annual report 2011

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
SHARES REGISTRAR	MESSRS HAMEED MAJEED ASSOCIATES, (PVT.) LIMITED,	
	H.M HOUSE, 7-BANK SQUARE, LAHORE	
BANKERS	NATIONAL BANK OF PAKISTAN	
	HABIB BANK LMITED	
	MCB BANK LIMITED	
	UNITED BANK LIMITED	
	ALLIED BANK LIMITED	
	THE BANK OF KHYBER	
	PICIC COMMERCIAL BANK LIMITED	
	INNOVATIVE INVESTMENT BANK LIMITED	
	THE BANK OF PUNJAB	
	BANK ALFALAH LIMITED	
	FAYSAL BANK LIMITED	
REGISTERED OFFICE	MARDAN (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 66th Annual General Meeting of the shareholders of **The Premier Sugar Mills & Distillery Company Limited** will be held on 31 January, 2012 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 31 March, 2011.

(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, 2011.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2012. 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, 2012 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
04 January, 2012

(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 Computerized 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 Computerized National Identity Card.

4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's CNIC 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 Directors of The Premier Sugar Mills & Distillery Company Limited, are pleased to present Directors' report of the Company together with the audited financial statements for the year ended 30 September, 2011.

1. SUMMARISED FINANCIAL RESULTS

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

	2011	2010
	Rupees in thousand	
(Loss)/Profit before taxation	**(327,986)**	20,424
Taxation		
- current	**1,709**	3,051
- prior year's	**(2,675)**	(1,998)
- deferred	**(134,454)**	(19,156)
	(135,420)	(18,103)
(Loss)/Profit after taxation	**(192,566)**	38,527
(Loss)/Earnings per share	**(51.35)**	10.27

2. REVIEW OF OPERATIONS

2.1 SUGARCANE SEASON 2010-2011

The sugarcane crushing season 2010-11 commenced on 01 November, 2010, and continued till 28 February, 2011. The mills crushed 133,655 tons (2009-10: 3,864 tons) of sugarcane and produced 11,509 tons (2009-10: 50 tons) of sugar at an average recovery of 8.65 % (2009-10: 7.01 %). Since last 02 years, the factory was almost non-operational due to diversion of entire sugarcane to tax free Gur making. In order to revive the business, the management took bold decisions and offered very competitive prices to the Growers. The Company suffered loss due to uncompetitive sugar prices, as compared to sugarcane cost, due to irrational policies of the GOP.

2.2 SUGARBEET SEASON 2011

The mills started sugarbeet campaign on 25th May, 2011 and ended on 15 June, 2011 (22 days). The mills sliced 50,509 tons (2010: 33,026 tons) of sugarbeet and produced 4,466 tons (2010: 2,452 tons) of sugar at an average recovery of 8.93 % (2010: 7.60 %).

3. **CURRENT SEASON 2011-2012**

The sugarcane crushing season started on 20 November, 2011 and crushed 93,264 tons of sugarcane, producing 8,490 tons of sugar at an average recovery of 9.52% up to 31 December, 2011. The Government has increased the sugarcane support price from Rs. 125/- to Rs. 150/- Per 40 kg. Supply of Sugarcane is better due to normal Gur prices.

4. **SUGARBEET SEASON 2012**

Seed distribution started during the month of October 2011 and to-date have distributed 750 units of monogerm and 5,585 Kgs of multigerm (2010: 5,687 Kg) sugarbeet seed. This year, we introduced monogerm sugarbeet seed having high recoveries and better yield, we expect major improvement in sugarbeet slicing.

5. **DISTILLERY**

The production of Industrial Alcohol from Distillery Plant during the year was 172,302 gallons (2010: 2,129 gallons).

6. **SUGAR PRICE**

The prices of sugar remained competitive up to middle of August 2011, and were meeting the increased cost of sugarcane, despite having surplus sugar stock and forecast of a abundant upcoming sugar production, the GOP refused to allow the export of sugar, whereas TCP delayed the procurement of sugar to meet the depleting buffer stock. As a result, the sugar prices could not sustain, the sugarcane farmers who increased their sugarcane production because of high sugarcane prices in the last crushing season will not get reasonable return for their crop and will have to bear the high cost of fertilizers, diesel and other input costs. To ensure farmers prosperity the GOP has to immediately allow export of sugar and refurbish Trading Corporation's buffer stock to the level of 500,000 tons.

7. **STAFF**

The Management and Labour relations remained cordial during the year.

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, 2011, 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, 2011.

- 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	4
Begum Laila Sarfaraz	5
Mr. Abbas Sarfaraz Khan	2
Ms. Zarmine Sarfaraz	4
Ms. Najda Sarfaraz	3
Ms. Mehnaz Sehgal	3
Mr. Iskandar M. Khan	5
Mr. Babar Ali Khan	5
Mr. Abdul Qadar Khattak	4

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 do not recommend any dividend due to losses suffered by the Company.

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 2011-2012. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

13. REPLY TO AUDITOR'S OBSERVATIN

We filed a writ petition in the Lahore High Court, Lahore and are striving to recover the deposits.

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, 2011 have been duly complied with. A statement to this effect is annexed with the report.

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:
04 January, 2012

(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, 2011

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
491	1	100	19,474
439	101	500	107,438
189	501	1,000	139,110
214	1,001	5,000	451,150
31	5,001	10,000	219,532
14	10,001	20,000	167,854
5	20,001	50,000	123,331
2	50,001	150,000	164,121
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
1389			**3,750,000**

S.No.	Categories of shareholders	Number of Shareholders	No of shares held	Sub Total of Shares Held	Percentage of paid up capital
1.	**Directors and Chief Executive Officer**	9		2,000,978	
	Khan Aziz Sarfaraz Khan		1,120,620		29.88
	Begum Laila Sarfaraz		307,370		8.20
	Mr. Abbas Sarfaraz Khan		530,000		14.13
	Ms. Zarmine Sarfaraz		2,925		0.08
	Ms. Mehnaz Saigol		500		0.01
	Ms. Najda Sarfaraz		2,274		0.06
	Mr. Iskander M. Khan		500		0.01
	Mr. Babar Ali Khan		3,084		0.08
	Mr. Abdul Qadar Khattak		33,705		0.90
2.	**Company Secretary/Chief Financial Officer**	1		7	
	Mr. Mujahid Bashir		7		
3.	**Shares held by relatives**	-	-	-	-
4.	**Associated Companies**	2		413,451	
	Arpak International Investments Ltd.		400,000		10.67
	Azlak Enterprises (Pvt) Ltd.		13,451		0.36
5.	**Public Sector Companies and Corporation**	19		38,855	
	Securities & Exchange Commission of Pakistan		1		0.00
	Deputy Administrator Abandoned Properties		87		0.00
	The Society for Rehabilitation of crippled children		174		0.00
	Chief Administrator of Auqaf		3,798		0.10
	The Ida Rieu Poor Welfare Association School				0.00
	for the Deaf Dumb Blind & Poor Asylum		349		0.01
	BCGA (Punjab) Limited		5,268		0.14
	Bibojee Services Limited		10,396		0.28
	Robberts Cotton ASSN Limited		4,444		0.12
	Madrasa Haqania Akora Khattak		52		0.00
	N.H Holdings Limited		1,900		0.05
	Pyramid Investment (Pvt) Limited		500		0.01
	Secretary Municipal Committee Mardan.		226		0.01
	Frontier Co-operative Bank Limited		8,452		0.23
	Freedom Enterprises Limited		1,000		0.03
	Y S Securities Limited		2		0.00
	Ismail Abdul Shakoor Securities (Pvt) Limited		1,000		0.03
	Ismail Iqbal Securities (Pvt) Limited		450		0.01
	Pearl Capital Management		236		0.01
	Mohammad Ahmed Nadeem Securities (SMC-Pvt) Limited		520		0.01
6.	**Banks, Development Finance Institutions, Non Banking Financial Instituations, Insurance Companies, Modarabas and Mutual Funds**	5		87,501	
	National Investment Trust Limited		1,892		0.05
	National Bank of Pakistan, Trustee Department		80,456		2.15
	United Bank Limited		37		
	Investment Corporation of Pakistan		116		0.00
	State Life Insurance Corporation of Pakistan		5,000		0.13
7.	**Shares held by General Public**				
	Held by General Public	1353		1,209,208	32.25
		1389		**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 Limited		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

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

TEN YEARS' REVIEW

YEAR	CANE			BEET		
	CANE CRUSHED	RECOVERY	SUGAR PRODUCED	BEET SLICED	RECOVERY	SUGAR PRODUCED
	M. Tons		M. Tons	M. Tons		M. Tons
2002	35,741.061	7.43	2,656.00	145,861.66	9.22	13,446.50
2003	239,818.622	8.80	21,105.00	104,568.12	10.00	10,335.00
2004	388,057.446	8.92	34,614.00	113,968.62	9.20	10,407.00
2005	209,744.959	9.17	19,225.00	68,745.00	8.50	5,750.00
2006	45,367.358	7.14	3,240.00	53,172.50	9.10	4,839.00
2007	28,596.745	7.88	2,252.50	83,579.52	9.04	7,556.00
2008	197,313.428	8.50	16,771.80	64,095.18	8.80	5,640.00
2009	88,612.756	9.04	8,006.00	NOT OPERATED		
2010	3,863.968	7.01	50.00	33,026.44	7.60	2,452.00
2011	133,655.000	8.65	11,509.00	50,509	8.93	4,467.00

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY GLNS PER MND	PRODUCTION IN GALLONS
2002	15,094.22	2.373	636,000.00
2003	18,710.00	2.484	753,144.00
2004	22,060.00	2.464	895,258.00
2005	14,700.58	2.027	725,413.00
2006	5,570.28	1.846	276,522.00
2007	4,255.70	1.763	201,043.00
2008	7,300.00	1.799	351,801.00
2009	3,728.00	1.897	189,526.00
2010	35.46	2.402	2,129.00
2011	3,431.77	2.008	172,302.00

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD

SIX YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2011	2010	2009	2008	2007	2006
			(RUPEES IN THOUSAND)			
Turnover	395,059	297,209	531,398	375,052	219,177	212,928
Operating profit/(Loss)	(395,554)	(153,703)	1,389	(109,131)	(111,998)	(52,914)
Profit/(Loss) before tax	(327,986)	20,424	46,716	7,935	(68,771)	48,251
Profit/(Loss) After tax	(192,566)	38,527	55,205	33,643	(64,733)	51,250
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,303,833	1,428,054	1,389,527	991,637	957,994	1,026,477
Non-current assets	1,203,934	1,158,556	1,143,636	714,667	507,494	533,123
Total assets	2,277,333	1,670,583	1,670,931	1,249,166	1,069,162	1,231,431
Non current liabilities	114,601	207,256	223,597	59,437	83,135	83,820
Current assets	1,073,399	512,027	527,295	565,699	561,668	698,308
Current liabilities	858,849	35,273	57,807	198,092	28,033	121,134
Dividend						
Cash dividend	0	10%	30%	0	0	10%
Ratios:						
Profitability (%)						
Operating profit	(100.13)	(51.72)	0.26	(29.10)	(51.10)	(24.85)
Profit/ (Loss) before tax	(83.02)	6.87	8.79	2.12	(31.38)	22.66
Profit/(Loss) after tax	(48.74)	12.96	10.39	8.97	(29.53)	24.07
Return to Shareholders						
ROE - Before tax	(25.16)	1.43	3.36	0.80	(7.18)	4.70
ROE - After tax	(14.77)	2.70	3.97	3.39	(6.76)	4.99
Return on Capital Employed	(13.58)	2.36	3.42	3.20	(6.22)	4.62
E. P. S. - After tax	(51.35)	10.27	14.72	8.97	(17.26)	13.67
Activity						
Total assets turnover	0.20	0.18	0.36	0.32	0.19	0.16
Non-current assets turnover	0.33	0.26	0.57	0.61	0.42	0.39
Liquidity/Leverage						
Current ratio	1.25	14.52	9.12	2.86	20.04	5.76
Break up value per share	34.77	38.08	37.05	26.44	25.55	27.37
Total Liabilities to equity (Times)	(0.75)	(0.17)	(0.20)	(0.26)	(0.12)	(0.20)

VISION STATEMENT

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

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

MISSION STATEMENT

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

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

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

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

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

STRATEGIC GOALS

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

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

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

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

CORE VALUES

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

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

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

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

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

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

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

As Director:

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

As Executives, Managers and Staff:

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

Financial Integrity:

- Compliance with accepted accounting rules and 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.
- PSM will not knowingly assist fraudulent activities by others.

Mardan:
04 January, 2012

(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 Regulations of the Karachi Stock Exchange and 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 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 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 regulations of the Karachi Stock Exchange (Guarantee) Limited.

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

On behalf of the Board of Directors

Mardan:
04 January, 2012

(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, 2011.

LAHORE;
05 January, 2012

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

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, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, 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 19.1 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, 2011 and of the loss, its cash flows and changes in equity for the year then ended; and

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

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

LAHORE;
05 January, 2012

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
BALANCE SHEET AS AT 30 SEPTEMBER, 2011

	Note	2011	2010
		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
(Accumulated loss) / unappropriated profit		(22,501)	141,750
		915,000	1,079,251
Surplus on Revaluation of Property, Plant and Equipment	8	388,883	348,803
Non-current Liabilities			
Deferred taxation	9	91,360	186,967
Staff retirement benefits - gratuity	10	23,241	20,289
		114,601	207,256
Current Liabilities			
Trade and other payables	11	31,118	31,413
Accrued mark-up on short term borrowings		30,267	2,180
Short term borrowings	12	797,126	0
Taxation	13	338	1,680
		858,849	35,273
Contingencies and Commitments	14		
		2,277,333	1,670,583

	Note	2011	2010
		Rupees in thousand	
Assets			
Non-current Assets			
Property, plant and equipment	15	673,845	620,264
Investment property	16	37,066	39,002
Investments	17	170,006	160,688
Long term loan to Subsidiary Company	18	322,500	322,500
Deposits with a non-bank finance institution	19	0	15,600
Security deposits		517	502
		1,203,934	1,158,556
Current Assets			
Stores and spares	20	104,531	83,694
Stock-in-trade	21	668,598	120,797
Trade debts	22	24,472	29,555
Loans and advances	23	10,945	2,624
Trade deposits and short term prepayments	24	2,072	1,568
Accrued profit / mark-up on bank deposits and loan to Subsidiary Company		100	13,100
Other receivables		479	239
Sales tax refundable		18,540	1,857
Income tax refundable, advance income tax and tax deducted at source		15,965	11,097
Short term investments	25	178,416	191,852
Bank balances	26	49,281	55,644
		1,073,399	512,027
		2,277,333	1,670,583

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, 2011

	Note	2011	2010
		Rupees in thousand	
Sales - Net	27	395,059	297,209
Cost of Sales	28	732,500	383,608
Gross Loss		(337,441)	(86,399)
Distribution Cost	29	1,846	1,258
Administrative Expenses	30	56,262	63,621
Other Operating Expenses	31	5	2,425
		58,113	67,304
		(395,554)	(153,703)
Other Operating Income	32	136,238	178,296
(Loss) / Profit from Operations		(259,316)	24,593
Finance Cost	33	68,670	4,169
(Loss) / Profit before Taxation		(327,986)	20,424
Taxation			
- Current	13	1,709	3,051
- Prior years'	13	(2,675)	(1,998)
- Deferred	9	(134,454)	(19,156)
		(135,420)	(18,103)
(Loss) / Profit after Taxation		(192,566)	38,527
Other Comprehensive Income		0	0
Total Comprehensive (Loss) / Income for the Year		(192,566)	38,527
		------- Rupees -------	
(Loss) / Earnings per Share	34	(51.35)	10.27

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, 2011

	2011	2010
	Rupees in thousand	
Cash flow from operating activities		
(Loss) / profit for the year - before taxation	**(327,986)**	20,424
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**57,657**	64,351
Depreciation on investment property	**1,936**	2,221
Reversal of impairment loss on long term investments	**(5,163)**	(54,247)
Mark-up on loan to Subsidiary Company and profit / mark-up on bank deposits	**(51,376)**	(52,113)
Staff retirement benefits-gratuity (net)	**2,952**	2,716
Unclaimed payable balances written-back	**0**	(16)
Gain on sale of operating fixed assets	**0**	(272)
Gain on sale of investment property	**0**	(43,058)
Gain on re-measurement of short term investment to fair value	**(15,662)**	(8,257)
Dividend income	**(13,751)**	0
Uncollectible receivable balances written-off	**0**	681
Finance cost	**67,671**	2,377
Loss before working capital changes	**(283,722)**	(65,193)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	**(20,837)**	(4,837)
Stock-in-trade	**(547,801)**	88,740
Trade debts	**5,083**	(28,116)
Loans and advances	**(8,321)**	10,948
Trade deposits and short term prepayments	**(504)**	(175)
Other receivables	**(240)**	(129)
Sales tax refundable	**(16,683)**	(1,857)
Decrease in trade and other payables	**(520)**	(9,589)
	(589,823)	54,985
Cash used in operations	**(873,545)**	(10,208)
Income tax paid	**(5,244)**	(2,313)
Security deposits	**(15)**	(5)
Net cash used in operating activities	**(878,804)**	(12,526)
Cash flow from investing activities		
Additions to property, plant and equipment	**(246)**	(1,338)
Sale proceeds of operating fixed assets	**0**	5,884
Sale proceeds of investment property	**0**	50,945
Mark-up / profit received on loan to Subsidiary Company and bank deposits	**64,376**	84,313
Dividend received	**13,751**	0
Acquisition of Subsidiary Company's shares	**(4,155)**	(6,889)
Short term investments	**29,098**	(183,595)
Net cash generated from / (used in) investing activities	**102,824**	(50,680)
Cash flow from financing activities		
Short term borrowings - net	**797,126**	0
Finance cost paid	**(39,584)**	(197)
Dividend paid	**(3,525)**	(1,093)
Net cash generated from / (used in) financing activities	**754,017**	(1,290)
Net decrease in cash and cash equivalents	**(21,963)**	(64,496)
Cash and cash equivalents - at beginning of the year	**55,644**	112,340
Deposits with a Non-bank Finance Institution grouped under current assets during the year	**15,600**	7,800
	71,244	120,140
Cash and cash equivalents - at end of the year	**49,281**	55,644

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, 2011

	Share capital	Reserves			Unappr-opriated profit / (Accumu-lated loss)	Total
		Capital	Revenue			
		Share redemp-tion	General	Sub-total		
	---------------------- Rupees in thousand ----------------------					
Balance as at 30 September, 2009	37,500	1	900,000	900,001	67,759	1,005,260
Total comprehensive income for the year	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
Transactions with owners:						
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	0	0	(3,750)	(3,750)
Total comprehensive loss for the year	0	0	0	0	(192,566)	(192,566)
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	32,065	32,065
Balance as at 30 September, 2011	**37,500**	**1**	**900,000**	**900,001**	**(22,501)**	**915,000**

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, 2011

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 the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 by the provisions of and directives issued under the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ from the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

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
- measurement of short term investments at fair value.

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 estimates / judgments and associated assumptions used in the preparation of the 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 10.

b) Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

c) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicator of impairment is identified.

d) Stores & spares and stock-in-trade

The Company reviews the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

e) Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

5.1 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after 01 October, 2010 but are considered not to be relevant or did not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

5.2 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards and interpretations that have been published and are mandatory for the Company's accounting period beginning on or after 01 October, 2011:

(a) IFRS 7 (Financial Instruments - effective 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(b) IAS 1 (Presentation of Financial Statements - effective 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(c) IAS 24 - revised (Related Party Disclosures issued in November, 2009). It supersedes IAS 24 (Related Party Disclosures issued in 2003). IAS 24 - revised is mandatory for periods beginning on or after 01 January, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to have any significant impact on the Company's 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 and borrowing costs

All borrowings are recorded at the proceeds received. 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.

6.3 Staff retirement benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 September, 2010 on the basis of the projected unit credit method by an independent Actuary.

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 and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(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 deductible temporary differences, unused tax losses and tax credits can 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 other comprehensive income / equity in which case it is included in other comprehensive income / equity.

6.6 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

6.7 Property, plant and equipment

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

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

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

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

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

6.8 Investment property

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

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

6.9 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.

6.10 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 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.

6.12 Trade debts and other receivables

Trade debts are recognised initially at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

6.13 Short term investments (at fair value through profit or loss)

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. 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 is recognised in income.

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 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.

6.16 Revenue recognition

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

(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 Provisions

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

6.19 Foreign currency translations

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

6.20 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time 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 is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include deposits with a non-bank finance institution, security deposits, trade debts, trade deposits, accrued profit / mark-up on bank deposits, other receivables, short term investments, bank balances, trade & other payables, accrued mark-up and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.21 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		**2011**	2010
(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, 2011 and 30 September, 2010.

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

8.1 The Company, during the financial years ended 30 September, 2000 and 30 September, 2009, had revalued buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.229.409 million and Rs.544.516 million respectively. These fixed assets were revalued by Independent Valuers on the basis of depreciated market values.

8.2 The Company, as at 30 September, 2011, has again revalued its aforementioned operating fixed assets. This revaluation exercise has been carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. (Independent Valuers and Consultants, Lahore) to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.110.992 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	**2011**	2010
		Rupees in thousand	
Opening balance		**536,621**	591,180
Add: surplus arisen on revaluation carried-out during the year	**15.2**	**110,992**	0
Less: transferred to unappropriated profit on account of incremental depreciation for the year		**(49,330)**	(54,559)
		598,283	536,621
Less: deferred tax on:			
- opening balance of surplus		**187,818**	206,913
- surplus on revaluation carried-out during the year		**38,847**	0
- incremental depreciation for the year		**(17,265)**	(19,095)
		209,400	187,818
Closing balance		**388,883**	348,803

8.3 Revaluation of remaining operating fixed assets has not been carried-out as the revalued figures of these assets are not expected to be materially different from their carrying values.

9. DEFERRED TAXATION

	2011	2010
	Rupees in thousand	
This is comprised of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**21,232**	22,695
- surplus on revaluation of property, plant and equipment	**209,400**	187,817
- gain on re-measurement of short term investments to fair value	**1,175**	619
	231,807	211,131
Deductible temporary differences arising in respect of:		
- unused tax losses	**(130,450)**	(10,386)
- minimum tax recoverable against normal tax charge in future years	**0**	(3,007)
- staff retirement benefits - gratuity	**(8,134)**	(7,101)
- impairment loss against investments	**(113)**	(1,920)
- provision for doubtful bank balance	**(1,750)**	(1,750)
	(140,447)	(24,164)
	91,360	186,967

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, has been used for valuation:

	2011	2010
- discount rate - per annum	**12.50%**	12.50%
- expected rate of growth per annum in future salaries	**11.50%**	11.50%
- average expected remaining working life time of employees	**06 years**	06 years

The amount recognised in the balance sheet is as follows:	**2011**	2010
	Rupees in thousand	
Present value of defined benefit obligation	**27,141**	24,480
Unrecognised actuarial loss	**(3,900)**	(4,191)
Net liability as at 30 September,	**23,241**	20,289
Net liability as at 01 October,	**20,289**	17,474
Charge to profit and loss account	**4,335**	4,904
Payments made during the year	**(1,039)**	(2,089)
Benefits payable to outgoing members - grouped under current liabilities	**(344)**	0
Net liability as at 30 September,	**23,241**	20,289
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**24,480**	23,936
Current service cost	**984**	875
Interest cost	**3,060**	3,351
Benefits payable to outgoing members - grouped under current liabilities	**(344)**	0
Benefits paid	**(1,039)**	(2,089)
Actuarial loss	**0**	(1,593)
Closing balance	**27,141**	24,480
Charge to profit and loss account		
Current service cost	**984**	875
Interest cost	**3,060**	3,351
Actuarial loss recognised	**291**	678
	4,335	4,904

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

	2011	2010	2009	2008	2007
	-------------- Rupees in thousand				**---------------**
Present value of defined benefit obligation	**27,141**	24,480	23,936	27,275	20,033
Experience adjustment on obligation	**0**	(1,593)	0	5,090	N/A

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	**2011**	2010
		Rupees in thousand	
Creditors		**5,814**	4,686
Due to related parties:			
- Subsidiary Company (The Frontier Sugar Mills & Distillery Ltd.)		**0**	731
- Associated Companies	**11.1**	**0**	352
Accrued expenses		**8,564**	13,431
Security deposits	**11.2**	**585**	434
Advance rent		**0**	1,061
Advances from customers		**6,131**	0
Income tax deducted at source		**144**	132
Gratuity payable to ex-employees		**1,489**	1,145
Workers' (profit) participation fund	**11.3**	**145**	1,546
Workers' welfare fund		**581**	581
Unclaimed dividends		**7,032**	6,807
Others		**633**	507
		31,118	31,413

11.1 Due to Associated Companies:

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

11.2 Security deposits include Rs.447 thousand (2010:Rs.336 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 Workers' (profit) participation fund

	Note	2011	2010
		Rupees in thousand	
Opening balance		**1,546**	2,601
Add:			
- interest earned on term deposit receipt purchased (2010: interest on funds utilised in the Company's business)		**82**	282
- allocation for the year		**0**	1,097
		82	1,379
		1,628	3,980
Less: payments made during the year		**1,483**	2,434
Closing balance		**145**	1,546

12. SHORT TERM BORROWINGS

	Note	2011	2010
Secured	**12.1**	**777,525**	0
Un-secured	**12.2**	**19,601**	0
		797,126	0

12.1 **(a)** Short term finance facilities under mark-up arrangements available from various commercial banks aggregate Rs.950 million (2010: cash finance facility available from a bank amounted Rs.100 million). These facilities are secured against pledge of stock of refined sugar and charge for Rs.200 million over all present and future fixed assets of the Company (excluding land and buildings) and hypothecation charge over book debts of the Company. These facilities, during the year, carried mark-up at the rates ranging from 15.07% to 15.54% (2010: 14.26% to 14.34%) per annum and are expiring on various dates by 30 June, 2012.

(b) Facility available for opening letters of guarantee from a commercial bank amounts to Rs.45 million (2010: facilities available for opening letters of guarantee and credit from commercial banks aggregated Rs.97.300 million) and is secured against lien over term deposit receipt and hypothecation charge over stock-in-trade and book debts of the Company.

12.2 This temporary bank overdraft has arisen due to issuance of cheques for amounts in excess of balance in a bank account.

13. TAXATION - Net

	2011	2010
Opening balance	**1,680**	14,803
Add: provision / (reversal) made during the year:		
- current	**1,709**	3,051
- prior years' - net	**(2,675)**	(1,998)
	(966)	1,053
Less: adjustments made during the year against completed assessments	**376**	14,176
	338	1,680

13.1 The returns for Tax Years 2003 to 2011 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.

13.2 No numeric tax rate reconciliation is given in these financial statements as provision made during the year mainly represents tax payable on dividend income and export sales under sections 5 and 154 of the Ordinance respectively.

13.3 Provision for minimum tax payable under section 113 of the Ordinance has not been made during the current financial year as the Company has incurred gross loss before set-off of depreciation and other inadmissible expenses under the Ordinance.

14. CONTINGENCIES AND COMMITMENTS

14.1 No commitments were outstanding as at 30 September, 2011 and 30 September, 2010.

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

The Company, during the financial year ended 30 September, 2005, had filed an appeal 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.

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

14.4 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at 30 September, 2011 was for Rs.10 million (2010: Rs.10 million). The guarantee is valid upto 26 May, 2012.

14.5 The Bank of Khyber, as per requirements of Listing Regulations of The Karachi Stock Exchange (the Exchange), had 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 was valid till purchase of the aforementioned shares by the Company's Purchase Agent or till 31 July, 2011; it was accordingly released on 31 July, 2011.

14.6 Also refer contents of note 15.4.

15. 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, 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
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)
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
Year ended 30 September, 2011:								
Additions	0	0	0	0	0	0	246	246
Depreciation charge	0	28	9,150	9,040	37,290	580	1,569	57,657
Elimination of accumulated depreciation against gross carrying amount	0	0	(17,585)	(17,376)	(76,031)	0	0	(110,992)
Book value as at 30 September, 2011	5,082	2,337	123,139	121,668	411,480	3,791	6,348	673,845
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
As at 30 September, 2011								
Cost / revaluation	5,082	2,725	139,694	138,024	610,533	20,802	18,013	934,873
Accumulated depreciation	0	388	16,555	16,356	199,053	17,011	11,665	261,028
Book value	5,082	2,337	123,139	121,668	411,480	3,791	6,348	673,845
Depreciation rate (%)	-	1.01	5-10	5-10	10-12	10-15	10-20	

15.1 Depreciation for the year has been allocated as follows:

	2011	2010
	Rupees in thousand	
Cost of sales	**55,294**	61,641
Administrative expenses	**2,363**	2,710
	57,657	64,351

15.2 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 8.2, has been determined as follows:

Particulars	**Buildings on freehold land**	**Buildings on leasehold land**	**Plant & machinery**	**Total**
	------------- Rupees in thousand -------------			
Cost / revaluation as at 30 September, 2011	139,694	138,024	610,052 *	887,770
Accumulated depreciation to 30 September, 2011	29,799	29,443	274,708	333,950
Book value before revaluation adjustments as at 30 September, 2011	109,895	108,581	335,344	553,820
Revalued amounts	127,480	125,957	411,375	664,812
Revaluation surplus	**17,585**	**17,376**	**76,031**	**110,992**

* excluding assets having cost of Rs.481 thousand, which have not been revalued.

15.3 Had the aforementioned revalued fixed assets of the Company been recognised under the cost model, the carrying values of these assets would have been as follows:

- buildings on freehold land	**2,575**	2,713
- buildings on leasehold land	**2,546**	2,683
- plant & machinery	**52,881**	58,757
	58,002	64,153

15.4 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, have been revalued during the financial years ended 30 September, 2009 and 30 September, 2011 and revaluation surplus on these assets aggregating Rs.116.886 million and Rs.17.376 million respectively has been incorporated in the books of account.

Clause 6 of the lease agreement dated 09 July, 1947, which was for a period of 60 years, empowers the Company to renew the lease. On 10 August, 2007, the Company, in terms of the aforesaid clause 6, has exercised the option of renewal of the lease and indicated its desire to extend the lease for a further period of 60 years (commencing from 01 January, 2008) on such terms as may be agreed between the parties and invited the legal heirs of the lessor to negotiate the terms of the extended lease agreement. The legal heirs of the lessor had failed to agree on the terms of the extended lease; hence, the matter was referred to arbitration.

Presently, the matter is pending before the sole Arbitrator (a Senior Advocate Supreme Court of Pakistan). In the opinion of lawyers, the Company has an excellent case and there is high probability that the terms of the extended lease will be decided in the Company's favour.

Two of the legal heirs of the lessor have filed civil suits impugning the validity of arbitration. These suits are frivolous, barred by law and liable to be dismissed in due course under the relevant provisions of the Arbitration Act, 1940. One suit has already been stayed till the outcome of Arbitration Award.

16. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------Rupees in thousand ------------		
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
Year ended 30 September, 2010:			
Disposal			
Cost	0	11,047	11,047
Depreciation	0	(3,160)	(3,160)
Depreciation charge	0	2,221	2,221
Book value as at 30 September, 2010	14,544	24,458	39,002
Year ended 30 September, 2011:			
Depreciation charge	0	1,936	1,936
Book value as at 30 September, 2011	**14,544**	**22,522**	**37,066**
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
As at 30 September, 2011			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	40,971	40,971
Book value	**14,544**	**22,522**	**37,066**
Depreciation rate (%)		5-10	

16.1 Fair value of the investment property, based on the management's estimation, as at 30 September, 2011 was Rs.260 million (2010: Rs.260 million).

17. INVESTMENTS - In Related Parties	**2011**	2010	**2011**	2010
	Share-holding %		**Rupees in thousand**	
SUBSIDIARY COMPANIES				
UN-QUOTED (2010: QUOTED):				
- The Frontier Sugar Mills & Distillery Ltd.				
1,113,637 (2010: 1,093,753) ordinary shares of Rs.10 each	**82.49**	81.02	**26,509**	22,727
42,984 (2010: 22,970) 7% irredeemable preference shares of Rs.10 each	**85.97**	45.94	**597**	224
Value of investments based on net assets shown in audited financial statements for the year ended 30 September, 2011 Rs.197.247 million (2010: market value - Rs.208.459 million)			**27,106**	22,951
QUOTED:				
- Chashma Sugar Mills Ltd.				
13,751,000 (2010: 13,751,000) ordinary shares of Rs.10 each **(note 17.1)**	**47.93**	47.93	**137,584**	137,584
Less: impairment loss			**0**	3,237
Market value Rs.120.871 million (2010: Rs.134.347 million)			**137,584**	134,347
			164,690	157,298
ASSOCIATED COMPANIES				
QUOTED:				
- Arpak International Investments Ltd.				
229,900 (2010: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Less: impairment loss			**0**	1,926
Market value Rs.3.219 million (2010: Rs.0.920 million)			**2,846**	920
UN-QUOTED:				
- National Computers (Pvt.) Ltd.				
14,450 (2010: 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
- Premier Board Mills Ltd.				
47,002 (2010: 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, 2011 Rs.3.461 million (2010: Rs.1.995 million)				
Balance c/f			**168,006**	158,688

	2011	2010	2011	2010
	Share-holding %		**Rupees in thousand**	
Balance b/f			**168,006**	158,688
- Azlak Enterprises (Pvt.) Ltd. 200,000 (2010: 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 un-audited financial statements for the year ended 30 June, 2011 - Rs.29.428 million				
			170,006	160,688

17.1 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 preceding financial year.

18. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured

The Company and Chashma Sugar Mills Ltd. (CSM) had entered into a loan agreement on 20 May, 2008 whereby the Company 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 15.07% to 15.54% (2010:13.34% to 14.34%) per annum. The Company, during the preceding 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.

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

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

Date of maturity	Note	Amount of deposit	
29 July, 2009	**19.1**	**7,800**	7,800
29 July, 2010	**19.1**	**7,800**	7,800
29 July, 2011	**19.1**	**7,800**	7,800
29 July, 2012		**15,600**	15,600
		39,000	39,000
Less: current portion grouped under current assets		**39,000**	23,400
		0	15,600

19.1 The realisibility of these deposits is doubtful of recovery as three deposits aggregating Rs.23.400 million could not be encashed on their respective maturity dates. The Securities and Exchange Commission of Pakistan (SECP), 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. Presently, SECP has instituted winding-up proceedings against IIBL in the Lahore High Court, Lahore (LHC). SECP has sought liquidation on a number of counts including violation of the Scheme of Amalgamation approved by SECP under which IIBL took over all the rights / liabilities of Crescent Standard Investment Bank Ltd.

The Company has sizeable investment in IIBL by virtue of which it is entitled to be heard. The Company, therefore, has filed a petition in the LHC under Civil Procedure Code 1908 to be made party in the winding-up proceedings.

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

20. STORES AND SPARES

	Note	2011	2010
		Rupees in thousand	
Stores including in transit inventory valuing Rs.3.780 million (2010: Rs. 2.249 million)		**63,097**	41,789
Spares		**41,434**	41,905
		104,531	83,694

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

21. STOCK-IN-TRADE

	Note	2011	2010
Sugar-in-process		**10,850**	13,487
Finished goods:			
- Sugar	**21.1**	**647,235**	104,426
- Spirit		**10,513**	2,884
		657,748	107,310
		668,598	120,797

21.1 Year-end sugar inventory includes inventory costing Rs.1,046.751 million (2010: Rs.163.714 million), which has been stated at net realisable value. The amount charged to profit and loss account in respect of inventory write down to net realisable value amounted Rs.399.516 million (2010: Rs.59.288 million).

21.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 5,518.109 metric tonnes (2010: 2,421.451 metric tonnes) valued at Rs. Nil.

22. TRADE DEBTS

	2011	2010
Export - secured	**24,177**	0
Local - unsecured, considered good	**295**	29,555
	24,472	29,555

23. LOANS AND ADVANCES

	2011	2010
Due from an Associated Company (Premier Board Mills Ltd.)	**0**	5
Advances to:		
- suppliers and contractors - considered good	**10,305**	1,897
- employees - considered good	**640**	722
	10,945	2,619
	10,945	2,624

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

24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	**Note**	**2011**	2010
		Rupees in thousand	
Excise duty deposit		**136**	136
Short term prepayments		**1,936**	1,432
		2,072	1,568

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

Atlas Money Market Fund - Nil Units (2010: 31 Units)		**0**	15
Alfalah GHP Cash Fund - 33,257 Units (2010: 85,104 Units)		**14,882**	41,246
MCB Cash Management Optimizer 566,368 Units (2010: 1,450,102 Units)		**53,872**	142,334
Pakistan Cash Management Fund - 779,791 Units		**35,000**	0
Askari Sovereign Cash Fund - 655,456 Units		**59,000**	0
		162,754	183,595
Add: adjustment on re-measurement to fair value		**15,662**	8,257
		178,416	191,852

26. BANK BALANCES

Cash at banks on:			
- PLS accounts	**26.1**	**1,655**	5,893
- current accounts		**5,870**	15,025
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.39 million (2010: Rs.23.400 million) - note 19]		**46,511**	38,555
- dividend accounts		**245**	1,171
		54,281	60,644
Less: provision for doubtful bank balance	**26.3**	**5,000**	5,000
		49,281	55,644

26.1 These include Rs..447 million (2010: Rs.0.336 million) in security deposit account.

26.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 5% to 12.85% (2010: 10.25% to 11.5%) per annum.

26.3 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.

27. SALES - Net

	2011	2010
	Rupees in thousand	
Turnover:		
Local	**387,716**	316,704
Export	**24,177**	0
	411,893	316,704
Less:		
Sales tax	**15,211**	17,699
Federal excise duty	**1,623**	1,796
	16,834	19,495
	395,059	297,209

	Note	2011	2010
		Rupees in thousand	
28. COST OF SALES			
Raw materials consumed		**1,006,786**	109,581
Chemicals and stores consumed		**10,046**	2,723
Salaries, wages and benefits	**28.1**	**71,697**	53,540
Power and fuel		**109,525**	56,731
Insurance		**1,530**	960
Repair and maintenance		**25,423**	9,692
Depreciation		**55,294**	61,641
		1,280,301	294,868
Adjustment of sugar-in-process:			
Opening		**13,487**	2,814
Closing		**(10,850)**	(13,487)
		2,637	(10,673)
Cost of goods manufactured		**1,282,938**	284,195
Adjustment of finished goods:			
Opening stock		**107,310**	206,723
Closing stock		**(657,748)**	(107,310)
		(550,438)	99,413
		732,500	383,608

28.1 These include Rs.1.174 million (2010: Rs.1.161 million) and Rs.3.338 million (2010: Rs.3.776 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

	2011	2010
29. DISTRIBUTION COST		
Commission	**321**	446
Salaries, wages and amenities	**281**	296
Stacking and loading	**422**	209
Spirit export expenses	**465**	0
Others	**357**	307
	1,846	1,258

30. ADMINISTRATIVE EXPENSES

	Note	2011	2010
		Rupees in thousand	
Salaries and amenities	**30.1**	**24,297**	23,143
Travelling, vehicles' running and maintenance		**6,094**	5,349
Utilities		**1,027**	1,616
Directors' travelling		**717**	5,834
Rent, rates and taxes		**1,721**	1,166
Insurance		**901**	1,251
Repair and maintenance		**8,705**	6,301
Printing and stationery		**968**	915
Communication		**1,482**	1,870
Legal and professional charges (other than Auditors')		**2,192**	7,073
Subscription		**208**	968
Auditors' remuneration	**30.3**	**867**	784
Depreciation on:			
- operating fixed assets		**2,363**	2,710
- investment property		**1,936**	2,221
General office expenses		**2,784**	2,420
		56,262	63,621

30.1 These include Rs.0.459 million (2010: Rs.0.355 million) and Rs.0.997 million (2010: Rs.1.128 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

30.2 The Company, during the current year, has not shared expenses with its Associated and Subsidiary Companies on account of combined office expenses (2010: the Company had shared expenses aggregating Rs.23.018 million with its Associated and Subsidiary Companies on account of combined office expenses. These expenses were booked in the respective heads of account).

30.3 Auditors' remuneration

	Note	2011	2010
Hameed Chaudhri & Co.		Rupees in thousand	
- statutory audit			
- current year		**250**	250
- short provision for the preceding year		**0**	100
- half yearly review		**60**	60
- consultancy, tax services and certification charges		**462**	290
- out-of-pocket expenses		**42**	46
		814	746
Munawar Associates			
- cost audit fee		**39**	30
- audit fees of workers' (profit) participation fund and provident fund [2010: audit fee of workers' (profit) participation fund]		**14**	5
- out-of-pocket expenses		**0**	3
		53	38
		867	784

31. OTHER OPERATING EXPENSES

	Note	2011	2010
Donations (without directors' interest)		**5**	230
Workers' (profit) participation fund	**11.3**	**0**	1,097
Workers' welfare fund		**0**	417
Uncollectible receivable balances written-off		**0**	681
		5	2,425

32. OTHER OPERATING INCOME

	Note	2011	2010
		Rupees in thousand	
Income from financial assets:			
Reversal of impairment loss on long term investments	**17**	**5,163**	54,247
Mark-up on loan to Subsidiary Company		**49,655**	44,833
Mark-up / interest / profit on bank deposits / saving accounts and certificates		**1,721**	7,280
Gain on redemption of short term investments		**12,919**	6,066
Fair value gain on re-measurement of short term investments	**25**	**15,662**	8,257
Dividend income		**13,751**	0
Income from other than financial assets:			
Machinery lease rentals		**0**	1,200
Gain on sale of operating fixed assets - net		**0**	272
Gain on sale of investment property	**32.1**	**0**	43,058
Rent		**1,066**	3,829
Sale of scrap - net of sales tax amounting Rs.2.211 million (2010: Rs.0.114 million)		**13,811**	699
Lime sales		**0**	43
Unclaimed payable balances written-back		**0**	16
Profit from petrol pump and fertilizer sales	**32.2**	**946**	128
Sale of agricultural produce		**15,148**	5,646
Sale of beet pulp		**5,000**	2,600
Miscellaneous - net of sales tax amounting Rs.224 thousand (2010: Rs.2 thousand)		**1,396**	122
		136,238	178,296

32.1 The Company, during the preceding year, had sold house # 2 located at street # 27, sector F-6/2, Islamabad measuring 622 square yards alongwith fittings, fixtures and installations thereon, having book value of Rs.7.887 million, 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.

		2011	2010
32.2	**Profit from petrol pump and fertilizer sales**	**Rupees in thousand**	
	Sales	**7,059**	4,431
	Less: cost of sales		
	opening stock	**1,092**	2,316
	purchases	**15,215**	2,919
	salaries	**0**	127
	other expenses	**0**	33
	closing stock	**(10,194)**	(1,092)
		6,113	4,303
		946	128

33. FINANCE COST

	2011	2010
Mark-up on short term borrowings	**67,671**	2,377
Interest on workers' (profit) participation fund	**0**	282
Bank charges	**999**	1,510
	68,670	4,169

34. (LOSS) / EARNINGS PER SHARE

	2011	2010
(Loss) / profit after taxation attributable to ordinary shareholders	**(192,566)**	38,527
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	Rupees	
(Loss) / earnings per share	**(51.35)**	10.27

34.1 A diluted (loss) / earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2011 and 30 September, 2010, which would have any effect on (loss) / earnings per share if the option to convert is exercised.

35. 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.

35.1 Credit risk

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

Credit risk arises from cash equivalents, deposits with banks and a non-bank finance institution, as well as credit exposures to customers and other counter parties, which include trade debts and other receivables. Out of the total financial assets aggregating Rs.575.901 million (2010:Rs.629.128 million), financial assets which were subject to credit risk aggregated Rs.253.401 million (2010: Rs.293.622 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, 2011 along with comparative is tabulated below:

	2011	2010
	Rupees in thousand	
Deposits with a non-bank finance institution	**39,000**	39,000
Security deposits	**517**	502
Trade debts	**24,472**	29,555
Trade deposits	**136**	136
Accrued profit / mark-up on bank deposits	**100**	94
Other receivables	**479**	239
Short term investments	**178,416**	191,852
Bank balances	**10,281**	32,244
	253,401	293,622

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

Except for one export debtor amounting Rs.24.177 million, 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.24.472 million, debts aggregating Rs.24.153 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+**
- Pakistan Cash Management Fund	**AAA**
- Askari Sovereign Cash Fund	**AA+**

35.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The 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:

	2011		
	Carrying amount	**Contractual cash flows**	**Less than 1 year**
	--------- Rupees in thousand ---------		
Trade and other payables	**24,117**	**24,117**	**24,117**
Accrued mark-up	**30,267**	**30,267**	**30,267**
Short term borrowings	**797,126**	**828,495**	**828,495**
	851,510	**882,879**	**882,879**

	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

35.3 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 any material currency risk.

(b) Interest rate risk

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

	2011	2010	**2011**	2010
	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	**5% to 12.85%**	10.25% to 11.50%	**9,166**	21,048
Variable rate instruments				
Long term loan to Subsidiary Company	**15.07% to 15.54%**	13.34% to 14.34%	**322,500**	322,500
Short term borrowings	**15.07% to 15.54%**	-	**777,525**	0

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 in profit / mark-up rates at the balance sheet date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis for the year 2010.

	Decrease Rupees	Increase Rupees
As at 30 September, 2011		
Cash flow sensitivity		
- Variable rate financial instruments	**4,550**	**(4,550)**
As at 30 September, 2010		
Cash flow sensitivity-Variable rate financial instruments	(3,225)	3,225

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

(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 decreased / increased the Company's loss in case of investments through profit or loss as follows:

	2011	2010
	Rupees in thousand	
Effect on loss (2010: profit)	**17,842**	19,185
Effect on investments	**17,842**	19,185

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

35.4 Fair value of financial instruments and hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm’s length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level:1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level:2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level:3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's investments in Mutual Funds have been measured at fair value using year-end Net Assets Value as computed by the respective Assets Management Companies. Fair value of these investments falls within level 2 of fair value hierarchy as mentioned above.

35.5 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.

36. TRANSACTIONS WITH RELATED PARTIES

36.1 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.85 thousand (2010: Rs.18.751 million).

36.2 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:

	2011	2010
Subsidiary Companies	**Rupees in thousand**	
- dividend received	**13,751**	0
- purchase of goods	**10,951**	13,740
- sale of plant & machinery	**0**	5,700
- machinery lease rentals	**0**	1,200
- sale of goods and services	**365**	29
- mark-up earned on long term loan	**49,655**	44,833
Associated Companies		
- dividend paid	**413**	0
- purchase of goods	**4,677**	0

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

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2011	2010	**2011**	2010	**2011**	2010
	----------------------- Rupees in thousand -----------------------					
Managerial remuneration	**1,200**	1,200	**7,123**	6,523	**5,265**	4,808
Medical expenses reimbursed	**0**	0	**0**	0	**22**	18
	1,200	1,200	**7,123**	6,523	**5,287**	4,826
No. of persons	**1**	1	**2**	2	**2**	2

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

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

38. CAPACITY AND PRODUCTION

		2011	2010
SUGAR CANE PLANT			
Rated crushing capacity per day	**M.Tonnes**	**3,810**	3,810
Cane crushed	**M.Tonnes**	**133,655**	3,864
Sugar produced	**M.Tonnes**	**11,509**	50
Days worked	**Nos.**	**117**	10
Sugar recovery	**%**	**8.65**	7.01
SUGAR BEET PLANT			
Rated slicing capacity per day	**M.Tonnes**	**2,500**	2,500
Beet sliced	**M.Tonnes**	**50,509**	33,026
Sugar produced	**M.Tonnes**	**4,467**	2,452
Days worked	**Nos.**	**22**	14
Sugar recovery	**%**	**8.93**	7.60
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**172,302**	2,129
Days worked	**Nos.**	**63**	1

- 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.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 04 January, 2012 by the board of directors of the Company.

40. 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

2011

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
SHARES REGISTRAR	MESSRS HAMEED MAJEED ASSOCIATES, (PVT.) LIMITED, H.M HOUSE, 7-BANK SQUARE, LAHORE
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 THE BANK OF PUNJAB FAYSAL 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 (KHYBER PAKHTOONKHAWA) PHONE: 0966-750090, 750091 FAX: 0966-750092

CHASHMA SUGAR MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 24th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2012 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 Annual General Meeting held on 31 January, 2011.

(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, 2011.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2012. 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, 2012 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
04 January, 2012

(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.

sugarcane prices in the last crushing season will not get reasonable return for their crop and will have to bear the high cost of fertilizers, diesel and other input costs. To ensure farmers prosperity the GOP has to immediately allow export of sugar and refurbish Trading Corporation's buffer stock to the level of 500,000 tons.

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.

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 2012. The Board has recommended to approve the minimum audit fee as requested by ATR-14 (Revised) issued by the ICAP.

7. 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 previous financial year.

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 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.

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited are pleased to present the 24th Annual Report together with the Director's Report and Audited Financial Statements of the Company for the year ended 30 September, 2011.

SUMMARISED FINANCIAL RESULTS

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

	2011	2010
	(Rupees in thousands)	
Profit before taxation	**165,491**	**347,799**
Provision for taxation		
Current	**58,844**	**63,664**
Prior year's	**(10,947)**	**341**
Deferred	**(23,016)**	**(25,573)**
	24,881	**38,432**
Profit after taxation	**140,610**	**309,367**
Earnings per share	**4.90**	**10.78**

GENERAL

1. SUGARCANE SEASON 2010-2011

The sugarcane crushing season commenced on 26 November, 2010, and continued till 31 March, 2011. We crushed 1,353,553 tons (2010:1,046,061 tons) of sugarcane and produced 117,474 tons (2010:88,086) of sugar at an average recovery of 8.69 % (2010: 8.42%).

2. CURRENT SEASON 2011-2012

The current sugarcane crushing season started on 29 November, 2011, we have crushed 405,880 tons of sugarcane, and have produced 34,530 tons of sugar with an average recovery of 8.55% up to 31 December, 2011. During this season the Government has increased the sugarcane support price from Rs.125/- to Rs.150/- per 40 kg.

3. SUGAR PRICE

The prices of sugar remained competitive up to middle of August 2011, and were meeting the increased cost of sugarcane, despite having surplus sugar stock and forecast of a abundant upcoming sugar production, the GOP refused to allow the export of sugar, whereas TCP delayed the procurement of sugar to meet the depleting buffer stock. As a result, the sugar prices could not sustain, the sugarcane farmers who increased their sugarcane production because of high

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2011, 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. 33.934 million as at 30 September, 2010.

- 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	4
-	Begum Laila Sarfaraz	5
-	Mr. Abbas Sarfaraz Khan	2
-	Ms. Zarmine Sarfaraz	4
-	Ms. Najda Sarfaraz	3
-	Mr. Iskander M Khan	5
-	Mr. Babar Ali Khan	5
-	Mr. Abdul Qadar Khattak	4

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

10. 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, 2011 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

11. 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.

12. 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
04 January, 2012

(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, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING					TOTAL SHARES HELD
132	FROM	1	to	100	Shares	10,969
557	FROM	101	to	500	Shares	250,596
134	FROM	501	to	1,000	Shares	126,600
179	FROM	1,001	to	5,000	Shares	471,683
45	FROM	5,001	to	10,000	Shares	351,023
11	FROM	10,001	to	15,000	Shares	138,746
9	FROM	15,001	to	20,000	Shares	160,400
10	FROM	20,001	to	25,000	Shares	231,463
4	FROM	25,001	to	30,000	Shares	105,506
4	FROM	30,001	to	35,000	Shares	130,881
4	FROM	35,001	to	40,000	Shares	148,400
3	FROM	40,001	to	50,000	Shares	146,462
2	FROM	50,001	to	60,000	Shares	115,801
1	FROM	60,001	to	65,000	Shares	65,000
2	FROM	65,001	to	75,000	Shares	141,000
1	FROM	75,001	to	80,000	Shares	76,500
1	FROM	80,001	to	85,000	Shares	81,800
1	FROM	85,001	to	95,000	Shares	94,005
1	FROM	95,001	to	130,000	Shares	129,500
1	FROM	130,001	to	135,000	Shares	131,000
2	FROM	135,001	to	160,000	Shares	300,000
1	FROM	160,001	to	165,000	Shares	162,917
3	FROM	165,001	to	320,000	Shares	878,300
1	FROM	320,001	to	325,000	Shares	323,000
1	FROM	325,001	to	370,000	Shares	334,650
1	FROM	370,001	to	465,000	Shares	394,589
1	FROM	465,001	to	470,000	Shares	469,823
2	FROM	470,001	to	805,000	Shares	1,276,975
1	FROM	805,001	to	945,000	Shares	942,227
2	FROM	945,001	to	2,000,000	Shares	3,160,709
2	FROM	2,000,001	to	above	Shares	17,341,475
1119						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	4,072,875	14.21
Executives	-	-	-
Public Sector Companies & Corporations	15	677,023	2.36
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies,Modarabas and Mutal Funds	5	1,236,806	4.31
Individuals	1080	3,274,198	11.40
Charitable Trusts	2	295,000	1.03
	1119	28,692,000	100.00

Categories of Shareholders	Numbers		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**		**4,072,875**	**14.20**
Public Sector Companies and Corporations	**15**		**677,023**	**2.36**
Asif Mushtaq & Company		1,500		
Neelum Textile Mills (Pvt) Limited		12,400		
Shakil Express (Pvt) Limited		17,700		
Saphire Agencies (Pvt) Limited		35,000		
Mehran Sugar Mills Ltd		469,823		
Ameer Cotton Mills (Pvt) Limited		59,800		
Bulk Management Pakistan (Pvt) Limited		24,500		
S.H Bukhari Securities (Pvt) Limited		400		
Muhammad Ahmed Naeem Securities (Pvt) Ltd		300		
ZHV securities (Pvt) Limited		3,000		
Westbury (Pvt) Limited		32,600		
Mazhar Hussain Securities (Pvt) Limited		2,500		
CMA Securities Limited		10,000		
AWJ Ssecurities (Pvt) Limited		2,500		
Mohammad Salim Kasmani Securities		5,000		
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	**5**		**1,236,806**	**4.31**
National Bank of Pakistan		162,917		
National Bank of Pakistan-Trustee Depart		942,227		
IDBP (ICP Unit)		3,400		
StateLife Insurance Corporation of Pakistan		81,800		
Faysal Bank Limited		46,462		
Individulals	**1080**		**3,274,198**	**11.41**
Charitable Trusts	**2**		**295,000**	**1.03**
Sarfaraz District Hospital		290,000		
Trustees Moosa Lawani Foundation		5,000		
	1119		**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 PERFORMANCE AT A GLANCE

PARTICULARS	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
						(RUPEES IN THOUSAND)				
Sales	5,882,738	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
Cost of sales	5,186,437	5,597,467	3,595,629	2,233,798	1,709,630	1,132,589	1,023,674	1,369,614	577,039	1,106,529
Operating profit/(Loss)	612,225	647,940	297,935	270,343	(128,111)	12,327	180,256	48,829	(29,261)	152,317
Profit/(Loss) before tax	165,491	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086	33,199	(42,646)	124,183
Profit/(Loss) After tax	140,610	309,367	(217,910)	(63,163)	(358,007)	(32,338)	80,472	21,097	(43,348)	122,059
Share capital	286,920	286,920	286,920	286,920	191,280	191,280	191,280	191,280	191,280	191,280
Shareholders' equity	1,645,127	954,138	644,771	1,118,411	128,232	486,239	537,705	457,308	436,211	479,558
Non-current assets	3,103,002	2,339,038	2,519,639	2,723,775	1,905,645	1,806,154	1,048,294	704,515	384,324	388,219
Total assets	5,647,181	2,975,098	3,535,462	4,509,239	3,460,644	2,422,106	1,444,253	996,908	1,014,280	628,082
Non-current liabilities	1,357,532	1,289,321	1,485,416	1,464,166	949,515	1,276,169	426,811	264,710	263	1,209
Dividend										
Cash dividend	10%	10%	0	0	0	0	10%	-	-	30%
Ratios:										
Profitability (%)										
Operating profit	10.41	10.18	7.51	10.48	(7.82)	1.04	14.41	3.36	(5.07)	11.84
Profit/ (Loss) before tax	2.81	5.47	(3.55)	(2.22)	(23.04)	(6.05)	11.04	2.28	(7.40)	9.65
Profit/(Loss) after tax	2.39	4.86	(5.49)	(2.45)	(21.85)	(2.72)	6.43	1.45	(7.52)	9.49
Return to Shareholders										
ROE - Before tax	10.06	36.45	(21.84)	(5.11)	(294.35)	(14.79)	25.68	7.26	(9.78)	25.90
ROE - After tax	8.55	32.42	(33.80)	(5.65)	(279.19)	(6.65)	14.97	4.61	(9.94)	25.45
Return on Capital Employed	4.68	13.79	(10.23)	(2.45)	(33.22)	(1.83)	8.34	2.92	(9.93)	25.39
E. P. S. - After tax	4.90	10.78	(7.59)	(3.15)	(18.72)	(1.69)	4.21	1.10	(2.27)	6.38
Activity										
Assets turnover ratio	1.36	1.95	0.99	0.65	0.56	0.61	1.02	1.45	0.70	2.05
Non-current assets turnover	2.16	2.62	1.51	1.11	0.88	0.83	1.43	2.67	1.49	6.63
Liquidity/Leverage										
Current ratio	0.96	0.87	0.72	0.93	0.65	2.36	1.28	1.06	1.09	1.63
Break up value per share	5.73	3.33	2.25	3.90	6.70	25.42	28.11	23.91	22.80	25.07
Total Liabilities/debt to equity (Times)	2.43	2.12	4.48	3.03	25.99	3.98	1.69	1.18	1.33	0.31

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
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
2011	1,353,553	8.69	117,474

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 regulations 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
04 January, 2012

(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 contained in the Code of Corporate Governance prepared by the Board of Directors of **CHASHMA SUGAR MILLS LIMITED** (the Company) to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company'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, the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 September, 2011.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

LAHORE;
05 January, 2012

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** as at 30 September, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

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

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

LAHORE;
05 January, 2012

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2011

	Note	2011	2010	2009
		(Rupees in thousand)		
			--- Re-stated ---	
Equity and Liabilities				
Share Capital and Reserves				
Authorised capital 50,000,000 ordinary shares of Rs.10 each		500,000	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	286,920
General reserve		327,000	327,000	327,000
Accumulated loss		(35,687)	(190,348)	(547,208)
		578,233	423,572	66,712
Surplus on Revaluation of Property, Plant and Equipment	8	1,066,894	530,566	578,059
Non-current Liabilities				
Long term financing	9	340,000	556,664	789,999
Loans from related parties	10	502,500	502,500	439,687
Liabilities against assets subject to finance lease	11	6,207	0	0
Deferred taxation	12	508,825	230,157	255,730
		1,357,532	1,289,321	1,485,416
Current Liabilities				
Trade and other payables	13	269,997	317,017	251,285
Accrued mark-up	14	125,448	90,793	142,909
Short term borrowings	15	1,905,100	0	700,913
Current portion of non-current liabilities	16	248,366	233,334	261,146
Sales tax and federal excise duty payable		16,017	26,831	29,110
Taxation	17	79,594	63,664	19,912
		2,644,522	731,639	1,405,275
Contingencies and Commitments	18			
		5,647,181	2,975,098	3,535,462

	Note	2011	2010	2009
		(Rupees in thousand)		
			--- Re-stated ---	
Assets				
Non-current Assets				
Property, plant and equipment	19	3,099,093	2,335,101	2,515,056
Intangible assets	20	200	253	900
Security deposits		3,709	3,684	3,683
		3,103,002	2,339,038	2,519,639
Current Assets				
Stores and spares	21	169,366	144,615	141,017
Stock-in-trade	22	1,969,291	256,658	701,368
Trade debts	23	38,732	79,534	54,007
Loans and advances	24	75,210	55,463	41,276
Prepayments and other receivables	25	1,924	1,854	27,161
Investments	26	179,040	26,608	0
Income tax refundable, advance tax and tax deducted at source		45,489	25,531	30,023
Bank balances	27	65,127	45,797	20,971
		2,544,179	636,060	1,015,823
		5,647,181	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, 2011

	Note	2011	2010
		(Rupees in thousand)	Re-stated
Sales	28	**5,882,738**	6,362,700
Cost of Sales	29	**5,186,437**	5,597,467
Gross Profit		**696,301**	765,233
Distribution Cost	30	**13,154**	14,251
Administrative Expenses	31	**98,492**	84,156
Other Operating Expenses	32	**12,591**	25,870
Other Operating Income	33	**(40,161)**	(6,984)
		84,076	117,293
Profit from Operations		**612,225**	647,940
Finance Cost	34	**446,734**	300,141
Profit before Taxation		**165,491**	347,799
Taxation			
Current	17	**58,844**	63,664
Prior years'	17	**(10,947)**	341
Deferred	8	**(23,016)**	(25,573)
		24,881	38,432
Profit after Taxation		**140,610**	309,367
Other Comprehensive Income		**0**	0
Total Comprehensive Income		**140,610**	309,367
		------- Rupees -------	
Earnings per Share	35	**4.90**	10.78

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, 2011

	2011	2010
Cash flow from operating activities	**(Rupees in thousand)**	
Profit for the year - before taxation	**165,491**	347,799
Adjustments for non-cash charges and other items:		
Depreciation	**219,657**	236,640
Amortisation of intangible assets	**353**	647
Profit on deposit accounts	**(1,613)**	(1,451)
Fair value gain on re-measurement of investments	**(14,448)**	(208)
Gain on redemption of investments	**(11,245)**	0
Gain on sale of vehicles	**(356)**	(740)
Finance cost	**444,709**	297,573
Profit before working capital changes	**802,548**	880,260
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	**(24,751)**	(3,598)
Stock-in-trade	**(1,712,633)**	444,710
Trade debts	**40,802**	(25,527)
Loans and advances	**(19,747)**	(14,187)
Prepayments and other receivables	**(83)**	25,320
(Decrease) / increase in current liabilities:		
Trade and other payables	**(47,442)**	65,732
Sales tax and federal excise duty payable	**(10,814)**	(2,279)
	(1,774,668)	490,171
Cash (used in) / generated from operations	**(972,120)**	1,370,431
Income tax paid	**(51,925)**	(15,761)
Security deposits	**(25)**	(1)
Net cash (used in) / generated from operating activities	**(1,024,070)**	1,354,669
Cash flow from investing activities		
Purchase of property, plant and equipment	**(103,058)**	(57,400)
Sale proceeds of vehicles	**520**	1,455
Purchase of intangible assets	**(300)**	0
Investments made	**(126,739)**	(26,400)
Profit on bank deposits received	**1,626**	1,438
Net cash used in investing activities	**(227,951)**	(80,907)
Cash flow from financing activities		
Long term finances repaid	**(203,334)**	(198,334)
Lease finances - net	**7,909**	0
Short term borrowings - net	**1,905,100**	(700,579)
Dividend paid	**(28,270)**	0
Finance cost paid	**(410,054)**	(349,689)
Net cash generated from / (used in) financing activities	**1,271,351**	(1,248,602)
Net increase in cash and cash equivalents	**19,330**	25,160
Cash and cash equivalents - at beginning of the year	**45,797**	20,637
Cash and cash equivalents - at end of the year	**65,127**	45,797

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, 2011

	Share capital	General reserve	Accumulated loss	Total
	----------------- Rupees in thousand -----------------			
Balance as at 30 September, 2009	286,920	327,000	(547,208)	66,712
Total comprehensive income for the year	0	0	309,367	309,367
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	47,493	47,493
Balance as at 30 September, 2010	286,920	327,000	(190,348)	423,572
Transaction with owners:				
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	(28,692)	(28,692)
Total comprehensive income for the year	0	0	140,610	140,610
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	42,743	42,743
Balance as at 30 September, 2011	**286,920**	**327,000**	**(35,687)**	**578,233**

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, 2011

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 preceding financial year.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 by the provisions of and directives issued under the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ from the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

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;
- measurement of certain operating fixed assets at revalued amounts; and
- measurement of short term investments at fair value.

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 estimates / judgments and associated assumptions used in the preparation of the 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

b) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicator of impairment is identified.

c) Stores & spares and stock-in-trade

The Company reviews the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

d) Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

5.1 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after 01 October, 2010 but are considered not to be relevant or did not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

5.2 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards and interpretations that have been published and are mandatory for the Company's accounting period beginning on or after 01 October, 2011:

(a) IFRS 7 (Financial Instruments - effective 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(b) IAS 1 (Presentation of Financial Statements - effective 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(c) IAS 24 - revised (Related Party Disclosures issued in November, 2009). It supersedes IAS 24 (Related Party Disclosures issued in 2003). IAS 24 - revised is mandatory for periods beginning on or after 01 January, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to have any significant impact on the Company's 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 and borrowing costs

All borrowings are recorded at the proceeds received. 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.

6.3 Staff retirement benefits (defined contribution plan)

The Company is operating a provident fund scheme for all its permanent employees; equal monthly contribution to the fund is made at the rate of 8.25% of the basic salaries both by the employees and the Company.

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 and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(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 deductible temporary differences, unused tax losses and tax credits can 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 other comprehensive income / equity in which case it is included in other comprehensive income / equity.

6.6 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

6.7 Property, plant and equipment and depreciation

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 19.1. 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 the assets. The related obligations of lease are accounted for as liabilities. 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 19.1 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.

6.8 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 20.1.

6.9 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.

6.10 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.

6.11 Trade debts and other receivables

Trade debts are recognised initially at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

6.12 Short term investments (at fair value through profit or loss)

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. 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 is recognised in income.

6.13 Cash and cash equivalents

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

6.14 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.

6.15 Revenue recognition

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

(a) Sales are recorded on dispatch of goods.

(b) Income on deposit / saving accounts is accounted for on `accrual basis'.

6.16 Development expenditure

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

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 at the time 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 is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include security deposits, trade debts, loans & advances, other receivables, investments, bank balances, long term financing, loans from related parties, liabilities against assets subject to finance lease, short term borrowings, trade & other payables and accrued mark-up. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.20 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

7. SHARE CAPITAL

	2011	2010
	(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**	1,462,859
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,111,834	19,111,834

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

8.1 The Company had first revalued its freehold land, buildings & roads and plant & machinery of its Unit - I on 31 March, 2008, which resulted in revaluation surplus aggregating Rs.957.702 million. These fixed assets were revalued by Independent Valuers on the basis of replacement value / depreciated market values.

8.2 The Company, as at 30 September, 2011, has again revalued its freehold land, buildings & roads and plant & machinery of its both Units. The revaluation exercise has been carried-out by Independent Valuers - Harvester Services (Pvt.) Ltd., Lahore. Freehold land has been revalued on the basis of current market value whereas buildings & roads and plant & machinery have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.880.755 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2011	2010	2009
	(Rupees in thousand)		
		--- Re-stated ---	
Opening balance	**760,723**	833,789	914,973
Add: surplus arisen on revaluation carried-out during the year	**880,755**	0	0
Less: transferred to accumulated loss on account of incremental depreciation for the year	**(65,759)**	(73,066)	(81,184)
	1,575,719	760,723	833,789
Less: deferred tax on:			
- opening balance of surplus	**230,157**	255,730	284,144
- surplus on revaluation carried-out during the year	**301,684**	0	0
- incremental depreciation for the year	**(23,016)**	(25,573)	(28,414)
	508,825	230,157	255,730
Closing balance	**1,066,894**	530,566	578,059

8.3 Refer contents of note 12.1.

9. LONG TERM FINANCING - Secured

From banking companies	Note	2011	2010
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance - I	9.1	16,664	49,998
- Term finance - II	9.1	120,000	160,000
		136,664	209,998
Bank Al-Habib Limited: (BAH)			
- Term finance - I	9.2	180,000	210,000
- Term finance - II	9.3	210,000	280,000
		390,000	490,000
Silkbank Limited: (SBL)			
- Term finance	9.4	60,000	90,000
		586,664	789,998
Less: current portion grouped under current liabilities including an overdue instalment of Rs.30 million, which has been repaid on 12 October, 2011		246,664	233,334
		340,000	556,664

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 15.80% (2010: 14.35% to 14.54%) 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 15.80% (2010: 14.35% to 14.54%) 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 15.59% (2010: 14.17% to 14.57%) 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 15.79% (2010: 14.37% to 14.77%) 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 15.78% (2010: 14.37% to 14.76%) per annum. The year-end outstanding balance of this finance facility is repayable in 4 equal half-yearly instalments ending April, 2013.

10. LOANS FROM RELATED PARTIES - Secured

	Note	**2011**	2010
Holding Company		**(Rupees in thousand)**	
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

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 15.07% to 15.54% (2010: 13.34% to 14.34%) per annum. PSM, during the preceding financial year, had 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 13.92% to 14.87% (2010: 13.28% to 14.04%) per annum. PBM, during the preceding financial year, had 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 13.92% to 14.87% (2010: 13.28% to 14.04%) per annum. AIIL, during the preceding financial year, had 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. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	Upto one year	From one to five years	2011	2010
	---------------- Rupees in thousand ----------------			
Minimum lease payments	2,756	8,705	11,461	0
Less: finance cost allocated to future periods	1,054	1,589	2,643	0
	1,702	7,116	8,818	0
Less: security deposits adjustable on expiry of lease terms	0	909	909	0
Present value of minimum lease payments	1,702	6,207	7,909	0

11.1 The Company has entered into a lease agreement with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreement are payable in monthly instalments by August, 2015 and are subject to finance cost at the rates ranging from 15.23% to 15.75% per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessor and demand promissory note.

12. DEFERRED TAXATION - Net

	2011	2010	2009
	(Rupees in thousand)		
		--- Re-stated ---	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances	273,674	292,445	296,431
- surplus on revaluation of property, plant & equipment	508,825	230,157	255,730
- gain on re-measurement of investments to fair value	1,156	16	0
	783,655	522,618	552,161
Deductible temporary differences arising in respect of:			
- lease finances	(653)	0	0
- provision for doubtful advances	(853)	(853)	(853)
- unused tax losses	(122,592)	(208,032)	(267,469)
- minimum tax recoverable against normal tax charge in future years	(150,732)	(83,576)	(28,109)
	(274,830)	(292,461)	(296,431)
	508,825	230,157	255,730

12.1 Upto 30 September, 2010, deferred tax asset on available unused tax losses had not been recognised due to uncertainty about the availability of taxable profits in the foreseeable future; deferred tax on surplus on revaluation of property, plant and equipment was also not accounted for. With effect from current year, the management has decided to account for deferred taxation on all taxable and deductible temporary difference as per the requirements of IAS 12 (Income Taxes) by restating the financial statements retrospectively in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

As at 30 September, 2011, deferred tax asset amounting Rs.47.358 million on unused tax losses has not been recognised in these financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at 30 September, 2012.

Deferred tax liability at respective year-end represents deferred tax on surplus on revaluation of property, plant and equipment.

Effect of this re-statement are as follows:

	30 September, 2010		**30 September, 2009**	
	As previously reported	**As re-stated**	**As previously reported**	**As re-stated**
	----------------Rupees in thousand----------------			
Surplus on revaluation of property, plant and equipment	760,723	530,566	833,789	578,059
Deferred taxation	0	230,157	0	255,730
Profit / (loss) for the year	283,794	309,367	(217,910)	(189,496)
	--------------------------Rupees--------------------------			
Earnings / (loss) per share	9.89	10.78	(7.59)	(6.60)

There was no impact of this re-statement on cash flow statement.

13. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees in thousand)	
Due to Associated Companies	13.1	**10,572**	2,038
Creditors		**85,007**	60,152
Bills payable		**5,730**	0
Accrued expenses		**32,605**	64,034
Retention money		**4,024**	2,675
Security deposits - interest free repayable on demand		**713**	713
Advance payments		**108,517**	158,575
Income tax deducted at source		**497**	512
Workers' (profit) participation fund	13.2	**8,888**	18,679
Workers' welfare fund		**10,475**	7,098
Unclaimed dividends		**2,918**	2,496
Due to employees		**51**	45
		269,997	317,017

13.1 The balance represents amounts due to:

	2011	2010
- Syntron Ltd.	**10,290**	2,017
- Phipson & Co. Pakistan (Pvt.) Ltd.	**18**	0
- Azlak Enterprises (Pvt.) Ltd.	**264**	21
	10,572	2,038

13.2 Workers' (profit) participation fund (the fund)

	2011	2010
Opening balance	**18,679**	0
Add: interest on funds utilised in the Company's business	**1,739**	0
	20,418	0
Less: payments made during the year	**20,418**	0
	0	0
Add: allocation for the year	**8,888**	18,679
Closing balance	**8,888**	18,679

14. ACCRUED MARK-UP

	2011	2010
Mark-up accrued on:		
- long term financing	**23,551**	29,081
- loans from related parties	**30,274**	52,004
- short term borrowings	**71,623**	9,708
	125,448	90,793

15. SHORT TERM BORROWINGS - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.3.400 billion (2010: Rs.1.550 billion) and, during the year, carried mark-up at the rates ranging from 14.50% to 16.03% (2010: 13.50% to 14.85%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2010: Rs.25 million). These facilities are secured against hypothecation charge over Company's present and future fixed and current assets, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by 23 June, 2012.

	Note	**2011**	2010
		(Rupees in thousand)	
16. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	**9**	**246,664**	233,334
Liabilities against assets subject to finance lease	**11**	**1,702**	0
		248,366	233,334
17. TAXATION - Net			
Opening balance		**63,664**	19,912
Add: provision made during the year for:			
- current year	**17.8**	**58,844**	63,664
- prior years'		**(10,947)**	341
		47,897	64,005
		111,561	83,917
Less: payment / adjustments made against completed assessments		**31,967**	20,253
		79,594	63,664

17.1 Returns filed by the Company for Tax Years 2004 to 2011, except for Tax Year 2009, 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.

17.2 A tax reference for the Assessment Year 1999-2000, filed by the Income Tax Department (the Department), is pending before the Peshawar High Court (PHC); the issue involved is taxation of accumulated profit under section 12(9A) of the repealed Income Tax Ordinance, 1979.

17.3 A tax reference for the Assessment Year 2002-03, filed by the Department, is also pending before the PHC on the issuance of acceptance of fresh evidence by the Commissioner of Income Tax (Appeals) under section 128(5) of the Ordinance.

17.4 A reference for the tax year 2006, filed by the Department, is pending before PHC; the issue involved is regarding deletion of tax amounting Rs.9.082 million under sections 161/205 of the Ordinance by the Appellate Tribunal.

17.5 A writ petition, filed by the Company, is pending before the Islamabad High Court regarding deduction of tax under sections 231-A (cash withdrawals from bank) and 235 (electricity consumption) of the Ordinance.

17.6 The Company, during the year, has filed a writ petition before the PHC against its selection for tax audit of Tax Year 2009; the petition is pending adjudication.

17.7 An appeal is pending before Commissioner Inland Revenue (Appeals) Peshawar, against the order under section 221 of the Ordinance, for the tax year 2009 regarding charge of workers' welfare fund amounting Rs.612 thousand.

17.8 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.

18. CONTINGENCIES AND COMMITMENTS

18.1 No commitments were outstanding as at 30 September, 2011 (commitments for irrevocable letters of credit outstanding as at 30 September, 2010 were Rs.2.718 million).

18.2 The Company, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue (FBR) vide SRO. No. 564(I)/2006 dated 05 June, 2006. This resulted in excess payment of duty amounting to Rs.35.825 million. The refund application has been submitted to the Department, which will be processed subject to the approval of FBR for condonation of time limit.

18.3 Refer contents of taxation notes.

19. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		(Rupees in thousand)	
Operating fixed assets - tangible	**19.1**	**2,993,020**	2,313,897
Capital work-in-progress	**19.6**	**76,218**	2,463
Stores held for capital expenditure		**29,855**	18,741
		3,099,093	2,335,101

19.1 Operating fixed assets - tangible

	Owned								Leased	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles	Vehicles	Total
	---------- Rupees in thousand ----------									
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
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)
- accumulated 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
Year ended 30 September, 2011:										
Additions	0	0	2,257	2,533	3,575	0	745	2,769	6,310	18,189
Disposals:										
- cost	0	0	0	0	0	0	0	(1,111)	0	(1,111)
- accumulated depreciation	0	0	0	0	0	0	0	947	0	947
Depreciation charge	0	44,509	159,335	9,774	1,327	98	798	3,547	269	219,657
Revaluation surplus	18,801	0	0	0	0	0	0	0	0	18,801
Elimination of accumulated depreciation against gross carrying amount	0	(95,481)	(766,473)	0	0	0	0	0	0	(861,954)
Book value at 30 September, 2011	162,989	496,057	2,201,265	88,879	13,482	880	7,490	15,937	6,041	2,993,020
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
Accumulated depreciation	0	146,831	645,593	63,826	9,432	39	9,123	20,951	0	895,795
Book value	144,188	445,085	1,591,870	96,120	11,234	978	7,543	16,879	0	2,313,897
At 30 September, 2011										
Cost / Revaluation	162,989	591,916	2,239,720	162,479	24,241	1,017	17,411	39,488	6,310	3,245,571
Accumulated depreciation	0	95,859	38,455	73,600	10,759	137	9,921	23,551	269	252,551
Book value	162,989	496,057	2,201,265	88,879	13,482	880	7,490	15,937	6,041	2,993,020
Depreciation rate (%)		10	10	10	10	10	10	20	20	

19.2 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 8.2, has been determined as follows:

Particulars	Freehold land	Buildings & roads	Plant & machinery	Total
	---------------- Rupees in thousand ----------------			
Cost / revaluation as at 30 September, 2011	144,186	591,917	2,239,720 *	2,975,823
Accumulated depreciation to 30 September, 2011	0	191,340	804,928	996,268
Book value before revaluation adjustments as at 30 September, 2011	144,186	400,577	1,434,792	1,979,555
Revalued amount	162,987	496,058	2,201,265	2,860,310
Revaluation surplus	**18,801**	**95,481**	**766,473**	**880,755**

* excluding assets having cost of Rs.2.257 million, which have not been revalued.

19.3 Had the aforementioned revalued fixed assets of the Company been recognised under the cost model, the carrying values of these assets would have been as follows:

	2011	2010
	(Rupees in thousand)	
- freehold land	**41,057**	41,057
- buildings and roads	**244,424**	271,582
- plant and machinery	**999,112**	1,107,780
	1,284,593	1,420,419

19.4 Depreciation for the year has been allocated as follows:

Cost of sales	**213,716**	231,509
Administrative expenses	**5,941**	5,131
	219,657	236,640

19.5 Disposal of vehicles

Particulars	Cost	Accumu-lated deprec-iation	Book value	Sale pro-ceeds / insurance claim	Gain	Sold through negotiation to / insurance claim received from:
	----------- Rupees in thousand -----------					
Suzuki Ravi	344	221	123	150	27	Azlak Enterprises (Pvt.) Ltd. (an Associated Company)
Suzuki Khyber	473	440	33	330	297	IGI Insurance Ltd.
Motor cycles having book value less than Rs.50,000 each	294	286	8	40	32	Gulzar & Brothers, Faisalabad.
	1,111	**947**	**164**	**520**	**356**	

19.6 Capital work-in-progress

	2011	2010
	(Rupees in thousand)	
Freehold land - advance payments	**421**	421
Buildings on freehold land	**14,988**	1,816
Plant and machinery	**56,803**	226
Electric installations	**1,088**	0
Vehicles	**2,918**	0
	76,218	2,463

20. INTANGIBLE ASSETS
(Computer softwares)

Cost at beginning of the year	**6,292**	6,292
Additions during the year	**300**	0
Cost at end of the year	**6,592**	6,292
Less: amortisation:		
- at beginning of the year	**6,039**	5,392
- charge for the year	**353**	647
-at end of the year	**6,392**	6,039
Book value as at 30 September,	**200**	253

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

21. STORES AND SPARES

	Note	2011	2010
		(Rupees in thousand)	
Stores including in-transit inventory valuing Rs.6.666 million (2010: Rs.3.540 million)		**148,646**	127,365
Spares		**20,720**	17,250
		169,366	144,615

22. STOCK-IN-TRADE

Finished goods		**1,960,662**	247,805
Sugar-in-process		**8,629**	8,853
		1,969,291	256,658

23. TRADE DEBTS - Unsecured, considered good

Year-end balance of trade debts includes a debt amounting Rs.32.300 million, which was overdue as at 30 September, 2011. To secure this debt, the Company has executed a sale deed with him whereby commercial property owned by him will be transferred to the Company if he fails to meet his commitment.

24. LOANS AND ADVANCES

Advance payments to:			
- employees		**2,006**	1,935
- suppliers and contractors	**24.1**	**72,607**	55,089
Due from an Associated Company	**24.2**	**856**	872
Letters of credit		**2,178**	4
		77,647	57,900
Less: provision for doubtful advances		**2,437**	2,437
		75,210	55,463

24.1 These are unsecured and considered good except for Rs.2.437 million (2010: Rs.2.437 million), which have been fully provided for in the books of account.

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

24.3 **(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:

	Note	**2011**	2010
		(Rupees in thousand)	
- purchase of goods		**60,802**	35,853
- purchase of plant & machinery		**0**	5,700
- sale of goods		**8,976**	13,740
- sale of stores		**1,975**	0
- sale of a vehicle		**150**	0
- machinery lease rentals		**0**	1,200
- mark-up on long term loans		**75,826**	69,540
- dividend paid		**19,112**	0

(b) Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.8.631 million (2010: Rs.1.057 million).

25. PREPAYMENTS AND OTHER RECEIVABLES

		2011	2010
Prepayments		**1,674**	1,591
Mark-up accrued on bank deposits		**0**	13
Other receivables		**250**	250
		1,924	1,854

26. INVESTMENTS - At fair value through profit or loss

		2011	2010
ABL Cash Fund - 6,199,485 (2010: 2,003,208) Units		**55,592**	20,000
UBL Liquidity Plus Fund - 496,524 (2010: 63,974) Units		**49,000**	6,400
Pakistan Cash Management Fund - 1,336,395 Units		**60,000**	0
		164,592	26,400
Add: adjustment arising from re-measurement to fair value		**14,448**	208
		179,040	26,608

27. BANK BALANCES

	Note	2011	2010
Cash at banks on:			
- current accounts	**27.1**	**30,782**	27,858
- PLS accounts	**27.2**	**34,177**	17,872
- deposit accounts	**27.2**	**168**	67
		65,127	45,797

27.1 These include dividend account balance of Rs.915 thousand (2010: Rs.22 thousand).

27.2 These carry profit at the rate of 5% (2010: 5%) per annum.

28. SALES - Net

	Note	2011	2010
		(Rupees in thousand)	
Turnover - local		**6,204,315**	6,688,438
Less:			
Sales tax		**300,186**	264,491
Federal excise duty		**21,391**	61,247
		321,577	325,738
		5,882,738	6,362,700

29. COST OF SALES

	Note	2011	2010
Raw materials consumed		**6,350,570**	4,620,036
Chemicals and stores consumed		**79,684**	52,271
Salaries, wages and benefits	**29.1**	**162,469**	158,775
Power and fuel		**21,278**	15,628
Repair and maintenance		**64,765**	69,528
Insurance		**6,588**	3,810
Machinery lease rentals		**0**	1,200
Depreciation		**213,716**	231,509
		6,899,070	5,152,757
Adjustment of sugar-in-process:			
Opening		**8,853**	4,794
Closing		**(8,629)**	(8,853)
		224	(4,059)
Cost of goods manufactured		**6,899,294**	5,148,698
Adjustment of finished goods :			
Opening stock		**247,805**	696,574
Closing stock		**(1,960,662)**	(247,805)
		(1,712,857)	448,769
		5,186,437	5,597,467

29.1 These include Rs.2,236 thousand (2010: Rs.1,830 thousand) in respect of staff retirement benefits.

30. DISTRIBUTION COST

	Note	2011	2010
		(Rupees in thousand)	
Salaries and benefits	30.1	**2,188**	2,495
Commission		**6,019**	7,425
Loading and stacking		**4,947**	4,331
		13,154	14,251

30.1 These include Rs.40 thousand (2010: Rs.31 thousand) in respect of staff retirement benefits.

31. ADMINISTRATIVE EXPENSES

	Note	2011	2010
Salaries and benefits	31.1	**67,319**	58,909
Travelling and conveyance:			
- directors'		**1,127**	2,091
- others		**1,603**	844
Vehicles' running / maintenance and lease rentals		**6,195**	3,713
Rent, rates and taxes		**1,222**	934
Communication		**3,193**	1,605
Printing and stationery		**3,155**	2,302
Insurance		**871**	348
Repair and maintenance		**4,410**	2,746
Fees and subscription		**1,058**	1,348
Depreciation		**5,941**	5,131
Amortisation of intangible assets	20	**353**	647
Auditors' remuneration	31.2	**1,220**	1,476
Legal and professional charges (other than Auditors')		**670**	1,736
General		**155**	326
		98,492	84,156

31.1 These include Rs.828 thousand (2010: Rs.676 thousand) in respect of staff retirement benefits.

31.2 **Auditors' remuneration:**

	Note	2011	2010
		(Rupees in thousand)	
Hameed Chaudhri & Co.			
- statutory audit		**1,000**	1,000
- short provision for the preceding year		**0**	175
- half yearly review		**100**	100
- consultancy and certification charges		**50**	70
- out-of-pocket expenses		**19**	91
		1,169	1,436
Munawar Associates			
- cost audit fee		**35**	30
- provident fund's audit fee		**5**	5
- workers' (profit) participation fund's audit fee		**5**	0
- out-of-pocket expenses		**6**	5
		51	40
		1,220	1,476

32. OTHER OPERATING EXPENSES

	Note	2011	2010
Donations (without directors' interest)		**326**	93
Workers' (profit) participation fund	**13.2**	**8,888**	18,679
Workers' welfare fund		**3,377**	7,098
		12,591	25,870

33. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in thousand)	
Income from financial assets			
Profit on deposit accounts		**1,613**	1,451
Fair value gain on re-measurement of investments	**26**	**14,448**	208
Gain on redemption of investments		**11,245**	0
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.263 thousand (2010: Rs.150 thousand) and excise duty amounting Rs.17 thousand (2010: Rs.9 thousand)		**1,547**	939
Sale of scrap - net of sales tax amounting Rs.1,605 thousand (2010: Rs.35 thousand) and excise duty amounting Rs.Nil (2010: Rs.2 thousand)		**9,997**	218
Gain on sale of vehicles		**356**	740
Insurance claim received against damage of stock of baggase due to fire		**0**	2,350
Agricultural income - net		**955**	1,078
		40,161	6,984

34. FINANCE COST

	Note	2011	2010
Mark-up on:			
- long term financing		**102,465**	128,777
- loans from related parties		**75,826**	69,540
- short term borrowings		**264,476**	99,256
Lease finance charges		**203**	0
Interest on workers' (profit) participation fund	**13.2**	**1,739**	0
Bank charges		**2,025**	2,568
		446,734	300,141

35. EARNINGS PER SHARE

	2011	2010
	(Rupees in thousand)	
		Re-stated
Profit after taxation attributable to ordinary shareholders	**140,610**	309,367
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
		Re-stated
Earnings per share	**4.90**	10.78

35.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2011 and 30 September, 2010, which would have any effect on the earnings per share of the Company if the option to convert is exercised.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2011	2010	**2011**	2010	**2011**	2010
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**0**	1,722	**9,584**	11,904
Allowances and utilities	**0**	0	**0**	0	**6,345**	5,439
Contribution to provident fund	**0**	0	**0**	0	**595**	430
Medical expenses reimbursed	**34**	59	**142**	0	**0**	0
	1,234	1,259	**142**	1,722	**16,524**	17,773
No. of persons	**1**	1	**5**	1	**11**	10

36.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Seven (2010: seven) 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).

37. 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.

37.1 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 balances with banks, as well as credit exposures to customers and other counter parties, which include trade debts and loans & advances. All of the Company's financial assets were subject to credit risk as at 30 September, 2011 and 2010.

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, 2011 along with comparative is tabulated below:

	2011	2010
	(Rupees in thousand)	
Security deposits	**3,709**	3,684
Trade debts	**38,732**	79,534
Loans and advances	**71,026**	53,524
Other receivables	**250**	263
Investments	**179,040**	26,608
Bank balances	**65,127**	45,797
	357,884	209,410

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 year-end was as follows:

Not past due	**6,351**	49,822
Past due more than 30 days	**0**	29,712
Past due	**32,381**	0
	38,732	79,534

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as there are reasonable grounds to believe that the amounts will be realised in short course of time.

37.2 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:

	2011				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	---------------------- Rupees in thousand ----------------------				
Long term financing	**586,664**	**705,870**	**313,897**	**391,973**	**0**
Loans from related parties	**502,500**	**766,682**	**74,171**	**626,748**	**65,763**
Liabilities against assets subject to finance lease	**7,909**	**7,909**	**1,702**	**6,207**	**0**
Short term borrowings	**1,905,100**	**1,975,669**	**1,975,669**	**0**	**0**
Trade and other payables	**141,569**	**141,569**	**141,569**	**0**	**0**
Accrued mark-up	**125,448**	**125,448**	**125,448**	**0**	**0**
	3,269,190	**3,723,147**	**2,632,456**	**1,024,928**	**65,763**

	2010				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----------------------- Rupees in thousand -----------------------				
Long term financing	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	90,793	90,793	90,793	0	0
	1,515,399	2,036,850	621,017	1,205,438	210,395

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.

37.3 Market risk

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

(a) Currency risk

The Company is exposed to currency risk on import of stores & spares mainly denominated in Euro. The Company's exposure to foreign currency risk is as follows:

	2011	2010
	(Rupees in thousand)	
Bills payable	**5,730**	0

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2011	2010	**2011**	2010
Euro to Rupee	**120.22**	-	**122.30**	-

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against Euro with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of foreign currency financial liabilities.

	2011	2010
Effect on profit for the year:	**(Rupees in thousand)**	
Euro to Rupee	**573**	0

The weakening of Rupee against Euro would have had an equal but opposite impact on the profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effect on profit for the year and liabilities of the Company.

(b) Interest rate risk

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

	2011	2010	**2011**	2010
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	5	**34,345**	17,939
Variable rate instruments				
Financial liabilities				
Long term financing	**14.17 to 15.80**	14.17 to 14.77	**586,664**	789,998
Loans from related parties	**13.92 to 15.54**	13.28 to 14.34	**502,500**	502,500
Liabilities against assets subject to finance lease	**15.23 to 15.75**	-	**7,909**	0
Short term borrowings	**14.50 to 16.03**	13.50 to 14.85	**1,905,100**	0

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 mark-up / profit 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 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 2010.

	Decrease	**Increase**
	(Rupees in thousand)	
As at 30 September, 2011		
Cash flow sensitivity-variable rate financial liabilities	**(30,022)**	**30,022**
As at 30 September, 2010		
Cash flow sensitivity-variable rate financial liabilities	(12,925)	12,925

(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 investments in Units of Mutual Funds. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in the market. In addition, the Company actively monitors the key factors that affect price movements.

The effect of a 10% increase in redemption value of Units of Mutual Funds would be as follows:

	2011	2010
	(Rupees in thousand)	
Effect on profit and loss account and investments	**17,904**	2,661

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

37.4 Fair value of financial instruments and hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level:1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level:2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level:3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's investments in Mutual Funds have been measured at fair value using year-end Net Assets Value as computed by the respective Assets Management Companies. Fair value of these investments falls within level 2 of fair value hierarchy as mentioned above.

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

	Fund stability rating assigned by PACRA / JCR-VIS
- ABL Cash Fund	**AA+**
- UBL Liquidity Plus Fund	**AA+**
- Pakistan Cash Management Fund	**AAA**

38. 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.

39. CAPACITY AND PRODUCTION

	2011	2010
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,353,553**	1,046,061
Sugar produced	**117,474**	88,086
	--------- Number ---------	
Days worked:		
Unit - I	**122**	89
Unit - II	**124**	95

40. OPERATING SEGMENTS

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

40.1 Sugar sales represent 92% (2010: 94%) of the total sales of the Company.

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

40.3 All non-current assets of the Company as at 30 September, 2011 are located in Pakistan.

40.4 The Company sells sugar to commission agents. Sugar sales to five (2010: five) of the Company's customers during the year aggregated Rs.5.397 billion (2010: Rs.5.998 billion) constituting 99.74% (2010: 99.85%) of the total sugar sales. Three (2010: four) of the Company's customers individually exceeded 10% of the sugar sales.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 04 January, 2012 by the board of directors of the Company.

42. GENERAL

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison; material re-statements made in these financial statements have been detailed in note 12.1.

AZIZ SARFARAZ KHAN	**ISKANDER M KHAN**
CHIEF EXECUTIVE	**DIRECTOR**

annual report

2011

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

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THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRPERSON /CHIEF EXECUTIVE	BEGUM LAILA SARFARAZ
DIRECTORS	KHAN AZIZ SARFARAZ KHAN MR. ABBAS SARFARAZ KHAN MS. ZARMINE SARFARAZ MS. NAJDA SARFARAZ MR. BABAR ALI KHAN MR. ISKANDER M. KHAN MR. ABDUL QADAR KHATTAK
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
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 74th Annual General Meeting of the shareholders of **The Frontier Sugar Mills & Distillery Limited** will be held on 31 January, 2012 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 31 March, 2011.

(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, 2011.

(3) To appoint Auditors of the Company and fix their remunerations for the financial year ending 30 September, 2012.

(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, 2012 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
04 January, 2012

(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. In case of proxy, an individual must deposit copy of CNIC or passport, along with the form of the proxy. Representative of corporate members should bring the usual documents required for such purpose.

DIRECTORS' REPORT

The Directors of The Frontier Sugar Mills & Distillery Limited are pleased to present the Directors' report of the Company together with the audited financial statements for the year ended 30 September, 2011.

SUMMARISED FINANCIAL RESULTS

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

	2011	2010
	(Rupees in thousands)	
Gross Loss	**(6,702)**	(7,960)
Administrative & other expenses	**(7,135)**	(9,251)
Finance cost	**(26)**	(22)
Other operating Income	**6,705**	7,234
Loss before taxation	**(7,158)**	(9,999)
Taxation - Current	**101**	0
Loss after taxation	**(7,259)**	(9,999)
Other Comprehensive (Loss)/ Income	**(1,622)**	710
Total Comprehensive Loss for the Year	**(8,881)**	(9,289)
	----- Rupees -----	
Loss per Share	**(5.38)**	(7.41)

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

GENERAL

1. REVIVAL OF THE CRUSHING

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.

2. REPLY TO AUDITORS 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 to provide us level playing field by levying sales tax on commercial gur trade and ban on export of gur.

Note 14.1

We filed a writ petition in the Lahore High Court Lahore and are striving to recover the deposits.

Note 15.1

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.

3. DELISTING FROM STOCK EXCHANGES

The Company has been de-listed from the Ready Board Quotation of the Stock Exchanges.

4. EXTERNAL AUDITORS

The present auditors Messrs Hameed Chaudhri & Co., Chartered Accountants, Lahore retire and being offer themselves for re-appointment for the financial year ending 30 September, 2012.

5. PATTERN OF SHAREHOLDING

The pattern of Shareholding, as required under Section 236(2) (d) of the Companies Ordinance 1984, is enclosed.

6. ACKNOWLEDGEMENT

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

ON BEHALF OF THE BOARD

Mardan:
04 January, 2012

(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, 2011 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;
- **(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 14.1) and the contents of note 15.1 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, 2011 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;
05 January, 2012

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2011

	Note	2011 Rupees in thousand	2010 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	13	**8,291**	9,913
Accumulated loss		**(14,084)**	(8,914)
		142,207	148,999
Surplus on Revaluation of Property, Plant and Equipment	8	**96,904**	98,993
Non-current Liabilities			
Staff retirement benefits-gratuity	9	**3,459**	3,887
Current Liabilities			
Trade and other payables	10	**3,629**	3,319
Accrued mark-up		**0**	233
		3,629	3,552
Contingencies and Commitments	11		
		246,199	255,431

	Note	2011 Rupees in thousand	2010 Rupees in thousand
Assets			
Non-current Assets			
Property, plant and equipment	12	**105,065**	108,035
Investments	13	**14,426**	16,048
Deposits with a non-bank finance institution	14	**0**	15,600
Security deposits		**92**	92
		119,583	139,775
Current Assets			
Stores and spares	15	**32,581**	32,460
Loans and advances	16	**669**	1,399
Short term prepayments		**27**	39
Accrued profit on deposits with a non-bank finance institution		**973**	973
Other receivables	17	**755**	484
Tax deducted at source		**5,332**	5,261
Short term investments	18	**47,018**	50,204
Bank balances	19	**39,261**	24,836
		126,616	115,656
		246,199	255,431

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, 2011

	Note	2011	2010
		Rupees in thousand	
Sales - Net	20	0	3,959
Fixed Production Overheads (2010: Cost of Sales)	21	6,702	11,919
Gross Loss		(6,702)	(7,960)
Administrative Expenses	22	7,135	8,108
Other Operating Expenses	23	0	1,143
		7,135	9,251
		(13,837)	(17,211)
Other Operating Income	24	6,705	7,234
Loss from operations		(7,132)	(9,977)
Bank charges		26	22
Loss before Taxation		(7,158)	(9,999)
Taxation			
- Current	25.3	101	0
Loss after Taxation		(7,259)	(9,999)
Other Comprehensive (Loss) / Income for the Year			
Fair value (loss) / gain on available-for-sale investments	13	(1,622)	710
Total Comprehensive Loss for the Year		(8,881)	(9,289)
		------ Rupees ------	
Loss per Share	26	(5.38)	(7.41)

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER, 2011

	2011	2010
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(7,158)**	(9,999)
Adjustments for non-cash charges and other items:		
Depreciation	**2,970**	3,303
Staff retirement benefits - gratuity (net)	**(428)**	1,391
Interest / profit on bank deposits	**(31)**	(3,238)
Unclaimed payable balances written-back	**(233)**	0
Gain on re-measurement of short term investments to fair value	**(5,013)**	(1,998)
Dividend income	**(877)**	0
Obsolete beet seed stocks written-off	**0**	1,143
Loss before working capital changes	**(10,770)**	(9,398)
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets		
Stores and spares	**(121)**	0
Stock-in-trade	**0**	2,097
Loans and advances	**730**	546
Short term prepayments	**12**	12
Other receivables	**(271)**	781
Increase / (decrease) in trade and other payables	**310**	(263)
	660	3,173
Cash used in operations	**(10,110)**	(6,225)
Taxation - net	**(172)**	68
Net cash used in operating activities	**(10,282)**	(6,157)
Cash flow from investing activities		
Profit on bank deposits received	**31**	3,238
Short term investments	**8,199**	(48,206)
Dividend received	**877**	0
Net cash generated from / (used in) investing activities	**9,107**	(44,968)
Net decrease in cash and cash equivalents	**(1,175)**	(51,125)
Cash and cash equivalents - at beginning of the year	**24,836**	68,161
Deposits with a Non-bank Finance Institution grouped under current assets during the year	**15,600**	7,800
	40,436	75,961
Cash and cash equivalents - at end of the year	**39,261**	24,836

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, 2011

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Accumulated loss	Total
	---------------- Rupees in thousand ----------------				
Balance as at 30 September, 2009	14,000	134,000	9,203	(1,237)	155,966
Total comprehensive income / (loss) for the year	0	0	710	(9,999)	(9,289)
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
Total comprehensive loss for the year	0	0	(1,622)	(7,259)	(8,881)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	2,089	2,089
Balance as at 30 September, 2011	**14,000**	**134,000**	**8,291**	**(14,084)**	**142,207**

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, 2011

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 has been delisted 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, had decided to purchase all the ordinary and preference shares of the Company held by Others. The shareholders of the Company had 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.) had 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 was de-listed from all the Stock Exchanges with effect from 25 October, 2010. The purchase agent, during the current year, has further purchased 19,884 ordinary shares and 20,014 preference shares.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 by the provisions of and directives issued under the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ from the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

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
- measurement of investments at fair value.

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 estimates / judgments and associated assumptions used in the preparation of the 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 9.

b) Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

c) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicator of impairment is identified.

d) Stores & spares

The Company reviews the net realisable value of stores & spares to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

5.1 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after 01 October, 2010 but are considered not to be relevant or did not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

5.2 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards and interpretations that have been published and are mandatory for the Company's accounting period beginning on or after 01 October, 2011:

(a) IFRS 7 (Financial Instruments - effective 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(b) IAS 1 (Presentation of Financial Statements - effective 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(c) IAS 24 - revised (Related Party Disclosures issued in November, 2009). It supersedes IAS 24 (Related Party Disclosures issued in 2003). IAS 24 - revised is mandatory for periods beginning on or after 01 January, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to have any significant impact on the Company's 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 Staff retirement benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 September, 2010 on the basis of the projected unit credit method by an independent Actuary.

6.3 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.

6.4 Taxation

Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

6.5 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

6.6 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 depreciation. Any accumulated 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 are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

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 these are incurred.

Depreciation on 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 12. 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 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.

6.7 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.

6.8 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 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.

6.9 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.

6.10 Short term investments (at fair value through profit or loss)

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. 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 is recognised in income.

6.11 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.

6.12 Revenue recognition

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

(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'.

6.13 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.

6.14 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.

6.15 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time 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 is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include investments, deposits with a non-bank finance institution, security deposits, accrued profit, short term investments, bank balances, trade & other payables and accrued mark-up. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.16 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

7. SHARE CAPITAL

7.1 Authorised capital

2011 (No. of shares)	2010 (No. of shares)		2011 Rupees in thousand	2010 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

2011 (No. of shares)	2010 (No. of shares)		2011 Rupees in thousand	2010 Rupees in thousand
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 1,113,637 (2010: 1,093,753) ordinary shares and 42,984 (2010: 22,970) 7% irredeemable preference shares as at 30 September, 2011.

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 and plant & machinery. 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 financial year ended 30 September, 2009, had again revalued its aforementioned fixed assets and freehold land. The revaluation exercise was carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. (Independent 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 at as follows:

	2011	2010
	Rupees in thousand	
Opening balance	**98,993**	101,315
Less: transferred to accumulated loss on account of incremental depreciation for the year	**2,089**	2,322
Closing balance	**96,904**	98,993

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:

- discount rate - per annum	**12.5%**	12.5%
- expected rate of growth per annum in future salaries	**11.5%**	11.5%
- average expected remaining working life time of employees	**03 years**	03 years

The amount recognised in the balance sheet is as follows:

Present value of defined benefit obligation	**3,594**	4,022
Unrecognised actuarial loss	**(135)**	(135)
Net liability as at 30 September,	**3,459**	3,887
Net liability as at 01 October,	**3,887**	2,496
Charge to profit and loss account	**785**	3,630
Payments made during the year	**(1,213)**	(2,239)
Net liability as at 30 September,	**3,459**	3,887

The movement in the present value of defined benefit obligation is as follows:	**2011**	2010
	Rupees in thousand	
Opening balance	**4,022**	943
Current service cost	**222**	3,863
Interest cost	**563**	132
Benefits paid	**(1,213)**	(2,239)
Actuarial loss	**0**	1,323
Closing balance	**3,594**	4,022

Charge to profit and loss account

Current service cost	**222**	3,863
Interest cost	**563**	132
Actuarial gain recognised	**0**	(365)
	785	3,630

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

	2011	2010	2009	2008	2007
	---------------- Rupees in thousand ----------------				
Present value of defined benefit obligation	**3,594**	4,022	943	9,739	12,795
Experience adjustment on obligation	**0**	1,323	0	(880)	N/A

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

	2011	2010
	Rupees in thousand	
Due to an Associated Company (Chashma Sugar Mills Ltd.)	**856**	872
Creditors	**224**	225
Accrued expenses	**1,950**	1,624
Interest free deposits	**21**	21
Tax deducted at source	**1**	0
Workers' (profit) participation fund	**3**	3
Unclaimed dividends	**572**	572
Others	**2**	2
	3,629	3,319

11. CONTINGENCIES AND COMMITMENTS

11.1 Guarantee given by a bank on behalf of the Company outstanding as at 30 September, 2011 was for Rs.1.143 million (2010: Rs.1.143 million).

11.2 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.

11.3 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. After dismissal of their case, the petitioners have appealed against the decision in the Labour Court, Mardan. After arguments, the Presiding Officer of the Court has remanded back the case to the Authority. Presently, the case is pending before the Authority for adjudication. 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.

11.4 No commitments were outstanding as at 30 September, 2011 and 30 September, 2010

12. 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, 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
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
Year ended 30 September, 2011:													
Depreciation charge	0	644	2,295	0	10	0	2	0	6	12	0	1	2,970
Book value as at 30 September , 2011	78,419	5,794	20,654	2	58	0	21	4	54	46	1	12	105,065
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
As at 30 September, 2011													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	194,653
Accumulated depreciation	0	8,511	75,950	912	473	206	1,014	116	920	1,386	58	42	89,588
Book value	78,419	5,794	20,654	2	58	0	21	4	54	46	1	12	105,065
Depreciation rate (%)	-	10	10	15	15	15	10	10	10	20	10	10	

12.1 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:

	Note	**2011**	2010
		Rupees in thousand	
- freehold land		**325**	325
- buildings on freehold land		**96**	107
- plant & machinery		**1,579**	1,754
		2,000	2,186

12.2 Depreciation for the year has been apportioned as under:

- fixed production overheads (2010: cost of sales)		**2,747**	3,055
- administrative expenses		**223**	248
		2,970	3,303

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

Ibrahim Fibres Limited 438,250 (2010: 438,250) ordinary shares of Rs.10 each		**6,135**	6,135
Add: adjustment arising from re-measurement to fair value		**8,291**	9,913
		14,426	16,048

14. 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	**14.1**	**7,800**	7,800
29 July, 2010	**14.1**	**7,800**	7,800
29 July, 2011	**14.1**	**7,800**	7,800
29 July, 2012		**15,600**	15,600
		39,000	39,000
Less: current portion grouped under current assets		**39,000**	23,400
		0	15,600

14.1 The realisibility of these deposits is doubtful of recovery as three deposits aggregating Rs.23.400 million could not be encashed on their respective maturity dates. The Securities and Exchange Commission of Pakistan (SECP), 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. Presently, SECP has instituted winding-up proceedings against IIBL in the Lahore High Court, Lahore (LHC). SECP has sought liquidation on a number of counts including violation of the Scheme of Amalgamation approved by SECP under which IIBL took over all the rights / liabilities of Crescent Standard Investment Bank Ltd.

The Company has sizeable investment in IIBL by virtue of which it is entitled to be heard. The Company, therefore, has filed a petition in the LHC under Civil Procedure Code 1908 to be made party in the winding-up proceedings.

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

15. STORES AND SPARES

	2011	2010
	Rupees in thousand	
Stores	**22,650**	22,529
Spares	**9,931**	9,931
	32,581	32,460

15.1 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.

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

16. LOANS AND ADVANCES

Due from the Holding Company - (in respect of current account transactions)	**0**	732
Unsecured advances to:		
- employees - considered good	**188**	186
- suppliers / contractors - considered good	**481**	481
	669	1,399

17. OTHER RECEIVABLES	Note	2011	2010
		Rupees in thousand	
Excise duty deposit / refundable		**83**	83
Sales tax refundable	**17.1**	**662**	391
Others		**10**	10
		755	484

17.1 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.

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

	2011	2010
MCB Cash Management Optimizer 470,008 Units (2010: 489,209 Units)	**42,005**	48,206
Add: adjustment on re-measurement to fair value	**5,013**	1,998
	47,018	50,204

19. BANK BALANCES

	2011	2010
Cash at banks on:		
- current accounts	**104**	104
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.39 million (2010: Rs.23.400 million) - note 14]	**39,080**	23,479
- saving accounts	**77**	1,253
	39,261	24,836

19.1 Deposit and saving accounts during the year carried profit / mark-up at the rates ranging from 5% to 7% (2010: 10.35% to 11.50%) per annum.

20. SALES - Net

	Note	2011	2010
		Rupees in thousand	
Gross sales - local		**0**	4,279
Less: sales tax		**0**	320
		0	3,959

21. FIXED PRODUCTION OVERHEADS (2010: COST OF SALES)

	Note	2011	2010
Cost of sugar-in-process		**0**	2,097
Salaries and benefits	**21.1**	**2,189**	5,181
Power and fuel		**1,619**	1,490
Depreciation		**2,747**	3,055
Insurance		**147**	96
		6,702	11,919

21.1 These include Rs.50 thousand (2010: Rs.67 thousand) and Rs.706 thousand (2010: Rs.3,267 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

22. ADMINISTRATIVE EXPENSES

	Note	2011	2010
Salaries and benefits	**22.1**	**5,532**	5,419
Travelling and vehicles' running		**130**	196
Rent, rates and taxes		**136**	137
Communication		**28**	28
Printing and stationery		**54**	264
Insurance		**138**	139
Repair and maintenance		**304**	80
Subscription		**10**	781
Auditors' remuneration	**22.2**	**255**	267
Legal and professional charges (other than Auditors')		**279**	513
General		**46**	36
Depreciation		**223**	248
		7,135	8,108

22.1 These include Rs. 67 thousand (2010: Rs.71 thousand) and Rs.79 thousand (2010: Rs.363 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

22.2 Auditors' remuneration:

	Note	2011	2010
		Rupees in thousand	
Hameed Chaudhri & Co.			
- statutory audit		**125**	125
- half-yearly review		**60**	60
- review of compliance with best practices of Code of Corporate Governance		**0**	25
- certification charges		**13**	0
- out-of-pocket expenses		**21**	21
		219	231
Munawar Associates			
- cost audit		**30**	30
- workers' (profit) participation fund's audit fee		**3**	3
- out-of-pocket expenses		**3**	3
		36	36
		255	267

23. OTHER OPERATING EXPENSES

These represented obsolete beet seed stocks written-off during the preceding financial year.

24. OTHER OPERATING INCOME

	Note	2011	2010
Income from financial assets:			
Interest / profit on bank deposits		**31**	3,238
Dividend		**877**	0
Gain on redemption of short term investments		**551**	854
Fair value gain on re-measurement of short term investments	**18**	**5,013**	1,998
Income from other than financial assets:			
Unclaimed payable balances written-back		**233**	0
Sale of trees		**0**	1,100
Miscellaneous		**0**	44
		6,705	7,234

25. TAXATION

25.1 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).

25.2 The returns for Tax Years 2003 to 2011 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.

25.3 No numeric tax rate reconciliation is given in these financial statements as provision made during the year mainly represents tax payable on dividend income under section 5 of the Ordinance.

25.4 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.

26. LOSS PER SHARE

	2011	2010
	Rupees in thousand	
Loss for the year after taxation attributable to ordinary shareholders	**(7,259)**	(9,999)
	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	**(5.38)**	(7.41)

26.1 There were no convertible dilutive potential ordinary shares outstanding on 30 September, 2011 and 2010.

27. 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.

27.1 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, 2011 and 2010.

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, 2011 along with comparative is tabulated below:

	2011	2010
	Rupees in thousand	
Investments	**14,426**	16,048
Deposits with a non-bank finance institution	**39,000**	39,000
Security deposits	**92**	92
Accrued profit on deposits with a non-bank finance institution	**973**	973
Short term investments	**47,018**	50,204
Bank balances	**261**	1,436
	101,770	107,753

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+**

27.2 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:

	2011		
	Carrying amount	**Contractual cash flows**	**Less than 1 year**
	------------------ Rupees in thousand ------------		
Trade and other payables	**2,769**	**2,769**	**2,769**
	2010		
Trade and other payables	2,444	2,444	2,444
Accrued mark-up	233	233	233
	2,677	2,677	2,677

27.3 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:

	2011	2010	2011	2010
	Effective rate		Carrying amount	
	Percentage		Rupees in thousand	
Fixed rate instruments				
Deposits with a non - bank finance institution	**5%**	5%	**39,000**	39,000
Bank balances	**5% to 7%**	10.35% to 11.50%	**157**	1,332

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, 2011 and 30 September, 2010.

(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:

	2011	2010
	Rupees in thousand	
Effect on equity	**1,443**	1,605
Effect on loss	**4,702**	5,020
Effect on investments	**6,145**	6,625

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

27.4 Fair value of financial instruments and hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm’s length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level:1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level:2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level:3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's investments in equity instruments of a listed Company have been measured at fair value using year-end quoted prices. Fair value of these investments falls within level 1 of fair value hierarchy as mentioned above.

The Company's investments in a Mutual Fund have been measured at fair value using year-end Net Assets Value as computed by the Assets Management Company. Fair value of these investments falls within level 2 of fair value hierarchy as mentioned above.

28. TRANSACTIONS WITH RELATED PARTIES

28.1 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. The Company has carried-out no transaction with any related party during the current and preceding financial years.

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

29. REMUNERATION OF DIRECTORS

29.1 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.

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

30. CAPACITY AND PRODUCTION

		2011	2010
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

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

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 04 January, 2012 by the board of directors of the Company.

32. FIGURES

Corresponding figures have neither been re-arranged nor re-classified.

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED MARDAN

FORM - 34

PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30 SEPTEMBER, 2011

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		SHARES HELD		TOTAL
	FROM	TO	PREFERENCE	ORDINARY	
572	1	100	1,458	10,688	12,146
113	101	500	3,558	26,326	29,884
32	501	1,000	2,000	21,711	23,711
31	1,001	5,000	0	73,318	73,318
5	5,001	10,000	0	39,246	39,246
3	10,001	20,000	0	41,097	41,097
1	20,001	50,000	42,984	23,977	66,961
1	1,050,001	1,150,000	0	1,113,637	1,113,637
758			**50,000**	**1,350,000**	**1,400,000**

S.No.	Catagories of Shareholders		No of Shares		Total	Percentage of holding
			Ordinary	Preference		
1	**Name of Directors, Chief Executive Officer**					
	Khan Aziz Sarfaraz Khan		23977		23,977	1.71
	Begum Laila Sarfaraz		500		500	0.04
	Mr. Abbas Sarfaraz Khan		1342		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		1903	210	2,113	0.15
	Mr. Abdul Qadar Khattak		100		100	0.01
2	**Company Secretary/Chief Financial Officer (CFO)**					
	Mr. Mujahid Bashir	Company Secretary	2		2	0.00
3	**Shares held by relatives**		-	-	-	-
4	**Shares held by the Holding Company**					
	The Premier Sugar Mills & Distillery Co, Ltd.		1,113,637	42,984	1,156,621	82.62
5	**Shares held by Financial Institutions, Investment, Insurance, Securities Companies and others**					
	The Frontier Cooperative Bank Ltd.		5,501	0	5,501	0.39
	Investment Corporation of Pakistan		3	300	303	0.02
	District Council, Mardan		72	1,000	1,072	0.08
	Municipal Committee, Mardan		73	1,000	1,073	0.08
6	**Shares held by General Public**					
	Held by General Public		201,390	4,506	205,896	14.71
			1,350,000	50,000	1,400,000	100.00
7	**Shareholders holding ten percent or more voting interest in the Company.**					
	The Premier Sugar Mills & Distillery Co, Limited.		1,113,637	42,984	1,156,621	82.62

annual report

2011

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, 2011.

1. GENERAL REVIEW

Chashma Sugar Mills Limited earned profits of Rs. 140.61 million, whereas The Frontier Sugar Mills & Distillery Limited suffered losses of Rs. 8.881 million for the year due to the non availability of sugarcane.

2. SUMMARISED FINANCIAL OVERVIEW

Following are the consolidated financial results for the year-ended 30 September, 2011 with the preceding year comparatives:

	2011	2010
	(Rupees in thousands)	
- Sales	**6,266,846**	6,650,351
- Gross Profit	**352,523**	672,082
- (Loss)/Pofit befor taxation	**(188,567)**	303,740
- Taxation		
Group		
- current	**60,654**	66,715
- prior years'	**(13,622)**	(1,657)
- deferred	**(157,471)**	(44,728)
- Associated Companies	**1,423**	(497)
	(109,016)	19,883
- (Loss)/Profit after taxation	**(69,634)**	285,771
- Other comprehensive (Loss)/Income for the year	**(1,577)**	710
- Total comprehensive (Loss)/ Income for the year	**(71,211)**	286,481
	------------Rupees------------	
- Combined (Loss)/Earnings per share	**(36.99)**	35.44

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 2011-2012

The sugarcane crushing season in the Premier Sugar Mills & Distillery Company Limited started on 20 November, 2011 and crushed 93,264 tons of sugarcane, producing 8,490 tons of sugar at an average recovery of 9.52% up to 31 December, 2011.

5. DIVIDEND

The Directors of Chashma Sugar Mills Limited (Subsidiary Company) have recommended the payment of 10% cash dividend.

6. REPLIES TO AUDITORS RESERVATION

The Auditors have raised doubts regarding the Frontier Sugar Mills & Distillery Limited 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 to provide us level playing field with the commercial gur trade.

Auditors also made their reservations regarding impairment of stores & spares of Frontier Sugar Mills & Distillery Limited. The management is carrying out the exercise to identify obsolete/damaged stores and spares inventory, if any.

With regard to the common reservation of auditors regarding non-provision against the deposits by The Premier Sugar Mills & Distillery Limited and Frontier Sugar Mills & Distillery Limited, we have filed a writ petition in the Lahore High Court, Lahore and are waiting for a favorable outcome.

7. 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.

8. 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:
04 January, 2012

(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 of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Holding Company) and its Subsidiary Companies (Chashma Sugar Mills Limited and The Frontier Sugar Mills & Distillery Limited) - the Group - comprising consolidated balance sheet as at 30 September, 2011 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 Holding Company and its Subsidiary Companies.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

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

> 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 25.1) and the contents of note 26.1 and the extent to which these may affect the annexed consolidated financial statements, in our opinion the consolidated financial statements present fairly the consolidated financial position of the Group as at 30 September, 2011 and the consolidated results of its operations, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

LAHORE;
05 January, 2012

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER, 2011

	Note	2011	2010	2009
		Rupees in thousand		
			--- Re-stated ---	
Equity and Liabilities				
Capital and Reserves				
Authorised capital				
5,750,000 ordinary shares of Rs.10 each		57,500	57,500	57,500
Issued, subscribed and paid-up capital	8	37,500	37,500	37,500
Reserves		1,017,378	1,016,600	1,012,186
Unappropriated profit		138,714	230,499	43,393
Equity Attributable to Equity Holders of the Parent		1,193,592	1,284,599	1,093,079
Non-controlling Interest		318,924	244,853	71,477
		1,512,516	1,529,452	1,164,556
Surplus on Revaluation of Property, Plant and Equipment	9	1,552,682	978,363	1,063,642
Non-current Liabilities				
Long term finances	10	340,000	556,664	789,999
Loans from Associated Companies	11	180,000	180,000	157,500
Liabilities against assets subject to finance lease	12	6,207	0	0
Deferred liabilities:				
- deferred taxation	13	600,184	417,124	461,852
- staff retirement benefits - gratuity	14	26,700	24,176	19,970
		1,153,091	1,177,964	1,429,321
Current Liabilities				
Trade and other payables	15	300,397	347,079	276,086
Accrued mark-up	16	155,715	80,200	98,168
Short term borrowings	17	2,702,226	0	700,913
Current portion of non-current liabilities	18	248,366	233,334	220,833
Dividends payable to non-controlling interest		3,490	3,068	3,068
Sales tax and federal excise duty payable		0	24,583	33,442
Taxation	19	79,932	65,344	34,715
		3,490,126	753,608	1,367,225
Contingencies and Commitments	20			
		7,708,415	4,439,387	5,024,744

	Note	2011	2010	2009
		Rupees in thousand		
			--- Re-stated ---	
Assets				
Non-current Assets				
Property, plant and equipment	21	3,877,650	3,063,047	3,315,168
Intangible assets	22	200	253	900
Investment property	23	37,066	39,002	49,110
Investments	24	61,616	54,475	51,379
Deposits with a non-bank finance institution	25	0	31,200	46,800
Security deposits		4,318	4,278	4,272
		3,980,850	3,192,255	3,467,629
Current Assets				
Stores and spares	26	306,478	260,769	253,477
Stock-in-trade	27	2,637,889	377,455	913,002
Trade debts	28	63,204	109,089	55,446
Loans and advances	29	85,968	57,882	44,260
Trade deposits and short term prepayments	30	3,856	3,281	28,437
Accrued profit / mark-up on bank deposits		1,073	1,067	1,299
Other receivables		4,168	759	617
Income tax refundable, advance income tax and tax deducted at source		66,786	41,889	59,105
Short term investments	31	404,474	268,664	0
Bank balances	32	153,669	126,277	201,472
		3,727,565	1,247,132	1,557,115
		7,708,415	4,439,387	5,024,744

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 PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2011

	Note	2011	2010
		Rupees in thousand	
			Re-stated
Sales - Net	**33**	**6,266,846**	6,650,351
Cost of Sales	**34**	**5,914,323**	5,978,269
Gross Profit		**352,523**	672,082
Distribution Cost	**35**	**15,000**	15,509
Administrative Expenses	**36**	**161,889**	155,885
Other Operating Expenses	**37**	**12,596**	29,438
		189,485	200,832
		163,038	471,250
Other Operating Income	**38**	**114,170**	91,989
Profit from Operations		**277,208**	563,239
Finance Cost	**39**	**465,775**	259,499
		(188,567)	303,740
Share of Profit of Associated Companies	**24.2**	**9,917**	1,864
(Loss) / Profit before Taxation		**(178,650)**	305,604
Taxation			
Group			
- current	**19**	**60,654**	66,715
- prior years'		**(13,622)**	(1,657)
- deferred		**(157,471)**	(44,728)
		(110,439)	20,330
Associated Companies	**24.2**	**1,423**	(497)
		(109,016)	19,833
(Loss) / Profit after Taxation		**(69,634)**	285,771
Other Comprehensive (Loss) / Income for the Year			
Fair value (loss) / gain on available-for-sale investments	**24**	**(1,622)**	710
Share of other comprehensive income from Associated Companies	**24.2**	**45**	0
Total Comprehensive (Loss) / Income for the Year		**(71,211)**	286,481
Attributable to:			
- Equity holders of the Parent		**(140,003)**	133,468
- Non-controlling interest		**68,792**	153,013
		(71,211)	286,481
		------ Rupees-----	
Combined (Loss) / Earnings per Share	**40**	**(36.99)**	35.44

- 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, 2011

	2011	2010
Cash flow from operating activities	**Rupees in thousand**	
(Loss) / profit for the year - before taxation	**(178,650)**	305,604
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**280,284**	304,286
Depreciation on investment property	**1,936**	2,221
Amortisation of intangible assets	**353**	647
Profit from Associated Companies -net	**(9,917)**	(1,864)
Interest / profit on bank deposits / saving accounts and certificates	**(3,365)**	(11,969)
Staff retirement benefits - gratuity (net)	**2,868**	4,107
Un-claimed payable balances written-back	**(233)**	(16)
Gain on sale of vehicles	**(356)**	(767)
Gain on sale of investment property	**0**	(43,058)
Gain on re-measurement of short term investments to fair value	**(35,123)**	(10,463)
Obsolete beet seed stocks written-off	**0**	1,143
Uncollectible receivable balances written-off	**0**	681
Dividend income	**(877)**	0
Finance cost	**460,986**	255,117
Profit before working capital changes	**517,906**	805,669
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(45,709)**	(8,435)
Stock-in-trade	**(2,260,434)**	535,547
Trade debts	**45,885**	(54,324)
Loans and advances	**(28,086)**	(13,622)
Trade deposits and short term prepayments	**(575)**	25,156
Other receivables	**(3,409)**	(142)
Increase / (decrease) in current liabilities:		
Trade and other payables	**(47,017)**	72,201
Sales tax and federal excise duty payable	**(24,583)**	(8,859)
	(2,363,928)	547,522
Cash (used in) / generated from operations	**(1,846,022)**	1,353,191
Income tax paid	**(57,341)**	(17,213)
Security deposits	**(40)**	(6)
Net cash (used in) / generated from operating activities	**(1,903,403)**	1,335,972
Cash flow from investing activities		
Additions to property, plant and equipment	**(103,304)**	(53,038)
Sale proceeds of vehicles	**520**	1,640
Sale proceeds of investment property	**0**	50,945
Intangible assets acquired	**(300)**	0
Interest / profit on bank deposits / saving accounts and certificates received	**3,359**	12,201
Acquisition of Subsidiary Company's shares	**(4,155)**	(6,889)
Short term investments - net	**(100,687)**	(258,201)
Dividends received	**877**	0
Net cash used in investing activities	**(203,690)**	(253,342)
Cash flow from financing activities		
Long term finances repaid	**(203,334)**	(198,334)
Lease finance - net	**7,909**	0
Short term borrowings - net	**2,702,226**	(700,913)
Finance cost paid	**(385,471)**	(273,085)
Dividends paid	**(18,045)**	(1,093)
Net cash generated from / (used in) financing activities	**2,103,285**	(1,173,425)
Net decrease in cash and cash equivalents	**(3,808)**	(90,795)
Cash and cash equivalents - at beginning of the year	**126,277**	201,472
Deposits with a Non-bank Finance Institution grouped under current assets during the year	**31,200**	15,600
	157,477	217,072
Cash and cash equivalents - at end of the year	**153,669**	126,277

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, 2011

	------------- 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 --								
Balance 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
Total comprehensive income for the year ended 30 September, 2010									
Profit after taxation	0	0	0	0	0	132,893	132,893	152,878	285,771
Other comprehensive income	0	0	0	575	575	0	575	135	710
	0	0	0	575	575	132,893	133,468	153,013	286,481
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	25	25	0	25
Adjustment due to further acquisition in FSM	0	0	3,591	248	3,839	(6,889)	(3,050)	(3,839)	(6,889)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	0	61,077	61,077	24,202	85,279
Balance as at 30 September, 2010	37,500	1	1,008,567	8,032	1,016,600	230,499	1,284,599	244,853	1,529,452
Total comprehensive income for the year ended 30 September, 2011									
(Loss) / profit after taxation	0	0	0	0	0	(138,710)	(138,710)	69,076	(69,634)
Other comprehensive (loss) / income	0	0	0	(1,338)	(1,338)	45	(1,293)	(284)	(1,577)
	0	0	0	(1,338)	(1,338)	(138,665)	(140,003)	68,792	(71,211)
Transactions with owners:									
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	0	0	0	(3,750)	(3,750)	(14,355)	(18,105)
Indirect share of Parent Company in dividend paid by CSM to Azlak Enterprises (Pvt.) Ltd.	0	0	0	0	0	(586)	(586)	0	(586)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	224	224	0	224
Adjustment due to further acquisition in FSM	0	0	1,970	146	2,116	(4,155)	(2,039)	(2,116)	(4,155)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	0	55,147	55,147	21,750	76,897
Balance as at 30 September, 2011	37,500	1	1,010,537	6,840	1,017,378	138,714	1,193,592	318,924	1,512,516

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

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 preceding 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 has been delisted 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.

Delisting of FSM

(iii) The Parent Company, the majority shareholder of FSM, had decided to purchase all the ordinary and preference shares of FSM held by Others. The shareholders of FSM had 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.) had 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 was de-listed from all the Stock Exchanges with effect from 25 October, 2010. The purchase agent, during the current year, has further purchased 19,884 ordinary shares and 20,014 preference shares.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 by the provisions of and directives issued under the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ from the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

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;
- measurement of investments at fair value; 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 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 estimates / judgments and associated assumptions used in the preparation of the 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 14.

b) Taxation

In making the estimate for income taxes payable by the Group, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

c) Property, plant and equipment

The Group reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicator of impairment is identified.

d) Stores & spares and stock-in-trade

The Group reviews the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sale.

e) Provision for impairment of trade debts

The Group assesses the recoverability of its trade debts if there is objective evidence that the Group will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

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, 2011. The Parent Company's direct interest, as at 30 September, 2011, in FSM was 82.49% (2010: 81.02%) and in CSM was 47.93% (2010: 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. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

6.1 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after 01 October, 2010 but are considered not to be relevant or did not have any significant effect on the Group's operations and are therefore not detailed in these financial statements.

6.2 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards and interpretations that have been published and are mandatory for the Group's accounting period beginning on or after 01 October, 2011:

(a) IFRS 7 (Financial Instruments - effective 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Group's financial statements, other than certain additional disclosures.

(b) IAS 1 (Presentation of Financial Statements - effective 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Group's financial statements, other than certain additional disclosures.

(c) IAS 24 - revised (Related Party Disclosures issued in November, 2009). It supersedes IAS 24 (Related Party Disclosures issued in 2003). IAS 24 - revised is mandatory for periods beginning on or after 01 January, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to have any significant impact on the Group's financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Equity instruments

These are recorded at their face value.

7.2 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. 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.

7.3 Staff retirement benefits

(a) Defined contribution plan

The Group is operating provident fund schemes for all its permanent employees; equal monthly contributions to the funds are made at the rates ranging from 8% to 9% of the basic salaries both by the employees and the Group.

(b) Defined benefit plan

The Parent Company and FSM also operate un-funded retirement gratuity schemes for their eligible employees. Provision for gratuity is made annually to cover obligation under the schemes in accordance with the actuarial recommendations. Latest actuarial valuations were conducted on 30 September, 2010 on the basis of the projected unit credit method by an independent Actuary.

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 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(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 deductible temporary differences, unused tax losses and tax credits can 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 other comprehensive income / equity in which case it is included in other comprehensive income / equity.

7.6 Dividend and appropriation to reserves

Dividend distribution to the shareholders and appropriation to reserves are recognised in the period in which these are approved.

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 these 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 21.1. 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 22.

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 23. 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 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.

7.11 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.

7.12 Stock-in-trade

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

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

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

7.13 Trade debts and other receivables

Trade debts are recognised initially at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

7.14 Loans and advances

These are stated at cost.

7.15 Short term investments (at fair value through profit or loss)

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. 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 is recognised in income.

7.16 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.

7.17 Impairment loss

The carrying amounts of the Group's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provision 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.

7.18 Revenue recognition

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

(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 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.

7.21 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.

7.22 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time 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 is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include investments, deposits with a non-bank finance institution, security deposits, trade debts, loans & advances, trade deposits, accrued profit / mark-up, other receivables, short term investments, bank balances, long term finances, loans from Associated Companies, liabilities against assets subject to finance lease, trade & other payables, accrued mark-up and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

7.23 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Group intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		**2011**	2010
(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, 2011 and 30 September, 2010.

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

9.1 The Parent Company and FSM, during the financial years ended 30 September, 2000 and 30 September, 2009, had revalued buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.284.823 million and Rs.632.234 million respectively. These fixed assets were revalued by Independent Valuers on the basis of depreciated market values.

9.2 The Parent Company, as at 30 September, 2011, has again revalued its aforementioned operating fixed assets. This revaluation exercise has been carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. (Independent Valuers and Consultants, Lahore) to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.110.992 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

9.3 CSM had first revalued its freehold land, buildings & roads and plant & machinery of its Unit - I on 31 March, 2008, which resulted in revaluation surplus aggregating Rs.957.702 million. These fixed assets were revalued by Independent Valuers on the basis of replacement value / depreciated market values.

9.4 CSM, as at 30 September, 2011, has again revalued its freehold land, buildings & roads and plant & machinery of its both Units. The revaluation exercise has been carried-out by Independent Valuers - Harvester Services (Pvt.) Ltd., Lahore. Freehold land has been revalued on the basis of current market value whereas buildings & roads and plant & machinery have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.880.755 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

	2011	2010	2009
	(Rupees in thousand)		
		--- Re-stated ---	
Opening balance	**1,396,337**	1,526,284	1,037,189
Add: surplus arisen on revaluation carried-out during the year	**991,747**	0	632,235
Less: transferred to unappropriated profit on account of incremental depreciation for the year	**(117,178)**	(129,947)	(143,140)
	2,270,906	1,396,337	1,526,284
Less: deferred tax on:			
- opening balance of surplus	**417,974**	462,642	321,600
- surplus on revaluation carried-out during the year	**340,531**	0	190,581
- incremental depreciation for the year	**(40,281)**	(44,668)	(49,539)
	718,224	417,974	462,642
Closing balance	**1,552,682**	978,363	1,063,642

9.5 Refer contents of note 13.1.

10. LONG TERM FINANCES - Secured

From banking companies	Note	2011	2010
		Rupees in thousand	
Bank Alfalah Limited: (BAL)			
- Term finance - I	**10.1**	**16,664**	49,998
- Term finance - II	**10.1**	**120,000**	160,000
		136,664	209,998
Bank Al-Habib Limited: (BAH)			
- Term finance - I	**10.2**	**180,000**	210,000
- Term finance - II	**10.3**	**210,000**	280,000
		390,000	490,000
Silkbank Limited: (SBL)			
- Term finance	**10.4**	**60,000**	90,000
		586,664	789,998
Less: current portion grouped under current liabilities including an overdue instalment of Rs.30 million, which has been repaid on 12 October, 2011		**246,664**	233,334
		340,000	556,664

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 15.80% (2010: 14.35% to 14.54%) 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 15.80% (2010: 14.35% to 14.54%) 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 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 15.59% (2010: 14.17% to 14.57%) 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 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 15.79% (2010: 14.37% to 14.77%) 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 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 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 15.78% (2010: 14.37% to 14.76%) per annum. The year-end outstanding balance of this finance facility is repayable in 4 equal half-yearly instalments ending April, 2013.

11. LOANS FROM ASSOCIATED COMPANIES - Secured

	Note	2011	2010
		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

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 13.92% to 14.87% (2010: 13.28% to 14.04%) per annum. PBM, during the preceding financial year, had 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 13.92% to 14.87% (2010: 13.28% to 14.04%) per annum. AIIL, during the preceding financial year, had 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. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	Upto one year	From one to five years	2011	2010
	---------------- Rupees in thousand ----------------			
Minimum lease payments	**2,756**	**8,705**	**11,461**	0
Less: finance cost allocated to future periods	**1,054**	**1,589**	**2,643**	0
	1,702	**7,116**	**8,818**	0
Less: security deposits adjustable on expiry of lease terms	**0**	**909**	**909**	0
Present value of minimum lease payments	**1,702**	**6,207**	**7,909**	0

12.1 CSM has entered into a lease agreement with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreement are payable in monthly instalments by August, 2015 and are subject to finance cost at the rates ranging from 15.23% to 15.75% per annum. CSM intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessor and demand promissory note.

13. DEFERRED TAXATION

	2011	2010	2009
	(Rupees in thousand)		
		--- Re-stated ---	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances	**294,906**	315,140	324,413
- surplus on revaluation of property, plant & equipment	**718,224**	417,974	462,642
- gain on re-measurement of investments to fair value	**2,331**	635	0
	1,015,461	733,749	787,055
Deductible temporary differences arising in respect of:			
- lease finances	**(653)**	0	0
- staff retirement benefits - gratuity	**(8,134)**	(7,101)	(6,116)
- impairment loss against investments	**(113)**	(1,920)	(20,906)
- provision for doubtful bank balance	**(1,750)**	(1,750)	(1,750)
- provision for doubtful advances	**(853)**	(853)	(853)
- unused tax losses	**(253,042)**	(218,418)	(267,469)
- minimum tax recoverable against normal tax charge in future years	**(150,732)**	(86,583)	(28,109)
	(415,277)	(316,625)	(325,203)
	600,184	417,124	461,852

13.1 In case of CSM, upto 30 September, 2010, deferred tax asset on available unused tax losses had not been recognised due to uncertainty about the availability of taxable profits in the foreseeable future; deferred tax on surplus on revaluation of property, plant and equipment was also not accounted for. With effect from current year, the management has decided to account for deferred taxation on all taxable and deductible temporary differences as per the requirements of IAS 12 (Income Taxes) by restating the financial statements retrospectively in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

As at 30 September, 2011, deferred tax asset amounting Rs.47.358 million on unused tax losses has not been recognised on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at 30 September, 2012.

Effects of this re-statement are as follows:

	30 September, 2010		**30 September, 2009**	
	As previously reported	**As re-stated**	**As previously reported**	**As re-stated**
	-----------------Rupees in thousand-----------------			
Surplus on revaluation of property, plant and equipment	1,208,520	978,363	1,319,372	1,063,642
Deferred taxation	186,967	417,124	206,123	461,853
Profit / (loss) for the year	260,774	286,481	(156,514)	(128,100)
	--------------------------Rupees--------------------------			
Earnings / (loss) per share	22.17	35.44	(22.85)	(19.51)

There was no impact of this re-statement on cash flow statement.

14. STAFF RETIREMENT BENEFITS - Gratuity

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

	2011	2010
- discount rate - per annum	**12.50%**	12.50%
- expected rate of growth per annum in future salaries	**11.50%**	11.50%
- average expected remaining working life time of employees	**3 to 6 years**	3 to 6 years

The amount recognised in the balance sheet is as follows:	**2011**	2010
	Rupees in thousand	
Present value of defined benefit obligation	**30,735**	28,502
Unrecognised actuarial loss - net	**(4,035)**	(4,326)
Net liability as at 30 September,	**26,700**	24,176
Net liability as at 01 October,	**24,176**	19,970
Charge to profit and loss account	**5,120**	8,534
Payments made during the year	**(2,252)**	(4,328)
Benefits payable to outgoing members - grouped under current liabilities	**(344)**	0
Net liability as at 30 September,	**26,700**	24,176
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**28,502**	24,879
Current service cost	**1,206**	4,738
Interest cost	**3,623**	3,483
Benefits payable to outgoing members - grouped under current liabilities	**(344)**	0
Benefits paid	**(2,252)**	(4,328)
Actuarial loss - net	**0**	(270)
Closing balance	**30,735**	28,502
Charge to profit and loss account		
Current service cost	**1,206**	4,738
Interest cost	**3,623**	3,483
Actuarial loss recognised - net	**291**	313
	5,120	8,534

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

	2011	2010	2009	2008	2007
	------------------- **Rupees in thousand**				-------------------
Present value of defined benefit obligation	**30,735**	28,502	24,879	37,014	32,828
Experience adjustment on obligation	**0**	(270)	0	4,210	N/A

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

15. TRADE AND OTHER PAYABLES

	Note	2011	2010
		Rupees in thousand	
Due to Associated Companies	**15.1**	**10,572**	2,390
Creditors		**91,045**	65,063
Bills payable		**5,730**	0
Accrued expenses		**43,119**	79,089
Retention money		**4,024**	2,675
Security deposits - interest free repayable on demand	**15.2**	**1,319**	1,168
Advance payments		**114,648**	159,636
Income tax deducted at source		**642**	644
Gratuity payable to ex-employees		**1,489**	1,145
Workers' (profit) participation fund	**15.3**	**9,036**	20,228
Workers' welfare fund		**11,056**	7,679
Unclaimed dividends		**7,032**	6,807
Others		**685**	555
		300,397	347,079

15.1 The balance represents amounts due to:

	2011	2010
- Syntron Ltd.	**10,290**	2,017
- Phipson & Co. Pakistan (Pvt.) Ltd.	**18**	153
- Azlak Enterprises (Pvt.) Ltd.	**264**	220
	10,572	2,390

15.2 Security deposits include Rs.447 thousand (2010:Rs.336 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.

		Note	2011	2010
15.3	**Workers' (profit) participation fund**		**Rupees in thousand**	
	Opening balance		**20,228**	2,604
	Add:			
	- interest on funds utilised in the Group's business		**1,739**	282
	- interest earned on term deposit receipt purchased		**82**	0
	- allocation for the year		**8,888**	19,776
			10,709	20,058
			30,937	22,662
	Less: payments made during the year		**21,901**	2,434
	Closing balance		**9,036**	20,228

16. ACCRUED MARK-UP

	2011	2010
Mark-up accrued on:		
- long term finances	**23,551**	29,081
- loans from Associated Companies	**30,274**	38,998
- short term borrowings	**101,890**	12,121
	155,715	80,200

17. SHORT TERM BORROWINGS

	Note	2011	2010
Secured	**17.1 & 17.2**	**2,682,625**	0
Unsecured	**17.3**	**19,601**	0
		2,702,226	0

17.1 Short term finance facilities under mark-up arrangements available to Parent Company from various commercial banks aggregate Rs.950 million (2010: cash finance facility available from a bank amounted Rs.100 million). These facilities are secured against pledge of stock of refined sugar and charge for Rs.200 million over all present and future fixed assets of the Parent Company (excluding land and buildings) and hypothecation charge over book debts of the Parent Company. These facilities, during the year, carried mark-up at the rates ranging from 15.07% to 15.54% (2010: 14.26% to 14.34%) per annum and are expiring on various dates by 30 June, 2012.

Facility available for opening letters of guarantee from a commercial bank amounts to Rs.45 million (2010: facilities available for opening letters of guarantee and credit from commercial banks aggregated Rs.97.300 million) and is secured against lien over term deposit receipt and hypothecation charge over stock-in-trade and book debts of the Parent Company.

17.2 Short term finance facilities available to CSM from various commercial banks under mark-up arrangements aggregate Rs.3.400 billion (2010: Rs.1.550 billion) and, during the year, carried mark-up at the rates ranging from 14.50% to 16.03% (2010: 13.50% to 14.85%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2010: Rs.25 million). These facilities are secured against hypothecation charge over CSM's present and future fixed and current assets, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by 23 June, 2012.

17.3 This temporary bank overdraft has arisen due to issuance of cheques for amounts in excess of balance in a bank account of the Parent Company.

18. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	**2011**	2010
		Rupees in thousand	
Long term finances	**10**	**246,664**	233,334
Liabilities against assets subject to finance lease	**12**	**1,702**	0
		248,366	233,334

19. TAXATION - Net

Opening balance	**65,344**	34,715
Add: provision / (reversal) made during the year:		
- current	**60,654**	66,715
- prior years'	**(13,622)**	(1,657)
	47,032	65,058
Less: adjustments made during the year against completed assessments	**32,444**	34,429
Closing balance	**79,932**	65,344

Group

19.1 Returns of the Group for Tax Years 2003 to 2011, except for the return of CSM for Tax Year 2009, have been assessed under the self assessment scheme envisaged in section 120 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.

19.2 No numeric tax rate reconciliation is given in these financial statements as provisions made during the year mainly represent tax payable on dividend income, minimum tax on turnover and export sales under sections 5, 113 and 154 of the Ordinance respectively.

CSM

19.3 A tax reference for the Assessment Year 1999-2000, filed by the Income Tax Department (the Department), is pending before the Peshawar High Court (PHC); the issue involved is taxation of accumulated profit under section 12(9A) of the repealed Income Tax Ordinance, 1979.

19.4 A tax reference for the Assessment Year 2002-03, filed by the Department, is also pending before the PHC on the issuance of acceptance of fresh evidence by the Commissioner of Income Tax (Appeals) under section 128(5) of the Ordinance.

19.5 A reference for the tax year 2006, filed by the Department, is pending before PHC; the issue involved is regarding deletion of tax amounting Rs.9.082 million under sections 161/205 of the Ordinance by the Appellate Tribunal.

19.6 A writ petition, filed by CSM, is pending before the Islamabad High Court regarding deduction of tax under sections 231-A (cash withdrawals from bank) and 235 (electricity consumption) of the Ordinance.

19.7 CSM, during the year, has filed a writ petition before the PHC against its selection for tax audit of Tax Year 2009; the petition is pending adjudication.

19.8 An appeal is pending before Commissioner Inland Revenue (Appeals) Peshawar, against the order under section 221 of the Ordinance, for the Tax Year 2009 regarding charge of workers' welfare fund amounting Rs.612 thousand.

FSM

19.9 The Department against the judgment of the 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 Ordinance.

20. CONTINGENCIES AND COMMITMENTS

20.1 No commitments were outstanding as at 30 September, 2011 (commitments for irrevocable letters of credit outstanding as at 30 September, 2010 were Rs.2.718 million).

20.2 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.

20.3 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.

20.4 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.

20.5 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. After dismissal of their case, the petitioners have appealed against the decision in the Labour Court, Mardan. After arguments, the Presiding Officer of the Court has remanded back the case to the Authority. Presently, the case is pending before the Authority for adjudication. 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 financial statements.

20.6 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Parent Company outstanding as at 30 September, 2011 was for Rs.10 million (2010: Rs.10 million). The guarantee is valid upto 26 May, 2012.

20.7 The Bank of Khyber, as per requirements of Listing Regulations of The Karachi Stock Exchange (the Exchange), had 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 was valid till purchase of the aforementioned shares by the Parent Company's Purchase Agent or till 31 July, 2011; it was accordingly released on 31 July, 2011.

20.8 Guarantee given by a bank on behalf of FSM outstanding as at 30 September, 2011 was for Rs.1.143 million (2010: Rs.1.143 million).

20.9 CSM, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue (FBR) vide SRO. No. 564(I)/2006 dated 05 June, 2006. This resulted in excess payment of duty amounting to Rs.35.825 million. The refund application has been submitted to the Department, which will be processed subject to the approval of FBR for condonation of time limit.

20.10 Also refer contents of taxation notes and note 21.4

21. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		Rupees in thousand	
Operating fixed assets - tangible	21.1	3,771,577	3,041,843
Capital work-in-progress	21.7	76,218	2,463
Stores held for capital expenditure		29,855	18,741
		3,877,650	3,063,047

21.1 Operating fixed assets - tangible

Particulars	Land		Buildings on freehold land	Buildings and roads on lease - hold land	Plant and machinery	Tools	Beet water line	Electric and gas equipment	Laboratory equipment	Furniture, fittings & office equipment	Farm equipment	Railway rolling stock and vehicles	Tube well
	Free - hold	Lease - hold											
	Rupees in thousand												
As at 30 September, 2009													
Cost / revaluation	227,690	2,725	727,275	138,024	2,910,997	914	206	154,948	120	56,129	0	48,419	59
Accumulated depreciation	0	331	120,857	14,780	762,670	912	205	54,575	116	33,283	0	28,853	58
Book value	227,690	2,394	606,418	123,244	2,148,327	2	1	100,373	4	22,846	0	19,566	1
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
Disposals:													
- Cost	0	0	0	0	0	0	0	0	0	0	0	(1,947)	0
- Depreciation	0	0	0	0	0	0	0	0	0	0	0	1,074	0
Depreciation charge	0	28	58,831	9,911	217,489	1	0	10,263	0	2,618	39	5,105	0
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
Year ended 30 September, 2011:													
Additions	0	0	0	0	2,257	0	0	2,533	0	4,320	0	3,015	0
Disposals:													
- Cost	0	0	0	0	0	0	0	0	0	0	0	(1,111)	0
- Depreciation	0	0	0	0	0	0	0	0	0	0	0	947	0
Revaluation surplus	18,801	0	0	0	0	0	0	0	0	0	0	0	0
Elimination of accumulated depreciation against gross carrying amount	0	0	(113,066)	(17,376)	(842,504)	0	0	0	0	0	0	0	0
Depreciation charge	0	28	54,303	9,040	198,920	0	0	9,776	0	2,711	98	5,138	0
Book value as at 30 September, 2011	246,491	2,338	624,990	121,669	2,633,046	1	1	88,900	4	24,815	880	22,388	1
As at 30 September, 2010													
Cost / revaluation	227,690	2,725	745,915	138,024	2,967,364	914	206	160,981	120	59,107	1,017	57,559	59
Accumulated depreciation	0	359	179,688	24,691	980,159	913	205	64,838	116	35,901	39	32,884	58
Book value	227,690	2,366	566,227	113,333	1,987,205	1	1	96,143	4	23,206	978	24,675	1
As at 30 September, 2011													
Cost / revaluation	246,491	2,725	745,915	138,024	2,969,621	914	206	163,514	120	63,427	1,017	59,463	59
Accumulated depreciation	0	387	120,925	16,355	336,575	913	205	74,614	116	38,612	137	37,075	58
Book value	246,491	2,338	624,990	121,669	2,633,046	1	1	88,900	4	24,815	880	22,388	1
Depreciation rate (%)	-	1.01	5-10	5-10	10-12	15	15	10	10	10-15	10	10-20	10

21.2 Revaluation surplus on each class of assets, as a result of latest revaluations as detailed in notes 9.2 and 9.4, has been determined as follows:

Particulars	Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant & machinery	Total
	---------- Rupees in thousand ----------				
Cost / revaluation as at 30 September, 2011	144,186	731,611	138,024	2,849,772	* 3,863,593
Accumulated depreciation to 30 September, 2011	0	221,139	29,443	1,079,636	1,330,218
Book value before revaluation adjustments as at 30 September, 2011	144,186	510,472	108,581	1,770,136	2,533,375
Revalued amounts	162,987	623,538	125,957	2,612,640	3,525,122
Revaluation surplus	**18,801**	**113,066**	**17,376**	**842,504**	**991,747**

* excluding assets having cost of Rs.2.738 million, which have not been revalued.

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

	2011	2010
	Rupees in thousand	
- freehold land	**41,382**	41,382
- buildings on freehold land and roads	**247,095**	274,402
- buildings on leasehold land	**2,546**	2,683
- plant & machinery	**1,053,572**	1,168,291
	1,344,595	1,486,758

21.4 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, have been revalued during the financial years ended 30 September, 2009 and 30 September, 2011 and revaluation surplus on these assets aggregating Rs.116.886 million and Rs.17.376 million respectively has been incorporated in the books of account.

Clause 6 of the lease agreement dated 09 July, 1947, which was for a period of 60 years, empowers the Parent Company to renew the lease. On 10 August, 2007, the Parent Company, in terms of the aforesaid clause 6, has exercised the option of renewal of the lease and indicated its desire to extend the lease for a further period of 60 years (commencing from 01 January, 2008) on such terms as may be agreed between the parties and invited the legal heirs of the lessor to negotiate the terms of the extended lease agreement. The legal heirs of the lessor had failed to agree on the terms of the extended lease; hence, the matter was referred to arbitration.

Presently, the matter is pending before the sole Arbitrator (a Senior Advocate Supreme Court of Pakistan). In the opinion of lawyers, the Parent Company has an excellent case and there is high probability that the terms of the extended lease will be decided in the Parent Company's favour.

Two of the legal heirs of the lessor have filed civil suits impugning the validity of arbitration. These suits are frivolous, barred by law and liable to be dismissed in due course under the relevant provisions of the Arbitration Act, 1940. One suit has already been stayed till the outcome of Arbitration Award.

21.5 Depreciation for the year has been allocated as follows:

	2011	2010
	Rupees in thousand	
Cost of sales	**271,757**	296,197
Administrative expenses	**8,527**	8,089
	280,284	304,286

21.6 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds / insurance claim	Gain	Sold through negotiation to / insurance claim received from:
	----------- Rupees in thousand ------------					
Suzuki Ravi	344	221	123	150	27	Azlak Enterprises (Pvt.) Ltd. (an Associated Company).
Suzuki Khyber	473	440	33	330	297	IGI Insurance Ltd.
Motor cycles having book value less than Rs.50,000 each	294	286	8	40	32	Gulzar & Brothers, Faisalabad.
	1,111	**947**	**164**	**520**	**356**	

21.7 Capital work-in-progress

Freehold land - advance payments	**421**	421
Buildings on freehold land	**14,988**	1,816
Plant and machinery	**56,803**	226
Electric installations	**1,088**	0
Vehicles	**2,918**	0
	76,218	2,463

22. INTANGIBLE ASSETS (Computer softwares)

	2011	2010
	Rupees in thousand	
Cost at beginning of the year	**6,292**	6,292
Additions during the year	**300**	0
Cost at end of the year	**6,592**	6,292
Less: amortisation:		
- at beginning of the year	**6,039**	5,392
- charge for the year	**353**	647
- at end of the year	**6,392**	6,039
Book value as at 30 September,	**200**	253

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

23. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------Rupees in thousand ------------		
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
Year ended 30 September, 2010:			
Disposal			
Cost	0	11,047	11,047
Depreciation	0	(3,160)	(3,160)
Depreciation charge	0	2,221	2,221
Book value as at 30 September, 2010	14,544	24,458	39,002
Year ended 30 September, 2011:			
Depreciation charge	0	1,936	1,936
Book value as at 30 September, 2011	**14,544**	**22,522**	**37,066**
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
As at 30 September, 2011			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	40,971	40,971
Book value	**14,544**	**22,522**	**37,066**
Depreciation rate (%)		5-10	

23.1 Fair value of the investment property, based on the management's estimation, as at 30 September, 2011 was Rs.260 million (2010: Rs.260 million).

24. INVESTMENTS

	2011	2010	2011	2010
	Equity held (%)		Rupees in thousand	
Associated Companies				
Quoted:				
Arpak International Investments Ltd.				
229,900 (2010: 229,900) ordinary shares of Rs.10 each Market value Rs.3.219 million (2010: Rs.0.920 million)	**5.75**	5.75	**14,313**	13,361
Un-quoted:				
National Computers (Pvt.) Ltd. *				
14,450 (2010: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	0
Premier Board Mills Ltd.				
47,002 (2010: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**3,449**	1,988
Azlak Enterprises (Pvt.) Ltd. **				
200,000 (2010: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**29,428**	23,078
			47,190	38,427
Quoted - Others (available-for-sale)				
Ibrahim Fibres Ltd.				
438,250 (2010: 438,250) ordinary shares of Rs.10 each			**6,135**	6,135
Add: adjustment arising from re-measurement to fair value			**8,291**	9,913
			14,426	16,048
			61,616	54,475

24.1 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 preceding financial year.

24.2 Investments in equity instruments of Associated Companies

	2011	2010
	Rupees in thousand	
Opening balance - cost	**5,638**	5,638
Add: post acquisition profit brought forward	**32,789**	30,403
	38,427	36,041
Add: share for the year:		
- profit	**9,917**	1,864
- other comprehensive income	**45**	0
- items directly credited in equity	**224**	25
Less: taxation - net	**(1,423)**	497
	8,763	2,386
Balance as at 30 September,	**47,190**	38,427

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

** Based on un-audited financial statements for the year ended 30 June, 2011.

24.3 Summarised financial information of the Associated Companies is as follows:

Name of the Associated Company	Assets	Liabilities	Operating revenues	Profit after tax
	2011			
	Rupees in thousand			
Arpak International Investments Ltd. *	**251,505**	**2,589**	**13,020**	**1,334**
Premier Board Mills Ltd. *	**423,030**	**7,496**	**21,258**	**68,005**
Azlak Enterprises (Pvt.) Ltd. **	**103,041**	**29,471**	**36,265**	**8,243**

*** based on the audited financial statements for the year ended 30 June, 2011.**

**** based on the un-audited financial statements for the year ended 30 June, 2011.**

	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

25. 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	2011	2010
		Amount of deposit	
		Rupees in thousand	
29 July, 2009	**25.1**	**15,600**	15,600
29 July, 2010	**25.1**	**15,600**	15,600
29 July, 2011	**25.1**	**15,600**	15,600
29 July, 2012		**31,200**	31,200
		78,000	78,000
Less: current portion grouped under current assets		**78,000**	46,800
		0	31,200

25.1 The realisibility of these deposits is doubtful of recovery as deposits aggregating Rs.46.800 million could not be encashed on their respective maturity dates. The Securities and Exchange Commission of Pakistan (SECP), 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. Presently, SECP has instituted winding-up proceedings against IIBL in the Lahore High Court, Lahore (LHC). SECP has sought liquidation on a number of counts including violation of the Scheme of Amalgamation approved by SECP under which IIBL took over all the rights / liabilities of Crescent Standard Investment Bank Ltd.

The Group has sizeable investments in IIBL by virtue of which it is entitled to be heard. The Group, therefore, has filed petitions in the LHC under Civil Procedure Code 1908 to be made party in the winding-up proceedings.

25.2 The Group has not accrued profit on these deposits during the current and preceding financial year.

26. STORES AND SPARES

	2011	2010
Stores including in transit inventory valuing Rs.10.446 million (2010: Rs.5.789 million)	**234,393**	191,683
Spares	**72,085**	69,086
	306,478	260,769

26.1 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.32.581 million have not been adjusted for any potential impairment loss.

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

27. STOCK-IN-TRADE

	Note	2011	2010
		Rupees in thousand	
Sugar-in-process		**19,479**	22,340
Finished goods:			
- Sugar	**27.1**	**2,607,897**	352,231
- Spirit	**27.2**	**10,513**	2,884
		2,618,410	355,115
		2,637,889	377,455

27.1 Year-end sugar inventory includes inventory of the Parent Company costing Rs.1,046.751 million (2010: Rs.163.714 million), which has been stated at net realisable value. The amount charged to profit and loss account in respect of inventory write down to net realisable value amounted Rs.399.516 million (2010: Rs.59.288 million).

27.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 5,518.109 metric tonnes (2010: 2,421.451 metric tonnes) valued at Rs. Nil.

28. TRADE DEBTS

	2011	2010
Export - secured	**24,177**	0
Local - unsecured, considered good	**39,027**	109,089
	63,204	109,089

In case of CSM, year-end balance of trade debts includes a debt amounting Rs.32.300 million, which was overdue as at 30 September, 2011. To secure this debt, CSM has executed a sale deed with him whereby commercial property owned by him will be transferred to CSM if he fails to meet his commitment.

29. LOANS AND ADVANCES

	Note	2011	2010
Due from an Associated Company (Premier Board Mills Ltd.)		**0**	5
Advances to:			
- suppliers and contractors - considered good	**29.1**	**83,393**	57,467
- employees - considered good		**2,834**	2,843
		86,227	60,310
Letter of credit		**2,178**	4
		88,405	60,319
Less: provision for doubtful advances		**2,437**	2,437
		85,968	57,882

29.1 These are unsecured and considered good except for Rs.2.437 million (2010: Rs.2.437 million), which have been fully provided for in the books of account.

30. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2011	2010
		Rupees in thousand	
Prepayments		**3,637**	3,062
Excise duty deposits		**219**	219
		3,856	3,281

31. SHORT TERM INVESTMENTS

- At fair value through profit or loss

		2011	2010
Atlas Money Market Fund - Nil Units (2010:31 Units)		**0**	15
Alfalah GHP Cash Fund 33,257 Units (2010:85,104 Units)		**14,882**	41,246
MCB Cash Management Optimizer 1,036,376 Units (2010:1,939,311 Units)		**95,877**	190,540
ABL Cash Fund 6,199,485 Units (2010:2,003,208 Units)		**55,592**	20,000
UBL Liquidity Plus Fund 496,524 Units (2010: 63,974 Units)		**49,000**	6,400
Pakistan Cash Management Fund - 2,116,186 Units		**95,000**	0
Askari Sovereign Cash Fund - 665,456 Units		**59,000**	0
		369,351	258,201
Add: adjustment on re-measurement to fair value		**35,123**	10,463
		404,474	268,664

32. BANK BALANCES

	Note	2011	2010
Cash at banks on:			
- PLS accounts	**32.1**	**35,832**	23,765
- saving accounts		**77**	1,253
- current accounts		**35,841**	42,965
- deposit accounts [including current portion of deposits held with a non-bank finance institution aggregating Rs.78 million (2010: Rs.46.800 million) - note 25]		**85,759**	62,101
- dividend accounts		**1,160**	1,193
		158,669	131,277
Less: provision for doubtful bank balance	**32.3**	**5,000**	5,000
		153,669	126,277

32.1 These include Rs.0.447 million (2010: Rs.0.336 million) in security deposit account.

32.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 5% to 12.85% (2010: 5.00% to 11.50%) per annum.

32.3 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 Ltd.'s affairs which were being administered by the State Bank of Pakistan (SBP). Mehran Bank Ltd. 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 Ltd. 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 Ltd. 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.

33. SALES - Net

	2011	2010
	Rupees in thousand	
Turnover - Local	**6,581,079**	6,995,904
- Export	**24,178**	0
	6,605,257	6,995,904
Less:		
Sales tax	**315,397**	282,510
Special excise duty	**23,014**	63,043
	338,411	345,553
	6,266,846	6,650,351

34. COST OF SALES

	Note	2011	2010
		Rupees in thousand	
Raw materials consumed		**7,357,356**	4,729,617
Chemicals and stores consumed		**89,365**	54,994
Salaries, wages and benefits	**34.1**	**236,355**	217,496
Power and fuel		**121,471**	60,332
Insurance		**8,265**	4,866
Repair and maintenance		**90,188**	79,220
Depreciation		**271,757**	296,197
		8,174,757	5,442,722
Adjustment of sugar-in-process:			
Opening		**22,340**	9,705
Closing		**(19,479)**	(22,340)
		2,861	(12,635)
Cost of goods manufactured		**8,177,618**	5,430,087
Adjustment of finished goods:			
Opening stock		**355,115**	903,297
Closing stock		**(2,618,410)**	(355,115)
		(2,263,295)	548,182
		5,914,323	5,978,269

34.1 These include Rs.3.460 million (2010: Rs.3.058 million) and Rs.4.044 million (2010: Rs.7.043 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

35. DISTRIBUTION COST

	Note	2011	2010
Commission		**6,340**	7,871
Salaries, wages and amenities	**35.1**	**2,469**	2,791
Stacking and loading		**5,369**	4,540
Spirit export expenses		**465**	0
Others		**357**	307
		15,000	15,509

35.1 These include Rs.40 thousand (2010: Rs.31 thousand) in respect of provident fund contributions.

36. ADMINISTRATIVE EXPENSES

	Note	2011	2010
		Rupees in thousand	
Salaries and benefits	**36.1**	**97,148**	87,471
Travelling and vehicles' running:			
- directors		**1,844**	7,925
- others		**14,022**	10,102
Utilities		**1,027**	1,616
Rent, rates and taxes		**3,079**	2,237
Insurance		**1,910**	1,738
Repair and maintenance		**13,419**	9,127
Printing and stationery		**4,177**	3,481
Communication		**4,703**	3,503
Fees and subscription		**1,276**	3,097
Auditors' remuneration	**36.2**	**2,342**	2,527
Legal and professional charges (other than Auditors')		**3,141**	9,322
Depreciation on:			
- operating fixed assets		**8,527**	8,089
- investment property		**1,936**	2,221
Amortisation of intangible assets		**353**	647
General		**2,985**	2,782
		161,889	155,885

36.1 These include Rs.1.354 million (2010: Rs.1.102 million) and Rs.1.076 million (2010: Rs.1.491 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

36.2 Auditors' remuneration

	2011	2010
	Rupees in thousand	
M/s Hameed Chaudhri & Co.		
- statutory audit		
- current year	**1,375**	1,375
- short provision for prior year	**0**	275
- half-yearly review	**220**	220
- consultancy, tax services and certification charges	**525**	385
- out-of-pocket expenses	**82**	158
	2,202	2,413
M/s Munawar Associates		
- cost audit fee	**104**	90
- employees' provident fund's audit fee	**5**	5
- workers' (profit) participation fund's audit fee	**22**	8
- out-of-pocket expenses	**9**	11
	140	114
	2,342	2,527

37. OTHER OPERATING EXPENSES

	2011	2010
Donations (without directors' interest)	**331**	323
Uncollectible receivable balances written-off	**0**	681
Workers' (profit) participation fund	**8,888**	19,776
Workers' welfare fund	**3,377**	7,515
Obsolete beet seed stocks written-off	**0**	1,143
	12,596	29,438

38. OTHER OPERATING INCOME

	Note	2011	2010
		Rupees in thousand	
Income from financial assets:			
Interest / profit on bank deposits / saving accounts and certificates		**3,365**	11,969
Gain on redemption of short term investments		**24,715**	6,920
Fair value gain on re-measurement of short term investments		**35,123**	10,463
Dividend		**877**	0
Income from other than financial assets:			
Rent		**1,066**	3,829
Sale of scrap		**23,443**	917
Sale of press mud and lime		**1,547**	982
Unclaimed payable balances written-back		**233**	16
Gain on sale of operating fixed assets - net		**356**	767
Gain on sale of investment property	38.1	**0**	43,058
Profit from petrol pump and fertilizer sales	38.2	**946**	128
Insurance claim received against damage of stock of baggase due to fire		**0**	2,350
Sale of agricultural produce		**16,103**	7,824
Sale of beet pulp		**5,000**	2,600
Miscellaneous		**1,396**	166
		114,170	91,989

38.1 The Company, during the preceding year, had sold house # 2 located at street # 27, sector F-6/2, Islamabad measuring 622 square yards along with fittings, fixtures and installations thereon, having book value of Rs.7.887 million, 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.

38.2 Profit from petrol pump and fertilizer sales

	2011	2010
Sales	**7,059**	4,431
Less: cost of sales		
opening stock	**1,092**	2,316
purchases	**15,215**	2,919
salaries	**0**	127
other expenses	**0**	33
closing stock	**(10,194)**	(1,092)
	6,113	4,303
	946	128

39. FINANCE COST

	2011	2010
	Rupees in thousand	
Mark-up on:		
- long term finances	**102,465**	128,777
- loans from Associated Companies	**26,171**	24,707
- short term borrowings	**332,147**	101,633
Interest on workers' (profit) participation fund	**1,739**	282
Lease finance charges	**203**	0
Bank charges	**3,050**	4,100
	465,775	259,499

40. COMBINED (LOSS) / EARNINGS PER SHARE

	2011	2010
	Rupees in thousand	Re-stated
(Loss) / profit attributable to equity holders of the Parent	**(138,710)**	132,893
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	Rupees	
Combined (loss) / earnings per share	**(36.99)**	35.44

40.1 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 (loss) / earnings per share when exercised.

41. 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.

41.1 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, 2011 and 2010.

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, 2011 along with comparative is tabulated below:

	2011	2010
	Rupees in thousand	
Investments	**14,426**	16,048
Deposits with a non-bank finance institution	**78,000**	78,000
Security deposits	**4,318**	4,278
Trade debts	**63,204**	109,089
Loans and advances	**80,956**	55,035
Trade deposits	**219**	219
Accrued profit / mark-up on bank deposits	**1,073**	1,067
Other receivables	**983**	759
Short term investments	**404,474**	268,664
Bank balances	**75,669**	79,477
	723,322	612,636

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

The ageing of trade debts, which are domestic parties except for one export debtor amounting Rs.24.177 million, at the balance sheet date was as follows:

Not past due	**30,823**	79,377
Past due more than 30 days	**0**	29,712
Past due	**32,381**	0
	63,204	109,089

Based on past experience, the Group's management believes that no impairment loss allowance is necessary in respect of trade debts as 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+
- Pakistan Cash Management Fund	PACRA	AAA
- Askari Sovereign Cash Fund	PACRA	AA+
- ABL Cash Fund	JCR-VIS	AA+
- UBL Liquidity Plus Fund	JCR-VIS	AA+

41.2 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:

	2011				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	------------------------- Rupees in thousand -------------------------				
Long term finances	**586,664**	**705,870**	**313,897**	**391,973**	**0**
Loans from Associated Companies	**180,000**	**270,113**	**26,568**	**220,549**	**22,996**
Liabilities against assets subject to finance lease	**7,909**	**7,909**	**1,702**	**6,207**	**0**
Trade and other payables	**165,015**	**165,015**	**165,015**	**0**	**0**
Short term borrowings	**2,702,226**	**2,804,164**	**2,804,164**	**0**	**0**
Accrued mark-up	**155,715**	**155,715**	**155,715**	**0**	**0**
	3,797,529	**4,108,786**	**3,467,061**	**618,729**	**22,996**
	2010				
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	158,892	158,891	158,891	0	0
Accrued mark-up	80,200	80,200	80,200	0	0
	1,209,090	1,515,922	591,219	851,042	73,661

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.

41.3 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:

	2011	2010	2011	2010
	Effective rate		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 12.85**	5.00 to 11.50	**38,668**	35,319
Variable rate instruments				
Financial liabilities				
Long term finances	**14.17 to 15.80**	14.17 to 14.77	**586,664**	789,998
Loans from Associated Companies	**13.92 to 15.54**	13.28 to 14.04	**180,000**	180,000
Short term borrowings	**14.50 to 16.03**	13.50 to 14.85	**2,682,625**	0

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 profit 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 in profit / mark-up rates at the balance sheet date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis for the year 2010.

	Decrease	Increase
	Rupees in thousand	
As at 30 September, 2011		
Cash flow sensitivity-variable rate financial instruments	**34,493**	**(34,493)**
As at 30 September, 2010		
Cash flow sensitivity-variable rate financial instruments	9,700	(9,700)

The sensitivity analysis prepared is not necessarily indicative of the effects on 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 loss (2010: profit) respectively in case of available-for-sale investments and investments through profit or loss as follows:

	2011	2010
	Rupees in thousand	
Effect on equity	**1,443**	1,605
Effect on profit	**40,447**	26,866
Effect on investments	**41,890**	28,471

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

41.4 Fair value of financial instruments and hierarchy

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level:1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level:2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level:3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

FSM's investments in equity instruments of a listed Company have been measured at fair value using year-end quoted price. Fair value of these investments falls within level 1 of fair value hierarchy as mentioned above.

The Group's investments in Mutual Funds have been measured at fair value using year-end Net Assets Value as computed by the respective Assets Management Companies. Fair value of these investments falls within level 2 of fair value hierarchy as mentioned above.

41.5 Capital risk management

The Group's prime objective when managing capital is to safeguard its ability to continue the Parent Company's and the Subsidiary Companies' operations as going concerns so that they can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of their businesses.

The Group manages 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 Parent Company and Subsidiary Companies 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.

42. TRANSACTIONS WITH RELATED PARTIES

42.1 Maximum aggregate balance due from the Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs.63 thousand (2010: Rs.177 thousand).

42.2 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:

	2011	2010
	Rupees in thousand	
- purchase of goods and services	**65,479**	33,807
- sale of a vehicle	**150**	0
- dividend paid	**5,188**	0
- mark-up accrued on long term loans	**26,171**	24,707

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

43. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	Chief Executive		Directors		Executives	
	2011	2010	**2011**	2010	**2011**	2010
	------------------- Rupees in thousand-------------------					
Managerial remuneration including bonus	**1,200**	1,200	**7,123**	6,523	**16,049**	19,634
Allowances and utilities	**0**	0	**0**	0	**6,345**	5,439
Retirement benefits	**0**	0	**0**	0	**595**	430
Medical expenses reimbursed	**0**	0	**0**	0	**198**	77
	1,200	1,200	**7,123**	6,523	**23,187**	25,580
Number of persons	**1**	1	**2**	2	**19**	14

43.1 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, one director and two executives are also provided with the Parent Company's maintained cars.

43.2 The chief executive and all executives of CSM have been provided with free use of CSM's maintained cars. Seven (2010: seven) of the CSM's executives have also been provided with free housing (with CSM's generated electricity, telephone and certain household items in the residential colony within the factory compound).

43.3 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 FSM's maintained cars.

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

44. CAPACITY AND PRODUCTION

		2011	2010
SUGAR CANE PLANTS			
Rated crushing capacity per day	**M.Tonnes**	**22,690**	22,690
Cane crushed	**M.Tonnes**	**1,487,208**	1,049,925
Sugar produced	**M.Tonnes**	**128,983**	88,136
Sugar recovery		**8.67%**	8.39%
SUGAR BEET PLANTS			
Rated slicing capacity per day	**M.Tonnes**	**3,500**	3,500
Beet sliced	**M.Tonnes**	**50,509**	33,026
Sugar produced	**M.Tonnes**	**4,467**	2,452
Sugar recovery		**8.93%**	7.60%
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**172,302**	2,129

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

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

44.3 Sugar cane and beet plants of FSM had remained closed during the current and preceding financial years due to non-availability of raw materials.

45. OPERATING SEGMENTS

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

45.1 Sugar sales represent 91.94% (2010: 94.47%) of the total sales of the Group.

45.2 Except for export sales amounting Rs.24.177 million, all of the Group's sales relate to customers in Pakistan.

45.3 All non-current assets of the Group as at 30 September, 2011 are located in Pakistan.

45.4 The Group sells sugar to commission agents. Sugar sales to five (2010: five) of the Group's customers during the year aggregated Rs.5.730 billion (2010: Rs.6.284 billion), which represent 99% of entire sugar sales. Three (2010: four) of the Group's customers individually exceeded 10% of the sugar sales.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on 04 January, 2012 by the board of directors of the Parent Company.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison; material re-statements made in these financial statements have been detailed in note 13.1.

ABBAS SARFARAZ KHAN	**ISKANDER M. KHAN**
CHIEF EXECUTIVE	**DIRECTOR**

THE PREMIER SUGAR MILLS & DISTILLERY CO. LTD.
MARDAN.

PROXY FORM

I/We...of...........................being a member of **The Premier Sugar Mills & Distillery Company Limited** and holding ....ordinary shares entitled to vote or votes hereby appoint.................................of..........................or failing him...of.............................as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 31 January, 2012 and at any adjournment thereof.

As witness my/our hand this ....day of 2012

Signed by the said
in the presence of

Address..
....
....

Revenue Stamp (Rs. 5.00)

Signature

Note: Proxies, in order to be effective, must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC.