note of Rs.55.720 million.

20. DEPOSITS WITH A NON-BANK FINANCE INSTITUTION - Unsecured

These represent deposits lying with Innovative Investment Bank Limited (IIBL), Islamabad carrying profit at the rate of 5% per annum. The maturity dates of these deposits are as follows:

Date of maturity	Note	2009 Amount of deposit Rupees in thousand
29 July, 2009	20.1	15,600
29 July, 2010		15,600
29 July, 2011		15,600
29 July, 2012		31,200
		78,000

20.1 These deposits could not be encashed on the maturity date; the management is negotiating with IIBL for realisation.

21. STORES AND SPARES

	2009	2008
	Rupees in thousand	
Stores including in transit valuing Rs. 3.243 million (2008: nil)	**58,982**	50,651
Spares	**53,478**	55,478
	112,460	106,129

21.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

22. STOCK-IN-TRADE

	Note	2009	2008
Sugar-in-process		**4,911**	3,462
Finished goods:			
- Sugar	22.1	**188,425**	315,300
- Spirit		**18,298**	3,031
		206,723	318,331
		211,634	321,793

22.1 Finished sugar inventory as at 30 September 2009 has been measured at net realisable value being lower than the cost (2008: at cost).

22.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 2,100.169 metric tonnes (2008: 2,421.904 metric tonnes) valued at Rs.nil.

23. LOANS AND ADVANCES

	Note	2009	2008
		Rupees in thousand	
Due from Associated Companies	**23.1**	**11,073**	11,488
Advances to:			
- suppliers and contractors - considered good		**2,085**	5,326
- employees - considered good		**1,800**	470
		3,885	5,796
Current portion of long term loans advanced to an Associated Company	**19**	**40,313**	16,667
		55,271	33,951

23.1 Due from Associated Companies

	2009	2008
Chashma Sugar Mills Ltd.	**11,067**	10,249
Syntronics Ltd.	**0**	1,023
Syntron Ltd.	**1**	0
Azlak Enterprises (Pvt.) Ltd.	**0**	20
Arpak International Investments Ltd.	**0**	191
Premier Board Mills Ltd.	**5**	5
	11,073	11,488

24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2009	2008
Excise duty deposits	**219**	219
Prepayments	**1,307**	747
	1,526	966

25. OTHER RECEIVABLES

	2009	2008
Sales tax refundable	**1,172**	1,245
Letters of credit	**0**	3,108
Others	**366**	1,254
	1,538	5,607

26. BANK BALANCES

	Note	2009	2008
Cash at banks on:			
- PLS accounts	**26.1**	**7,108**	63,596
- saving accounts		**2,115**	7,686
- current accounts		**3,727**	1,291
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.31.200 million (2008: Rs.15.600 million) - note 20]		**170,321**	28,644
- dividend accounts		**2,230**	313
		185,501	101,530
Less: provision for doubtful bank balance	**26.3**	**5,000**	5,000
		180,501	96,530

26.1 These include Rs. 0.475 million (2008: Rs.0.475 million) in security deposit account.

26.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 5.0% to 11.50% (2008: 5.25% to 10.25%) per annum.

26.3 The Holding Company had deposited Rs.5 million in Term Deposit with Mehran Bank Limited at Peshawar for a period of six months @ 12.5% per annum on 25 September, 1993 vide TDR No.007902, which was to mature on 25 March, 1994. The aforesaid TDR could not be encashed because of the crisis of Mehran Bank's affairs which were being administered by the State Bank of Pakistan (SBP). Mehran Bank was eventually merged into National Bank of Pakistan (NBP).

The Holding Company, through its lawyers, had issued legal notices to SBP, NBP and the defunct Mehran Bank Limited. In response, the Holding Company had received a letter from NBP dated 05 November, 1995 stating that the investment by the Holding Company was shown in Fund Management Scheme, which was an unrecorded liability of Mehran Bank Limited. The Holding Company had filed a suit with the Civil Court for recovery of the said amount along with profit @ 12.5% per annum with effect from 25 September, 1993 till the date of payment. The Civil Judge, Peshawar, vide his judgment dated 13 May, 2004, had decreed against SBP. SBP, against the said judgment, has filed an appeal with the Peshawar High Court, which is pending adjudication. Full provision for the said doubtful amount exists in these financial statements.

27. SALES - Net

	Note	2009	2008
		Rupees in thousand	
Turnover - Local		**605,043**	434,778
Less:			
Commission		**983**	964
Sales tax		**67,070**	55,667
Special excise duty		**5,307**	2,598
		73,360	59,229
		531,683	375,549

28. COST OF SALES

	Note	2009	2008
Raw materials consumed		**186,456**	425,694
Chemicals and stores consumed		**5,564**	11,274
Salaries, wages and benefits	**28.1**	**65,676**	66,994
Power and fuel		**28,481**	73,950
Insurance		**1,036**	707
Repair and maintenance		**12,985**	13,216
Depreciation		**70,544**	21,937
		370,742	613,772
Adjustment of sugar-in-process:			
Opening		**3,462**	7,638
Closing		**(4,911)**	(3,462)
		(1,449)	4,176
Cost of goods manufactured		**369,293**	617,948
Adjustment of finished goods:			
Opening stock		**318,331**	107,652
Closing stock		**(206,723)**	(318,331)
		111,608	(210,679)
		480,901	407,269

28.1 These include Rs.1,227 thousand (2008: Rs.1,350 thousand) and Rs.6,054 thousand (2008: Rs.3,858 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

29. DISTRIBUTION COST

	Note	2009	2008
		Rupees in thousand	
Salaries, wages and amenities		**379**	311
Stacking and loading		**396**	424
Others		**220**	178
		995	913

30. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries and benefits	**30.2**	**24,292**	21,970
Travelling and vehicles' running:			
- directors		**1,800**	723
- others		**5,973**	3,080
Utilities		**1,375**	747
Rent, rates and taxes		**1,555**	1,619
Insurance		**1,554**	594
Repair and maintenance		**3,744**	2,806
Printing and stationery		**974**	686
Communication		**1,282**	776
Fees and subscription		**573**	426
Auditors' remuneration	**30.3**	**787**	772
Legal and professional charges (other than Auditors')		**1,030**	866
Depreciation on:			
- property, plant and equipment		**2,468**	1,469
- investment property		**2,746**	2,994
General		**2,006**	1,557
		52,159	41,085

30.1 The Group has shared expenses aggregating Rs.15,324 thousand (2008: Rs.7,054 thousand) with its Associated Companies on account of combined office expenses, which have been booked in the respective heads of account.

30.2 These include Rs.420 thousand (2008: Rs.531 thousand) and Rs.1,573 thousand (2008: Rs.909 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

30.3 Auditors' remuneration

	2009	2008
M/s Hameed Chaudhri & Co.		
- statutory audit	**250**	250
- half-yearly review	**120**	120
- consultancy, tax services and certification charges	**263**	248
- out-of-pocket expenses	**80**	80
	713	698
M/s Munawar Associates		
- cost audit fee	**60**	60
- employees' provident fund's audit fee	**5**	5
- workers' (profit) participation fund's audit fee	**3**	3
- out-of-pocket expenses	**6**	6
	74	74
	787	772

31. OTHER OPERATING EXPENSES

	Note	2009	2008
		Rupees in thousand	
Donations (without directors' interest)	**31.1**	**1,098**	45
Zakat paid on bank deposits		**975**	3,012
Receivable balances written-off		**224**	0
Loss on sale of investments in an Associated Company	**31.2**	**0**	10,000
Workers' (profit) participation fund		**2,518**	0
Workers' welfare fund		**1,116**	0
Obsolete beet seed stocks written-off		**3,799**	0
Loss from petrol pump and fertilizer sales	**32.1**	**107**	0
		9,837	13,057

31.1 Expense for the current financial year includes Rs.1.020 million donated to the Internally Displaced Persons of Swat.

31.2 The Holding Company, during September, 2008, had transferred its entire shareholding in Syntronics Ltd. i.e. 10,801,250 ordinary shares to Gran Via Global Limited of The British Virgin Islands in consideration of the sum of Pak Rupees 180.596 million. The resultant loss amounting Rs.10 million was recognised under the head of other operating expenses.

32. OTHER OPERATING INCOME

	Note	2009	2008
Income from financial assets:			
Interest / profit on bank deposits / saving accounts and certificates		**3,748**	25,190
Dividend		**657**	0
Mark-up on loans to an Associated Company		**54,865**	9,801
Income from other than financial assets:			
Rent		**6,195**	5,811
Machinery lease rentals		**1,800**	1,800
Sale of scrap		**0**	3,030
Lime sales		**0**	35
Unclaimed payable balances / provisions written-back		**1,410**	686
Reversal of sales tax paid under protest in prior year		**0**	3,550
Gain on sale of freehold land		**0**	4,488
Gain on sale of freehold land (Investment Property)		**0**	10,430
Profit from petrol pump and fertilizer sales	**32.1**	**0**	293
Reversal of impairment loss on investments		**0**	322
Sale of trees		**3,008**	0
Miscellaneous		**4,826**	3,585
		76,509	69,021

32.1 (Loss) / profit from petrol pump and fertilizer sales

	2009	2008
	Rupees in thousand	
Sales	**8,639**	2,637
Less: cost of sales		
opening stock	**490**	324
purchases	**10,343**	2,319
salaries	**172**	144
other expenses	**57**	47
closing stock	**(2,316)**	(490)
	8,746	2,344
	(107)	293

33. FINANCE COST

Mark-up on short term borrowings	**17,592**	10,185
Bank charges	**394**	472
	17,986	10,657

34. (LOSS) / EARNINGS PER SHARE

(Loss) / profit after taxation attributable to ordinary shareholders	**(40,620)**	1,761
	No. of shares	
Number of ordinary shares issued and subscribed at the year-end	**3,750,000**	3,750,000
	Rupees	
(Loss) / earnings per share	**(10.83)**	0.47

34.1 There were no convertible dilutive potential ordinary shares outstanding on 30 September, 2009 and 30 September, 2008.

35. FINANCIAL INSTRUMENTS

The Group has exposures to the following risks from its use of financial instruments:

- credit risk; - liquidity risk; and - market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is also responsible for developing and monitoring the risk management policies.

35.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks and a non-bank finance institution, as well as credit exposures to customers and other counter parties, which include trade debts and other receivables. Out of the total financial assets aggregating Rs.617.580 million (2008:Rs.583.056 million), financial assets which were subject to credit risk aggregated Rs.250.105 million (2008: Rs. 201.083 million).

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

In respect of other counter parties, due to the Group's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Group.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 September, 2009 along with comparative is tabulated below:

	2009	2008
	Rupees in thousand	
Investments	**15,338**	17,482
Deposits with a non-bank finance institution	**78,000**	78,000
Security deposits	**589**	589
Trade debts	**1,439**	16,326
Loans and advances	**3,885**	5,796
Trade deposits	**219**	219
Accrued profit / mark-up on bank deposits	**1,298**	487
Other receivables	**36**	1,254
Bank balances	**149,301**	80,930
	250,105	201,083

The management does not expect any losses from non-performance by these counter parties.

All the trade debts, which are domestic parties, were not past due at the balance sheet date.

35.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2009			
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	---------------------	**Rupees in thousand**	**---------------------**	
Trade and other payables	**34,786**	**34,786**	**34,786**	**0**
Accrued mark-up	**233**	**233**	**233**	**0**
	35,019	**35,019**	**35,019**	**0**

	2008			
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	-----------------------	Rupees in thousand	-----------------------	
Trade and other payables	32,720	32,720	32,720	0
Accrued mark-up	5,806	5,806	5,806	0
Short term borrowings	157,795	163,600	163,600	0
	196,321	202,126	202,126	0

The contractual cash flows relating to the corresponding financial liabilities have been determined on the basis of mark-up rates effective at 30 September, 2008 as disclosed in note 13.1 to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Group's income or the value of its holdings of financial instruments.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Group is not exposed to currency risk as it has no foreign currency liabilities at the year-end.

(b) Interest rate risk

At the reporting date, the interest and mark-up rate profile of the Group's significant financial assets and liabilities is as follows:

	2009	2008	2009	2008
	Effective rate Percentage		Carrying amount Rupees in thousand	
Fixed rate instruments				
Financial assets				
Deposits with a non-bank finance institution	**5%**	5%	**78,000**	78,000
Bank balances	**5.00% to 11.50%**	5.25% to 10.25%	**148,344**	**84,326**
Variable rate instruments				
Financial assets				
Long term loans to an Associated Company	**13.54% to 16.50%**	11.19% to 14.74%	**322,500**	372,500
Financial liabilities				
Short term borrowings	**-**	10.74% to 14.74%	**0**	157,795

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest and mark-up rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments - not applicable as no variable rate financial liability was outstanding as at 30 September, 2009.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in ordinary shares of a listed company.

A 10% increase / decrease in share prices of the investee company at the balance sheet date would have increased / decreased Group's equity and investments as follows:

	2009	2008
	Rupees in thousand	
Effect on equity	**1,534**	1,749
Effect on investments	**1,534**	1,749

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and investments of the Group.

35.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. 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.

36. CAPITAL RISK MANAGEMENT

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

There were no external capital maintenance requirements.

37. TRANSACTIONS WITH RELATED PARTIES

37.1 Maximum aggregate balance due from Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs.4,326 thousand (2008: Rs.4,665 thousand).

37.2 The Group has related party relationship with its Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Associated Companies during the year were as follows:

	2009	2008
	Rupees in thousand	
- purchase of goods and services	**11,370**	6,547
- machinery lease rentals	**1,800**	1,800
- sale of goods and services	**168**	638
- dividend received	**0**	200
- dividend paid	**1,240**	0
- mark-up earned on long term loans	**54,916**	9,801

37.3 No return was charged on the balances of Associated Companies as these have arisen due to normal trade dealings.

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts of remuneration, including certain benefits, to the chief executive, directors and executives of the Holding Company, was as follows:

Particulars	Chief Executive		Directors		Executives	
	2009	2008	**2009**	2008	**2009**	2008
	------------------- Rupees in thousand-------------------					
Managerial remuneration	**400**	230	**4,745**	2,549	**3,660**	3,819
Retirement benefits	**0**	0	**2,027**	1,512	**200**	496
Medical expenses reimbursed	**0**	0	**596**	84	**0**	0
	400	230	**7,368**	4,145	**3,860**	4,315
Number of persons	**1**	1	**2**	3	**3**	3

38.1 In case of the Holding Company, the Chief Executive, one director and the executives residing in the factory are provided free housing (with the Company's generated electricity in the residential colony within the factory compound). The Chief Executive and one director are also provided with the Company maintained cars.

38.2 In case of the Subsidiary Company, no managerial remuneration was paid to chief executive and directors during the current and preceding years; however, they are provided with free use of the Company maintained cars.

38.3 Remuneration of the directors does not include amounts paid or provided for, if any, by the Associated Companies.

39. CAPACITY AND PRODUCTION

		2009	2008
SUGAR CANE PLANTS			
Rated crushing capacity per day	**M.Tonnes**	**4,690**	4,690
Cane crushed	**M.Tonnes**	**88,613**	197,313
Sugar produced	**M.Tonnes**	**8,153**	16,772
Sugar recovery	**%**	**9.20**	8.50
SUGAR BEET PLANTS			
Rated slicing capacity per day	**M.Tonnes**	**3,500**	3,500
Beet sliced	**M.Tonnes**	**0**	64,095
Sugar produced	**M.Tonnes**	**0**	5,640
Sugar recovery	**%**	**0**	8.80
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**189,526**	351,801

39.1 The normal season days are 150 days for sugar cane crushing and 50 days for beet slicing.

39.2 Production was restricted to the availability of raw materials to the Holding Company.

39.3 Beet plant of the Holding Company had remained closed during the current financial year. Sugar cane and beet plants of the Subsidiary Company had also remained closed during the current and preceding financial years due to non-availability of raw materials.

40. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 29 December, 2009 by the board of directors of the Holding Company.

41. SEGMENT REPORTING

Operating results of the Distillery have not been separately disclosed in the financial statements as these do not meet the minimum thresholds prescribed by IAS 14 (Segment Reporting).

42. FIGURES

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.

- Corresponding year's figures have been reclassified for the purpose of better presentation and comparison; significant reclassifications made during the year are as follows:

    - unclaimed dividends, which were shown as a separate line item in the preceding year's balance sheet, have been grouped under the head of trade and other payables;

    - investment property, which was grouped under property, plant and equipment in the preceding year's balance sheet, has been shown as a separate line item in the balance sheet; and

    - deposits with a non-bank finance institution, which were grouped under bank balances in the preceding year's balance sheet, have been shown as a separate line item in the balance sheet .

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY CO. LTD.
MARDAN.

PROXY FORM

I..of..........................being a member

of **The Premier Sugar Mills & Distillery Co. Ltd.** and holding ....ordinary shares

entitled to vote or votes hereby appoint..of..........................or failing

him..of............................as my proxy,

to vote for me and on my behalf at the Annual General Meeting of the Company to be held on

30th January, 2010 and at any adjournment thereof.

As witness my hand this ....day of 2010

Signed by the said
in the presence of

Address..

....

....

Revenue Stamp

Signature