annual report 2010

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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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. BABAR ALI KHAN	
	MR. ABDUL QADAR KHATTAK	
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	
	INNOVATIVE INVESTMENT BANK LIMITED	
	THE BANK OF PUNJAB	
	BANK ALFALAH LIMITED	
	FAYSAL BANK LIMITED	
REGISTERED OFFICE	MARDAN (KHYBER PAKHTOONKHAWA)	
	PHONES: (0937) 862051-862052	
	FAX: (0937) 862989	
FACTORY	MARDAN	

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 65th Annual General Meeting of the shareholders of **The Premier Sugar Mills & Distillery Company Limited** will be held on 31 January, 2011 at 11.30 AM at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: --

(1) To confirm the minutes of the last Extra Ordinary General Meeting held on 10 June, 2010.

(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, 2010..

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2011. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

(4) To declare dividend.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2011 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
06 January, 2011

(Mujahid Bashir)
Company Secretary

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 the Shares Registrar of the Company of any change in their addresses 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, 2010.

1. SUMMARISED FINANCIAL RESULTS

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

	2010	2009
	Rupees in thousand	
Profit before taxation	**20,424**	46,716
Taxation		
- current year	**3,051**	16,174
- prior	**(1,998)**	(1,064)
- deferred	**(19,156)**	(23,599)
	(18,103)	(8,489)
Profit after taxation	**38,527**	55,205
Earnings per share	**10.27**	14.72

2. REVIEW OF OPERATIONS

2.1 SUGARCANE SEASON 2009-2010

The sugarcane crushing season commenced on 07 December, 2009, and continued till 16 December, 2009 (10 days). The mills crushed 3,864 tons (2009:88,613 tons) of sugarcane and produced 50 tons (2009: 8,153 tons) of sugar at an average recovery of 7.01 % (2009: 9.20%). Due to the non-availability of sugarcane, the Mills was forced to cease operations on December 16, 2009.

In the Peshawar valley, sugar industry is facing problems due to the diversion of sugarcane towards tax free gur manufacturing. Though the Gur manufacturers qualify for the status of Medium Scale Industry and are not exempt from the levy of sales tax, despite this, the Government has failed to collect the sales tax at Mandies level. As a result, the sales tax and income tax to the tune of Millions of Rupees was not collected from the lucrative Gur trade.

2.2 SUGARBEET SEASON 2010

The mills started sugarbeet campaign on 22nd May, 2010 that ended on 04 June, 2010 (14 days). The mills sliced 33,026 tons (2009: Nil) of sugarbeet and produced 2,452 tons (2009: Nil) of sugar at an average recovery of 7.60% (2009: Nil).

The Government has fixed the wheat prices (competitive crop with beet) @ Rs.950 per maund, in the anticipation of higher returns; the farmers opted to sow wheat instead of sugarbeet. We can not compete with the wheat prices because the Government procures wheat at a 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. Furthermore, contrary to the sugar production from sugarcane that is carried out with baggass, the 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 had exempted sugar produced from sugarbeet from the payment of Central Excise duty. Subsequently, this benefit was withdrawn. Beet sugar production without exemption of sales tax and special excise duty is no longer viable. This is a clear contradiction to the claim of GOP that they are promoting sugar production from sugarbeet.

3. CURRENT SEASON 2010-2011

The sugarcane crushing season started on 01 November, 2010 and crushed 46,625 tons of sugarcane, producing 3.335 tons of sugar at an average recovery of 7.95% up to 31 December, 2010. The Company is offering abnormally high price for sugarcane to compete with the Commercial tax free Gur producers and we are confident that would be able to produce a reasonable quantity of sugar.

4. SUGARBEET SEASON 2011

Seed distribution started during the month of October 2010 and to-date have distributed 5,687 Kg (2009: 3,720 Kg) sugarbeet seed. The farmers have responded positively to the sugarbeet seed sowing campaign as compared to last year.

5. DISTILLERY

The production of Industrial Alcohol from Distillery plant during the year was 2,129 gallons (2009: 189,526 gallons)

6. SUGAR PRICE

Until mid of February 2010, the sugar prices corresponded with the cost of production, thereafter suddenly the international sugar prices fell to the lowest of the season that crashed the local sugar prices. Subsequently, sugar prices improved by the end of July 2010.

7. 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 in addition to other amenities and statutory benefits.

8. PATTERN OF SHAREHOLDING

The pattern of shareholding as required under section 236 (2) (d) of the Companies Ordinance, 1984 is annexed.

9. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of The Premier Sugar Mills & Distillery Company Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of 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 controls 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 Premier Sugar Mills & Distillery Company Limited'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, 2010, except for those disclosed in the financial statements.

- The Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year other than disclosed in the pattern of shareholding.

- The value of investments of staff provident fund, based on audited accounts, was Rs. 50.01 million as at 30 September, 2009.

- During the year six (6) meetings of the Board of Directors were held.

- Attendance by each Director is as follow:-

NAME OF DIRECTORS	**NO OF MEETINGS ATTENDED**
Khan Aziz Sarfaraz Khan	6
Begum Laila Sarfaraz	5
Mr. Abbas Sarfaraz Khan	6
Ms. Zarmine Sarfaraz	1
Ms. Najda Sarfaraz	2
Mr. Iskandar M. Khan	6
Mr. Babar Ali Khan	6
Mr. Abdul Qadar Khattak	6
Ms. Mehnaz Sehgal	3

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

10. 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 affaires. To achieve this objective, information is communicated to the shareholders through quarterly, half yearly and annual reports. The Board of Directors encourages the shareholder's participation at the annual general meeting to ensure high level of accountability.

11. **DIVIDEND**

The Directors are pleased to recommend the payment of 10% cash dividend.

12. **EXTERNAL AUDITORS**

The Audit Committee and Board of Directors have recommended re-appointing M/s Hameed Chaudhri & Co. Chartered Accountants, Lahore as external Auditors for the financial year 2010-2011. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

13. **AUDITOR'S REPORT**

Reply to the auditor's observations

(b). Note 5.1
The Company has adopted the Accounting Standards, amendments and interpretations for presentation of Financial Statements (IAS 1, IAS 23, IFRS 7 and IFRS 8) as recommended by the Audit Committee of the Company.

(c). Note 18.1
The Securities and Exchange Commission of Pakistan, in exercise of its power conferred under section 282 E& F of the Companies Ordinance, 1984 has superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from 28 January, 2010 who has filed a petition with the Lahore High Court for winding up of IIBL. The petition is pending adjudication.

14. **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, 2010 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

15. **ACKNOWLEDGEMENT**

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

ON BEHALF OF THE BOARD

Mardan:
06 January, 2011

(ABBAS SARFARAZ KHAN)
Chief Executive

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

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PATTERN OF SHAREHOLDINGS OF THE SHARES HELD BY THE SHARE HOLDERS AS ON 30 SEPTEMBER, 2010

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
487	1	100	19,337
435	101	500	106,158
186	501	1,000	136,337
224	1,001	5,000	468,466
31	5,001	10,000	220,372
12	10,001	20,000	150,115
6	20,001	50,000	167,761
2	50,001	150,000	123,464
1	150,001	310,000	307,370
1	395,001	400,000	400,000
1	400,001	600,000	530,000
1	600,001	1,125,000	1,120,620
1387			**3,750,000**

S.No.	Categories of shareholders	Numbers of Shareholders	No of shares held	Shares Held	Percentage of paid up capital
1.	**Directors and Chief Executive Officer**				
				2,000,978	**53.36**
	Khan Aziz Sarfaraz Khan	**9**	1,120,620		
	Begum Laila Sarfaraz		307,370		
	Mr. Abbas Sarfaraz Khan		530,000		
	Ms. Zarmine Sarfaraz		2,925		
	Ms. Mehnaz Saigol		500		
	Ms. Najda Sarfaraz		2,274		
	Mr. Iskander M. Khan		500		
	Mr. Babar Ali Khan		3,084		
	Mr. Abdul Qadar Khattak		33,705		
2.	**Company Secretary/Chief Financial Officer**			**7**	**0.00**
	Mr. Mujahid Bashir	**1**	7		
3.	**Shares held by relatives**	-	-	-	-
4.	**Associated Companies**			**413,451**	**11.03**
	Arpak International Investments Ltd.	**2**	400,000		
	Azlak Enterprises (Pvt) Ltd.		13,451		
5.	**Public Sectar Companies and Corporation**			**70,723**	**1.89**
	Securities & Exchange Commission of Pakistan	**19**	1		
	Deputy Administrator Abandoned Properties		87		
	The Society for Rehabilitation of crippled children		174		
	Chief Administrator of Auqaf		3,798		
	The Ida Rieu Poor Welfare Association School for the Deaf Dumb Blind & Poor Asylum		349		
	Madrasa Haqania Akora Khattak		52		
	N.H Holdings Ltd		1,900		
	Pyramid Investment (Pvt) Ltd		500		
	Secretary Municipal Committee Mardan.		226		
	Frontier Co-operative Bank Ltd.		8,452		
	Freedom Enterprises Ltd.		1,000		
	Malik Securities Pvt Limited		989		
	Y S Securities Ltd.		27		
	Moosani Securities Pvt Ltd.		1,375		
	Ismail Abdul Shakoor Securities (Pvt) Ltd		1,000		
	Mollasses Export Co. (Pvt) Ltd		50,001		
	Pearl Capital Management		272		
	Mohammad Ahmed Nadeem Securities		520		
6.	**Banks, Development Finance Institutions, Non Banking Financial Instituations, Insurance Companies, Modarabas and Mutual Funds**			**133,901**	**3.57**
	Faysal Bank Limited	**4**	9,000		
	National Investment Trust Limited		1,892		
	National Bank of Pakistan, Trustee Department		117,893		
	Investment Corporation of Pakistan		116		
	State Life Insurance Corporation of Pakistan		5,000		

7.	**Shares held by General Public**				
	Held by General Public	**1352**		**1,130,940**	**30.15**
		1387		**3,750,000**	**100.00**
8.	**Shareholders holding 10% or more voting Interest in the Company**				
	Khan Aziz Sarfaraz Khan		1,120,620		29.88
	Mr. Abbas Sarfaraz Khan		530,000		14.13
	M/s. Arpak International Investments Ltd.		400,000		10.67
9.	**Auditors**				
	M/s. Hameed Chaudhri & Co. Chartered Accountants — Auditors		Nil		Nil
10.	**Cost Auditors**				
	M/s. Munawar Associates — Cost Auditors		Nil		Nil
11.	**Legal Advisor**				
	Qazi Muhammad Anwar — Legal Advisor		Nil		Nil

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
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	16,771.800	64,095.180	8.80	5,640.000
2009	88,612.756	9.20	8,006.000	NOT OPERATED		
2010	3,863.968	7.01	50.000	33,026.441	7.60	2,452.000

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY Glns Per Mnd	PRODUCTIO N GALLONS
2001	12,812.300	2.132	601,000
2002	15,094.220	2.373	636,000
2003	18,710.000	2.484	753,144
2004	22,060.000	2.464	895,258
2005	14,700.579	2.027	725,413
2006	5,570.280	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
2010	35.457	2.402	2,129

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

SIX YEARS GROWTH AT A GLANCE

PARTICULARS	2010	2009	2008	2007	2006	2005
	(RUPEES IN THOUSAND)					
Turnover	297,209	531,398	375,052	219,177	212,928	789,430
Operating profit/(Loss)	(153,703)	1,389	(109,131)	(111,998)	(52,914)	115,812
Profit/(Loss) before tax	20,424	46,716	7,935	(68,771)	48,251	137,953
Profit/(Loss) After tax	38,527	55,205	33,643	(64,733)	51,250	133,361
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,079,251	1,005,260	922,074	881,602	942,543	890,464
Fixed assets - net	659,266	738,000	256,264	282,032	307,633	330,688
Total assets	1,670,583	1,670,931	1,249,166	1,069,162	1,231,431	1,444,461
Long term liabilities	-	-	-	-	297	774
Current assets	512,027	527,295	565,699	561,668	698,308	588,155
Current liabilities	35,273	57,807	198,092	28,033	120,837	73,090
Dividend						
Cash dividend	10%	30%	0	0	10%	20%
Ratios:						
Profitability (%)						
Operating profit	(51.72)	0.26	(29.10)	(51.10)	(24.85)	14.67
Profit/ (Loss) before tax	6.87	8.79	2.12	(31.38)	22.66	17.48
Profit/(Loss) after tax	12.96	10.39	8.97	(29.53)	24.07	16.89
Return to Shareholders						
ROE - Before tax	1.89	4.65	0.86	(7.80)	5.12	0.15
ROE - After tax	3.57	5.49	3.65	(7.34)	5.44	14.98
Return on Capital Employed	3.57	5.49	3.65	(7.34)	5.44	14.96
E. P. S. - After tax	1.03	1.47	0.90	(1.73)	1.37	3.56
Activity						
Income to total assets	0.18	0.32	0.30	0.20	0.17	0.55
Income to fixed assets - net	0.45	0.72	1.46	0.78	0.69	2.39
Liquidity/Leverage						
Current ratio	14.52	9.12	2.86	20.04	5.78	8.05
Break up value per share	28.78	26.81	24.59	23.51	25.13	23.75
Total Liabilities to equity (Times)	(0.97)	(0.94)	(0.79)	(0.97)	(0.87)	(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 first priority of The Premier Sugar Mills & Distillery Company Limited.

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 misleading.
- PSM will not knowingly assist fraudulent activities by others.

Mardan:
06 January, 2011

(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:
06 January, 2011

(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 (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) to comply with the Listing Regulation No.35 of the Karachi 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 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub - Regulation (xiii-a) of Listing Regulation 35 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 justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 September, 2010.

LAHORE;
07 January, 2011

HAMEED CHAUDHRI & CO.,
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** (the Company) as at 30 September, 2010 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, except for the changes as described in note 5.1 to the financial statements with which we concur;
- **(ii)** the expenditure incurred during the year was for the purpose of the Company's business; and
- **(iii)** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) 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, except for the fact that provision against deposits with a non-bank finance institution has not been made in these financial statements as the matter is pending adjudication before the Court as fully detailed in note 18.1 and the extent to which this may affect the annexed financial statements, respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

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

LAHORE;
07 January, 2011

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

BALANCE SHEET AS AT 30 SEPTEMBER, 2010

	Note	2010	2009
		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		**141,750**	67,759
		1,079,251	1,005,260
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	**348,803**	384,267
NON-CURRENT LIABILITIES			
Deferred taxation	9	**186,967**	206,123
Staff retirement benefits - gratuity	10	**20,289**	17,474
		207,256	223,597
CURRENT LIABILITIES			
Trade and other payables	11	**31,413**	43,004
Accrued mark-up on short term borrowings		**2,180**	0
Taxation	12	**1,680**	14,803
		35,273	57,807
CONTINGENCIES AND COMMITMENTS	13		
		1,670,583	1,670,931

	Note	2010	2009
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**620,264**	688,890
Investment property	15	**39,002**	49,110
Investments	16	**160,688**	99,552
Long term loan to Subsidiary Company	17	**322,500**	282,187
Deposits with a non-bank finance institution	18	**15,600**	23,400
Security deposits		**502**	497
		1,158,556	1,143,636
CURRENT ASSETS			
Stores and spares	19	**83,694**	78,857
Stock-in-trade	20	**120,797**	209,537
Trade debts - unsecured - considered good		**29,555**	1,439
Loans and advances	21	**2,624**	54,566
Trade deposits and short term prepayments	22	**1,568**	1,393
Accrued profit / mark-up on bank deposits and loan to Subsidiary Company		**13,100**	45,300
Other receivables		**239**	110
Sales tax refundable		**1,857**	0
Income tax refundable, advance income tax and tax deducted at source		**11,097**	23,753
Short term investments	23	**191,852**	0
Bank balances	24	**55,644**	112,340
		512,027	527,295
		1,670,583	1,670,931

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, 2010

	Note	2010	2009
		Rupees in thousand	
SALES - Net	25	**297,209**	531,398
COST OF SALES	26	**383,608**	470,477
GROSS (LOSS) / PROFIT		**(86,399)**	60,921
DISTRIBUTION COST	27	**1,258**	1,978
ADMINISTRATIVE EXPENSES	28	**63,621**	44,262
OTHER OPERATING EXPENSES	29	**2,425**	13,292
		67,304	59,532
		(153,703)	1,389
OTHER OPERATING INCOME	30	**178,296**	63,322
PROFIT FROM OPERATIONS		**24,593**	64,711
FINANCE COST	31	**4,169**	17,995
PROFIT BEFORE TAXATION		**20,424**	46,716
TAXATION			
- Current	12	**3,051**	16,174
- Prior years'	12	**(1,998)**	(1,064)
- Deferred	9	**(19,156)**	(23,599)
		(18,103)	(8,489)
PROFIT AFTER TAXATION		**38,527**	55,205
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**38,527**	55,205
		------- Rupees -------	
EARNINGS PER SHARE	32	**10.27**	14.72

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, 2010

	2010	2009
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	**20,424**	46,716
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**64,351**	70,341
Depreciation on investment property	**2,221**	2,746
(Reversal) / recognition of impairment loss on long term investments	**(54,247)**	4,654
Mark-up on loan to Subsidiary Company and profit / mark-up on bank deposits	**(52,113)**	(49,885)
Staff retirement benefits-gratuity (net)	**2,716**	(1,887)
Unclaimed payable balances written-back	**(16)**	(622)
Gain on sale of operating fixed assets	**(272)**	0
Gain on sale of investment property	**(43,058)**	0
Gain on re-measurement of short term investment to fair value	**(8,257)**	0
Obsolete beet seed stocks written-off	**0**	3,799
Uncollectible receivable balances written-off	**681**	0
Finance cost	**2,377**	17,642
CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	**(65,193)**	93,504
(Increase) / decrease in current assets		
Stores and spares	**(4,837)**	(10,130)
Stock-in-trade	**88,740**	110,159
Trade debts	**(28,116)**	14,858
Loans and advances	**10,948**	2,161
Trade deposits and short term prepayments	**(175)**	(558)
Other receivables	**(129)**	3,997
Sales tax refundable	**(1,857)**	0
Short term investments	**(183,595)**	0
(Decrease) / increase in trade and other payables	**(9,589)**	7,909
	(128,610)	128,396
CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES - Before taxation	**(193,803)**	221,900
Income tax paid	**(2,313)**	(2,727)
Security deposits	**(5)**	0
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES - After taxation	**(196,121)**	219,173
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(1,338)**	(10,339)
Sale proceeds of operating fixed assets	**5,884**	32
Sale proceeds of investment property	**50,945**	0
Mark-up / profit received on loan to Subsidiary Company and bank deposits	**84,313**	11,334
Acquisition of Subsidiary Company's shares	**(6,889)**	0
NET CASH INFLOW FROM INVESTING ACTIVITIES	**132,915**	1,027
CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings - net	**0**	(157,968)
Finance cost paid	**(197)**	(23,215)
Dividends paid	**(1,093)**	(9,319)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(1,290)**	(190,502)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(64,496)**	29,698
CASH AND CASH EQUIVALENTS - At beginning of the year	**112,340**	74,842
DEPOSITS WITH A NON-BANK FINANCE INSTITUTION GROUPED UNDER CURRENT ASSETS DURING THE YEAR	**7,800**	7,800
	120,140	82,642
CASH AND CASH EQUIVALENTS - At end of the year	**55,644**	112,340

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, 2010

	Share capital	Reserves			(Accumulated loss) / unappropriated profit	Total
		Capital	Revenue			
		Share redemption	General	Sub-total		
	---------------------- Rupees in thousand ----------------------					
Balance as at 30 September, 2008	37,500	1	900,000	900,001	(15,427)	922,074
Profit after taxation for the year ended 30 September, 2009	0	0	0	0	55,205	55,205
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
Interim cash dividend paid at the rate of Rs.3 per share	0	0	0	0	(11,250)	(11,250)
Balance as at 30 September, 2009	37,500	1	900,000	900,001	67,759	1,005,260
Profit after taxation for the year ended 30 September, 2010	0	0	0	0	38,527	38,527
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	35,464	35,464
Balance as at 30 September, 2010	**37,500**	**1**	**900,000**	**900,001**	**141,750**	**1,079,251**

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, 2010

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 Registered Office are located at Mardan (Khyber Pakhtunkhwa) whereas the Head Office is situated at King's Arcade, 20-A, Markaz F-7, Islamabad.

2. STATEMENT OF COMPLIANCE

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

3. 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

(a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 01 October, 2009 and has elected to present one performance statement (i.e. profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

(b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.

(c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

(d) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the financial statements of the Company.

5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 October, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 October, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).

- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).

- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 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 is carried-out as on 30 September, 2010.

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 payable under section 113 of the Income Tax Ordinance, 2001, 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 14. 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 15. 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

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated 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 Short term investments

Short term investments, at inception, are designated at fair value through profit or loss. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

6.15 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.

6.16 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'.

6.17 Development expenditure

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

6.18 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.

6.19 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.

6.20 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.

6.21 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.

6.22 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. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		**2010**	2009
(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, 2010 and 30 September, 2009.

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, during the preceding financial year, again revalued its aforementioned operating fixed assets. The revaluation exercise was 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 was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived as follows:

	2010	2009
	Rupees in thousand	
Balance at beginning of the year	**384,267**	69,563
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	544,516
Less: transferred to unappropriated profit on account of incremental depreciation for the year	**(54,559)**	(60,356)
	(54,559)	484,160
Less: deferred tax on:		
- surplus on revaluation of property, plant and equipment	**0**	(190,581)
- incremental depreciation	**19,095**	21,125
	19,095	(169,456)
Balance at end of the year	**348,803**	384,267

9. DEFERRED TAXATION

This is composed of the following:

Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**22,695**	27,982
- surplus on revaluation of property, plant and equipment	**187,817**	206,913
- gain on re-measurement of short term investments to fair value	**619**	0
	211,131	234,895
Deductible temporary differences arising in respect of:		
- unused tax losses	**(10,386)**	0
- minimum tax recoverable against normal tax charge in future years	**(3,007)**	0
- staff retirement benefits - gratuity	**(7,101)**	(6,116)
- impairment loss against investments	**(1,920)**	(20,906)
- provision for doubtful bank balance	**(1,750)**	(1,750)
	(24,164)	(28,772)
	186,967	206,123

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:

	2010	2009
- discount rate - per annum	**12.50%**	14%
- expected rate of growth per annum in future salaries	**11.50%**	13%
- average expected remaining working life time of employees	**06 years**	06 years

	2010	2009
	Rupees in thousand	
The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	**24,480**	23,936
Unrecognised actuarial loss	**(4,191)**	(6,462)
Net liability as at 30 September,	**20,289**	17,474
Net liability as at 01 October,	**17,474**	20,037
Charge to profit and loss account	**4,904**	6,234
Payments made during the year	**(2,089)**	(8,073)
Benefits payable to outgoing members - grouped under current liabilities	**0**	(724)
Net liability as at 30 September,	**20,289**	17,474
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation - opening	**23,936**	27,275
Current service cost	**875**	1,639
Interest cost	**3,351**	3,819
Benefits payable to outgoing members - grouped under current liabilities	**0**	(724)
Benefits paid	**(2,089)**	(8,073)
Actuarial loss	**(1,593)**	0
Present value of defined benefit obligation - closing	**24,480**	23,936
Charge to profit and loss account		
Current service cost	**875**	1,639
Interest cost	**3,351**	3,819
Actuarial loss recognised	**678**	747
Past service cost	**0**	29
	4,904	6,234

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

	2010	2009	2008	2007	2006
	--------------- Rupees in thousand ---------------				
Present value of defined benefit obligation	**24,480**	23,936	27,275	20,033	18,719
Experience adjustment arising on plan liabilities	**(1,593)**	0	5,090	N/A	1,755

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	2010	2009
		Rupees in thousand	
Creditors		**4,686**	1,946
Due to related parties:			
- Subsidiary Company (The Frontier Sugar Mills & Distillery Ltd.)		**731**	1,240
- Associated Companies	**11.1**	**352**	0
Accrued expenses		**13,431**	15,246
Security deposits	**11.2**	**434**	564
Advance rent		**1,061**	4,114
Sales tax payable	**11.3**	**0**	5,504
Income tax deducted at source		**132**	16
Gratuity payable to ex-employees		**1,145**	1,244
Workers' (profit) participation fund	**11.4**	**1,546**	2,601
Workers' welfare fund		**581**	957
Unclaimed dividends		**6,807**	7,900
Others		**507**	1,672
		31,413	43,004

11.1 Due to Associated Companies:

	2010	2009
Phipson & Co. Pakistan (Pvt.) Ltd.	**153**	0
Azlak Enterprises (Pvt.) Ltd.	**199**	0
	352	0

11.2 Security deposits include Rs.336 thousand (2009:Rs.476 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.

11.3 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.

11.4 Workers' (profit) participation fund

	2010	2009
	Rupees in thousand	
Opening balance	**2,601**	83
Add:		
- interest on funds utilised in the Company's business	**282**	0
- allocation for the year	**1,097**	2,518
	1,379	2,518
	3,980	2,601
Less: payments made during the year	**2,434**	0
Closing balance	**1,546**	2,601

12. TAXATION - Net

	2010	2009
Opening balance	**14,803**	1,700
Add: provision / (reversal) made during the year:		
- current	**3,051**	16,174
- prior years' - net	**(1,998)**	(1,064)
	1,053	15,110
Less: adjustments made during the year against completed assessments	**14,176**	2,007
	1,680	14,803

12.1 The returns for Tax Years 2003 to 2010 have been filed after complying with all the provisions of the Income Tax Ordinance, 2001 (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.

12.2 No numeric tax rate reconciliation for the current year is given in these financial statements as provision made during the year mainly represents minimum tax payable under section 113 of the Ordinance.

12.3 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 were not deductible for tax purposes and were taken to profit and loss account	30,987
Tax effect of expenses, which were deductible for tax purposes but were 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 preceding year	15,110

13. CONTINGENCIES AND COMMITMENTS

13.1 No commitments were outstanding as at 30 September, 2010 and 30 September, 2009.

13.2 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 before 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.

13.3 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 Chashma Sugar Mills Ltd. (CSM) by the Company on annual rental basis under an operating lease agreement constituted 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 (PHC), which vide its judgment dated 25 March, 2009 has dismissed the appeal.

The Company's legal Advisor, vide his letter dated 15 December, 2010, has confirmed that during pendency of the appeal before the PHC, the issue involved was resolved by the Alternative Dispute Resolution Committee (ADRC) wherein for the principal amount, the Company was allowed to raise the invoice in favour of CSM by virtue of it the principal amount alongwith additional tax paid under the Amnesty to the extent of the principal amount was made refundable to the Company. ADRC, however, denied the waiver of additional tax. In PHC an attempt was made for remission of additional tax but the PHC refused to interfere in view of the ADRC judgment.

13.4 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.

13.5 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at 30 September, 2010 was for Rs.10 million (2009: Rs.10 million). The guarantee is valid upto 26 May, 2011.

13.6 The Bank of Khyber, as per requirements of Listing Regulations of The Karachi Stock Exchange (the Exchange), has given a guarantee to the Exchange undertaking that in the event of Invest Capital Investment Bank Ltd.'s (the Company's Purchase Agent) failure to purchase any of the 263,134 ordinary shares from the shareholders other than those of the sponsors / majority shareholders of The Frontier Sugar Mills & Distillery Ltd., it shall pay to the Exchange a sum not exceeding Rs.50.049 million calculated at the rate of Rs.190.20 per share being the purchase price for payment to such shareholders. The guarantee is valid till purchase of the aforementioned shares by the Company's Purchase Agent or till 31 July, 2011, whichever is earlier.

13.7 Also refer contents of notes 11.3 and 14.3.

14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Land		Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	Total
	Freehold	Leasehold						
	---------- Rupees in thousand ----------							
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
Year ended 30 September, 2009:								
Additions	0	0	0	0	0	2,295	8,044	10,339
Revaluation adjustment:								
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
Year ended 30 September, 2010:								
Additions	0	0	0	0	110	92	1,136	1,338
Disposals:								
Cost	0	0	0	0	28,355	0	217	28,572
Depreciation	0	0	0	0	(22,900)	0	(59)	(22,959)
	0	0	0	0	5,455	0	158	5,613
Depreciation charge	0	28	10,030	9,911	41,822	665	1,895	64,351
Book value as at 30 September, 2010	5,082	2,365	114,704	113,332	372,739	4,371	7,671	620,264
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
As at 30 September, 2010								
Cost / revaluation	5,082	2,725	139,694	138,024	610,533	20,802	17,767	934,627
Accumulated depreciation	0	360	24,990	24,692	237,794	16,431	10,096	314,363
Book value	5,082	2,365	114,704	113,332	372,739	4,371	7,671	620,264
Depreciation rate (%)	-	1.01	5-10	5-10	10-12	10-15	10-20	

14.1 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:

	2010	2009
	Rupees in thousand	
- buildings on freehold land	**2,713**	2,858
- buildings on leasehold land	**2,683**	2,827
- plant & machinery	**58,757**	71,017
	64,153	76,702

14.2 The Company had entered into a lease agreement with Chashma Sugar Mills Limited (CSM) - a Subsidiary 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, had 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 was secured against demand promissory note of Rs.18.000 million. The Company, during the current financial year, has sold the aforementioned machinery to CSM against consideration of Rs.5.700 million.

Lease rentals amounting Rs.1.200 million (2009: Rs.1.800 million) were received from CSM during the current financial year.

14.3 The Company had availed its option of renewal of leasehold land agreement expired during the financial year ended 30 September, 2008. Buildings on leasehold land, however, were revalued during the preceding financial year and revaluation surplus on these assets aggregating Rs.116.886 million was incorporated in the books of account.

The Company, during the current financial year, has issued notices to all the legal Heirs / Successors of the Lessor for the appointment of Arbitrator under clause 6 of the lease agreement dated 09 July, 1947 entered into between the Lessor and the Company. The Heirs / Successors, however, have not appointed the second Arbitrator in terms of the lease agreement; accordingly, the Arbitrator appointed by the Company is the sole Arbitrator in terms of section 9(b) of the Arbitration Act, 1940.

14.4 Depreciation for the year has been allocated as follows:

Cost of sales	**61,641**	68,017
Administrative expenses	**2,710**	2,324
	64,351	70,341

14.5 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiations to:
	----------------------- Rupees in thousand -----------------------					
Plant and machinery:						
- Turbo generator	28,355	22,900	5,455	5,700	245	Chashma Sugar Mills Ltd. (Subsidiary Company).
Vehicles						
- 1 Motor Cycle	40	39	1	7	6	Mr. Gulzada (employee).
- 3 Thrashers	177	20	157	178	21	Various growers.
	217	59	158	185	27	
	28,572	22,959	5,613	5,885	272	

15. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	-------------Rupees in thousand -------------		
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
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
Year ended 30 September, 2010:			
Disposal - **note 15.2**			
Cost	0	11,047	11,047
Depreciation	0	(3,160)	(3,160)
	0	7,887	7,887
Depreciation charge	0	2,221	2,221
Book value as at 30 September, 2010	**14,544**	**24,458**	**39,002**
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
As at 30 September, 2010			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	39,035	39,035
Book value	**14,544**	**24,458**	**39,002**
Depreciation rate (%)		5-10	

15.1 Fair value of the investment property, based on the management's estimation, as at 30 September, 2010 was Rs.260.000 million (2009: Rs.259.172 million - based on the independent Valuers' certification).

15.2 The Company, during the current year, has sold house # 2 located at street # 27, sector F-6/2, Islamabad measuring 622 square yards alongwith fittings, fixtures and installations thereon to Tennison International Limited against consideration of Rs.50.945 million.

16. INVESTMENTS - In Related Parties

	2010	2009	2010	2009
	Share-holding %		**Rupees in thousand**	
QUOTED - SUBSIDIARY COMPANIES				
- The Frontier Sugar Mills & Distillery Ltd.				
1,093,753 (2009: 1,057,544) ordinary shares of Rs.10 each	**81.02**	78.34	**22,727**	15,840
22,970 (2009: 22,820) 7% irredeemable preference shares of Rs.10 each	**45.94**	45.64	**224**	222
Market value - Rs. 208.459 million (2009: Rs.40.611 million)			**22,951**	16,062
- Chashma Sugar Mills Ltd.				
13,751,000 (2009: 13,751,000) ordinary shares of Rs.10 each **(note 16.1)**	**47.93**	47.93	**137,584**	137,584
Less: impairment loss			**3,237**	58,516
Market value			**134,347**	79,068
ASSOCIATED COMPANIES			**157,298**	95,130
QUOTED:				
- Arpak International Investments Ltd.				
229,900 (2009: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Less: impairment loss			**1,926**	894
Market value			**920**	1,952
UN-QUOTED:				
- National Computers (Pvt.) Ltd.				
14,450 (2009: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**322**	322
Less: impairment loss			**322**	322
- Value of investments based on net assets shown in the audited financial statements for the year ended 30 June, 2009 - Rs. Nil			**0**	0

	2010	2009	2010	2009
- Premier Board Mills Ltd.	**Share-holding %**		**Rupees in thousand**	
47,002 (2009: 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, 2010 Rs.1.995 million (2009: Rs.1.841 million)				
- Azlak Enterprises (Pvt.) Ltd.				
200,000 (2009: 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, 2009 Rs.23.078 million				
			160,688	99,552

16.1 The Company directly and indirectly controls / beneficially owns more than fifty percent of Chashma Sugar Mills Ltd.'s (CSM) paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary of the Company with effect from the current financial year.

17. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured

	Note	2010	2009
		Rupees in thousand	
Balance as at 30 September,		**322,500**	322,500
Less: current portion grouped under current assets		**0**	40,313
		322,500	282,187

17.1 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 from 13.34% to 14.34% (2009:13.54% to 16.50%) per annum. The Company, during the year, has extended the grace period for further three years; accordingly, the loan is receivable in 8 equal half-yearly instalments commencing August, 2013. The loan is secured against a promissory note of Rs.397.810 million.

18. 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		**Amount of deposit**	
29 July, 2009	**18.1**	**7,800**	7,800
29 July, 2010	**18.1**	**7,800**	7,800
29 July, 2011		**7,800**	7,800
29 July, 2012		**15,600**	15,600
		39,000	39,000
Less: current portion grouped under current assets		**23,400**	15,600
		15,600	23,400

18.1 The realisibility of these deposits is doubtful of recovery as two deposits aggregating Rs.15.600 million could not be encashed on their respective maturity dates; further, the Securities and Exchange Commission of Pakistan, in exercise of its powers conferred under sections 282 E & F of the Companies Ordinance, 1984, has superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from 28 January, 2010, who has filed a petition with the Lahore High Court for winding-up of IIBL. The petition is pending adjudication.

18.2 The Company has not accrued profit on these deposits during the current and preceding financial years.

19. STORES AND SPARES

	Note	2010	2009
		Rupees in thousand	
Stores including in transit valuing Rs.2.249 million (2009: Rs. 3.243 million)		**41,789**	35,310
Spares		**41,905**	43,547
		83,694	78,857

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

20. STOCK-IN-TRADE

	Note	2010	2009
Sugar-in-process		**13,487**	2,814
Finished goods:			
- Sugar	**20.1**	**104,426**	188,425
- Spirit		**2,884**	18,298
		107,310	206,723
		120,797	209,537

20.1 Finished sugar inventory as at 30 September, 2010 and 30 September, 2009 has been measured at net realisable value being lower than cost.

20.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 2,421.451 metric tonnes (2009: 2,100.169 metric tonnes) valued at Rs. Nil.

21. LOANS AND ADVANCES

	Note	2010	2009
Due from related parties:			
- Subsidiary Company - Chashma Sugar Mills Ltd.		**0**	11,067
- Associated Companies	**21.1**	**5**	6
Advances to:			
- suppliers and contractors - considered good		**1,897**	1,567
- employees - considered good		**722**	1,613
		2,619	3,180
Current portion of long term loan to Subsidiary Company	**17**	**0**	40,313
		2,624	54,566

		Note	2010	2009
			Rupees in thousand	
21.1	**Due from Associated Companies:**			
	Syntron Ltd.		**0**	1
	Premier Board Mills Ltd.		**5**	5
			5	6

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

22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2010	2009
Excise duty deposit	**136**	136
Short term prepayments	**1,432**	1,257
	1,568	1,393

23. SHORT TERM INVESTMENTS

- At fair value through profit or loss	2010 Rupees in thousand
Atlas Money Market Fund - 31 Units	**15**
Alfalah GHP Cash Fund - 85,104 Units	**41,246**
MCB Cash Management Optimizer - 1,450,102 Units	**142,334**
	183,595
Add: adjustment on re-measurement to fair value	**8,257**
	191,852

24. BANK BALANCES

	Note	2010	2009
Cash at banks on:			
- PLS accounts	24.1	**5,893**	7,108
- current accounts		**15,025**	3,528
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.23.400 million (2009: Rs.15.600 million) - note 18]		**38,555**	104,474
- dividend accounts		**1,171**	2,230
		60,644	117,340
Less: provision for doubtful bank balance	24.3	**5,000**	5,000
		55,644	112,340

24.1 These include Rs.0.336 million (2009: Rs.0.475 million) in security deposit account.

24.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 10.25% to 11.5% (2009: 10.25% to 11.00%) per annum.

24.3 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.

25. SALES - Net

	Note	**2010**	2009
		Rupees in thousand	
Turnover - local		**316,704**	603,572
Less:			
Sales tax		**17,699**	66,867
Federal excise duty		**1,796**	5,307
		19,495	72,174
		297,209	531,398

26. COST OF SALES

	Note	**2010**	2009
Raw materials consumed		**109,581**	186,456
Chemicals and stores consumed		**2,723**	5,564
Salaries, wages and benefits	**26.1**	**53,540**	60,530
Power and fuel		**56,731**	25,847
Insurance		**960**	919
Repair and maintenance		**9,692**	12,985
Depreciation		**61,641**	68,017
		294,868	360,318
Adjustment of sugar-in-process:			
Opening		**2,814**	1,365
Closing		**(13,487)**	(2,814)
		(10,673)	(1,449)
Cost of goods manufactured		**284,195**	358,869
Adjustment of finished goods:			
Opening stock		**206,723**	318,331
Closing stock		**(107,310)**	(206,723)
		99,413	111,608
		383,608	470,477

26.1 These include Rs.1.161 million (2009: Rs.1.148 million) and Rs.3.776 million (2009: Rs.4.801 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

27. DISTRIBUTION COST	Note	2010	2009
		Rupees in thousand	
Commission		**446**	983
Salaries, wages and amenities		**296**	379
Stacking and loading		**209**	396
Others		**307**	220
		1,258	1,978

28. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries and amenities	**28.1**	**23,143**	17,913
Travelling, vehicles' running and maintenance		**5,349**	5,844
Utilities		**1,616**	1,375
Directors' travelling		**5,834**	1,800
Rent, rates and taxes		**1,166**	1,383
Insurance		**1,251**	1,410
Repair and maintenance		**6,301**	3,740
Printing and stationery		**915**	894
Communication		**1,870**	1,232
Legal and professional charges (other than Auditors')		**7,073**	645
Subscription		**968**	542
Auditors' remuneration	**28.3**	**784**	505
Depreciation on:			
- operating fixed assets		**2,710**	2,324
- investment property		**2,221**	2,746
General office expenses		**2,420**	1,909
		63,621	44,262

28.1 These include Rs.0.355 million (2009: Rs.0.331 million) and Rs.1.128 million (2009: Rs.1.434 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

28.2 The Company has shared expenses aggregating Rs. 23.018 million (2009: Rs.15.249 million) with its Associated and Subsidiary Companies on account of combined office expenses. These expenses have been booked in the respective heads of account.

28.3 Auditors' remuneration

	Note	2010	2009
		Rupees in thousand	
Hameed Chaudhri & Co.			
- statutory audit			
- current year		**250**	125
- short provision for the preceding year		**100**	0
- half yearly review		**60**	60
- consultancy, tax services and certification charges		**290**	223
- out-of-pocket expenses		**46**	59
		746	467
Munawar Associates			
- cost audit fee		**30**	30
- audit fee of workers' (profit) participation fund (2009: audit fee of provident fund)		**5**	5
- out-of-pocket expenses		**3**	3
		38	38
		784	505

29. OTHER OPERATING EXPENSES

	Note	2010	2009
Donations (without directors' interest)	**29.1**	**230**	1,098
Impairment loss on remeasurement of long term investments at fair value		**0**	4,654
Loss from petrol pump and fertilizer sales	**30.1**	**0**	107
Obsolete beet seed stocks written-off		**0**	3,799
Workers' (profit) participation fund	**11.4**	**1,097**	2,518
Workers' welfare fund		**417**	1,116
Uncollectible receivable balances written-off		**681**	0
		2,425	13,292

29.1 Expense for the preceding financial year included Rs.1.020 million donated to the Internally Displaced Persons of Swat.

30. OTHER OPERATING INCOME

	Note	2010	2009
		Rupees in thousand	
Income from financial assets:			
Reversal of impairment loss on long term investments	**16**	**54,247**	0
Mark-up on loan to Subsidiary Company		**44,833**	48,725
Interest / profit on bank deposits / saving accounts and certificates		**7,280**	1,160
Gain on redemption of short term investments		**6,066**	0
Fair value gain on re-measurement of short term investments	**23**	**8,257**	0
Income from other than financial assets:			
Machinery lease rentals	**14.2**	**1,200**	1,800
Gain on sale of operating fixed assets - net	**14.5**	**272**	0
Gain on sale of investment property	**15.2**	**43,058**	0
Rent		**3,829**	6,189
Sale of scrap		**699**	0
Lime sales		**43**	0
Unclaimed payable balances written-back		**16**	622
Profit from petrol pump and fertilizer sales	**30.1**	**128**	0
Sale of agricultural produce		**5,646**	4576
Sale of beet pulp		**2,600**	0
Miscellaneous		**122**	250
		178,296	63,322

30.1 Profit / (loss) from petrol pump and fertilizer sales

	2010	2009
Sales	**4,431**	8,639
Less: cost of sales		
opening stock	**2,316**	490
purchases	**2,919**	10,343
salaries	**127**	172
other expenses	**33**	57
closing stock	**(1,092)**	(2,316)
	4,303	8,746
	128	(107)

31. FINANCE COST

	Note	2010	2009
Mark-up on short term borrowings	**31.1 (a)**	**2,377**	17,642
Interest on workers' (profit) participation fund		**282**	0
Bank charges		**1,510**	353
		4,169	17,995

31.1 (a) Cash finance facility available from The Bank of Khyber under mark-up arrangements amounts to Rs.100 million (2009: running and cash finance facilities available from various banks aggregated Rs.195 million). The facility is secured against pledge of stock of refined sugar and charge over current assets of the Company for Rs.63 million. The facility, during the year, carried mark-up at the rates ranging from 14.26% to 14.34% (2009: 15.44% to 16.77%) per annum and is available upto 31 March, 2011.

(b) Facilities available for opening letters of credit and guarantee from commercial banks aggregate Rs.97.300 million (2009: Rs.95 million) and are secured against lien on term deposit receipts, charge over current assets of the Company for Rs.230 million and lien over import documents. These facilities are expiring on various dates by 31 July, 2011.

32. EARNINGS PER SHARE

	2010	2009
	Rupees in thousand	
Profit after taxation attributable to ordinary shareholders	**38,527**	55,205
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	Rupees	
Earnings per share	**10.27**	14.72

32.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2010 and 30 September, 2009, which would have any effect on the earnings per share if the option to convert is exercised.

33. 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.

33.1 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.629.128 million (2009:Rs.508.901 million), financial assets which were subject to credit risk aggregated Rs.293.622 million (2009: Rs.138.247 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 relevant 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, 2010 along with comparative is tabulated below:

	2010	2009
	Rupees in thousand	
Deposits with a non-bank finance institution	**39,000**	39,000
Security deposits	**502**	497
Trade debts	**29,555**	1,439
Trade deposits	**136**	136
Accrued profit / mark-up on bank deposits	**94**	325
Other receivables	**239**	110
Short term investments	**191,852**	0
Bank balances	**32,244**	96,740
	293,622	138,247

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. Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as out of total debts aggregating Rs.29.555 million, debts aggregating Rs.29.368 million have been realised subsequent to the year-end.

The analysis below summarises the credit quality of the Company's investments:

	Fund stability rating assigned by PACRA
- Atlas Money Market Fund	**AA**
- Alfalah GHP Cash Fund	**AA**
- MCB Cash Management Optimizer	**AA**

33.2 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:

	2010		
	Carrying amount	**Contractual cash flows**	**Less than 1 year**
	------------------------------ Rupees in thousand ---------------		
Trade and other payables	**28,093**	**28,093**	**28,093**
Accrued mark-up	**2,180**	**2,180**	**2,180**
	30,273	**30,273**	**30,273**

	2009		
	Carrying amount	Contractual cash flows	Less than 1 year
	-------------------------------- Rupees in thousand ----------------		
Trade and other payables	32,688	32,688	32,688

33.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, mark-up 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:

	2010	2009	2010	2009
	Effective rate Percentage		**Carrying amount Rupees in thousand**	
Fixed rate instruments				
Deposits with a non-bank finance institution	**5%**	5%	**39,000**	39,000
Bank balances	**10.25% to 11.50%**	10.25% to 11.00%	**21,048**	95,982
Variable rate instruments				
Long term loan to Subsidiary Company	**13.34% to 14.34%**	13.54% to 16.50%	**322,500**	322,500

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 or 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, 2010 and 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 units of Mutual Funds. To manage its price risk arising from aforesaid investments, the management diversifies the investments portfolio and continuously monitors developments in the market. In addition, the Company's management actively monitors the key factors that affect price movement.

A 10% increase / decrease in redemption value of investments in Mutual Funds at the balance sheet date would have increased / decreased the Company's profit in case of investments through profit or loss as follows:

	2010	2009
	Rupees in thousand	
Effect on profit	**19,185**	0
Effect on investments	**19,185**	0

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / investments of the Company.

33.4 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.

33.5 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 for shareholders, benefits for 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company’s approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

34. TRANSACTIONS WITH RELATED PARTIES

34.1 Maximum aggregate balance due from the Subsidiary and Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs. 18.751 million (2009: Rs.4.326 million).

34.2 The Company has related party relationship with its Subsidiary and 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 Subsidiary and Associated Companies during the year were as follows:

	2010	2009
	Rupees in thousand	
- dividends paid	**0**	1,240
- purchase of goods and services	**13,740**	11,328
- sale of plant & machinery	**5,700**	0
- machinery lease rentals	**1,200**	1,800
- sale of goods and services	**28**	168
- mark-up earned on long term loan	**44,833**	48,725

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

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	----------------------- Rupees in thousand -----------------------					
Managerial remuneration	**1,200**	400	**6,523**	4,745	**4,808**	3,660
Retirement benefits	**0**	0	**0**	2,027	**0**	200
Medical expenses reimbursed	**0**	0	**0**	596	**18**	0
	1,200	400	**6,523**	7,368	**4,826**	3,860
No. of persons	**1**	1	**2**	2	**2**	3

35.1 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.

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

36. CAPACITY AND PRODUCTION

		2010	2009
SUGAR CANE PLANT			
Rated crushing capacity per day	**M.Tonnes**	**3,810**	3,810
Cane crushed	**M.Tonnes**	**3,864**	88,613
Sugar produced	**M.Tonnes**	**50**	8,153
Days worked	**Nos.**	**10**	75
Sugar recovery	**%**	**7.01**	9.20
SUGAR BEET PLANT			
Rated slicing capacity per day	**M.Tonnes**	**2,500**	2,500
Beet sliced	**M.Tonnes**	**33,026**	0
Sugar produced	**M.Tonnes**	**2,452**	0
Days worked	**Nos.**	**14**	0
Sugar recovery	**%**	**7.60**	0
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**2,129**	189,526
Days worked	**Nos.**	**1**	32

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

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 06 January, 2011 by the board of directors of the Company.

38. FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

annual report

2010

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRMAN/CHIEF EXECUTIVE	KHAN AZIZ SARFARAZ KHAN
DIRECTORS	BEGUM LAILA SARFARAZ MR. ABBAS SARFARAZ KHAN MS. ZARMINE SARFARAZ MS. NAJDA SARFARAZ MR. ISKANDER M KHAN MR. BABAR ALI KHAN MR. ABDUL QADAR KHATTAK
BOARD AUDIT COMMITTEE	MS. NAJDA SARFARAZ MR. ISKANDER M KHAN MR. BABAR ALI KHAN
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. TARIQ MEHMOOD KHOKHAR Barrister -at-Law, Advocate
BANKERS	NATIONAL BANK OF PAKISTAN HABIB BANK LIMITED MCB BANK LIMITED THE BANK OF KHYBER BANK AL-FALAH LIMITED BANK AL-HABIB LIMITED SILK BANK LIMITED
REGISTERED OFFICE	NOWSHERA ROAD, MARDAN
HEAD OFFICE	KING'S ARCADE 20-A, MARKAZ F-7, ISLAMABAD PHONE: 051-2650805-7 FAX: 051-2651285-6
FACTORY	DERA ISMAIL KHAN PHONE: 0966-750090, 750091 FAX: 0966-750092

CHASHMA SUGAR MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 23rd Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2011 at 11.00 AM at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Extra Ordinary General Meeting held on 31 March, 2010.

(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, 2010.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2011. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

(4) To declare dividend.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2011 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
06 January, 2011

(Mujahid Bashir)
Company Secretary

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 the Shares Registrar of the Company of any change in their addresses 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.

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited have pleasure in presenting the 23rd Annual Report together with the Director's Report and Audited Financial Statements of the Company for the year ended 30 September, 2010.

SUMMARISED FINANCIAL RESULTS

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

	2010	2009
	(Rupees in thousands)	
Profit / (Loss) before taxation	**347,799**	**(140,786)**
Provision for taxation		
Current year	**63,664**	**19,912**
Prior	**341**	**57,212**
	67,005	**77,124**
Profit / (Loss) after taxation	**283,794**	**(217,910)**
Earnings / (Loss) per share	**9.89**	**(7.59)**

GENERAL

1. SUGARCANE SEASON 2009-2010

The sugarcane crushing season commenced on 02 December, 2009, and continued till 06 March, 2010. We crushed 1,046,061 tons (2009:1,050,807 tons) of sugarcane and produced 88,086 tons (2009:85,234) of sugar at an average recovery of 8.42 % (2009: 8.11%). The Provincial Government failed to enforce the support price of sugarcane at Rs. 100/40 Kg, the purchases at the illegal weighbridges by the middlemen led to increase in the sugarcane prices manifolds, as sugarcane constitutes 80% of the sugar price, the consumers across the country suffered extremely high prices of sugar.

2. CURRENT SEASON 2010-2011

The sugarcane crushing season started on 26 November, 2010 and both mills have crushed 197,140 tons of sugarcane, producing 14,625 tons of sugar at an average recovery of 8.00% up to 31 December, 2010. The Government has increased the sugarcane support price from Rs.100/- to Rs.125/- per 40 kg. Once again the Provincial Government has failed to implement the support price as the supply of sugarcane from the farmers has been replaced by the middlemen who through illegal weighbridges in the area purchase the sugarcane, and thereafter blackmail the mills by holding the sugarcane supplies to achieve abnormal sugarcane rates. Furthermore, failure of governance has encouraged them to now procure standing crops from the farmers across Pakistan. We are regularly informing the Cane Commissioner to control this practice being the major cause of increase in the sugar production cost resulting in increased sugar prices.

3. SUGAR PRICE

Until mid of February 2010, the sugar prices corresponded with the cost of production, thereafter suddenly the international sugar prices fell to the lowest of the season that crashed the local sugar prices. Subsequently, sugar prices improved by the end of July 2010.

4. DIVIDEND

The Directors are pleased to recommend the payment of 10% cash dividend.

5. STAFF

The Labour and Management relations remained cordial during the year. All employees of the Company were paid bonus in addition to other amenities and statutory benefits.

6. AUDITORS

As recommended by the Audit Committee the Board of Directors has recommended to re-appoint Messrs Hameed Chaudhri & Co. Chartered Accountants, Lahore as Auditors of the Company for the financial year ending 30 September 2011. The Board has recommended to approve the minimum audit fee as requested by ATR-14 (Revised) issued by the ICAP.

7. AUDITOR'S REPORT

Reply to the auditors observations

(b). Note 5.1
The Company has adopted the Accounting Standards, amendments and interpretations for presentation of Financial Statements (IAS 1, IAS 23, IFRS 7 and IFRS 8) as recommended by the Audit Committee of the Company.

8. STATUS OF THE COMPANY

In the light of the directions of the Securities and Exchange Commission of Pakistan, the Company has been treated a subsidiary of The Premier Sugar Mills & Distillery Company Limited with effect from the current financial year.

9. PATTERN OF SHAREHOLDING

The pattern of shareholding as required under section 236 (2) (d) of the Companies Ordinance, 1984 is annexed.

10. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of Chashma Sugar Mills Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of 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 controls is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon Chashma Sugar Mills Limited's ability to continue as a 'going concern'.

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

- Key operating and financial data for the last decade 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, 2010, except for those disclosed in the financial statements.

- The Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year other than disclosed in the pattern of shareholding.

- The value of investments of staff provident fund, based on audited accounts, was Rs. 20.40 million as at 30 September, 2009.

- During the year five (5) meetings of the Board of Directors were held.

  Attendance by each Director is as follow:-

	Name of Directors	No. of Meetings Attended
-	Khan Aziz Sarfaraz Khan	5
-	Begum Laila Sarfaraz	4
-	Mr. Abbas Sarfaraz Khan	5
-	Ms. Zarmine Sarfaraz	1
-	Ms. Najda Sarfaraz	2
-	Mr. Iskander M Khan	5
-	Mr. Babar Ali Khan	5
-	Mr. Abdul Qadar Khattak	5

  Leave of absence was granted to Directors who could not attend some of the Board meetings

11. COM PLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules, relevant to the year ended 30 September, 2010 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

12. ROLE OF SHAREHOLDERS

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

13. ACKNOWLEDGEMENT

The Directors would like to express their gratitude for the hard work and dedication displayed by Staff and the Executives of the Organization and the valuable support of our Bankers.

Finally, the Board wishes to thank the valued shareholders for their patronage and confidence reposed in the Company and consistent support in the present challenging scenario.

ON BEHALF OF THE BOARD

Mardan
06 January, 2011

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

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 shareholders 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 fulfill the social responsibilities.

Commitment to building Safe, Healthy and Environment friendly atmosphere.

We, with our 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.

We value the social and economic well being of our partners and strive for a harmonious environment conducive to team performance.

The quality policy also encompasses our 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 our strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

- Striving for continuous improvement and innovation with commitment and responsibility;
- Treating stakeholders with respect, courtesy and competence;
- Practicing highest personal and professional integrity;
- Maintaining teamwork, trust and support with open and candid communication; and
- Ensuring cost consciousness in all decisions and operations.

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The articulation of this statement is based on following points: -

- Elimination of improper payments or use of the Company's assets.
- Elimination of political contributions.
- Elimination of reporting violations.
- Accuracy of books and records of the Company and its safe custody.
- Authentic and genuine payment of amounts due to customers, agents or suppliers.
- Respect of employees, suppliers, agents, customers and shareholders.
- Integrity and scrupulous dealings.
- Health and safety environments.
- Conflicts of interests.
- Strict observance of the laws of the country.
- Respect of basic human rights.
- Teamwork, trust, determination and delegation of powers.
- Our dealings with all stakeholders, especially with the government and financial institutions, are based on honesty and equality. Our accounting & finance policies are guided by prevailing corporate regulations, Companies Ordinance, 1984, and the Code of Corporate Governance. Further, we aim to fully comply with International Accounting Standards (IAS) in the preparation of financial statements whereas any departure therefrom is adequately disclosed.

Chashma Sugar Mills Limited is committed to ensure that this Statement of Ethics and Business Practices is understood and implemented by all concerned individuals in letter and spirit.

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2010

NUMBER OF SHAREHOLDERS	SHAREHOLDING					TOTAL SHARES HELD
125	FROM	1	to	100	Shares	10,522
566	FROM	101	to	500	Shares	255,331
143	FROM	501	to	1,000	Shares	136,069
180	FROM	1,001	to	5,000	Shares	489,632
43	FROM	5,001	to	10,000	Shares	335,056
11	FROM	10,001	to	150,000	Shares	140,328
12	FROM	15,001	to	20,000	Shares	208,698
9	FROM	20,001	to	25,000	Shares	209,963
6	FROM	25,001	to	30,000	Shares	160,484
3	FROM	30,001	to	35,000	Shares	100,100
4	FROM	35,001	to	40,000	Shares	148,400
2	FROM	45,001	to	55,000	Shares	100,000
1	FROM	55,001	to	60,000	Shares	59,800
2	FROM	60,001	to	70,000	Shares	134,000
3	FROM	70,001	to	80,000	Shares	227,697
1	FROM	80,001	to	85,000	Shares	81,800
6	FROM	100,001	to	150,000	Shares	733,240
5	FROM	150,001	to	310,000	Shares	1,233,471
5	FROM	320,001	to	465,000	Shares	1,761,748
2	FROM	600,001	to	725,000	Shares	1,374,500
3	FROM	725,001	to	2,000,000	Shares	3,449,686
2	FROM	2,000,001	to	above	Shares	17,341,475
1134						28,692,000

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Companies	4	19,111,834	66.61
NIT and ICP	1	24,264	0.08
Directors & Relatives	12	3,986,250	13.89
Executives	-	-	-
Public Sector Companies & Corporations	18	631,420	2.20
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds	5	1,680,703	5.86
Individuals	1092	2,962,529	10.33
Charitable Trusts	2	295,000	1.03
	1134	28,692,000	100.00

Categories of Shareholders	Nimbers		Shares Held	Percentage of Paid- Up Capital
Associated Companies, Undertakings and Related Parties	**4**		**19,111,834**	**66.61**
The Premier Sugar Mills & Distillery Co. Limited		13,751,000		
Syntronics Limited.		3,590,475		
Azlak Enterprises (Pvt) Limited		1,462,859		
Phipson & Co. (Pak) Limited		307,500		
NIT and ICP	**1**		**24,264**	**0.08**
Directors & Relatives	**12**		**3,986,250**	**13.89**
Executive				
Public Sector Companies and Corporations	**18**		**631,420**	**2.20**
		1,500		
Asif Mushtaq & Company		12,400		
Neelum Textile Mills (Pvt) Limited		17,700		
Shakil Express (Pvt) Limited		35,000		
Saphire Agencies (Pvt) Limited		392,839		
Mehran Sugar Mills Ltd		59,800		
Ameer Cotton Mills (Pvt) Limited		773		
United Capital Securities Pvt. Ltd		24,500		
Bulk Management Pakistan (Pvt) Limited		400		
S.H Bukhari Securities (Pvt) Limited		500		
Kai Securities (Pvt) Limited		300		
Muhammad Ahmed Naeem Securities (Pvt) Ltd		3,000		
ZHV securities (Pvt) Limited		32,600		
Westbury (Pvt) Limited		2,500		
Mazhar Hussain Securities (Pvt) Limited		10,000		
CMA Securities Limited		5,000		
AWJ Securities (Pvt) Limited		27,608		
Mohammad Salim Kasmani Securities		5,000		
Stock Master Securities (Pvt) Ltd.				
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	**5**		**1,680,703**	**5.86**
National Bank of Pakistan		1,291,886		
IDBP (ICP Unit)		3,400		
StateLife Insurance Corporation of Pakistan		81,800		
The Bank of Punjab		201,617		
Faysal Bank Limited		102,000		
Individulals	**1092**		**2,962,529**	**10.33**
Charitable Trusts	**2**		**295,000**	**1.03**
Sarfaraz District Hospital		290,000		
Trustees Moosa Lawani Foundation		5,000		
	1134		**28,692,000**	**100.00**

Shareholders holding 10% or more voting intesrest in the Company

The Premier Sugar Mills & Distillery Co, Limited	13,751,000	47.93
Syntronics Limited	3,590,475	12.51

CHASHMA SUGAR MILLS LIMITED

TEN YEARS GROWTH AT A GLANCE

PARTICULARS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
					(R U P E E S I N T H O U S A N D)					
Sales	6,362,700	3,968,673	2,579,812	1,638,595	1,187,913	1,250,551	1,453,370	576,598	1,286,688	712,165
Cost of sales	5,597,467	3,595,629	2,233,798	1,709,629	1,132,589	1,023,674	1,369,614	577,039	1,106,529	695,170
Operating profit/(Loss)	647,940	297,935	270,343	(128,111)	12,327	180,256	48,878	(29,261)	152,317	(4,886)
Profit/(Loss) before tax	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086	33,246	(42,646)	124,183	(50,741)
Profit/(Loss) After tax	283,794	(217,910)	(63,163)	(358,007)	(32,338)	80,472	21,144	(43,348)	103,470	(61,218)
Share capital	286,920	286,920	286,920	191,280	191,280	191,280	191,280	191,280	191,280	191,280
Shareholders' equity	423,572	66,712	203,438	128,232	486,239	537,705	457,355	436,211	479,558	414,884
Fixed assets - net	2,335,101	2,515,056	2,723,775	1,850,560	893,731	934,125	322,811	355,405	365,272	392,576
Total assets	2,975,098	3,535,462	4,509,239	3,460,459	2,422,106	1,444,253	996,908	1,014,280	628,082	780,345
Long term liabilities	1,059,164	1,229,686	1,464,166	949,167	1,245,000	370,833	263,868	-	-	-
Dividend										
Cash dividend	10%	0	0	0	0	10%	-	-	30%	-
Ratios:										
Profitability (%)										
Operating profit	10.18	7.51	10.48	(4.34)	4.66	18.14	3.36	(5.07)	11.84	(0.69)
Profit/ (Loss) before tax	5.47	(3.55)	(2.22)	23.04	(4.90)	11.04	2.29	(7.40)	9.65	(7.12)
Profit/(Loss) after tax	4.46	(5.49)	(2.45)	21.85	(2.72)	6.43	1.45	(7.52)	8.04	(8.60)
Return to Shareholders										
ROE - Before tax	82.11	(211.04)	(28.10)	(294.35)	(11.99)	25.68	7.27	(9.78)	25.90	(12.23)
ROE - After tax	67.00	(326.64)	(31.05)	(279.19)	(6.65)	14.96	4.62	(9.94)	21.58	(14.76)
Return on Capital Employed	15.03	(14.23)	(3.79)	(187.16)	(0.16)	8.85	2.93	(9.93)	21.55	(14.75)
E. P. S. - After tax	9.89	(7.59)	(2.20)	(18.72)	(1.69)	4.2	1.11	(2.27)	5.41	(3.20)
Activity										
Income to total assets	2.14	1.12	0.57	10.34	(0.01)	0.86	1.46	0.57	2.05	0.91
Income to fixed assets	2.72	1.58	0.95	18.79	(0.02)	1.34	4.50	1.62	3.52	1.81
Liquidity/Leverage										
Current ratio	0.87	0.92	0.93	1.53	1.07	1.10	1.06	1.10	1.63	1.03
Break up value per share	14.76	2.33	7.09	0.67	25.42	28.11	23.91	22.80	25.07	21.69
Total Liabilities to equity (Times)	6.02	20.06	21.17	25.66	3.98	1.69	1.18	1.31	0.31	0.88

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2001	575,031	6.82	40,646
2002	845,048	8.07	68,185
2003	889,074	7.28	64,698
2004	908,130	8.03	72,918
2005	695,884	8.03	55,888
2006	579,512	7.64	44,295
2007	1,277,817	8.09	102,496
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234
2010	1,046,061	8.42	88,086

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF COMPLAINCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 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 he, being a member of a stock exchange has been declared as a defaulter by that 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 the Board has taken decision on material transactions.

8. The meetings of the Board were presided over by the Chairman when he was present, 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 among the directors.

9. Directors are well conversant with the listing Regulations and legal requirements and as such are fully aware their duties and responsibilities.

10. There was new appointment of CFO and no new appointment of Company Secretary 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 Board 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

Mardan
06 January, 2011

(KHAN AZIZ SARFARAZ KAHN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS 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 (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of CHASHMA SUGAR MILLS LIMITED (the Company) to comply with the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No.35 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 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub - Regulation (xiii-a) of Listing Regulation 35 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 justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 September, 2010.

LAHORE;
07 January, 2011

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** (the Company) as at 30 September, 2010 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, except for the changes as described in note 5.1 to the financial statements with which we concur;

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

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

(c) 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, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

LAHORE;
07 January, 2011

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

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2010

	Note	2010	2009
		Rupees in thousand	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up capital 28,692,000 ordinary shares of Rs.10 each fully paid in cash	7	286,920	286,920
General reserve		327,000	327,000
ACCUMULATED LOSS		(190,348)	(547,208)
		423,572	66,712
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	760,723	833,789
NON-CURRENT LIABILITIES			
Long term finances	9	556,664	789,999
Loans from related parties	10	502,500	439,687
		1,059,164	1,229,686
CURRENT LIABILITIES			
Trade and other payables	11	317,017	251,285
Accrued mark-up and interest	12	90,793	142,909
Short term finances	13	0	700,913
Current portion of:			
- long term finances	9	233,334	198,333
- loans from related parties	10	0	62,813
Sales tax and federal excise duty payable		26,831	29,110
Taxation	14	63,664	19,912
		731,639	1,405,275
CONTINGENCIES AND COMMITMENTS	15		
		2,975,098	3,535,462

	Note	2010	2009
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,335,101	2,515,056
Intangible assets	17	253	900
Security deposits		3,684	3,683
		2,339,038	2,519,639
CURRENT ASSETS			
Stores and spares	18	144,615	141,017
Stock-in-trade	19	256,658	701,368
Trade debts - unsecured - considered good		79,534	54,007
Loans and advances	20	55,463	41,276
Deposits, prepayments and other receivable	21	1,854	27,161
Investments	22	26,608	0
Income tax refundable		9,770	21,845
Advance income tax and tax deducted at source		15,761	8,178
Bank balances	23	45,797	20,971
		636,060	1,015,823
		2,975,098	3,535,462

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

	Note	2010	2009
		Rupees in thousand	
SALES	**24**	**6,362,700**	3,968,673
COST OF SALES	**25**	**5,597,467**	3,595,629
GROSS PROFIT		**765,233**	373,044
DISTRIBUTION COST	**26**	**14,251**	15,518
ADMINISTRATIVE EXPENSES	**27**	**84,156**	72,014
OTHER OPERATING EXPENSES	**28**	**25,870**	97
OTHER OPERATING INCOME	**29**	**(6,984)**	(12,520)
		117,293	75,109
PROFIT FROM OPERATIONS		**647,940**	297,935
FINANCE COST	**30**	**300,141**	438,721
PROFIT / (LOSS) BEFORE TAXATION		**347,799**	(140,786)
TAXATION			
Current	**14**	**63,664**	19,912
Prior years'	**14**	**341**	57,212
		64,005	77,124
PROFIT / (LOSS) AFTER TAXATION		**283,794**	(217,910)
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME / (LOSS)		**283,794**	(217,910)
EARNINGS / (LOSS) PER SHARE	**31**	**9.89**	(7.59)

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES	**Rupees in thousand**	
Profit / (loss) for the year - before taxation	**347,799**	(140,786)
Adjustments for non-cash and other charges:		
Depreciation	**236,640**	257,133
Amortisation of intangible assets	**647**	647
Profit on deposit accounts	**(1,451)**	(9,889)
Gain on re-measurement of investments	**(208)**	0
Gain on sale of vehicles	**(740)**	(39)
Finance cost	**297,573**	434,640
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	**880,260**	541,706
(Increase) / decrease in current assets:		
Stores and spares	**(3,598)**	(3,573)
Stock-in-trade	**444,710**	736,695
Trade debts	**(25,527)**	(34,634)
Loans and advances	**(14,187)**	6,816
Deposits, prepayments and other receivable	**25,320**	(22,250)
Increase / (decrease) in current liabilities:		
Trade and other payables	**65,732**	53,854
Sales tax and federal excise duty payable	**(2,279)**	23,687
	490,171	760,595
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	**1,370,431**	1,302,301
Income tax paid	**(15,761)**	(8,177)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	**1,354,670**	1,294,124
Security deposits	**(1)**	(270)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,354,669**	1,293,854
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	**(57,400)**	(52,825)
Sale proceeds of vehicles	**1,455**	250
Intangible assets acquired	**0**	(760)
Investments made	**(26,400)**	0
Profit on bank deposits received	**1,438**	9,889
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(80,907)**	(43,446)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances repaid	**(198,334)**	(110,834)
Lease finances - net	**0**	(415)
Loans from related parties repaid	**0**	(50,000)
Short term finances - net	**(700,579)**	(685,064)
Finance cost paid	**(349,689)**	(404,163)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(1,248,602)**	(1,250,476)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**25,160**	(68)
CASH AND CASH EQUIVALENTS - At beginning of the year	**20,637**	20,705
CASH AND CASH EQUIVALENTS - At end of the year	**45,797**	20,637
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Bank balances	**45,797**	20,971
Temporary bank overdrafts	**0**	(334)
	45,797	20,637

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

	Share capital	General reserve	Accumulated loss	Total
	----------------- Rupees in thousand -----------------			
Balance as at 30 September, 2008	286,920	327,000	(410,482)	203,438
Loss after taxation for the year ended 30 September, 2009	0	0	(217,910)	(217,910)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	81,184	81,184
Balance as at 30 September, 2009	286,920	327,000	(547,208)	66,712
Profit after taxation for the year ended 30 September, 2010	0	0	283,794	283,794
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	73,066	73,066
Balance as at 30 September, 2010	**286,920**	**327,000**	**(190,348)**	**423,572**

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

1. CORPORATE INFORMATION

1.1 Chashma Sugar Mills Limited (the Company) was incorporated on 05 May, 1988 as a Public Company and it commenced commercial production from 01 October, 1992. The Company is principally engaged in manufacture and sale of white sugar. Its shares are quoted on all Stock Exchanges in Pakistan. The Head Office of the Company is situated at King's Arcade, 20-A, Markaz F-7, Islamabad and the Mills are located at Dera Ismail Khan.

1.2 The Premier Sugar Mills & Distillery Company Limited (PSM) directly and indirectly controls / beneficially owns more than fifty percent of the Company's paid-up capital and also has the power to elect and appoint more than fifty percent of the Company's directors; accordingly, the Company has been treated a Subsidiary of PSM with effect from the current financial year.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

- certain exchange differences on foreign currency loans, which were incorporated in the cost of relevant plant & machinery in prior years; 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 to the nearest thousand.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

a) provisions and contingencies;

b) useful life of property, plant and equipment / intangible assets;

c) provision for impairment of trade debts and other receivables; and

d) taxation.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

(a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 01 October, 2009 and has elected to present one performance statement (i.e. profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

(b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.

(c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings / (loss) per share.

(d) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the financial statements of the Company.

5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 October, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 October, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).

- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).

- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied 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 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates.

In prior years, exchange fluctuations on principal loans were transferred to the cost of respective assets acquired out of the proceeds of such loans; effective from the financial year ended 30 September, 2004, all exchange fluctuations are charged to income currently.

6.4 Staff retirement benefits (defined contribution plan)

The Company operates a defined contribution provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.25% of the basic salary are made to the fund both by the Company and employees.

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 rebates available, if any. The charge for current taxation also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

6.6 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.

6.7 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.

6.8 Property, plant and equipment

Owned assets

These, other than freehold land, buildings & roads and plant & machinery, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount whereas buildings & roads and plant & machinery are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost. Cost of some items of plant & machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years.

Depreciation is charged to income applying reducing balance method to write-off the cost and capitalised exchange fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 16.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month of disposal. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the assets' 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 item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which these are incurred.

Gains / losses on disposal of property, plant and equipment are taken to profit and loss account.

Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 16.1 applying reducing balance method to write-off cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

6.9 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 17.1.

Gain / loss on retirement / disposal of intangible assets is taken to profit and loss account.

6.10 Stores and spares

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated to the balance sheet date.

6.11 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Finished goods	- At lower of cost and net realisable value.
Sugar-in-process	- At cost.
Molasses	- At net realisable value.

- Cost in relation to finished goods and sugar-in-process represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads.
- Net realisable value signifies the estimated selling price in the ordinary course of business less 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 Loans and advances

These are stated at cost.

6.14 Short term investments

Short term investments, at inception, are designated at fair value through profit or loss. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

6.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash & bank balances and temporary bank overdrafts.

6.16 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

6.17 Revenue recognition

- Sales are recorded on dispatch of goods.

- Income on deposit / saving accounts is accounted for on `accrual basis'.

6.18 Development expenditure

Expenditure incurred on development of sugar cane is expensed in the year of incurrence.

6.19 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of property, plant and equipment are capitalised up to the date of commissioning of the respective assets. All other borrowing costs are taken to 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 Dividend distribution

Dividend distribution (including stock dividend) to the Company's shareholders is accounted for in the period in which the dividends are declared.

7. SHARE CAPITAL

	2010	2009
	Number of shares	
Ordinary shares held by the related parties at the year-end are as follows:		
Holding Company		
- The Premier Sugar Mills & Distillery Co. Ltd.	**13,751,000**	13,751,000
Associated Companies		
- Azlak Enterprises (Pvt.) Ltd.	**1,462,859**	1,492,500
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,111,834	19,141,475

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

The Company had revalued freehold land, buildings & roads and plant & machinery of its Unit - I on 31 March, 2008. The revaluation exercise was carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. (Consulting Engineers, Surveyors & Loss Adjusters, Valuation Consultants, Lahore) to replace the carrying amounts of these assets with their replacement value / depreciated market values. The aggregated net appraisal surplus arisen on the revaluation amounting Rs.957.702 million was 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	2010	2009
		Rupees in thousand	
Balance at beginning of the year		**833,789**	914,973
Less: transferred to accumulated loss on account of incremental depreciation for the year		**73,066**	81,184
		760,723	833,789

9. LONG TERM FINANCES - Secured

	Note	2010	2009
Bank Alfalah Limited: (BAL)			
- Term finance - I	**9.1**	**49,998**	83,332
- Term finance - II	**9.1**	**160,000**	200,000
		209,998	283,332
Bank Al-Habib Limited: (BAH)			
- Term finance - I	**9.2**	**210,000**	270,000
- Term finance - II	**9.3**	**280,000**	315,000
		490,000	585,000
Silkbank Limited: (SBL)			
- Term finance	**9.4**	**90,000**	120,000
		789,998	988,332
Less: current portion grouped under current liabilities		**233,334**	198,333
		556,664	789,999

9.1 Term finance facilities utilised from BAL aggregated Rs.400 million. Term finance-I carries mark-up at the rate of 6-months KIBOR plus 2% with a floor of 9% per annum; the effective mark-up rate during the year ranged from 14.35% to 14.54% (2009: 14.54% to 17.68%) per annum. Term finance-II carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.35% to 14.54% (2009: 14.54% to 17.68%) per annum. Term finance-I is repayable in 12 equal half-yearly instalments commenced from April, 2006 whereas term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. These term finance facilities are secured against first pari passu charge on fixed assets of the Company for Rs. 533.334 million.

9.2 Term finance facility utilised from BAH aggregated Rs.300 million; the facility has been obtained for establishment of Unit- 2 and is secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.866.667 million. This finance facility, during the year, has carried mark-up at the rates ranging from 14.17% to 14.57% (2009: 14.57% to 17.49%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from February, 2010.

9.3 Term finance facility utilised from BAH aggregated Rs.350 million; the facility has also been obtained for establishment of Unit-2 and is secured against the securities as stated in note 9.2. This finance facility, during the year, has carried mark-up at the rates ranging from 14.37% to 14.77% (2009: 14.77% to 17.69%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from May, 2010.

9.4 Term finance facility utilised from SBL aggregated Rs.150 million; the facility has been obtained to finance the acquisition of plant and machinery for Unit-2 and is secured against ranking charge on current and fixed assets of the Company for Rs.200 million and first registered pari passu charge on fixed assets of Unit-2 for Rs.200 million. This finance facility carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.37% to 14.76% (2009: 14.76% to 17.70%) per annum. The year-end outstanding balance of this finance facility is repayable in 6 equal half-yearly instalments ending April, 2013.

10. LOANS FROM RELATED PARTIES - Secured

	Note	2010	2009
		Rupees in thousand	
Holding Company			
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**10.1**	**322,500**	322,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	**10.2**	**130,000**	130,000
Arpak International Investments Ltd. **(AIIL)**	**10.3**	**50,000**	50,000
		502,500	502,500
Less: current portion grouped under current liabilities		**0**	62,813
		502,500	439,687

10.1 The Company and PSM have entered into a loan agreement on 20 May, 2008 whereby PSM has advanced amounts aggregating Rs.322.500 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PSM during the year ranged from 13.34% to 14.34% (2009: 13.54% to 16.50%) per annum. PSM, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing August, 2013. The loan is secured against a promissory note of Rs.397.810 million.

10.2 The Company and PBM have entered into a loan agreement on 20 May, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PBM during the year ranged from 13.28% to 14.04% (2009: 12.39% to 15.85%) per annum. PBM, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.268.031 million.

10.3 The Company and AIIL have entered into a loan agreement on 20 May, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by AIIL during the year ranged from 13.28% to 14.04% (2009: 12.39% to 15.85%) per annum. AIIL, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.55.615 million.

11. TRADE AND OTHER PAYABLES

	Note	2010	2009
		Rupees in thousand	
Due to related parties	**11.1**	**2,038**	56,443
Creditors		**60,152**	54,975
Accrued expenses		**64,034**	19,483
Retention money		**2,675**	3,027
Security deposits - interest free repayable on demand		**713**	789
Advance payments		**158,575**	113,304
Income tax deducted at source		**512**	696
Workers' (profit) participation fund - allocation for the year		**18,679**	0
Workers' welfare fund		**7,098**	0
Unclaimed dividends		**2,496**	2,496
Due to employees		**45**	72
		317,017	251,285

11.1 The balance represents amounts due to:

	2010	2009
Holding Company		
- The Premier Sugar Mills & Distillery Co. Ltd.	**0**	11,067
Associated Companies		
- Syntron Ltd.	**2,017**	44,921
- Phipson & Co. Pakistan (Pvt.) Ltd.	**0**	191
- Azlak Enterprises (Pvt.) Ltd.	**21**	99
- Syntronics Ltd.	**0**	165
	2,038	56,443

12. ACCRUED MARK-UP AND INTEREST

	Note	2010	2009
		Rupees in thousand	
Mark-up accrued on:			
- long term finances		**29,081**	36,300
- loans from related parties		**52,004**	76,019
- short term finances		**9,708**	30,590
		90,793	142,909

13. SHORT TERM FINANCES

	Note	2010	2009
Cash and running finances - secured	**13.1**	**0**	700,579
Temporary bank overdrafts - unsecured		**0**	334
		0	700,913

13.1 Short term finance facilities under mark-up arrangements available from commercial banks aggregate Rs.1.550 billion (2009: Rs.1.275 billion). These facilities, during the year, carried mark-up at the rates ranging from 13.50% to 14.85% (2009: 13.67% to 17.50%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2009: facilities available for opening letters of credit and guarantee aggregated Rs.91 million). These facilities are secured against pledge of stock-in-trade, hypothecation charge over present and future current assets and banks' lien on import documents. These facilities have remained unutilised at the year-end and are expiring on various dates by 30 April, 2011.

14. TAXATION - Net

	Note	2010	2009
Opening balance		**19,912**	12,205
Add: provision made during the year for:			
current	**14.6**	**63,664**	19,912
prior years:			
- for the Assessment Year 2001-02		**0**	49,465
- for other Assessment Years - net		**341**	7,747
		64,005	77,124
		83,917	89,329
Less: payments / adjustments made against completed assessments		**20,253**	69,417
		63,664	19,912

14.1 Returns filed by the Company for Tax Years 2004 to 2010 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance). The Company has not received any notice from the Tax Department for selection of its cases for detailed scrutiny.

14.2 The Appellate Tribunal, Inland Revenue, Peshawar (the Tribunal), vide its order dated 06 April, 2010, has rejected the Department's appeal and upheld the reliefs allowed by the Commissioner of Income Tax (Appeals) - CIT (A) - for the Assessment Year 2002-03. The CIT (A) had given the following reliefs to the Company:

- restricted additions made under the head 'cane development & procurement' from Rs.2.822 million to Rs.0.164 million;

- deleted additions made under the heads 'repair of building' at Rs.3.502 million and 'investing charges' at Rs.1.564 million; and

- deleted additions made under the head 'machinery lease rentals' at Rs.3.400 million.

The Department has filed a reference application under section 133 of the Ordinance before the Peshawar High Court, Peshawar (PHC), which has been decided in favour of the Company.

14.3 The Tribunal, for the Assessment Year 1999-2000 through a unanimous decision of 08 October, 2007, had decided the appeal in favour of the Company by cancelling the original assessment for non-invocation of the provisions of section 12(9A) of the repealed Income Tax Ordinance, 1979. The Commissioner of Income Tax, during the financial year ended 30 September, 2008, had filed a reference application under section 133 of the Ordinance before the PHC against order of the Tribunal. The reference is pending adjudication.

14.4 The Tribunal, vide its order dated 11 December, 2009 for the Tax Year 2006, has deleted the tax charged by the Taxation Officer aggregating Rs.9.082 million under sections 161/205 of the Ordinance and annulled the order passed by him. The Department, against the order of the Tribunal, has filed a reference application under section 133 of the Ordinance before the PHC, which is pending adjudication.

14.5 The Commissioner Inland Revenue (Appeals), for the Tax Year 2005, has allowed reliefs and tax charged by the Assessing Officer under section 161/205 of the Ordinance aggregating Rs.269 thousand was deleted to the extent of Rs.257 thousand. The Department, against the Commissioner's order, has filed an appeal before the Tribunal, which is pending adjudication.

14.6 No numeric tax rate reconciliation is given in these financial statements as provisions made during the current and preceding years represent minimum tax payable under section 113 of the Ordinance.

14.7 Deferred tax asset on available unused tax losses has not been recognised in these financial statements due to uncertainty about the availability of taxable profits in the foreseeable future. Available unused tax losses as per the return for Tax Year 2010 aggregated Rs.1.195 billion.

15. CONTINGENCIES AND COMMITMENTS

15.1 Commitments for irrevocable letters of credit outstanding as at 30 September, 2010 were for Rs.2.718 million; (no commitments for irrevocable letters of credit were outstanding as at 30 September, 2009).

15.2 No commitments for capital expenditure were outstanding as at 30 September, 2010; (commitments for capital expenditure outstanding as at 30 September, 2009 aggregated Rs.1.470 million).

15.3 The Company had entered into a lease agreement with The Premier Sugar Mills & Distillery Company Limited (PSM) - the Holding Company - during December, 1994 to acquire 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. PSM, 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. PSM, during the financial year ended 30 September, 2007, had 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 was secured against demand promissory note of Rs.18.000 million. The Company, during the current financial year, has acquired the aforementioned machinery for Rs.5.700 million.

15.4 Also refer contents of taxation notes.

16. PROPERTY, PLANT AND EQUIPMENT

	Note	**2010**	2009
		Rupees in thousand	
Operating fixed assets - tangible	**16.1**	**2,313,897**	2,450,768
Capital work-in-progress	**16.5**	**2,463**	45,813
Stores held for capital expenditure		**18,741**	18,475
		2,335,101	2,515,056

16.1 **Operating fixed assets** - tangible

	Owned								Leased	Total
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles	Vehicles	
	---------- Rupees in thousand ----------									
At 30 September, 2008										
Cost / revaluation	143,877	573,276	2,174,589	151,925	16,549	0	15,148	13,461	13,156	3,101,981
Accumulated depreciation	0	46,019	283,286	42,534	7,264	0	7,493	9,573	7,885	404,054
Book value	143,877	527,257	1,891,303	109,391	9,285	0	7,655	3,888	5,271	2,697,927
Year ended 30 September, 2009										
Additions	311	0	917	1,988	1,900	0	849	4,220	0	10,185
Transfers										
- Cost	0	0	0	0	0	0	0	13,156	(13,156)	0
- Depreciation	0	0	0	0	0	0	0	(8,017)	8,017	0
Disposals:										
- Cost	0	0	0	0	0	0	0	(1,228)	0	(1,228)
- Depreciation	0	0	0	0	0	0	0	1,017	0	1,017
Depreciation charge	0	52,726	189,182	11,032	1,027	0	825	2,209	132	257,133
Book value at 30 September, 2009	144,188	474,531	1,703,038	100,347	10,158	0	7,679	10,827	0	2,450,768
Year ended 30 September, 2010										
Additions	0	18,640	61,957	6,033	2,217	1,017	669	9,951	0	100,484
Disposals:										
- Cost	0	0	0	0	0	0	0	(1,730)	0	(1,730)
- Depreciation	0	0	0	0	0	0	0	1,015	0	1,015
Depreciation charge	0	48,086	173,125	10,260	1,141	39	805	3,184	0	236,640
Book value at 30 September, 2010	144,188	445,085	1,591,870	96,120	11,234	978	7,543	16,879	0	2,313,897
At 30 September, 2009										
Cost / revaluation	144,188	573,276	2,175,506	153,913	18,449	0	15,997	29,609	0	3,110,938
Accumulated depreciation	0	98,745	472,468	53,566	8,291	0	8,318	18,782	0	660,170
Book value	144,188	474,531	1,703,038	100,347	10,158	0	7,679	10,827	0	2,450,768
At 30 September, 2010										
Cost / revaluation	144,188	591,916	2,237,463	159,946	20,666	1,017	16,666	37,830	0	3,209,692

16.2 As detailed in note 8, items of property, plant and machinery were revalued during the financial year ended 30 September, 2008. Had there been no revaluation, the book value of revalued assets would have been as follows:

	2010	2009
	Rupees in thousand	
- freehold land	**41,057**	41,057
- buildings and roads	**271,582**	281,750
- plant and machinery	**1,107,780**	1,165,161
	1,420,419	1,487,968

16.3 Depreciation for the year has been allocated as follows:

Cost of sales	**231,509**	252,940
Administrative expenses	**5,131**	4,193
	236,640	257,133

16.4 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to / insurance claim received from:
	------------ Rupees in thousand ------------					
Land Cruiser	800	181	619	755	136	Mr. Adnan Aziz, House # 138, Street # 72, G-9/3, Islamabad.
Toyota Corolla	930	834	96	700	604	IGI Insurance Ltd.
	1,730	**1,015**	**715**	**1,455**	**740**	

16.5 Capital work-in-progress

Freehold land - advance payments	**421**	421
Buildings on freehold land:		
- cost of materials	**1,816**	12,068
Plant and machinery:		
- cost	**226**	27,759
- advance payments	**0**	490
	226	28,249
Electric installations - cost	**0**	2,347
Vehicles - advance payments	**0**	2,728
	2,463	45,813

17. INTANGIBLE ASSETS

(Computer softwares)

	Note	2010	2009
		Rupees in thousand	
Cost at beginning of the year		**6,292**	5,532
Additions during the year		**0**	760
Cost at end of the year		**6,292**	6,292
Less: amortisation:			
- at beginning of the year		**5,392**	4,745
- charge for the year		**647**	647
- at end of the year		**6,039**	5,392
Book value as at 30 September,		**253**	900

17.1 Amortisation is charged to income applying the straight-line method at the rate of 33.33% per annum.

18. STORES AND SPARES

	Note	2010	2009
Stores including in-transit inventory valuing Rs.3.540 million (2009: Rs.Nil)		**127,365**	122,573
Spares		**17,250**	18,444
		144,615	141,017

19. STOCK-IN-TRADE

	Note	2010	2009
Finished goods		**247,805**	696,574
Sugar-in-process		**8,853**	4,794
		256,658	701,368

19.1 Finished sugar inventory as at 30 September, 2008 was measured 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 financial year ended 30 September, 2008 by the said amount; the aforementioned accounting treatment had converted profit for the financial year ended 30 September, 2009 amounting Rs.283.563 million into loss amounting Rs.217.910 million. Valuation of finished sugar inventory as at 30 September, 2009, however, was made as per the policy stated in note 6.11.

20. LOANS AND ADVANCES

	Note	2010	2009
Advance payments to:			
- employees		**1,935**	1,663
- suppliers and contractors	**20.1**	**55,089**	41,143
Due from an Associated Company	**20.2**	**872**	907
Letters of credit		**4**	0
		57,900	43,713
Less: provision for doubtful advances		**2,437**	2,437
		55,463	41,276

20.1 These are unsecured and considered good except for Rs.2.437 million (2009: Rs.2.437 million), which have been fully provided for in the books of account.

20.2 This represents due from The Frontier Sugar Mills & Distillery Ltd. (an Associated Company) in respect of current account transactions.

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

	2010	2009
	Rupees in thousand	
- purchase of goods	**35,853**	38,749
- machinery lease rentals	**1,200**	1,818
- purchase of plant & machinery	**5,700**	0
- sale of goods	**13,740**	559
- mark-up on long term loans	**69,540**	80,835

(b) Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.1.057 million (2009: Rs.3.861 million).

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

Security deposits with Trading Corporation of Pakistan (Pvt.) Ltd.	**0**	20,940
Bank guarantee margin	**0**	3,300
Prepayments	**1,591**	2,671
Mark-up accrued on bank deposits	**13**	0
Other receivables	**250**	250
	1,854	27,161

22. INVESTMENTS - At fair value through profit or loss

	2010
	Rupees in thousand
ABL Asset Management Co. Ltd. - 2,003,208 Growth Units	**20,000**
UBL Fund Managers Ltd. - 63,974 Units	**6,400**
	26,400
Add: adjustment on re-measurement to fair value	**208**
	26,608

23. BANK BALANCES

	Note	2010	2009
		Rupees in thousand	
Cash at banks on:			
- current accounts	**23.1**	**27,858**	16,105
- PLS accounts		**17,872**	1,230
- deposit accounts		**67**	3,636
		45,797	20,971

23.1 These include dividend account balance of Rs.22 thousand (2009: Rs.22 thousand).

23.2 PLS and deposit accounts during the year carried profit / mark-up at the rate of 5% (2009: at the rates ranging from 2% to 5%) per annum.

24. SALES - Net

Turnover - local	**6,688,438**	4,436,337
Less:		
Sales tax	**264,491**	429,891
Federal excise duty	**61,247**	37,773
	325,738	467,664
	6,362,700	3,968,673

25. COST OF SALES

	Note	2010	2009
Raw materials consumed		**4,620,036**	2,345,472
Chemicals and stores consumed		**52,271**	57,965
Salaries, wages and benefits	**25.1**	**158,775**	127,852
Power and fuel		**15,628**	14,964
Repair and maintenance		**69,528**	52,015
Insurance		**3,810**	5,908
Machinery lease rentals	**15.3**	**1,200**	1,818
Depreciation		**231,509**	252,940
		5,152,757	2,858,934
Adjustment of sugar-in-process:			
Opening		**4,794**	4,619
Closing		**(8,853)**	(4,794)
		(4,059)	(175)
Cost of goods manufactured		**5,148,698**	2,858,759
Adjustment of finished goods :			
Opening stock		**696,574**	1,433,444
Closing stock		**(247,805)**	(696,574)
		448,769	736,870
		5,597,467	3,595,629

25.1 These include Rs.1,830 thousand (2009: Rs.932 thousand) in respect of staff retirement benefits.

	Note	2010	2009
		Rupees in thousand	
26. DISTRIBUTION COST			
Salaries and benefits	**26.1**	**2,495**	3,123
Commission		**7,425**	5,071
Loading and stacking		**4,331**	7,324
		14,251	15,518

26.1 These include Rs.31 thousand (2009: Rs.15 thousand) in respect of staff retirement benefits.

	Note	2010	2009
27. ADMINISTRATIVE EXPENSES			
Salaries and benefits	**27.2**	**58,909**	45,132
Travelling and conveyance:			
- directors'		**2,091**	1,910
- others		**844**	1,107
Vehicles' running / maintenance and lease rentals		**3,713**	4,624
Rent, rates and taxes		**934**	666
Communication		**1,605**	1,637
Printing and stationery		**2,302**	3,559
Insurance		**348**	327
Repair and maintenance		**2,746**	3,192
Fees and subscription		**1,348**	1,303
Depreciation		**5,131**	4,193
Amortisation of intangible assets		**647**	647
Auditors' remuneration	**27.3**	**1,476**	716
Legal and professional charges (other than Auditors')		**1,736**	2,161
General		**326**	840
		84,156	72,014

27.1 The Company, during the year, has shared expenses amounting Rs.0.522 million with its Holding Company on account of the Technical Director's salary. (2009: the Company had shared expenses aggregating Rs.7.063 million with its Associated Companies on account of combined office expenses).

27.2 These include Rs.676 thousand (2009: Rs.428 thousand) in respect of staff retirement benefits.

	Note	2010	2009
27.3 Auditors' remuneration:			
		Rupees in thousand	
Hameed Chaudhri & Co.			
- statutory audit			
- current year		**1,000**	200
- short provision for the preceding year		**175**	0
- half yearly review		**100**	100
- code of corporate governance		**25**	25
- consultancy and certification charges		**45**	330
- out-of-pocket expenses		**91**	25
		1,436	680
Munawar Associates			
- cost audit fee		**30**	30
- provident fund's audit fee		**5**	5
- out-of-pocket expenses		**5**	1
		40	36
		1,476	716

28. OTHER OPERATING EXPENSES

Workers' (profit) participation fund		**18,679**	0
Workers' welfare fund		**7,098**	0
Donations (without directors' interest)		**93**	97
		25,870	97

29. OTHER OPERATING INCOME

Income from financial assets			
Profit on deposit accounts		**1,451**	9,889
Gain on re-measurement of investments		**208**	0
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.150 thousand (2009: Rs.108 thousand) and excise duty amounting Rs.9 thousand (2009: Rs.7 thousand)		**939**	675
Sale of scrap - net of sales tax amounting Rs.35 thousand and excise duty amounting Rs.2 thousand		**218**	0
Gain on sale of vehicles		**740**	39
Insurance claim received against damage of stock of baggase due to fire		**2,350**	0
Agricultural income - net		**1,078**	0
Exchange fluctuation gain		**0**	1,917
		6,984	12,520

30. FINANCE COST

	2010	2009
	Rupees in thousand	
Mark-up on:		
- long term finances	**128,777**	173,623
- loans from related parties	**69,540**	80,835
- short term finances	**99,256**	180,164
Lease finance charges	**0**	18
Bank charges	**2,568**	4,081
	300,141	438,721

31. EARNINGS / (LOSS) PER SHARE

	2010	2009
Profit / (loss) after taxation attributable to ordinary shareholders	**283,794**	(217,910)
	Number of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
Earnings / (loss) per share	**9.89**	(7.59)

31.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2010 and 30 September, 2009, which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	------------------------------ **Rupees in thousand** ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**1,722**	2,088	**11,904**	6,011
Allowances and utilities	**0**	0	**0**	0	**5,439**	3,356
Contribution to provident fund	**0**	0	**0**	0	**430**	289
Medical expenses reimbursed	**59**	155	**0**	0	**0**	0
	1,259	1,355	**1,722**	2,088	**17,773**	9,656
No. of persons	**1**	1	**1**	1	**10**	7

32.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Seven (2009: four) of the Executives have also been provided with free housing (with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound).

33. 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.

33.1 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, as well as credit exposures to customers and other counter parties, which include trade debts and other receivables. All of the Company's financial assets were subject to credit risk as at 30 September, 2010 and 2009.

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 relevant 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, 2010 along with comparative is tabulated below:

	2010	2009
	Rupees in thousand	
Security deposits	**3,684**	3,683
Trade debts	**79,534**	54,007
Loans and advances	**53,524**	39,613
Deposits and other receivables	**263**	24,490
Investments	**26,608**	0
Bank balances	**45,797**	20,971
	209,410	142,764

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

The ageing of trade debts, all of which are domestic parties, at the balance sheet date is as follows:

	2010	2009
	Rupees in thousand	
Not past due	**49,822**	51,957
Past due 1-30 days	**0**	3
Past due more than 30 days	**29,712**	2,047
	79,534	54,007

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.49.012 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

The analysis below summarises the credit quality of the Company's investments:

	Fund stability rating assigned by JCR-VIS
- ABL Asset Management Co. Ltd.	**AM3**
- UBL Fund Managers Ltd.	**AM2**

33.2 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:

	2010				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	------------------------- Rupees in thousand -------------------------				
Long term finances	**789,998**	**985,609**	**326,856**	**658,753**	**0**
Loans from related parties	**502,500**	**828,340**	**71,260**	**546,685**	**210,395**
Trade and other payables	**132,108**	**132,108**	**132,108**	**0**	**0**
Accrued mark-up and interest	**90,793**	**90,793**	**90,793**	**0**	**0**
	1,515,399	**2,036,850**	**621,017**	**1,205,438**	**210,395**

	2009				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	------------------------- Rupees in thousand -------------------------				
Long term finances	988,332	1,266,508	327,833	938,675	0
Loans from related parties	502,500	694,264	132,205	562,059	0
Short term finances	700,579	725,710	725,710	0	0
Trade and other payables	137,213	137,213	137,213	0	0
Accrued mark-up and interest	142,909	142,909	142,909	0	0
	2,471,533	2,966,604	1,465,870	1,500,734	0

	2009				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	------------------------- Rupees in thousand -------------------------				
Long term finances	988,332	1,266,508	327,833	938,675	0
Loans from related parties	502,500	694,264	132,205	562,059	0
Short term finances	700,579	725,710	725,710	0	0
Trade and other payables	137,213	137,213	137,213	0	0
Accrued mark-up and interest	142,909	142,909	142,909	0	0
	2,471,533	2,966,604	1,465,870	1,500,734	0

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective at the respective year-ends. The rates of mark-up have been disclosed in the respective notes to these financial statements.

33.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, mark-up 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 significant foreign currency liabilities at the year-end.

(b) Mark-up rate risk

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

	2010	2009	**2010**	2009
	Effective rate		**Carrying amount**	
	%	**%**	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	2 to 5	**17,939**	4,866
Variable rate instruments				
Financial liabilities				
Long term finances	**14.17 to 14.77**	13.79 to 17.70	**789,998**	988,332
Loans from related parties	**13.28 to 14.34**	12.39 to 16.50	**502,500**	502,500
Short term finances	**13.50 to 14.85**	13.67 to 17.50	**0**	700,579

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 or 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

A change of 100 basis points (bp) in interest and mark-up rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2009.

	Decrease	Increase
	Rupees in thousand	
As at 30 September, 2010		
Cash flow sensitivity-variable rate financial liabilities	**(12,925)**	**12,925**
As at 30 September, 2009		
Cash flow sensitivity-variable rate financial liabilities	21,914	(21,914)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit (2009: loss) for the year and liabilities of the Company.

33.4 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.

33.5 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 for shareholders, benefits for 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

34. CAPACITY AND PRODUCTION

	2010	2009
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,046,061**	1,050,807
Sugar produced	**88,086**	85,234
	--------- Number ---------	
Days worked:		
Unit - I	**89**	100
Unit - II	**95**	101

35. OPERATING SEGMENTS

These financial statements have been prepared on the basis of single reportable segment.

35.1 Sugar sales represent 94% (2009: 94%) of the total sales of the Company.

35.2 All of the Company's sales relate to customers in Pakistan.

35.3 All non-current assets of the Company as at 30 September, 2010 are located in Pakistan.

35.4 The Company sells sugar to commission agents (2009: the Company had sold sugar to commission agents and a Government Institution). Sugar sales to five (2009: three) of the Company's customers during the year aggregated Rs.5.998 billion (2009: Rs.3.731 billion) constituting 99.85% (2009: 99.87%) of the total sugar sales. Four (2009: three) of the Company's customers individually exceeded 10% of the sugar sales.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 06 January, 2011 by the board of directors of the Company.

37. FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

annual report

2010

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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 73rd Annual General Meeting of the shareholders of **The Frontier Sugar Mills & Distillery Limited** will be held on 31 January, 2011 at 12.00 Noon at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Extra Ordinary General Meeting held on 10 June, 2010.

(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, 2010.

(3) To appoint Auditors and fix their remunerations for the financial year ending 30 September, 2011. 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.

The share transfer books of the Company will remain closed from 21 January to 30 January, 2011 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
06 January, 2011

(Mujahid Bashir)
Company Secretary

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 the Shares Registrar of the Company of any change in their addresses 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 FRONTIER SUGAR MILLS & DISTILLERY LIMITED

DIRECTORS' REPORT

The Board of Directors is pleased to present Directors' report of The Frontier Sugar Mills & Distillery Limited, together with the audited financial statements for the year ended 30 September, 2010.

SUMMARISED FINANCIAL RESULTS

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

	2010	2009
	(Rupees in thousands)	
Gross Loss	**(7,960)**	(9,156)
Administrative & other expenses	**(9,251)**	(9,096)
Finance cost	**(22)**	(41)
Other operating Income	**7,234**	13,238
Loss after taxation	**(9,999)**	(5,055)
Loss per share	**(7.41)**	(3.74)

The Company could not operate due to non availability of raw material and suffered losses.

GENERAL

1. CRISIS FACED BY THE SUGAR INDUSTRY

The Sugar Industry in the Peshawar Valley is unable to produce sugar to cater for the Khyber Pakhtunkhwa's annual sugar consumption of approximately 600,000 tons, despite having abundant sugarcane crop; Khyber Pakhtunkhwa is dependent on the other provinces to meet sugar demand as the entire sugarcane crop is diverted towards tax free commercial gur manufacturing. We are trying to convince the political Government to realize the importance of the sugar industry and its revival for the development of the Khyber Pakhtunkhwa and hope that the Government would realize the gravity of being an industrially backward province by providing us a level playing field with the tax free commercial gur producers.

2. AUDITOR’S REPORT

Reply to the auditor’s observations

(a).

The Auditors have raised doubts regarding the Company's ability to continue business as a going concern due to the non availability of sugarcane, this is a joint problem of the Peshawar valley sugar industry, we have taken-up the matter at various Provincial and Federal forums and for the first time the Federal Interior Minister announced a ban on the undocumented trade of Gur to Afghanistan as Gur prices that are over 40% higher compared to sugar have made it out of reach of poor masses due to its export to Afghanistan. However, in absence of levy of sales tax on commercial gur making, the ban on the export of gur will not resolve the problem.

We are looking towards the completion of canal “Bai Zai irrigation scheme” that will irrigate and bring under cultivation an area of 25,000 Acres. As the Growers of this area prefer to cultivate sugarcane, therefore, we are hopeful that increased sugarcane crop will help us to commence operations; 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 its operation viable.

(c). Note 5.1
The Company has adopted the Accounting Standards, amendments and interpretations for presentation of Financial Statements (IAS 1, IAS 23, IFRS 7 and IFRS 8) as recommended by the Audit Committee of the Company.

(d). Note 15.1
The Securities and Exchange Commission of Pakistan, in exercise of its power conferred under section 282 E& F of the Companies Ordinance, 1984 has superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from 28 January, 2010 who has filed a petition with the Lahore High Court for winding up of IIBL. The petition is pending adjudication.

(d). Note 16.1
The Company could not operate due to the non availability of raw material. However, the management is carrying out the exercise to identify obsolete/damaged stores and spares inventory, if any, during the current year.

3. DELISTING FROM STOCK EXCHANGES

The Company applied for voluntarily delisting from the Stock Exchanges across Pakistan and during the year the Company was de-listed from the Ready Board Quotation of the stock exchanges.

4. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of 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 controls 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.
- 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, 2010, except for those disclosed in the financial statements.

- The Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year other than disclosed in the pattern of shareholding.

- The value of investments of staff provident fund, based on audited accounts, was Rs.10.000 million as at 30 September, 2009.

- During the year six (6) meetings of the Board of Directors were held.

Attendance by each Director is as follow:-

NAME OF DIRECTORS	**NO OF MEETINGS ATTENDED**
Khan Aziz Sarfaraz Khan	6
Begum Laila Sarfaraz	5
Mr. Abbas Sarfaraz Khan	6
Ms. Zarmine Sarfaraz	1
Ms. Najda Sarfaraz	2
Mr. Iskandar M. Khan	6
Mr. Baber Ali Khan	6
Mr. Abdul Qadar Khattak	6

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

5. 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 affaires. To achieve this objective, information is communicated to the shareholders through quarterly, half yearly and annual reports. The Board of Directors encourages the shareholder's participation at the annual general meeting to ensure high level of accountability.

6. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended re-appointing M/s Hameed Chaudhri & Co. Chartered Accountants, Lahore as external Auditors for the financial year 2010-2011. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

7. 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, 2010 have been duly complied with.

8. ACKNOWLEDGMENT

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

ON BEHALF OF THE BOARD

Mardan:
06 January, 2011

(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 30 SEPTEMBER, 2010

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		SHARES HELD		TOTAL SHARES HELD
	FROM	TO	PREFERENCE	ORDINARY	
563	1	100	1,470	10,181	11,651
114	101	500	3,560	27,169	30,729
36	501	1,000	2,000	24,954	26,954
42	1,001	5,000		97,599	97,599
3	5,001	10,000		21,070	21,070
5	10,001	20,000	20,000	51,297	71,297
1	20,001	50,000	22,970	23,977	46,947
1	1,050,001	1,200,000		1,093,753	1,093,753
765			**50,000**	**1,350,000**	**1,400,000**

S.No.	Categories of shareholders		No of shares held	Preference	TOTAL	Percentage of paid up capital
1.	**Directors and 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**					
	Mr. Mujahid Bashir		2		2	0.00
3.	**Shares held by relatives**					
4.	**Associated Companies**					
	The Premier Sugar Mills & Distillery Co. Limited		1,093,753	22,970	1,116,723	79.77
5.	**Financial Institutions, Investment & Securities Companies**					
	The Frontier Cooperative Bank Limited		5,501	-	5,501	0.39
	Investmen Corporation of Pakistan		3	300	303	0.02
	Government of Khyber Pakhtun khwa			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		760	0.05
6.	**Shares held by General Public**					
	Held by General Public		220,514	4,520	225,034	16.07
			1,350,000	**50,000**	**1,400,000**	**100.00**
7.	**Shareholders holding 10% or more voting Interest in the Company**					
	The Premier Sugar Mills & Distillery Limited		1,093,753	22,970	1,116,723	79.77
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 FRONTIER SUGAR MILLS & DISTILLERY LIMITED

SIX YEARS GROWTH AT A GLANCE

PARTICULARS	2010	2009	2008	2007	2006	2005
	(RUPEES IN THOUSAND)					
Turnover	3,959	1,268	497	19,960	17,144	177,537
Operating profit/(Loss)	(17,211)	(18,252)	(22,576)	(44,327)	(32,600)	13,773
Profit/(Loss) before tax	(9,999)	(5,055)	(8,800)	(35,785)	(11,485)	24,228
Profit/(Loss) After tax	(9,999)	(5,055)	(8,800)	(35,880)	(9,301)	28,904
Share capital	1,400	1,400	1,400	1,400	1,400	1,400
Shareholders' equity	148,999	155,966	211,565	171,463	202,070	211,522
Fixed assets - net	108,035	111,338	26,291	29,207	32,436	36,329
Total assets	255,431	263,592	193,376	214,029	247,573	264,174
Current assets	115,656	113,424	116,178	164,461	198,173	210,705
Current liabilities	3,552	3,815	5,129	12,037	12,513	15,286
Dividend						
Cash dividend	0%	0%	0%	0%	0%	0%
Ratios:						
Profitability (%)						
Operating profit	(434.73)	(1,439.43)	(4,542.45)	(222.08)	(190.15)	7.76
Profit/ (Loss) before tax	(252.56)	(398.66)	(1,770.62)	(179.28)	(66.99)	13.65
Profit/(Loss) after tax	(252.56)	(398.66)	(1,770.62)	(179.76)	(54.25)	16.28
Return to Shareholders						
ROE - Before tax	(6.71)	(3.24)	(0.04)	(0.21)	(0.06)	0.11
ROE - After tax	(6.71)	(3.24)	(0.04)	(0.21)	(0.05)	0.14
Return on Capital Employed	(6.71)	(3.24)	(0.04)	(0.21)	(0.05)	0.14
E. P. S. - After tax	(7.41)	(3.74)	21.38	(26.58)	6.89	21.38
Activity						
Income to total assets	0.02	0.00	(4.55)	(16.76)	(3.76)	10.94
Income to fixed assets - net	0.04	0.01	(33.47)	(122.85)	(28.67)	79.56
Liquidity/Leverage						
Current ratio	32.56	29.73	22.65	13.66	15.84	13.78
Break up value per share	106.43	111.40	151.12	122.47	144.34	151.09

TEN YEARS REVIEW

YEAR	CANE			BEET		
	CANE CRUSHED	RECOVERY %	SUGAR PRODUCED	BEET SLICED	RECOVERY %	SUGAR PRODUCED
	M. Tons		M. Tons	M. Tons		M. Tons
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	8.20	848.00	Not Operated		
2008	Not Operated			Not Operated		
2009	Not Operated			Not Operated		
2010	Not Operated			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 The Frontier Sugar Mills & Distillery Limited 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:
06 January, 2011

(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:
06 January, 2011

(BEGUM LAILA SARFARAZ)
Chairperson / Chief Executive

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED** (the Company) as at 30 September, 2010 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 prior years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of raw materials. 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 include any adjustments that might result from the outcome of this uncertainty.

(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, except for the changes as described in note 5.1 to the financial statements with which we concur;

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

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

(d) except for the omission of information detailed in the aforementioned paragraph (a), non-provision against deposits with a non-bank finance institution due to pending Court case (note 15.1) and the contents of note 16.1 and the extent to which these may affect the annexed financial statements, 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, 2010 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;
07 January, 2011

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

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2010

	Note	2010	2009
		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	9,913	9,203
Accumulated loss		(8,914)	(1,237)
		148,999	155,966
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	98,993	101,315
NON-CURRENT LIABILITY			
Staff retirement benefits-gratuity	9	3,887	2,496
CURRENT LIABILITIES			
Trade and other payables	10	3,319	3,582
Accrued mark-up		233	233
		3,552	3,815
CONTINGENCIES AND COMMITMENTS	12		
		255,431	263,592

	Note	2010	2009
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	108,035	111,338
Investments	14	16,048	15,338
Deposits with a non-bank finance institution	15	15,600	23,400
Security deposits		92	92
		139,775	150,168
CURRENT ASSETS			
Stores and spares	16	32,460	33,603
Stock-in-trade	17	0	2,097
Loans and advances	18	1,399	1,945
Short term prepayments		39	51
Accrued profit on deposits with a non-bank finance institution		973	973
Other receivables	19	484	1,265
Tax deducted at source		5,261	5,329
Short term investments	20	50,204	0
Bank balances	21	24,836	68,161
		115,656	113,424
		255,431	263,592

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, 2010

	Note	2010	2009
		Rupees in thousand	
SALES - Net	22	**3,959**	1,268
COST OF SALES	23	**11,919**	10,424
GROSS LOSS		**(7,960)**	(9,156)
ADMINISTRATIVE EXPENSES	24	**8,108**	7,897
OTHER OPERATING EXPENSES	25	**1,143**	1,199
		9,251	9,096
		(17,211)	(18,252)
OTHER OPERATING INCOME	26	**7,234**	13,238
LOSS FROM OPERATIONS		**(9,977)**	(5,014)
BANK CHARGES		**22**	41
LOSS FOR THE YEAR		**(9,999)**	(5,055)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			
Fair value gain / (loss) on available-for-sale investments	14	**710**	(2,144)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(9,289)**	(7,199)
		------ Rupees ------	
LOSS PER SHARE	27	**(7.41)**	(3.74)

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

BEGUM LAILA SARFARAZ	**ISKANDER M. KHAN**
CHIEF EXECUTIVE	**DIRECTOR**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER, 2010

	2010	2009
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year	**(9,999)**	(5,055)
Adjustments for non-cash charges and other items:		
Depreciation	**3,303**	2,671
Staff retirement benefits - gratuity (net)	**1,391**	(8,989)
Profit on bank deposits and mark-up on loan to an Associated Company	**(3,238)**	(8,779)
Unclaimed payable balances written-back	**0**	(788)
Gain on re-measurement of short term investments to fair value	**(1,998)**	0
Dividend income	**0**	(657)
Receivable balances written-off	**0**	224
Obsolete beet seed stocks written-off	**1,143**	0
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before working capital changes	**(9,398)**	(21,373)
Decrease / (increase) in current assets		
Stock-in-trade	**2,097**	0
Trade debts	**0**	29
Loans and advances	**546**	(1,271)
Short term prepayments	**12**	(3)
Other receivables	**781**	73
Short term investments	**(48,206)**	0
Decrease in trade and other payables	**(263)**	(423)
	(45,033)	(1,595)
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before taxation	**(54,431)**	(22,968)
Tax refund received / (tax paid)	**68**	(361)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - After taxation	**(54,363)**	(23,329)
CASH FLOW FROM INVESTING ACTIVITIES		
Long term loan received-back from an Associated Company	**0**	50,000
Profit on bank deposits and mark-up on loan to an Associated Company received	**3,238**	11,345
NET CASH INFLOW FROM INVESTING ACTIVITIES	**3,238**	61,345
CASH INFLOW FROM FINANCING ACTIVITIES		
Dividend received	**0**	657
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(51,125)**	38,673
CASH AND CASH EQUIVALENTS - At beginning of the year	**68,161**	21,688
DEPOSITS WITH A NON-BANK FINANCE INSTITUTION GROUPED UNDER CURRENT ASSETS DURING THE YEAR	**7,800**	7,800
	75,961	29,488
CASH AND CASH EQUIVALENTS - At end of the year	**24,836**	68,161

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, 2010

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Unappropri - ated profit / (accumulated loss)	Total
	--------------- Rupees in thousand ---------------				
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)
Other comprehensive loss for the year ended 30 September, 2009	0	0	(2,144)	0	(2,144)
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
Balance as at 30 September, 2009	14,000	134,000	9,203	(1,237)	155,966
Loss for the year ended 30 September, 2010	0	0	0	(9,999)	(9,999)
Other comprehensive income for the year ended 30 September, 2010	0	0	710	0	710
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	2,322	2,322
Balance as at 30 September, 2010	**14,000**	**134,000**	**9,913**	**(8,914)**	**148,999**

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

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 were quoted on all the Stock Exchanges of Pakistan; the Company, as at 30 September, 2010, was complying with the relevant requirements for delisting from the Stock Exchanges as detailed in note 1.3. The principal activity of the Company is manufacturing and sale of white sugar and its Mills and Registered Office are located at Takht-i-Bhai, Mardan (Khyber Pakhtunkhwa). The Company is a Subsidiary of The Premier Sugar Mills & Distillery Company Limited (the Holding Company).

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

1.3 De-listing of the Company

The Holding Company, the majority shareholder of the Company, has decided to purchase all the ordinary and preference shares of the Company held by Others. The shareholders of the Company passed a special resolution for de-listing of the Company from the Stock Exchanges at the annual general meeting held on 30 January, 2010. The shareholders also passed a special resolution for purchase of 263,134 ordinary shares at a price of Rs.190.20 per share and 26,970 preference shares at a price of Rs.18.60 per share by the Holding Company in the extra ordinary general meeting held on 10 June, 2010.

The purchase agent of the Holding Company (Invest Capital Investment Bank Ltd.) has completed the buying of 36,209 ordinary shares and 150 preference shares within the initial period of 60 days and after the submission of an undertaking to the Stock Exchanges to purchase the remaining shares upto 26 August, 2011, the Company has been de-listed from all the Stock Exchanges with effect from 25 October, 2010.

2. STATEMENT OF COMPLIANCE

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

3. 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 to the nearest thousand.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

a) staff retirement benefits;
b) provisions and contingencies;
c) useful life of property, plant and equipment; and
d) taxation.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

(a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has adopted IAS 1 (revised) with effect from 01 October, 2009 and has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). These financial statements have been prepared under the revised disclosure requirements.

(b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.

(c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on loss per share.

(d) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the financial statements of the Company.

5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 October, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 October, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).

- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).

- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 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, 2010.

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 rebates available, if any.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

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 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

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated 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 Short term investments

Short term investments, at inception, are designated at fair value through profit or loss. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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 dispatch 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'.

6.16 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.

6.17 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.

6.18 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.

6.19 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.

6.20 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. SHARE CAPITAL

7.1 Authorised capital

2010	2009		2010	2009
(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

2010	2009		2010	2009
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 1,093,753 (2009: 1,057,544) ordinary shares and 22,970 (2009: 22,820) 7% irredeemable preference shares as at 30 September, 2010.

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, during the preceding financial year, has again revalued its aforementioned operating fixed assets and freehold land. The revaluation exercise was 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 was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived as follows:

	2010	2009
	Rupees in thousand	
Balance at beginning of the year	**101,315**	15,197
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	87,718
	101,315	102,915
Less: transferred to unappropriated profit / (accumulated loss) on account of incremental depreciation for the year	**2,322**	1,600
Balance at end of the year	**98,993**	101,315

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:

	2010	2009
- discount rate - per annum	**12.5%**	14%
- expected rate of growth per annum in future salaries	**11.5%**	13%
- average expected remaining working life time of employees	**03 years**	04 years
The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	**4,022**	943
Unrecognised actuarial (loss) / gain	**(135)**	1,553
Net liability as at 30 September,	**3,887**	2,496
Net liability as at 01 October,	**2,496**	11,485
Charge to profit and loss account	**3,630**	1,392
Payments made during the year	**(2,239)**	(10,381)
Net liability as at 30 September,	**3,887**	2,496
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation - opening	**943**	9,739
Current service cost	**3,863**	222
Interest cost	**132**	1,363
Benefits paid	**(2,239)**	(10,381)
Actuarial loss	**1,323**	0
Present value of defined benefit obligation - closing	**4,022**	943
Charge to profit and loss account		
Current service cost	**3,863**	222
Interest cost	**132**	1,363
Actuarial gain recognised	**(365)**	(193)
	3,630	1,392

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

	2010	2009	2008	2007	2006
	---------------- Rupees in thousand ----------------				
Present value of defined benefit obligation	**4,022**	943	9,739	12,795	13,398
Experience adjustment arising on plan liabilities	**1,323**	0	(880)	N/A	(968)

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

	2010	2009
	Rupees in thousand	
Due to an Associated Company (Chashma Sugar Mills Ltd.)	**872**	907
Creditors	**225**	225
Accrued expenses	**1,624**	1,853
Interest free deposits	**21**	21
Workers' (profit) participation fund	**3**	3
Unclaimed dividends	**572**	572
Others	**2**	1
	3,319	3,582

11. TAXATION - Net

Opening balance	**0**	103
Less: adjustment made during the preceding year against completed assessments	**0**	103
	0	0

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 had 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 2010 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 Due to incurrence of losses, no provision for taxation was required during the current and preceding financial 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, 2010 was for Rs.1.143 million (2009: Rs1.143 million).

12.2 The Additional Collector of Sales Tax, Peshawar, had 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 Various ex-employees of the Company, retrenched on 30 June, 2008 due to non-availability of raw materials to the Company, have filed a petition in the Court of Payment and Wage Commissioner, Mardan despite the fact that the Company has paid all their terminal dues as per its rules and according to the entitlement of each ex-employee. The ex-employees, in their petition, have demanded gratuity at the rate of 50 days per completed year on gross salary. The Company has filed an application in the Court for dismissal of this petition. The Company's management is confident that no loss is likely to occur as a result of this petition, and hence, no provision there against has been made in the financial statements.

12.4 No commitments were outstanding as at 30 September, 2010 and 30 September, 2009.

13. PROPERTY, PLANT AND EQUIPMENT

Particulars	Freehold land	Buildings on freehold land	Plant and machin- ery	Tools	Railway sidings and weigh bridges	Beet water line	Electric and gas equipment	Laboratory equipment	Furnitu- re and fixtures	Vehic- les	Tube well	Arms	Total
	---------- Rupees in thousand ----------												
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
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
Year ended 30 September, 2010:													
Depreciation charge	0	715	2,550	1	11	0	3	0	7	15	0	1	3,303
Book value as at 30 September , 2010	78,419	6,438	22,949	2	68	0	23	4	60	58	1	13	108,035
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
As at 30 September, 2010													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	194,653
Accumulated depreciation	0	7,867	73,655	912	463	206	1,012	116	914	1,374	58	41	86,618
Book value	78,419	6,438	22,949	2	68	0	23	4	60	58	1	13	108,035
Depreciation rate (%)	-	10	10	15	15	15	10	10	10	20	10	10	

13.1 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:

	2010	2009
	Rupees in thousand	
- freehold land	**325**	325
- buildings on freehold land	**107**	118
- plant & machinery	**1,754**	1,949
	2,186	2,392

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

- cost of sales	**3,055**	2,527
- administrative expenses	**248**	144
	3,303	2,671

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

Ibrahim Fibres Limited 438,250 (2009: 438,250) ordinary shares of Rs.10 each	**6,135**	6,135
Add: adjustment arising from re-measurement to fair value	**9,913**	9,203
	16,048	15,338

15. 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		**Amount of deposit**	
29 July, 2009	**15.1**	**7,800**	7,800
29 July, 2010	**15.1**	**7,800**	7,800
29 July, 2011		**7,800**	7,800
29 July, 2012		**15,600**	15,600
		39,000	39,000
Less: current portion grouped under current assets		**23,400**	15,600
		15,600	23,400

15.1 The realisibility of these deposits is doubtful of recovery as two deposits aggregating Rs.15.600 million could not be encashed on their respective maturity dates; further, the Securities and Exchange Commission of Pakistan, in exercise of its powers conferred under sections 282 E & F of the Companies Ordinance, 1984, has superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from 28 January, 2010, who has filed a petition with the Lahore High Court for winding-up of IIBL. The petition is pending adjudication.

15.2 The Company has not accrued profit on these deposits during the current financial year.

	Note	2010	2009
		Rupees in thousand	
16. STORES AND SPARES			
Stores		**22,529**	23,672
Spares		**9,931**	9,931
		32,460	33,603

16.1 The Company has not carried-out manufacturing operations during the current and prior years and in the absence of an exercise to identify obsolete / damaged stores and spares inventory, carrying values of the year-end stores and spares inventory have not been adjusted for any potential impairment loss.

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

17. STOCK-IN-TRADE			
Work-in-process		**0**	2,097

17.1 The opening work-in-process was completely sold during the current financial year.

18. LOANS AND ADVANCES			
Due from the Holding Company - (in respect of current account transactions)		**732**	1,240
Unsecured advances to:			
- employees - considered good		**186**	187
- suppliers / contractors - considered good		**481**	518
		1,399	1,945
19. OTHER RECEIVABLES			
Excise duty deposit / refundable		**83**	83
Sales tax refundable	**19.1**	**391**	1,172
Others		**10**	10
		484	1,265

19.1 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.

20. SHORT TERM INVESTMENTS - At fair value through profit or loss			
MCB Cash Management Optimizer - 489,209 Growth Units		**48,206**	0
Add: adjustment on re-measurement to fair value		**1,998**	0
		50,204	0

21. BANK BALANCES

	Note	2010	2009
		Rupees in thousand	
Cash at banks on:			
- current accounts		**104**	199
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.23.400 million (2009: Rs.15.600 million) - note15]		**23,479**	65,847
- saving accounts		**1,253**	2,115
		24,836	68,161

21.1 Deposit and saving accounts during the year carried profit / mark-up at the rates ranging from 10.35% to 11.50% (2009: 5% to 11.50%) per annum.

22. SALES - Net

Gross sales - local		**4,279**	1,471
Less: sales tax		**320**	203
		3,959	1,268

23. COST OF SALES

Cost of sugar-in-process		**2,097**	0
Salaries and benefits	**23.1**	**5,181**	5,146
Power and fuel		**1,490**	2,634
Depreciation		**3,055**	2,527
Insurance		**96**	117
		11,919	10,424

23.1 These include Rs.67 thousand (2009: Rs.79 thousand) and Rs.3,267 thousand (2009: Rs.1,253 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

24. ADMINISTRATIVE EXPENSES

	Note	2010	2009
		Rupees in thousand	
Salaries and benefits	**24.1**	**5,419**	6,379
Travelling and vehicles' running		**196**	129
Rent, rates and taxes		**137**	172
Communication		**28**	50
Printing and stationery		**264**	80
Insurance		**139**	144
Repair and maintenance		**80**	4
Subscription		**781**	31
Auditors' remuneration	**24.2**	**267**	282
Legal and professional charges (other than Auditors')		**513**	385
General		**36**	97
Depreciation		**248**	144
		8,108	7,897

24.1 These include Rs. 71 thousand (2009: Rs.89 thousand) and Rs.363 thousand (2009: Rs.139 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

24.2 Auditors' remuneration:

	2010	2009
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	**0**	15
- out-of-pocket expenses	**21**	21
	231	246
Munawar Associates		
- cost audit	**30**	30
- workers' (profit) participation fund's audit fee	**3**	3
- out-of-pocket expenses	**3**	3
	36	36
	267	282

24.3 The Company has shared with its Holding Company and Associated Companies approximately Rs.92 thousand (2009: Rs.75 thousand) on account of combined office expenses, which have been booked in the respective heads of account.

25. OTHER OPERATING EXPENSES

	Note	2010	2009
		Rupees in thousand	
Obsolete beet seed stocks written-off		**1,143**	0
Zakat on bank deposits		**0**	975
Receivable balances written-off		**0**	224
		1,143	1,199

26. OTHER OPERATING INCOME

	Note	2010	2009
Income from financial assets:			
Interest / profit on bank deposits		**3,238**	2,588
Mark-up on loan to an Associated Company		**0**	6,191
Dividend		**0**	657
Gain on redemption of short term investments		**854**	0
Fair value gain on re-measurement of short term investments	**20**	**1,998**	0
Income from other than financial assets:			
Rent		**0**	6
Unclaimed payable balances written-back		**0**	788
Sale of trees		**1,100**	3,008
Miscellaneous		**44**	0
		7,234	13,238

27. LOSS PER SHARE

	2010	2009
Loss for the year attributable to ordinary shareholders	**(9,999)**	(5,055)
	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	**(7.41)**	(3.74)

27.1 There were no convertible dilutive potential ordinary shares outstanding on 30 September, 2010 and 2009.

28. 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.

28.1 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 and deposits with banks & a non-bank finance institution. All of the Company's financial assets were subject to credit risk as at 30 September, 2010 and 2009.

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, 2010 along with comparative is tabulated below:

	2010	2009
	Rupees in thousand	
Investments	**16,048**	15,338
Deposits with a non-bank finance institution	**39,000**	39,000
Security deposits	**92**	92
Loans and advances	**667**	705
Accrued profit on deposits with a non-bank finance institution	**973**	973
Short term investments	**50,204**	0
Bank balances	**1,436**	52,561
	108,420	108,669

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

Credit quality of the Company's short term investments

	Fund stability rating assigned by PACRA
MCB Cash Management Optimizer	**AA**

28.2 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:

	2010		
	Carrying amount	**Contractual cash flows**	**Less than 1 year**
	------------------ Rupees in thousand --------------		
Trade and other payables	**2,444**	**2,444**	**2,444**
Accrued mark-up	**233**	**233**	**233**
	2,677	**2,677**	**2,677**

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

28.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, mark-up 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:

	2010	2009	**2010**	2009
	Effective rate Percentage		**Carrying amount Rupees in thousand**	
Fixed rate instruments				
Deposits with a non-bank finance institution	**5**	5	**39,000**	39,000
Bank balances	**10.35 to 11.50**	5 to 11.50	**1,332**	52,362

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 or 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, 2010 and 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 Units of Mutual Funds and ordinary shares of a listed company. To manage its price risk arising from aforesaid investments, the management diversifies the investments portfolio and continuously monitors developments in market. In addition, the Company's management actively monitors the key factors that affect price movement.

A 10% increase / decrease in redemption value of investments in Mutual Funds and share price of the listed company at the balance sheet date would have decreased / increased the Company's loss in case of investments through profit or loss as follows:

	2010	2009
	Rupees in thousand	
Effect on equity	**1,605**	1,534
Effect on loss	**5,020**	0
Effect on investments	**6,625**	1,534

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

28.4 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.

28.5 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.

29. TRANSACTIONS WITH THE HOLDING COMPANY AND ASSOCIATED COMPANIES

29.1 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, the Holding Company and Associated Companies during the current financial year. Aggregate transactions with the Holding Company and Associated Companies during the preceding year were as follows:

- purchase of goods and services	**0**	50
- mark-up earned on long term loan	**0**	6,191

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

30. REMUNERATION OF DIRECTORS

30.1 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.

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

31. CAPACITY AND PRODUCTION

		2010	2009
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

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

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 06 January, 2011 by the board of directors of the Company.

33. FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

annual report

2010

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 have pleasure in presenting the Director's Report on the Consolidated Audited Financial Statements for the year ended 30 September, 2010.

1. GENERAL REVIEW

The Premier Sugar Mills & Distillery Company Limited indirectly holds more than 50% of the Chashma Sugar Mills shares. Securities and Exchange Commission of Pakistan pronounced to consolidate its accounts with the Holding Company. In the light of SECP's decision, Chashma Sugar Mills Limited has been treated as a subsidiary of The Premier Sugar Mills & Distillery Company Limited. Chashma Sugar Mills Limited, Subsidiary Company, earned profits of Rs. 38,527 million , whereas The Frontier Sugar Mills & Distillery Limited, Subsidiary Company, suffered losses of Rs. 9,289 million for the year due to the non availability of sugarcane.

2. SUMMARISED FINANCIAL OVERVIEW

Following are the comparative financial results for the year-ended 30 September, 2010 with the preceding financial year:

	2010	2009
	(Rupees in thousands)	
- Sales	**6,650,351**	4,500,780
- Gross Profit	**672,082**	426,627
- Opofit / (loss) befor taxation	**305,604**	(85,738)
- Taxation		
Group		
- current	**66,715**	36,086
- prior years'	**(1,657)**	56,148
- deferred	**(19,156)**	(23,599)
Associated Companies	**(497)**	461
	45,405	69,096
- Profit /(Loss) for the year	**260,199**	(154,834)
- other comprehensive income/(loss) for the year	**575**	(1,680)
- Total comprehensive income /(Loss) for the year	**260,774**	(156,514)
	------------Rupees------------	
- Combined earnings / (loss) per share	**22.17**	(22.85)

3. REVIEW OF OPERATIONS

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

4. CURRENT SEASON 2010-2011

The sugarcane crushing season in the Premier Sugar Mills & Distillery Company Limited started on 01 November, 2010 and crushed 46,625 tons of sugarcane, producing 3,335 tons of sugar at an average recovery of 7.95% up to 31 December, 2010. We are competing with the Commercial Gur producers by offering abnormally high sugarcane prices to the Growers, and are confident that would be able to produce a reasonable quantity of sugar.

5. REPLIES TO AUDITORS RESERVATION

The Auditors have raised doubts regarding the Frontier Sugar Mills & Distillery Limited ability to continue business as a going concern because of the diversion of sugarcane towards tax free lucrative gur production. This is a joint problem of the Peshawar valley sugar industry. However, we are expecting completion of canal “Bai Zai irrigation scheme”, which will irrigate and increase the cultivation on an area of 25,000 Acres, as the Growers of this area prefer to cultivate sugarcane, therefore, increase in the sugarcane crop will ensure the availability of sugarcane to the Mills.

6. CUSTOMERS' SUPPORT AND STAFF RELATIONS

We thank our valued customers for their feedback and continued 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:
06 January, 2011

(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 Holding Company) and its Subsidiary Companies (the Group) as at 30 September, 2010 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 Premier Sugar Mills & Distillery Company Limited and its Subsidiary Companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

> The Frontier Sugar Mills & Distillery Limited (Subsidiary Company) has been unable to carry-out manufacturing operations during the current and prior years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of raw materials. 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. These consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Except for the omission of information detailed in the aforementioned paragraph, non-provision against deposits with a non-bank finance institution due to pending court case (note 24.1) and the contents of note 25.1 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 Premier Sugar Mills & Distillery Company Limited and its Subsidiary Companies (the Group) as at 30 September, 2010 and the results of their operations for the year then ended.

LAHORE;
07 January, 2011

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER, 2010

	Note	2010	2009
		Rupees in thousand	
D LIABILITIES			
ND RESERVES			
d capital			
0 ordinary			
f Rs.10 each		**57,500**	57,500
ubscribed and			
capital	8	**37,500**	37,500
		1,016,600	1,012,186
riated profit		**230,500**	43,393
TRIBUTABLE TO EQUITY			
OF THE PARENT		**1,284,600**	1,093,079
ROLLING INTEREST		**244,853**	71,477
		1,529,453	1,164,556
ON REVALUATION			
ERTY, PLANT			
IPMENT	9	**1,208,520**	1,319,372
ENT LIABILITIES			
finances	10	**556,664**	789,999
m Associated			
ies	11	**180,000**	157,500
liabilities:			
d taxation	12	**186,967**	206,123
tirement			
fits - gratuity	13	**24,176**	19,970
		947,807	1,173,592
LIABILITIES			
other payables	14	**347,078**	276,085
nark-up	15	**80,200**	98,168
n finances	16	**0**	700,913
ortion of:			
rm finances	10	**233,334**	198,333
rom Associated			
anies	11	**0**	22,500
payable to			
trolling interest		**3,068**	3,068
and federal			
uty payable	17	**24,583**	33,442
	18	**65,344**	34,715
		753,607	1,367,224
NCIES AND			
IENTS	19		
		4,439,387	5,024,744

	Note	2010	2009
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant			
and equipment	20	**3,063,047**	3,315,168
Intangible assets	21	**253**	900
Investment property	22	**39,002**	49,110
Investments	23	**54,475**	51,379
Deposits with a non-bank			
finance institution	24	**31,200**	46,800
Security deposits		**4,278**	4,272
		3,192,255	3,467,629
CURRENT ASSETS			
Stores and spares	25	**260,769**	253,477
Stock-in-trade	26	**377,455**	913,002
Trade debts - unsecured			
- considered good		**109,089**	55,446
Loans and advances	27	**57,882**	44,260
Trade deposits and short			
term prepayments	28	**3,281**	28,437
Accrued profit / mark-up			
on bank deposits		**1,067**	1,299
Other receivables		**759**	617
Income tax refundable,			
advance income tax and			
tax deducted at source		**41,889**	59,105
Short term investments	29	**268,664**	0
Bank balances	30	**126,277**	201,472
		1,247,132	1,557,115
		4,439,387	5,024,744

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, 2010

	Note	2010	2009
		Rupees in thousand	
SALES - Net	31	**6,650,351**	4,500,780
COST OF SALES	32	**5,978,269**	4,074,153
GROSS PROFIT		**672,082**	426,627
DISTRIBUTION COST	33	**15,509**	17,496
ADMINISTRATIVE EXPENSES	34	**155,885**	124,191
OTHER OPERATING EXPENSES	35	**29,438**	9,934
		200,832	151,621
		471,250	275,006
OTHER OPERATING INCOME	36	**91,989**	32,364
PROFIT FROM OPERATIONS		**563,239**	307,370
FINANCE COST	37	**259,499**	401,842
		303,740	(94,472)
SHARE OF PROFIT OF ASSOCIATED COMPANIES		**1,864**	8,734
PROFIT / (LOSS) BEFORE TAXATION		**305,604**	(85,738)
TAXATION			
Group			
- current	18	**66,715**	36,086
- prior years'		**(1,657)**	56,148
- deferred		**(19,156)**	(23,599)
		45,902	68,635
Associated Companies	23.2	**(497)**	461
		45,405	69,096
PROFIT / (LOSS) FOR THE YEAR		**260,199**	(154,834)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			
Fair value gain / (loss) on available-for-sale investments	23	**575**	(1,680)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**260,774**	(156,514)
ATTRIBUTABLE TO:			
- Equity holders of the Parent		**83,694**	(87,361)
- Non-controlling interest		**177,080**	(69,153)
		260,774	(156,514)
		------ Rupees-----	
COMBINED EARNINGS / (LOSS) PER SHARE	38	**22.17**	(22.85)

- The annexed notes form an integral part of these consolidated 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, 2010

	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES	**Rupees in thousand**	
Profit / (loss) for the year - before taxation	**305,604**	(85,738)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**304,286**	330,145
Depreciation on investment property	**2,221**	2,746
Amortisation of intangible assets	**647**	647
Profit from Associated Companies -net	**(1,864)**	(8,734)
Interest / profit on bank deposits / saving accounts and certificates	**(11,969)**	(13,637)
Staff retirement benefits - gratuity (net)	**4,107**	(10,876)
Un-claimed payable balances written-back	**(16)**	(1,410)
Gain on sale of vehicles	**(767)**	(39)
Gain on sale of investment property	**(43,058)**	0
Gain on re-measurement of short term investments to fair value	**(10,463)**	0
Obsolete beet seed stocks written-off	**1,143**	3,799
Uncollectible receivable balances written-off	**681**	224
Dividend income	**0**	(657)
Finance cost	**255,117**	397,367
CASH INFLOW FROM OPERATING ACTIVITIES - Before working capital changes	**805,669**	613,837
(Increase) / decrease in current assets		
Stores and spares	**(8,435)**	(13,703)
Stock-in-trade	**535,547**	846,854
Trade debts	**(54,324)**	(19,971)
Loans and advances	**(13,622)**	9,142
Trade deposits and short term prepayments	**25,156**	(22,810)
Other receivables	**(142)**	4,069
Short term investments	**(258,201)**	0
Increase / (decrease) in current liabilities:		
Trade and other payables	**72,201**	60,128
Sales tax and federal excise duty payable	**(8,859)**	23,687
	289,321	887,396
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	**1,094,990**	1,501,233
Income tax paid	**(17,213)**	(11,265)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	**1,077,777**	1,489,968
Security deposits	**(6)**	(270)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,077,771**	1,489,698
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(53,038)**	(63,164)
Sale proceeds of vehicles	**1,640**	282
Sale proceeds of investment property	**50,945**	0
Intangible assets acquired	**0**	(760)
Interest / profit on bank deposits / saving accounts and certificates received	**12,201**	12,826
Acquisition of Subsidiary Company's shares	**(6,889)**	0
Dividends received	**0**	657
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**4,859**	(50,159)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances repaid	**(198,334)**	(110,834)
Lease finance - net	**0**	(415)
Short term finances - net	**(700,913)**	(842,698)
Finance cost paid	**(273,085)**	(407,636)
Dividends paid	**(1,093)**	(9,319)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(1,173,425)**	(1,370,902)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(90,795)**	68,637
CASH AND CASH EQUIVALENTS - At beginning of the year	**201,472**	117,235
DEPOSITS WITH A NON-BANK FINANCE INSTITUTION GROUPED UNDER CURRENT ASSETS DURING THE YEAR	**15,600**	15,600
	217,072	132,835
CASH AND CASH EQUIVALENTS - At end of the year	**126,277**	201,472

The annexed notes form an integral part of these consolidated 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, 2010

	------------ Attributable to equity holders of the Parent ------------								
		Reserves							
		Capital	Revenue						
	Share capital	Share redem- ption	General	Fair value reserve on available- for-sale investments	Sub-total	Unappr- opriated profit	Total	Non- controlling interest	Total equity
	--- Rupees in thousand ---								
as at 30 September, 2008	37,500	1	1,004,976	8,889	1,013,866	18,088	1,069,454	141,094	1,210,548
the year ended :ember, 2009	0	0	0	0	0	(85,681)	(85,681)	(69,153)	(154,834)
mprehensive loss for the ded 30 September, 2009	0	0	0	(1,680)	(1,680)	0	(1,680)	(464)	(2,144)
ash dividend at the rate of :r share paid by the Parent	0	0	0	0	0	(11,250)	(11,250)	0	(11,250)
items directly credited in equity by ated Companies	0	0	0	0	0	221	221	0	221
from surplus on revaluation of y, plant and equipment on account emental depreciation for the year deferred taxation	0	0	0	0	0	122,015	122,015	0	122,015
as at 30 September, 2009	37,500	1	1,004,976	7,209	1,012,186	43,393	1,093,079	71,477	1,164,556
the year ended :ember, 2010	0	0	0	0	0	83,119	83,119	177,080	260,199
mprehensive income for the ded 30 September, 2010	0	0	0	575	575	0	575	135	710
items directly credited in equity by ated Companies	0	0	0	0	0	25	25	0	25
ent due to further acquisition in FSM	0	0	3,591	248	3,839	(6,889)	(3,050)	(3,839)	(6,889)
from surplus on revaluation of y, plant and equipment on account emental depreciation for the year deferred taxation	0	0	0	0	0	110,852	110,852	0	110,852
as at 30 September, 2010	37,500	1	1,008,567	8,032	1,016,600	230,500	1,284,600	244,853	1,529,453

xed notes form an integral part of these consolidated 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, 2010

1. THE GROUP AND ITS OPERATIONS

1.1 The Premier Sugar Mills & Distillery Company Ltd. (the Parent Company)

The Parent Company was incorporated on 24 July, 1944 as a Public Company and its shares are quoted on Islamabad and Karachi Stock Exchanges. The Parent Company is principally engaged in manufacture and sale of white sugar and spirit. The Parent Company's Mills and Registered Office are located at Mardan (Khyber Pakhtunkhwa) whereas the Head Office is situated at King's Arcade, 20-A, Markaz F-7, Islamabad.

1.2 Subsidiary Companies

(a) Chashma Sugar Mills Ltd. (CSM)

(i) CSM was incorporated on 05 May, 1988 as a Public Company and it commenced commercial production from 01 October, 1992. CSM is principally engaged in manufacture and sale of white sugar. Its shares are quoted on all the Stock Exchanges of Pakistan. The Head Office of CSM is situated at King's Arcade, 20-A, Markaz F-7, Islamabad and the Mills are located at Dera Ismail Khan.

(ii) The Parent Company directly and indirectly controls / beneficially owns more than fifty percent of the CSM's paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary with effect from the current financial year.

(b) The Frontier Sugar Mills and Distillery Ltd. (FSM)

(i) FSM was incorporated on 31 March, 1938 as a Public Company and its shares were quoted on all the Stock Exchanges of Pakistan; FSM, as at 30 September, 2010, was complying with the relevant requirements for delisting from the Stock Exchanges as detailed in note (iii). The principal activity of FSM is manufacturing and sale of white sugar and its Mills and Registered Office are located at Takht-i-Bhai, Mardan (Khyber Pakhtunkhwa).

(ii) FSM has been suffering losses over the years and during the current and prior years had not carried-out manufacturing operations due to non-availability of raw materials.

(iii) The Parent Company, the majority shareholder of FSM, has decided to purchase all the ordinary and preference shares of FSM held by Others. The shareholders of FSM passed a special resolution for de-listing from the Stock Exchanges at the annual general meeting held on 30 January, 2010. The shareholders also passed a special resolution for purchase of 263,134 ordinary shares at a price of Rs.190.20 per share and 26,970 preference shares at a price of Rs.18.60 per share by the Parent Company in the extra ordinary general meeting held on 10 June, 2010.

The purchase agent of the Parent Company (Invest Capital Investment Bank Ltd.) has completed the buying of 36,209 ordinary shares and 150 preference shares within the initial period of 60 days and after the submission of an undertaking to the Stock Exchanges to purchase the remaining shares upto 26 August, 2011, FSM has been de-listed from all the Stock Exchanges with effect from 25 October, 2010.

2. STATEMENT OF COMPLIANCE

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

3. 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 ;
- measurement of certain operating fixed assets at revalued amounts; and
- certain exchange differences on foreign currency loans, which were incorporated in the cost of relevant plant & machinery in prior years.

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 to the nearest thousand.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements 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 Parent Company and its Subsidiary Companies FSM and CSM as at 30 September, 2010. The Parent Company's direct interest, as at 30 September, 2010, in FSM was 81.02% (2009: 78.34%) and in CSM was 47.93% (2009: 47.93%).

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.

Non-controlling interest is calculated on the basis of their proportionate share in the net assets of the Subsidiary Companies.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

6.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Group

(a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Group has adopted IAS 1 (revised) with effect from 01 October, 2009 and has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). These consolidated financial statements have been prepared under the revised disclosure requirements.

(b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the consolidated financial statements.

(c) IAS 27 (revised) 'Consolidated and Separate Financial Statements' requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in income statement. It is not expected to have any impact on the consolidated financial statements.

(d) IFRS 3 (revised), 'Business Combinations' is effective from 01 July, 2009. The revised standard continues to apply the acquisition methods to business combinations, with some significant changes. For example, all payment to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statements. There is choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at non-controlling interest's proportionate share of acquiree's net assets. All acquisition-related cost should be expensed. It is not expected to have any impact on the consolidated financial statements.

(e) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings / (loss) per share.

(f) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the consolidated financial statements.

6.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 October, 2009 but not relevant to the consolidated financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 October, 2009 are considered not to be relevant nor have any significant effect on the Group's operations; therefore are not detailed in these consolidated financial statements.

6.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).

- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).

- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2011 financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated 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 Parent Company and FSM also operate un-funded gratuity schemes for their permanent employees under which benefits are paid on cessation of employment subject to a minimum qualifying period of service.

Employees' benefits under these schemes are accounted for on the basis of actuary's recommendations based on the actuarial valuation of the schemes. Latest valuation of the schemes was carried-out as on 30 September, 2010.

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 payable under section 113 of the Income Tax Ordinance, 2001, 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 Companies, 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 Parent 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 Parent 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 20. 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 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 21.

7.9 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 22. 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.

7.10 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.

7.11 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 other comprehensive income / (loss) 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.

7.12 Stores and spares

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated to the balance sheet date.

7.13 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.

7.14 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.

7.15 Loans and advances

These are stated at cost.

7.16 Short term investments

Short term investments, at inception, are designated at fair value through profit or loss. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

7.17 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.

7.18 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'.

7.19 Development expenditure

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

7.20 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.

7.21 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.

7.22 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.

7.23 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.

7.24 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.

7.25 Dividend distribution

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

8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
(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, 2010 and 30 September, 2009.

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

9.1 The Parent Company and FSM, 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 these produced appraisal surplus aggregating Rs.284.823 million, which was credited to this account.

9.2 The Parent Company, during the preceding financial year, has again revalued its aforementioned operating fixed assets. The revaluation exercise was 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 was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

9.3 FSM, during the preceding financial year, has again revalued its aforementioned operating fixed assets and freehold land. The revaluation exercise was carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd., 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 was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

9.4 CSM had revalued freehold land, buildings & roads and plant & machinery of its Unit - I on 31 March, 2008. The revaluation exercise was carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. to replace the carrying amounts of these assets with their replacement value / depreciated market values. The aggregated net appraisal surplus arisen on the revaluation amounting Rs.957.702 million was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

	Note	**2010**	2009
		Rupees in thousand	
The year-end balance has been arrived as follows:			
Balance at beginning of the year		**1,319,372**	999,733
Add: surplus arisen on revaluations carried-out during the preceding year		**0**	632,235
Less: transferred to unappropriated profit on account of incremental depreciation for the year		**(129,947)**	(143,140)
		(129,947)	489,095
Less: deferred tax on:			
- surplus on revaluation of property, plant and equipment		**0**	(190,581)
- incremental depreciation		**19,095**	21,125
		19,095	(169,456)
Balance at end of the year		**1,208,520**	1,319,372

10. LONG TERM FINANCES - Secured

	Note	2010	2009
Bank Alfalah Limited: (BAL)			
- Term finance - I	**10.1**	**49,998**	83,332
- Term finance - II	**10.1**	**160,000**	200,000
		209,998	283,332
Bank Al-Habib Limited: (BAH)			
- Term finance - I	**10.2**	**210,000**	270,000
- Term finance - II	**10.3**	**280,000**	315,000
		490,000	585,000
Silkbank Limited: (SBL)			
- Term finance	**10.4**	**90,000**	120,000
		789,998	988,332
Less: current portion grouped under current liabilities		**233,334**	198,333
		556,664	789,999

10.1 Term finance facilities utilised from BAL aggregated Rs.400 million. Term finance-I carries mark-up at the rate of 6-months KIBOR plus 2% with a floor of 9% per annum; the effective mark-up rate during the year ranged from 14.35% to 14.54% (2009: 14.54% to 17.68%) per annum. Term finance-II carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.35% to 14.54% (2009: 14.54% to 17.68%) per annum. Term finance-I is repayable in 12 equal half-yearly instalments commenced from April, 2006 whereas term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. These term finance facilities are secured against first pari passu charge on fixed assets of CSM for Rs. 533.334 million.

10.2 Term finance facility utilised from BAH aggregated Rs.300 million; the facility has been obtained for establishment of Unit- 2 of CSM and is secured against joint pari passu charge over fixed assets of CSM; BAH's share amounts to Rs.866.667 million. This finance facility, during the year, has carried mark-up at the rates ranging from 14.17% to 14.57% (2009: 14.57% to 17.49%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from February, 2010.

10.3 Term finance facility utilised from BAH aggregated Rs.350 million; the facility has also been obtained for establishment of Unit-2 of CSM and is secured against the securities as stated in note 10.2. This finance facility, during the year, has carried mark-up at the rates ranging from 14.37% to 14.77% (2009: 14.77% to 17.69%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from May, 2010.

10.4 Term finance facility utilised from SBL aggregated Rs.150 million; the facility has been obtained to finance the acquisition of plant and machinery for Unit-2 of CSM and is secured against ranking charge on current and fixed assets of CSM for Rs.200 million and first registered pari passu charge on fixed assets of Unit-2 of CSM for Rs.200 million. This finance facility carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.37% to 14.76% (2009: 14.76% to 17.70%) per annum. The year-end outstanding balance of this finance facility is repayable in 6 equal half-yearly instalments ending April, 2013.

11. LOANS FROM ASSOCIATED COMPANIES - Secured

	Note	2010	2009
		Rupees in thousand	
Premier Board Mills Ltd. **(PBM)**	**11.1**	**130,000**	130,000
Arpak International Investments Ltd. **(AIIL)**	**11.2**	**50,000**	50,000
		180,000	180,000
Less: current portion grouped under current liabilities		**0**	22,500
		180,000	157,500

11.1 CSM and PBM have entered into a loan agreement on 20 May, 2008 whereby PBM has advanced amounts aggregating Rs.130 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 PBM during the year ranged from 13.28% to 14.04% (2009: 12.39% to 15.85%) per annum. PBM, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.268.031 million.

11.2 CSM and AIIL have entered into a loan agreement on 20 May, 2008 whereby AIIL has advanced amounts aggregating Rs.50 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 AIIL during the year ranged from 13.28% to 14.04% (2009: 12.39% to 15.85%) per annum. AIIL, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.55.615 million.

12. DEFERRED TAXATION

	2010	2009
	Rupees in thousand	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**22,695**	27,982
- surplus on revaluation of property, plant and equipment	**187,817**	206,913
- gain on re-measurement of short term investments to fair value	**619**	0
	211,131	234,895
Deductible temporary differences arising in respect of:		
- unused tax losses	**(10,386)**	0
- minimum tax recoverable against normal tax charge in future years	**(3,007)**	0
- staff retirement benefits - gratuity	**(7,101)**	(6,116)
- impairment loss against investments	**(1,920)**	(20,906)
- provision for doubtful bank balance	**(1,750)**	(1,750)
	(24,164)	(28,772)
	186,967	206,123

13. 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:

	2010	2009
- discount rate - per annum	**12.50%**	14%
- expected rate of growth per annum in future salaries	**11.50%**	13%
- average expected remaining working life time of employees	**06 years**	06 years

The amount recognised in the balance sheet is as follows:	**2010**	2009
	Rupees in thousand	
Present value of defined benefit obligation	**28,502**	24,879
Unrecognised actuarial loss - net	**(4,326)**	(4,909)
Net liability as at 30 September,	**24,176**	19,970
Net liability as at 01 October,	**19,970**	31,522
Charge to profit and loss account	**8,534**	7,626
Payments made during the year	**(4,328)**	(18,454)
Benefits payable to outgoing members - grouped under current liabilities	**0**	(724)
Net liability as at 30 September,	**24,176**	19,970
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation - opening	**24,879**	37,014
Current service cost	**4,738**	1,861
Interest cost	**3,483**	5,182
Benefits payable to outgoing members - grouped under current liabilities	**0**	(724)
Benefits paid	**(4,328)**	(18,454)
Actuarial gain - net	**(270)**	0
Present value of defined benefit obligation - closing	**28,502**	24,879
Charge to profit and loss account		
Current service cost	**4,738**	1,861
Interest cost	**3,483**	5,182
Actuarial loss recognised - net	**313**	554
Past service cost	**0**	29
	8,534	7,626

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

	2010	2009	2008	2007	2006
	Rupees in thousand				
Present value of defined benefit obligation	**28,502**	24,879	37,014	32,828	32,117
Experience adjustment arising on plan liabilities	**(270)**	0	4,210	N/A	787

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

14. TRADE AND OTHER PAYABLES

	Note	**2010**	2009
		Rupees in thousand	
Due to Associated Companies	**14.1**	**2,390**	45,376
Creditors		**65,063**	57,146
Accrued expenses		**79,089**	36,582
Retention money		**2,675**	3,027
Security deposits - interest free repayable on demand	**14.2**	**1,168**	1,374
Advance payments		**159,636**	117,418
Income tax deducted at source		**644**	712
Gratuity payable to ex-employees		**1,145**	1,244
Workers' (profit) participation fund	**14.3**	**20,228**	2,604
Workers' welfare fund		**7,679**	957
Unclaimed dividends		**6,807**	7,900
Others		**554**	1,745
		347,078	276,085

14.1 The balance represents amounts due to:

- Syntron Ltd.	**2,017**	44,921
- Phipson & Co. Pakistan (Pvt.) Ltd.	**153**	191
- Azlak Enterprises (Pvt.) Ltd.	**220**	99
- Syntronics Ltd.	**0**	165
	2,390	45,376

14.2 Security deposits include Rs.336 thousand (2009:Rs.476 thousand) representing mark-up bearing deposits. The Parent 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.

14.3 Workers' (profit) participation fund	**Note**	**2010**	2009
		Rupees in thousand	
Opening balance		**2,604**	86
Add:			
- interest on funds utilised in Group's business		**282**	0
- allocation for the year		**19,776**	2,518
		20,058	2,518
		22,662	2,604
Less: payments made during the year		**2,434**	0
Closing balance		**20,228**	2,604

15. ACCRUED MARK-UP

Mark-up accrued on:			
- long term finances		**29,081**	36,300
- loans from Associated Companies		**38,998**	31,045
- short term finances		**12,121**	30,823
		80,200	98,168

16. SHORT TERM FINANCES

Cash and running finances - secured	**16.1**	**0**	700,579
Temporary bank overdraft - unsecured		**0**	334
		0	700,913

16.1 Short term finance facilities under mark-up arrangements available to CSM from commercial banks aggregate Rs.1.550 billion (2009: Rs.1.275 billion). These facilities, during the year, carried mark-up at the rates ranging from 13.50% to 14.85% (2009: 13.67% to 17.50%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2009: facilities available for opening letters of credit and guarantee aggregated Rs.91 million). These facilities are secured against pledge of stock-in-trade, hypothecation charge over present and future current assets and banks' lien on import documents. These facilities have remained unutilised at the year-end and are expiring on various dates by 30 April, 2011.

16.2 Cash finance facility available to the Parent Company from The Bank of Khyber under mark-up arrangements amounts to Rs.100 million (2009: running and cash finance facilities available from various banks aggregated Rs.195 million). The facility is secured against pledge of stock of refined sugar and charge over current assets of the Parent Company for Rs.63 million. The facility, during the year, carried mark-up at the rates ranging from 14.26% to 14.34% (2009: 15.44% to 16.77%) per annum and is available upto 31 March, 2011.

Facilities available to the Parent Company for opening letters of credit and guarantee from commercial banks aggregate Rs.97.300 million (2009: Rs.95 million) and are secured against lien on term deposit receipts, charge over current assets of the Parent Company for Rs.230 million and lien over import documents. These facilities are expiring on various dates by 31 July, 2011.

17. SALES TAX AND FEDERAL EXCISE DUTY PAYABLE

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 Parent 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 Parent 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 Parent 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.

18. TAXATION - Net

	2010	2009
	Rupees in thousand	
Opening balance	**34,715**	14,008
Add: provision / (reversal) made during the year:		
- current	**66,715**	36,086
- prior years'	**(1,657)**	56,148
	65,058	92,234
Less: adjustments made during the year against completed assessments	**34,429**	71,527
Closing balance	**65,344**	34,715

18.1 Returns of the Group for Tax Years 2003 to 2010, except for the return of CSM for Tax Year 2009, have been filed after complying with all the provisions of the Income Tax Ordinance, 2001 (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.

18.2 In case of CSM, the Appellate Tribunal, Inland Revenue, Peshawar (the Tribunal), vide its order dated 06 April, 2010, has rejected the Department's appeal and upheld the reliefs allowed by the Commissioner of Income Tax (Appeals) - CIT (A) - for the Assessment Year 2002-03. The Department has filed a reference application under section 133 of the Ordinance before the Peshawar High Court, Peshawar (PHC), which has been decided in favour of CSM.

18.3 The Tribunal, for the Assessment Year 1999-2000 through a unanimous decision of 08 October, 2007, had decided the appeal in favour of CSM by cancelling the original assessment for non-invocation of the provisions of section 12(9A) of the repealed Income Tax Ordinance, 1979. The Commissioner of Income Tax, during the financial year ended 30 September, 2008, had filed a reference application under section 133 of the Ordinance before the PHC against order of the Tribunal. The reference is pending adjudication.

18.4 In case of CSM, the Tribunal, vide its order dated 11 December, 2009 for the Tax Year 2006, has deleted the tax charged by the Taxation Officer aggregating Rs.9.082 million under sections 161/205 of the Ordinance and annulled the order passed by him. The Department, against the order of the Tribunal, has filed a reference application under section 133 of the Ordinance before the PHC, which is pending adjudication.

18.5 In case of CSM, the Commissioner Inland Revenue (Appeals), for the Tax Year 2005, has allowed reliefs and tax charged by the Assessing Officer under section 161/205 of the Ordinance aggregating Rs.269 thousand was deleted to the extent of Rs.257 thousand. The Department, against the Commissioner's order, has filed an appeal before the Tribunal, which is pending adjudication.

18.6 CSM has filed a writ petition before the PHC during December, 2010 against its selection for tax audit of Tax Year 2009.

18.7 In case of FSM, the Department against the judgment of PHC dated 22 October, 2008 has filed an appeal before the Supreme Court of Pakistan. The PHC, vide its aforementioned judgment had rejected the departmental application and upheld the order of the Tribunal dated 28 April, 2007. Earlier, the Tribunal had upheld the CIT(A)'s action of annulment of amendment of assessment orders passed by the Additional Commissioner (Audit) under section 122(5A) of the Ordinance.

18.8 No numeric tax rate reconciliation is given in these consolidated financial statements as provisions made during the year mainly represent minimum tax payable under section 113 of the Ordinance.

19. CONTINGENCIES AND COMMITMENTS

19.1 Commitments for irrevocable letters of credit outstanding as at 30 September, 2010 were for Rs.2.718 million; (no commitments for irrevocable letters of credit were outstanding as at 30 September, 2009).

19.2 No commitments for capital expenditure were outstanding as at 30 September, 2010; (commitments for capital expenditure outstanding as at 30 September, 2009 aggregated Rs.1.470 million).

19.3 In case of the Parent Company, 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 Parent 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 Parent Company either not charged or charged lesser sales tax on these supplies. The Parent 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 Parent Company, during the financial year ended 30 September, 2005, had filed an appeal before the Peshawar High Court (PHC) against the order of the Tribunal, which is pending adjudication. The Parent 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.

19.4 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 CSM by the Parent Company on annual rental basis under an operating lease agreement constituted 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 Parent Company, against the aforementioned judgment of the Tribunal, has filed an appeal before the PHC, which vide its judgment dated 25 March, 2009 has dismissed the appeal.

The Parent Company's legal Advisor, vide his letter dated 15 December, 2010, has confirmed that during pendency of the appeal before the PHC, the issue involved was resolved by the Alternative Dispute Resolution Committee (ADRC) wherein for the principal amount, the Parent Company was allowed to raise the invoice in favour of CSM by virtue of it the principal amount alongwith additional tax paid under the Amnesty to the extent of the principal amount was made refundable to the Parent Company. ADRC, however, denied the waiver of additional tax. In PHC an attempt was made for remission of additional tax but the PHC refused to interfere in view of the ADRC judgment.

19.5 The Collectorate of Customs, Sales Tax and Federal Excise (Appeals), Rawalpindi, vide its judgment dated 21 October, 2008, had rejected the Parent Company's appeal and upheld the order of the Assistant Collector wherein the Parent 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 Parent 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.

19.6 The Additional Collector of Sales Tax, Peshawar, had served a show cause notice raising sales tax demands aggregating Rs.1.528 million along with additional tax on the grounds that FSM under-valued the price of spirit during the financial years 1994-95 & 1995-96 and paid lesser sales tax. FSM 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.

19.7 Various ex-employees of FSM, retrenched on 30 June, 2008 due to non-availability of raw materials to FSM, have filed a petition in the Court of Payment and Wage Commissioner, Mardan despite the fact that FSM has paid all their terminal dues as per its rules and according to the entitlement of each ex-employee. The ex-employees, in their petition, have demanded gratuity at the rate of 50 days per completed year on gross salary. FSM has filed an application in the Court for dismissal of this petition. The management is confident that no loss is likely to occur as a result of this petition, and hence, no provision there against has been made in the books of account of FSM.

19.8 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Parent Company outstanding as at 30 September, 2010 was for Rs.10 million (2009: Rs.10 million). The guarantee is valid upto 26 May, 2011.

19.9 The Bank of Khyber, as per requirements of Listing Regulations of The Karachi Stock Exchange (the Exchange), has given a guarantee to the Exchange undertaking that in the event of Invest Capital Investment Bank Ltd.'s (the Parent Company's Purchase Agent) failure to purchase any of the 263,134 ordinary shares from the shareholders other than those of the sponsors / majority shareholders of FSM, it shall pay to the Exchange a sum not exceeding Rs.50.049 million calculated at the rate of Rs.190.20 per share being the purchase price for payment to such shareholders. The guarantee is valid till purchase of the aforementioned shares by the Parent Company's Purchase Agent or till 31 July, 2011, whichever is earlier.

19.10 Guarantee given by a bank on behalf of FSM outstanding as at 30 September, 2010 was for Rs.1.143 million (2009: Rs1.143 million).

19.11 Also refer contents of taxation notes.

20. PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
		Rupees in thousand	
Operating fixed assets - tangible	**20.1**	**3,041,843**	3,250,880
Capital work-in-progress	**20.6**	**2,463**	45,813
Stores held for capital expenditure		**18,741**	18,475
		3,063,047	3,315,168

20.1 Operating fixed assets - tangible

Particulars	Land: Free - hold	Land: Lease - hold	Buildi - ngs on freehold land	Buildi - ngs and roads on lease - hold land	Plant and machinery	Tools	Beet water line	Electric and gas equipment	Labora - tory equip - ment	Furnit - ure, fittings & office equip - ment	Farm equip - ment	Railway rolling stock and vehicles	Tube well	Arms	Leased: Vehicles	Total
	------ Rupees in thousand ------															
As at 30 September, 2008																
Cost / revaluation	149,285	2,725	624,718	36,691	2,756,373	914	206	152,960	120	51,085	0	24,280	59	54	13,156	3,812,626
Accumulated depreciation	0	303	76,338	19,462	685,962	912	205	43,540	116	30,832	0	18,465	58	38	7,885	884,116
Book value	149,285	2,422	548,380	17,229	2,070,411	2	1	109,420	4	20,253	0	5,815	1	16	5,271	2,928,510
Year ended 30 September, 2009:																
Additions	311	0	0	0	917	0	0	1,988	0	5,044	0	12,264	0	0	0	20,524
Transfers																
- Cost	0	0	0	0	0	0	0	0	0	0	0	13,156	0	0	(13,156)	0
- Depreciation	0	0	0	0	0	0	0	0	0	0	0	(8,017)	0	0	8,017	0
	0	0	0	0	0	0	0	0	0	0	0	5,139	0	0	(5,139)	0
Revaluation adjustments:																
- Cost	78,094	0	102,557	101,333	153,707	0	0	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	0	0	196,543
Revaluation surplus	78,094	0	122,164	116,886	315,090	0	0	0	0	0	0	0	0	0	0	632,234
Disposals:																
- Cost	0	0	0	0	0	0	0	0	0	0	0	1,281	0	0	0	1,281
- Depreciation	0	0	0	0	0	0	0	0	0	0	0	(1,038)	0	0	0	(1,038)
	0	0	0	0	0	0	0	0	0	0	0	243	0	0	0	243
Depreciation charge	0	28	64,126	10,871	238,091	0	0	11,035	0	2,451	0	3,409	0	2	132	330,145
Book value as at 30 September, 2009	227,690	2,394	606,418	123,244	2,148,327	2	1	100,373	4	22,846	0	19,566	1	14	0	3,250,880
Year ended 30 September, 2010:																
Additions	0	0	18,640	0	56,367	0	0	6,033	0	2,978	1,017	11,087	0	0	0	96,122
Disposals:																
- Cost	0	0	0	0	0	0	0	0	0	0	0	1,947	0	0	0	1,947
- Depreciation	0	0	0	0	0	0	0	0	0	0	0	(1,074)	0	0	0	(1,074)
	0	0	0	0	0	0	0	0	0	0	0	873	0	0	0	873
Depreciation charge	0	28	58,831	9,911	217,489	1	0	10,263	0	2,618	39	5,105	0	1	0	304,286
Book value as at 30 September, 2010	227,690	2,366	566,227	113,333	1,987,205	1	1	96,143	4	23,206	978	24,675	1	13	0	3,041,843

As at 30 September, 2009

20.2 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:

	2010	2009
	Rupees in thousand	
- freehold land	**41,382**	41,382
- buildings on freehold land and roads	**274,402**	284,726
- buildings on leasehold land	**2,683**	2,827
- plant & machinery	**1,168,291**	1,238,127
	1,486,758	1,567,062

20.3 The Parent Company had availed its option of renewal of leasehold land agreement expired during the financial year ended 30 September, 2008. Buildings on leasehold land, however, were revalued during the preceding financial year and revaluation surplus on these assets aggregating Rs.116.886 million was incorporated in the books of account.

The Parent Company, during the current financial year, has issued notices to all the legal Heirs / Successors of the Lessor for the appointment of Arbitrator under clause 6 of the lease agreement dated 09 July, 1947 entered into between the Lessor and the Parent Company. The Heirs / Successors, however, have not appointed the second Arbitrator in terms of the lease agreement; accordingly, the Arbitrator appointed by the Parent Company is the sole Arbitrator in terms of section 9(b) of the Arbitration Act, 1940.

20.4 Depreciation for the year has been allocated as follows:

Cost of sales	**296,197**	323,484
Administrative expenses	**8,089**	6,661
	304,286	330,145

20.5 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to / insurance claim received from:
	------------ Rupees in thousand ------------					
Land Cruiser	800	181	619	755	136	Mr. Adnan Aziz, House # 138, Street # 72, G-9/3, Islamabad.
Toyota Corolla	930	834	96	700	604	IGI Insurance Ltd.
1 Motor cycle	40	39	1	7	6	Mr. Gulzada (employee).
3 Thrashers	177	20	157	178	21	Various growers.
	1,947	**1,074**	**873**	**1,640**	**767**	

	2010	2009
	Rupees in thousand	
20.6 Capital work-in-progress		
Freehold land - advance payments	**421**	421
Buildings on freehold land - cost of materials	**1,816**	12,068
Plant and machinery:		
- cost	**226**	27,759
- advance payments	**0**	490
	226	28,249
Electric installations - cost	**0**	2,347
Vehicles - advance payments	**0**	2,728
	2,463	45,813

21. INTANGIBLE ASSETS (Computer softwares)

	2010	2009
Cost at beginning of the year	**6,292**	5,532
Additions during the year	**0**	760
Cost at end of the year	**6,292**	6,292
Less: amortisation:		
- at beginning of the year	**5,392**	4,745
- charge for the year	**647**	647
- at end of the year	**6,039**	5,392
Book value as at 30 September,	**253**	900

21.1 Amortisation is charged to income applying the straight-line method at the rate of 33.33% per annum.

22. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------Rupees in thousand ------------		
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
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
Year ended 30 September, 2010:			
Disposal **(note 22.2)**			
Cost	0	11,047	11,047
Depreciation	0	(3,160)	(3,160)
	0	7,887	7,887
Depreciation charge	0	2,221	2,221
Book value as at 30 September, 2010	**14,544**	**24,458**	**39,002**
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
As at 30 September, 2010			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	39,035	39,035
Book value	**14,544**	**24,458**	**39,002**
Depreciation rate (%)		5-10	

22.1 Fair value of the investment property, based on the management's estimation, as at 30 September, 2010 was Rs.260.000 million (2009: Rs.259.172 million - based on the independent Valuers' certification).

22.2 The Parent Company, during the current year, has sold house # 2 located at street # 27, sector F-6/2, Islamabad measuring 622 square yards alongwith fittings, fixtures and installations thereon to Tennison International Limited (3rd Floor, Omer Hodge Building, Wickhams Lay I, P.O.Box # 362, Road Town, Tortola, British Virgin Islands) against consideration of Rs.50.945 million.

23. INVESTMENTS

	2010	2009	2010	2009
	Equity held (%)		Rupees in thousand	
Associated Companies				
Quoted:				
Arpak International Investments Ltd.				
229,900 (2009: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**13,361**	12,480
Market value Rs.0.920 million (2009: Rs.1.952 million)				
Un-quoted:				
National Computers (Pvt.) Ltd.				
14,450 (2009: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	0
Premier Board Mills Ltd.				
47,002 (2009: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**1,988**	1,835
Azlak Enterprises (Pvt.) Ltd.				
200,000 (2009: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**23,078**	21,726
			38,427	36,041

	Note	2010	2009
		Rupees in thousand	
Others (available-for-sale)			
Ibrahim Fibres Ltd.			
438,250 (2009: 438,250) ordinary shares of Rs.10 each		**6,135**	6,135
Add: adjustment arising from re-measurement to fair value		**9,913**	9,203
		16,048	15,338
		54,475	51,379

23.1 The Parent Company directly and indirectly controls / beneficially owns more than fifty percent of CSM's paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary with effect from the current financial year.

23.2 Investments in equity instruments of Associated Companies

	2010	2009
Opening balance - cost	**5,638**	5,638
Add: post acquisition profit brought forward	**30,403**	21,909
	36,041	27,547
Share of profit of Associated Companies net-off effect of items directly credited in equity by the Associated Companies	**1,889**	8,955
Taxation - net	**497**	(461)
	2,386	8,494
Balance as at 30 September,	**38,427**	36,041

23.3 Financial statements of Azlak Enterprises (Pvt.) Ltd. and National Computers (Pvt.) Ltd. for the year ended 30 June, 2010 have not yet been audited; accordingly, these investments have been stated based on their audited financial statements for the year ended 30 June, 2009.

23.4 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 after tax**
	2010			
	Rupees in thousand			
Arpak International Investments Ltd. *	**235,555**	**3,197**	**10,855**	**11,073**
Premier Board Mills Ltd. *	**246,680**	**7,183**	**23,658**	**16,956**
National Computers (Pvt.) Ltd. **	**60**	**638**	**0**	**0**
Azlak Enterprises (Pvt.) Ltd. **	**78,714**	**21,020**	**30,066**	**3,380**

*** based on the audited financial statements for the year ended 30 June, 2010.**

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

Name of the Associated Company	Assets	Liabilities	Operating revenues	Profit after tax
	2009			
	Rupees in thousand			
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

24. 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**	**2010**	2009
		Amount of deposit	
		Rupees in thousand	
29 July, 2009		**15,600**	15,600
29 July, 2010		**15,600**	15,600
29 July, 2011		**15,600**	15,600
29 July, 2012		**31,200**	31,200
	24.1	**78,000**	78,000
Less: current portion grouped under current assets		**46,800**	31,200
		31,200	46,800

24.1 The realisibility of these deposits is doubtful of recovery as deposits aggregating Rs.31.200 million could not be encashed on their respective maturity dates; further, the Securities and Exchange Commission of Pakistan, in exercise of its powers conferred under sections 282 E & F of the Companies Ordinance, 1984, has superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from 28 January, 2010, who has filed a petition with the Lahore High Court for winding-up of IIBL. The petition is pending adjudication.

24.2 The Group has not accrued profit on these deposits during the current financial year; however, FSM has accrued profit on deposits aggregating Rs.39 million during the preceding year.

25. STORES AND SPARES

	Note	2010	2009
		Rupees in thousand	
Stores including in transit inventory valuing Rs.5.789 million (2009: Rs.3.243 million)		**191,683**	181,555
Spares		**69,086**	71,922
		260,769	253,477

25.1 FSM has not carried-out manufacturing operations during the current and prior years and in the absence of an exercise to identify obsolete / damaged stores and spares inventory, carrying values of the year-end stores and spares inventory valuing Rs.32.460 million have not been adjusted for any potential impairment loss.

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

26. STOCK-IN-TRADE

	Note	2010	2009
Sugar-in-process		**22,340**	9,705
Finished goods:			
- Sugar	**26.1**	**352,231**	884,999
- Spirit	**26.2**	**2,884**	18,298
		355,115	903,297
		377,455	913,002

26.1 **(a)** Finished sugar inventory of the Parent Company valuing Rs.107.310 million (2009: Rs.206.723 million) as at 30 September 2010 and 30 September 2009 has been measured at net realisable value being lower than cost.

(b) Finished sugar inventory of CSM as at 30 September, 2008 was measured 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 financial year ended 30 September, 2008 by the said amount; the aforementioned accounting treatment had converted profit for the financial year ended 30 September, 2009 amounting Rs.283.563 million into loss amounting Rs.217.910 million. Valuation of finished sugar inventory as at 30 September, 2009, however, was made as per the policy stated in note 7.13.

26.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 2,421.451 metric tonnes (2009: 2,100.169 metric tonnes) valued at Rs. Nil.

27. LOANS AND ADVANCES

	Note	2010	2009
		Rupees in thousand	
Due from Associated Companies	**27.1**	**5**	6
Advances to:			
- suppliers and contractors - considered good	**27.2**	**57,467**	43,228
- employees - considered good		**2,843**	3,463
		60,310	46,691
Letter of credit		**4**	0
		60,319	46,697
Less: provision for doubtful advances		**2,437**	2,437
		57,882	44,260

27.1 Due from Associated Companies

	2010	2009
Syntron Ltd.	**0**	1
Premier Board Mills Ltd.	**5**	5
	5	6

27.2 These are unsecured and considered good except for Rs.2.437 million (2009: Rs.2.437 million), which have been fully provided for in the books of account.

29. SHORT TERM INVESTMENTS - At fair value through profit or loss

	2010 Rupees in thousand
Atlas Money Market Fund - 31 Units	**15**
Alfalah GHP Cash Management Fund - 85,104 Units	**41,246**
MCB Cash Management Optimizer - 1,939,311 Units	**190,540**
ABL Asset Management Co. Ltd. - 2,003,208 Growth Units	**20,000**
UBL Fund Managers Ltd. - 63,974 Units	**6,400**
	258,201
Add: adjustment on re-measurement to fair value	**10,463**
	268,664

30. BANK BALANCES

	Note	2010	2009
		Rupees in thousand	
Cash at banks on:			
- PLS accounts	**30.1**	**23,765**	8,338
- saving accounts		**1,253**	2,115
- current accounts		**42,965**	19,810
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.46.800 million (2009: Rs.31.200 million) - note 24]		**62,101**	173,957
- dividend accounts		**1,193**	2,252
		131,277	206,472
Less: provision for doubtful bank balance	**30.3**	**5,000**	5,000
		126,277	201,472

30.1 These include Rs.0.336 million (2009: Rs.0.475 million) in security deposit account.

30.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 5.00% to 11.50% (2009: 2.00% to 11.50%) per annum.

30.3 The Parent 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 Limited's affairs which were being administered by the State Bank of Pakistan (SBP). Mehran Bank Limited was eventually merged into National Bank of Pakistan (NBP).

The Parent Company, through its lawyers, had issued legal notices to SBP, NBP and the defunct Mehran Bank Limited. In response, the Parent Company had received a letter from NBP dated 05 November, 1995 stating that the investment by the Parent Company was shown in Fund Management Scheme, which was an unrecorded liability of Mehran Bank Limited. The Parent 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 the books of account of the Parent Company.

31. SALES - Net

	Note	2010	2009
		Rupees in thousand	
Turnover - Local		**6,995,904**	5,040,821
Less:			
Sales tax		**282,510**	496,961
Special excise duty		**63,043**	43,080
		345,553	540,041
		6,650,351	4,500,780

32. COST OF SALES

	Note	2010	2009
Raw materials consumed		**4,729,617**	2,531,928
Chemicals and stores consumed		**54,994**	63,529
Salaries, wages and benefits	**32.1**	**217,496**	193,528
Power and fuel		**60,332**	42,886
Insurance		**4,866**	6,944
Repair and maintenance		**79,220**	65,000
Depreciation		**296,197**	323,484
		5,442,722	3,227,299
Adjustment of sugar-in-process:			
Opening		**9,705**	8,081
Closing		**(22,340)**	(9,705)
		(12,635)	(1,624)
Cost of goods manufactured		**5,430,087**	3,225,675
Adjustment of finished goods:			
Opening stock		**903,297**	1,751,775
Closing stock		**(355,115)**	(903,297)
		548,182	848,478
		5,978,269	4,074,153

32.1 These include Rs.3.058 million (2009: Rs.2.159 million) and Rs.7.043 million (2009: Rs.6.054 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

33. DISTRIBUTION COST

	Note	2010	2009
		Rupees in thousand	
Commission		**7,871**	6,054
Salaries, wages and amenities	**33.1**	**2,791**	3,502
Stacking and loading		**4,540**	7,720
Others		**307**	220
		15,509	17,496

33.1 These include Rs.31 thousand (2009: Rs.15 thousand) in respect of provident fund contributions.

34. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries and benefits	**34.1**	**87,471**	69,424
Travelling and vehicles' running:			
- directors		**7,925**	3,710
- others		**10,102**	11,704
Utilities		**1,616**	1,375
Rent, rates and taxes		**2,237**	2,221
Insurance		**1,738**	1,881
Repair and maintenance		**9,127**	6,936
Printing and stationery		**3,481**	4,533
Communication		**3,503**	2,919
Fees and subscription		**3,097**	1,876
Auditors' remuneration	**34.2**	**2,527**	1,503
Legal and professional charges (other than Auditors')		**9,322**	3,191
Depreciation on:			
- operating fixed assets		**8,089**	6,661
- investment property		**2,221**	2,746
Amortisation of intangible assets		**647**	647
General		**2,782**	2,864
		155,885	124,191

34.1 These include Rs.1.102 million (2009: Rs.0.848 million) and Rs.1.491 million (2009: Rs.1.573 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

34.2 Auditors' remuneration	**Note**	**2010**	2009
		Rupees in thousand	
M/s Hameed Chaudhri & Co.			
- statutory audit			
- current year		**1,375**	450
- short provision for preceding year		**275**	0
- half-yearly review		**220**	220
- consultancy, tax services and certification charges		**385**	618
- out-of-pocket expenses		**158**	105
		2,413	1,393
M/s Munawar Associates			
- cost audit fee		**90**	90
- employees' provident fund's audit fee		**5**	10
- workers' (profit) participation fund's audit fee		**8**	3
- out-of-pocket expenses		**11**	7
		114	110
		2,527	1,503

35. OTHER OPERATING EXPENSES

Donations (without directors' interest)	**35.1**	**323**	1,195
Zakat paid on bank deposits		**0**	975
Uncollectible receivable balances written-off		**681**	224
Workers' (profit) participation fund		**19,776**	2,518
Workers' welfare fund		**7,515**	1,116
Obsolete beet seed stocks written-off		**1,143**	3,799
Loss from petrol pump and fertilizer sales	**36.1**	**0**	107
		29,438	9,934

35.1 Expense for the preceding financial year included Rs.1.020 million donated to the Internally Displaced Persons of Swat.

36. OTHER OPERATING INCOME

	Note	2010	2009
		Rupees in thousand	
Income from financial assets:			
Interest / profit on bank deposits / saving accounts and certificates		**11,969**	13,637
Gain on redemption of short term investments		**6,920**	0
Fair value gain on re-measurement of short term investments		**10,463**	0
Dividend		**0**	657
Income from other than financial assets:			
Rent		**3,829**	6,195
Sale of scrap		**917**	0
Sale of press mud and lime		**982**	675
Unclaimed payable balances written-back		**16**	1,410
Gain on sale of operating fixed assets - net		**767**	39
Gain on sale of investment property	**22.2**	**43,058**	0
Profit from petrol pump and fertilizer sales	**36.1**	**128**	0
Exchange fluctuation gain		**0**	1,917
Insurance claim received against damage of stock of baggase due to fire		**2,350**	0
Sale of agricultural produce		**7,824**	7,584
Sale of beet pulp		**2,600**	0
Miscellaneous		**166**	250
		91,989	32,364

36.1 Profit / (loss) from petrol pump and fertilizer sales

	2010	2009
Sales	**4,431**	8,639
Less: cost of sales		
opening stock	**2,316**	490
purchases	**2,919**	10,343
salaries	**127**	172
other expenses	**33**	57
closing stock	**(1,092)**	(2,316)
	4,303	8,746
	128	(107)

37. FINANCE COST

	Note	2010	2009
		Rupees in thousand	
Mark-up on:			
- long term finances		**128,777**	173,623
- loans from Associated Companies		**24,707**	25,970
- short term borrowings		**101,633**	197,756
Interest on workers' (profit) participation fund		**282**	0
Lease finance charges		**0**	18
Bank charges		**4,100**	4,475
		259,499	401,842

38. COMBINED EARNINGS / (LOSS) PER SHARE

	2010	2009
	Rupees in thousand	
Profit / (loss) attributable to the equity holders of the Parent	**83,119**	(85,681)
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	R u p e e s	
Combined earnings / (loss) per share	**22.17**	(22.85)

38.1 No figure for diluted earnings per share has been presented as the Group has not issued any instruments carrying options, which would have an impact on earnings / (loss) per share when exercised.

39. FINANCIAL INSTRUMENTS

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

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

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

39.1 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. All of the Group's financial assets were subject to credit risk as at 30 September, 2010 and 2009.

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 relevant 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, 2010 along with comparative is tabulated below:

	2010	2009
	Rupees in thousand	
Investments	**16,048**	15,338
Deposits with a non-bank finance institution	**78,000**	78,000
Security deposits	**4,278**	4,272
Trade debts	**109,089**	55,446
Loans and advances	**55,035**	40,797
Trade deposits	**219**	24,459
Accrued profit / mark-up on bank deposits	**1,067**	1,299
Other receivables	**759**	617
Short term investments	**268,664**	0
Bank balances	**79,477**	170,272
	612,636	390,500

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

The ageing of trade debts, all of which are domestic parties, at the balance sheet date is as follows:

Not past due	**79,377**	53,396
Past due 1-30 days	**0**	3
Past due more than 30 days	**29,712**	2,047
	109,089	55,446

Based on past experience, the Group's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.78.380 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

The analysis below summarises the credit quality of the Group's investments:

	Rating assigned by	Fund stability rating
- Atlas Money Market Fund	PACRA	AA
- Alfalah GHP Cash Fund	PACRA	AA
- MCB Cash Management Optimizer	PACRA	AA
- ABL Asset Management Co. Ltd.	JCR-VIS	AM3
- UBL Fund Managers Ltd.	JCR-VIS	AM2

39.2 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:

	2010				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	------------------------- Rupees in thousand -------------------------				
Long term finances	**789,998**	**985,609**	**326,856**	**658,753**	**0**
Loans from Associated Companies	**180,000**	**291,222**	**25,272**	**192,289**	**73,661**
Trade and other payables	**158,891**	**158,891**	**158,891**	**0**	**0**
Accrued mark-up	**80,200**	**80,200**	**80,200**	**0**	**0**
	1,209,089	**1,515,922**	**591,219**	**851,042**	**73,661**

	2009				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	------------------------- Rupees in thousand -------------------------				
Long term finances	988,332	1,266,508	327,833	938,675	0
Loans from Associated Companies	180,000	248,450	47,016	201,434	0
Short term finances	700,579	725,710	725,710	0	0
Trade and other payables	154,394	154,394	154,394	0	0
Accrued mark-up	98,168	98,168	98,168	0	0
	2,121,473	2,493,230	1,353,121	1,140,109	0

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective at the respective year-ends. The rates of mark-up have been disclosed in the respective notes to these consolidated financial statements.

39.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, mark-up 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 significant 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:

	2010	2009	2010	2009
	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**	2.00 to 11.50	**40,319**	153,210
Variable rate instruments				
Financial liabilities				
Long term finances	**14.17 to 14.77**	13.79 to 17.70	**789,998**	988,332
Loans from Associated Companies	**13.28 to 14.04**	12.39 to 15.85	**180,000**	180,000
Short term finances	**13.50 to 14.85**	13.67 to 17.50	**0**	700,579

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 or loss. Therefore, a change in interest and mark-up rates at the reporting date would not affect profit or loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest and mark-up rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2009.

	Decrease	Increase
	Rupees in thousand	
As at 30 September, 2010		
Cash flow sensitivity-variable rate financial liabilities	**(9,700)**	**9,700**
As at 30 September, 2009		
Cash flow sensitivity-variable rate financial liabilities	18,689	(18,689)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit (2009: loss) for the year and liabilities of the Group.

(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 units of Mutual Funds and ordinary shares of a listed company. To manage its price risk arising from aforesaid investments, the management diversifies the investments portfolio and continuously monitors developments in the market. In addition, the Group's management actively monitors the key factors that affect price movement.

A 10% increase / decrease in share price of the listed company and redemption value of investments in Mutual Funds at the balance sheet date would have increased / decreased the Group's equity and profit respectively in case of available-for-sale investments and investments through profit or loss as follows:

	2010	2009
	Rupees in thousand	
Effect on equity	**1,605**	1,534
Effect on profit	**26,866**	0
Effect on investments	**28,471**	1,534

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / investments of the Group.

39.4 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.

39.5 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

40. TRANSACTIONS WITH RELATED PARTIES

40.1 Maximum aggregate balance due from the Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs.177 thousand (2009: Rs.7,213 thousand).

40.2 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:

- purchase of goods and services	**33,807**	47,969
- dividend paid	**0**	1,240
- mark-up accrued on long term loans	**24,707**	25,970

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

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts of remuneration, including certain benefits, to the chief executive, directors and executives of the Group, are as follows:

Particulars	Chief Executive		Directors		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	------------------- Rupees in thousand-------------------					
Managerial remuneration including bonus	**1,200**	400	**6,523**	4,745	**19,634**	12,959
Allowances and utilities	**0**	0	**0**	0	**5,439**	3,356
Retirement benefits	**0**	0	**0**	2,027	**430**	489
Medical expenses reimbursed	**0**	0	**0**	596	**77**	155
	1,200	400	**6,523**	7,368	**25,580**	16,959
Number of persons	**1**	1	**2**	2	**14**	12

41.1 In case of the Parent Company, the chief executive, one director and the executives residing in the factory are provided free housing (with the Parent Company's generated electricity in the residential colony within the factory compound). The chief executive and one director are also provided with the Parent Company maintained cars.

41.2 The chief executive and all executives of CSM have been provided with free use of the Company maintained cars. Seven (2009: four) of the CSM's executives have also been provided with free housing (with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound).

41.3 In case of FSM, 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.

41.4 Remuneration of the directors does not include amounts paid or provided for, if any, by the Associated Companies.

42. CAPACITY AND PRODUCTION

		2010	2009
SUGAR CANE PLANTS			
Rated crushing capacity per day	**M.Tonnes**	**22,690**	22,690
Cane crushed	**M.Tonnes**	**1,049,925**	1,139,420
Sugar produced	**M.Tonnes**	**88,136**	93,387
Sugar recovery		**8.39%**	8.20%
SUGAR BEET PLANTS			
Rated slicing capacity per day	**M.Tonnes**	**3,500**	3,500
Beet sliced	**M.Tonnes**	**33,026**	0
Sugar produced	**M.Tonnes**	**2,452**	0
Sugar recovery		**7.60%**	0
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**2,129**	189,526

42.1 The normal season days are 150 days for sugar cane crushing and 50 days for beet slicing.

42.2 Production was restricted to the availability of raw materials to the Group.

42.3 Beet plant of the Parent Company had remained closed during the preceding financial year; further, sugar cane and beet plants of FSM had remained closed during the current and preceding financial years due to non-availability of raw materials.

43. OPERATING SEGMENTS

These consolidated financial statements have been prepared on the basis of single reportable segment.

43.1 Sugar sales represent 94.47% (2009: 94.33%) of the total sales of the Group.

43.2 All of the Group's sales relate to customers in Pakistan.

43.3 All non-current assets of the Group as at 30 September, 2010 are located in Pakistan.

43.4 The Group sells sugar to commission agents (2009: the Group had sold sugar to commission agents and a Government Institution). Sugar sales to five (2009: three) of the Group's customers during the year aggregated Rs.6.284 billion (2009: Rs.4.237 billion), which represent approximately the entire sugar sales. Four (2009: three) of the Group's customers individually exceeded 10% of the sugar sales.

44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on 06 January, 2011 by the board of directors of the Parent Company.

45. CORRESPONDING FIGURES

As CSM has been treated a Subsidiary with effect from current financial year, corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison.

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

31st January, 2011 and at any adjournment thereof.

As witness my hand this ....day of 2011

Signed by the said
in the presence of

Address...
....
....

Revenue Stamp

Signature