annual report 2013

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Company Profile

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 manufacturing and sale of white sugar and spirit including the following:

a) To purchase, manufacture, produce, refine, prepare, import, export, sell and generally to deal in sugar, sugarcane, sugar beets, gur, jiggery, molasses, syrups and melada and alcohol and all products or by-products thereof and food products generally and in connection therewith to acquire, erect, construct, establish, operate and maintain sugar or other refineries, buildings, mills, factories, distilleries and other works;

b) To manufacture any other article or articles of food made from cereals, fruits, vegetables, seeds or oils, etc.;

c) To manufacture chemicals of all description, to prepare drugs and medicines;

d) To manufacture starch and yeast floor from maize, wheat or any other material;

e) To manufacture straw-boards and paper;

f) To plant, cultivate, produce and raise sugarcane, maize, sugar beets and/or any other agricultural crops;

g) To acquire by purchase, mortgage, lease, exchange, or otherwise, any moveable or immovable property, patents, inventions licenses, secret formula or processes, rights or privileges which the Company may think necessary or convenient for the purpose of its business and to construct, erect, manage, improve, alter, extend, demolish or reconstruct any buildings, machineries or works necessary or convenient of the purposes of the Company;

h) To sell and purchase from time to time and deal in all such stock in trade, goods, chattels and effects as may be necessary or convenient for any business, for the time being, carried on by the Company an especially sugar, sugarcane, raw sugar, gur, molasses cereals, fruits and vegetables, seeds, oil, mill stores, stocks, spare machinery and all other materials or things necessary for the same;

i) To purchase or otherwise acquire, by cultivation or any other manner, seeds and agricultural product of any description which may be necessary or be required for the production of sugar and its by-products, or the manufacture of any material, or article which the Company is authorized under;

j) To establish, in Pakistan or elsewhere, agencies or branches for the purchase and sale of goods of all description;

k) To appoint agents to assist the working of the Company with such powers and on such terms as the Company may generally or in any special case determine;

l) Any other business as mentioned in Memorandum of Association.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Company Information

Board of Directors

Mr. Aziz Sarfaraz Khan
Chairman
Mr. Abbas Sarfaraz Khan
Chief Executive
Begum Laila Sarfaraz
Ms. Zarmine Sarfaraz
Ms. Najda Sarafaraz
Ms. Mehnaz Saigol
Mr. Iskander M. Khan
Mr. Baber Ali Khan
Mr. Abdul Qadar Khattak

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Auditors

M/s. Hameed Chaudhri & Co.,
Chartered Accountants

Cost Auditors

M/s. Munawar Associates
Chartered Accountants

Tax Consultants

M/s. Hameed Chaudhri & Co.,
Chartered Accountants

Legal Advisor

Qazi Muhammad Anwar
Advocate

Bankers

Bank Al-Habib Limited
The Bank of Khyber
MCB Bank Limited
United Bank Limited
Allied Bank Limited
The Bank of Punjab
Bank Al-Falah Limited
Habib Bank Limited
National Bank of Pakistan
Innovative Investment Bank Limited

Management Committees

Executive Committee

Mr. Abbas Sarfaraz Khan (Executive Director)	Chairman
Mr. Baber Ali Khan (Non-Executive Director)	Member
Mr. Abdul Qadar Khattak (Executive Director)	Member

Executive Committee is involved in day to day operations of the Company and is authorized to conduct every business except the businesses to be carried out by Board of Directors as required by section 196 of the Companies Ordinance, 1984. Executive Committee meets periodically to review operating performance of the Company against pre-defined objectives, commercial business decisions, investments and funding requirements.

Audit Committee

Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Chairman
Ms. Najda Sarfaraz (Non-Executive Director)	Member
Mr. Baber Ali Khan (Non-Executive Director)	Member
Mr. Mujahid Bashir	Secretary

The terms of reference of the Audit Committee have been derived from the Code of Corporate Governance applicable to listed companies. Thereby Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee also include the following:

a) Determination of appropriate measures to safeguard the Company's assets;

b) Review of preliminary announcements of results prior to publication;

c) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
   - Major judgmental areas;
   - Significant adjustments resulting from the audit;
   - The going-concern assumption;
   - Any changes in accounting policies and practices;
   - Compliance with applicable accounting standards; and
   - Compliance with listing regulations and other statutory and regulatory requirements.

d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) Review of management letter issued by external auditors and management's response thereto;

f) Ensuring coordination between the internal and external auditors of the Company;

g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h) Consideration of major findings of internal investigations and management's response thereto;

i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;

k) Instituting special projects, value for money studies or other investigations on any matte specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

l) Determining of compliance with relevant statutory requirements;

m) Monitoring compliance with the best practices of Corporate Governance and identification of significant violations thereof; and Consideration of any other issue or matter as may be assigned by the Board of Directors.

n) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource and Remuneration Committee

Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Chairman
Mr. Abbas Sarfaraz Khan (Executive Director)	Member
Mr. Iskander M. Khan (Executive Director)	Member
Mr. Mujahid Bashir	Secretary

The Committee is responsible for:

i) The overall system of remuneration and benefits for senior management and functional heads;

ii) Succession and career development within the senior management;

iii) The size and composition of the Board including the “mix” of Executive and Non-Executive Directors;

iv) Selection and nomination of Non-Executive Directors to the Board and the terms & conditions, wherever applicable and if any, on which Non-Executive Directors are appointed and hold office, for the ultimate approval of the shareholders.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY 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 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.

- We 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 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 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

- 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 decision and operations.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Code of Conduct

The Premier Sugar Mills & Distillery Company Limited has built a reputation for conducting its business with integrity in accordance with high standards of ethical behavior and in compliance with the laws and regulations that govern our business. This reputation is among our most valuable assets and ultimately depends upon the individual actions of each of our employees all over the country.

The Company Code of Conduct has been prepared to assist each of us in our efforts to not only maintain but enhance this reputation. It provides guidance for business conduct in a number of areas and references to more detailed corporate policies for further direction. The adherence of all employees to high standards of integrity and ethical behavior is mandatory and benefits all stakeholders including our customers, our communities, our shareholders and ourselves.

The Company carefully checks for compliance with the Code by providing suitable information, prevention and control tools and ensuring transparency in all transactions and behaviors by taking corrective measures if and as required.

The Code of Conduct applies to all affiliates, employees and others who act for us countrywide, within all sectors, regions, areas and functions.

The Code of Conduct of the Company includes the policies in respect of followings:

- Standard of Conduct;
- Obeying the law;
- Human Capital;
- Consumers;
- Shareholders;
- Business Partners;
- Community involvement;
- Public activities;
- The environment;
- Innovation;
- Competition;
- Business integrity;
- Conflicts of interests; and
- Compliance, monitoring and reporting.

General Principles

- Compliance with the law, regulations, statutory provisions, ethical integrity and fairness is a constant commitment and duty of all the employees and characterizes the Conduct of the organization.

- The Company's business and activities have to be carried out in a transparent, honest and fair way, in good faith and in full compliance. Any form of discrimination, corruption, forced or child labor is rejected. Particular attention is paid to the acknowledgment and safeguarding of the dignity, freedom and equality of human beings.

- All employees, without any distinction or exception whatsoever, respect the principles and contents of the Code in their actions and behaviors while performing their functions according to their responsibilities, because compliance with the Code is fundamental for the quality of their working and professional performance. Relationships among employees, at all levels, must be characterized by honesty, fairness, cooperation, loyalty and mutual respect.

- The belief that one is acting in favor or to the advantage of the Company can never, in any way, justify-not even in part any behavior that conflict with the principles and content of the Code.

- Every employee is expected to adhere to, and firmly inculcate in his/her everyday conduct; this mandatory framework; any contravention or deviation will be regarded as misconduct and may attract disciplinary action in accordance with the Company service rules and relevant laws.

Statement of Ethical Practices

It is the basic principle of The Premier Sugar Mills & Distillery Company Limited to obey the law of the land and comply with its legal system. Accordingly every director and employee of the Company shall obey the law. Any director and employee guilty of violation will be liable to disciplinary consequences because of the violation of his / her duties.

Employees must avoid conflicts of interest between their private financial activities and conduct of Company business.

All business transactions on behalf of the Company must be reflected accordingly in the accounts of the Company. The image and reputation of the Company is determined by the way each and every of us acts and conducts him / her at all times.

We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.

Every manager and supervisor shall be responsible to see that there is no violation of laws within his / her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he / she delegates particular tasks.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
TEN YEARS' REVIEW

YEAR	CANE			BEET		
	CANE CRUSHED	RECOVERY	SUGAR PRODUCED	BEET SLICED	RECOVERY	SUGAR PRODUCED
	M. Tons		M. Tons	M. Tons		M. Tons
2004	388,057.446	8.92	34,615.00	113,968.62	9.20	10,485.00
2005	209,744.959	9.17	19,225.00	68,745.00	8.50	5,843.00
2006	45,367.358	7.14	3,240.00	53,172.50	9.10	4,839.00
2007	28,596.745	7.88	2,253.00	83,579.52	9.04	7,556.00
2008	197,313.428	8.50	16,772.00	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	2,510.00
2011	133,655.000	8.65	11,509.00	50,509.00	8.93	4,467.00
2012	249,062.000	9.76	24,290.00	43,124.74	10.65	4,539.00
2013	222,121.000	9.14	20,507.00	47,379.00	9.71	4,567.00

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY GLNS PER MND	PRODUCTION IN GALLONS
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
2012	13,348.13	1.978	660,010.00
2013	8,589.29	1.876	402,790.00

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

SIX YEARS' PERFORMANCE AT A GLANCE

PARTICULARS	2013	2012	2011	2010	2009	2008
			(RUPEES IN THOUSAND)			
Turnover	1,889,547	1,490,368	395,059	297,209	531,398	375,052
Operating Profit/(Loss)	(81,900)	(253,031)	(395,554)	(153,703)	1,389	(109,131)
Profit/(Loss) before tax	(20,934)	(244,535)	(327,986)	20,424	46,716	7,935
Profit/(Loss) After tax	(40,328)	(159,546)	(192,566)	38,527	55,205	33,643
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,109,073	1,144,337	1,303,833	1,428,054	1,389,527	991,637
Non-current assets	1,097,659	1,148,938	1,203,934	1,158,556	1,143,636	714,667
Total assets	1,836,901	2,210,022	2,277,333	1,670,583	1,670,931	1,249,166
Non current liabilities	10,403	31,345	114,601	207,256	223,597	59,437
Current assets	739,242	1,061,084	1,073,399	512,027	527,295	565,699
Current liabilities	717,425	1,034,340	858,849	35,273	57,807	198,092
Dividend						
Cash dividend	0	0	0	10%	30%	0
Ratios:						
Profitability (%)						
Operating profit	(4.33)	(16.98)	(100.13)	(51.72)	0.26	(29.10)
Profit/ (Loss) before tax	(1.11)	(16.41)	(83.02)	6.87	8.79	2.12
Profit/(Loss) after tax	(2.13)	(10.71)	(48.74)	12.96	10.39	8.97
Return to Shareholders						
ROE - Before tax	(1.89)	(21.37)	(25.16)	1.43	3.36	0.80
ROE - After tax	(3.64)	(13.94)	(14.77)	2.70	3.97	3.39
Return on Capital Employed	(3.60)	(13.57)	(13.58)	2.36	3.42	3.20
E. P. S. - After tax	(10.75)	(42.55)	(51.35)	1.03	1.47	0.90
Activity						
Total assets turnover	0.93	0.66	0.20	0.18	0.36	#REF!
Non-current assets turnover	1.68	1.27	0.33	0.26	0.57	#REF!
Liquidity/Leverage						
Current ratio	1.03	1.03	1.25	14.52	9.12	2.86
Break up value per share	29.58	30.52	34.77	38.08	37.05	26.44
Total Liabilities to equity (Times)	(0.23)	(0.33)	(0.75)	(0.17)	(0.20)	(0.26)

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 68th Annual General Meeting of the shareholders of **The Premier Sugar Mills & Distillery Company Limited** will be held on 31 January, 2014 at 11:00 a.m, at the Registered Office of the Company at Nowshera Road, Mardan for transacting the following business: -

ORDINARY BUSINESS

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2013.

(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, 2013.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2014. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

SPECIAL BUSINESS

To consider and if thought fit to pass the following resolution, with or without amendment, as Special Resolutions:

"Resolved that consent of the shareholders in the General Meeting be and is hereby accorded to reschedule the installments, after the grace period, for further period of three years for repayment of balance loan by Chashma Sugar Mills Limited, a Subsidiary Company".

The share transfer books of the Company will remain closed from 21 January to 31 January, 2014 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
03 January, 2014

(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 (CNIC), Account and participants I.D numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her CNIC.

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.

STATEMENT UNDER SECTION 160 (1) OF THE COMPANIES ORDINANCE, 1984

A statement under section 160 of the Companies Ordinance, 1984 setting forth all material facts concerning the matters contained in the Notice which will be considered for adoption at the meeting and the information required under SRO 865(1)(b)/2000 is provided below:

Name of investee Company together with the amount and purpose of loan or advance; in case any loan had already been provided or loan has been written off to the said investee company, the complete details of the loan.	Chashma Sugar Mills Limited Total loan advanced Rs. 322.500 million Less: Received back Rs. 43.000 million Outstanding Loan Rs. 279.500 million The loan has been advanced for higher returns.
A brief about the financial position of the investee company on the basis of last published financial statements.	Chashma Sugar Mills Limited earned handsome profit during most of the preceding year, during the period ended 30 June, 2013 the Company earned profit of Rs. 30.273 millions.
Rate of mark-up to be charged.	The rate will not be less than the borrowing cost of the Company.
Particulars of collateral security to be obtained from borrower and; if not needed, justification thereof.	Demand Promissory Note as a Collateral Security had been obtained.
Source of funds from where loan or advance will be given.	Retained earnings.
Repayment Schedule;	The balance amount in seven half-yearly installments, commencing from February 2017.
Purpose of loans and advance; and	Higher returns leading to better dividend to the shareholders
Benefits likely to accrue to the Company and the shareholders from loans and advances.	Higher returns on the loans leading to better dividends to the shareholders.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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, 2013.

1. SUMMARISED FINANCIAL RESULTS

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

	2013	2012
	Rupees in thousand	
Loss before taxation	**(20,934)**	(244,535)
Taxation		
- Current	**18,899**	3,351
- Prior	**0**	(1,549)
- Deferred	**495**	(86,791)
	19,394	(84,989)
Loss after taxation	**(40,328)**	(159,546)
	---------- Rupees ----------	
Loss per share	**(10.75)**	(42.55)

2. REVIEW OF OPERATIONS

2.1 SUGARCANE SEASON 2012-2013

The sugarcane crushing season 2012-13, commenced on 12 November, 2012 and continued till 02 April, 2013. The Mills crushed 222,121 tons (2012: 249,062 tons) of sugarcane and produced 20,507 tons (2012: 24,290 tons) of sugar. The Company suffered losses due to the low prices of sugar throughout the year.

2.2 SUGAR BEET SEASON 2013

The sugar beet slicing season started on 23 May, 2013 and ended on 25 June, 2013. The mills sliced 47,379 tons (2012: 43,125 tons) of sugar beet and produced 4,567.00 tons (2012: 4,593.00 tons) of sugar at an average recovery of 9.71 % (2012: 10.65 %). This year recovery from beet slicing dropped as the crop got damaged due to the prolonged heat spell during harvesting. The GoP in order to encourage sugar production from beet and to compensate the external fuel consumption, allowed Excise Duty rebates that were subsequently withdrawn, as a result, company could not absorb the fuel incurred to produce in beet sugar in the absence of GoP support and suffered losses. Due to this, the Company has not distributed the Sugar Beet seed for the next crop year as the high cost of fuel renders this campaign unfeasible.

3. CURRENT SEASON 2013-2014

The sugarcane crushing season started on 01 November, 2013 and the Mills have crushed 61,290 tons of sugarcane, producing 4,742 tons of sugar at average recovery of 8.27 % up to 29 December, 2013. We foresee improved results during 2013-2014, as the Government has allowed the export of surplus stock of sugar.

4. DISTILLERY

402,790 gallons of Industrial Alcohol (2012: 610,010 gallons) was produced during the year ended 30 September, 2013.

5. SUGAR PRICE

The GoP allowed the export 1.20 million tons of sugar for the crushing season 2012-13, by April 2013, the sugar mills had completed the exports of 1.20 M. Tons and requested GoP to allow further export of 500,000 M Tons, the GoP delayed this decision till October 2013, due to this, Company's finances remained under pressure because of the inventory holding cost coupled with the depressed sugar prices throughout the year adversely affecting our profitability.

6. STAFF

The Management and Labor relations remained cordial during the year. All employees of the Company were paid bonus at the rate of 03 months' salary in addition to other amenities and statutory benefits.

7. PATTERN OF SHAREHOLDING

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

8. 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 a summarized form is annexed.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2013, 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. 50.010 million as at 30 September, 2012.

- During the year five (05) 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	3
Ms. Zarmine Sarfaraz	4
Ms. Najda Sarfaraz	4
Ms. Mehnaz Saigol	1
Mr. Iskandar M. Khan	5
Mr. Baber Ali Khan	3
Mr. Abdul Qadar Khattak	4

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

9. ROLE OF SHAREHOLDERS

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

10. DIVIDEND

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

11. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended to re-appoint M/s. Hameed Chaudhri & Co., Chartered Accountants, Lahore as External Auditors for the financial year 2013-2014. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

12. REPLY TO AUDITORS' OBSERVATION

The Company is representing / monitoring through CM No. 454/2011 in winding of proceedings filed by SECP before Honorable Lahore High Court Lahore. The Court has appointed a liquidator by accepting the Winding up petition and Company has filed statement of claims before the court. Furthermore, the balance confirmation letter has been circulated to the bank for direct confirmation to the auditors and the reply will be received by the auditors directly.

13. 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, 2013 have been duly complied with. A statement to this effect is annexed with the report.

14. 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:
03 January, 2014

(ABBAS SARFARAZ KHAN)
Chief Executive

Shareholders' Information

Registered Office
Nowshera Road Mardan,
Khyber Pakhtunkhwa.
Tel # 92 937 862051-52
Fax # 92 937 862989

Shares Registrar
Hameed Majeed Associates (Pvt.) Limited,
HM House, 7-Bank Square, Lahore.
Tel # 92 42 37235081-2
Fax # 92 42 37358817

M/s. Hameed Majeed Associates (Pvt.) Limited is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, and issue of duplicate/replaced share certificates, change of address and other related matters.

Listing on Stock Exchanges
The Premier Sugar Mills & Distillery Company's equity shares are listed on Karachi and Islamabad Stock Exchanges.

Listing Fees
The annual listing fee for the financial year 2013-14 has been paid to the stock exchanges within the prescribed time limit.

Statutory Compliance
During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Stock Code
The stock code for dealing in equity shares of The Premier Sugar Mills & Distillery Company Limited at KSE and ISE is **Premier Sug.**

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from 21.01.2014 to 31.01.2014

Web Presence
Updated information regarding the Company can be accessed at website www.premiersugarmills.com. The website contains the latest financial results of the Company together with Company's profile.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

FORM - 34

PATTERN OF SHAREHOLDINGS OF THE SHARES HELD BY THE SHARE HOLDERS AS ON 30 SEPTEMBER, 2013

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
490	1	100	18,709
430	101	500	105,172
175	501	1,000	127,843
203	1,001	5,000	422,392
32	5,001	10,000	222,357
12	10,001	20,000	156,893
6	20,001	50,000	162,831
2	50,001	150,000	162,222
1	150,001	310,000	307,370
1	310,001	400,000	400,000
1	400,001	600,000	543,591
1	600,001	1,125,000	1,120,620
1354			**3,750,000**

S.No.	Categories of shareholders	Numbers of Shareholders	No of shares held	Shares Held	Percentage of paid up capital
1.	**Directors and Chief Executive Officer**	**9**		**2,014,569**	
	Mr. Aziz Sarfaraz Khan		1,120,620		29.88
	Begum Laila Sarfaraz		307,370		8.20
	Mr. Abbas Sarfaraz Khan		543,591		14.50
	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		0.00
3.	**Shares held by relatives**	-	-	-	-
4.	**Associated Companies**	**1**		**400,000**	
	Arpak International Investments Ltd.		400,000		10.67
5.	**Public Sector Companies and Corporation**	**18**		**55,769**	
	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		349		0.01
	BCGA (Punjab) Limited		5,268		0.14
	Bibojee Services Limited		10,396		0.28
	Robberts Cotton Association Limited		4,444		0.12
	Madrasa Haqania Akora Khattak		52		0.00
	Pyramid Investments (Pvt.) Limited		500		0.01
	Secretary Municipal Committee Mardan.		226		0.01
	Frontier Co-operative Bank Limited		8,452		0.23
	Freedom Enterprises (Pvt.) Limited		1,000		0.03
	Y S Securities Limited		2		0.00
	Ismail Abdul Shakoor Securities (Pvt) Limited		1,000		0.03
	Mohammad Ahmed Nadeem Securities (SMC-Pvt) Limited		520		0.01
	Adeel and Nadeem Securities (Pvt.) Limited		2,500		0.07
	Sherman Securities (Pvt.) Limited		17,000		0.45
6.	**Banks, Development Finance Institutions, Non Banking Financial Instituations, Insurance Companies, Modarabas and Mutual Funds**	**4**		**70,971**	
	National Bank of Pakistan, Trustee Department		65,818		1.76
	United Bank Limited		37		0.00
	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	**1321**		**1,208,684**	32.23
		1354		**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	543,591	14.50
	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 LIMITED
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of the Karachi 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 Director Non-Executive Directors and Directors representing minority interests on its board of Directors. At present the Board includes:

Category	Names
Independent Director	Will be elected in the next EOGM.
Executive Directors	Mr. Abbas Sarfaraz Khan, Mr. Iskander M. Khan, Mr. Abdul Qadar Khattak
Non-Executive Directors	Mr. Aziz Sarfaraz Khan, Begum Laila Sarfaraz, Ms. Zarmine Sarfaraz, Ms. Najda Sarfaraz, Ms. Mehnaz Saigol, Mr. Baber Ali Khan

2. The Directors have confirmed that none of them is serving as a director in more than seven 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/she, being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred in the Board during the year.

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

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

7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions.

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 among the directors.

9. There was no new appointment of Company Secretary and CFO. New appointment of Head of Internal Audit Department was made during the year.

10. 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.

11. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.

12. 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.

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

14. The Board has formed an Audit Committee, which is composed of three non-executive directors.

15. 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.

16. The Board ensures arrangement of orientation courses for its Directors to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.

17. The Board has formed an HR and Remuneration Committee. It comprises 3 members, of whom two are executive directors and the chairman of the Committee is a non-executive director.

18. The Board has set-up an effective internal audit function.

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

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

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

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

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

For and on behalf of the Board

Islamabad
03 January, 2014

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) to comply with the Listing Regulations of the Karachi 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 personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, Listing Regulations of the Karachi 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 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 September 30, 2013.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE;
04 January, 2014

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) as at September 30, 2013 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 company has not been made in these financial statements as the matter is pending adjudication before the Court as fully detailed in note 18.4 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 September 30, 2013 and of the loss, its cash flows and changes in equity for the year then ended; and

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

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE;
04 January, 2014

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2013

	Note	2013	2012
ASSETS		**(Rupees in thousand)**	
Non-current Assets			
Property, plant and equipment	7	**691,632**	640,566
Investment property	8	**33,889**	35,298
Long term investments	9	**170,006**	170,006
Long term loan to Subsidiary Company	10	**279,500**	302,500
Security deposits		**570**	568
		1,175,597	1,148,938
Current Assets			
Stores and spares	11	**132,195**	117,978
Stock-in-trade	12	**359,577**	614,293
Trade debts	13	**3,843**	108,951
Loans and advances	14	**16,990**	15,594
Trade deposits and short term prepayments	15	**1,703**	1,784
Accrued profit on bank deposits		**48**	70
Other receivables	16	**11,094**	6,478
Sales tax refundable		**0**	8,594
Income tax refundable, advance tax and tax deducted at source		**43,792**	38,593
Short term investments	17	**0**	65,749
Bank balances	18	**92,062**	83,000
		661,304	1,061,084
TOTAL ASSETS		**1,836,901**	2,210,022
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
5,750,000 (2012: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500
Issued, subscribed and paid-up capital	19	**37,500**	37,500
Reserves		**900,001**	900,001
Accumulated loss		**(162,629)**	(150,672)
Shareholders' Equity		**774,872**	786,829
Surplus on Revaluation of Property, Plant and Equipment	20	**334,201**	357,508
Non-current Liabilities			
Liabilities against assets subject to finance lease	21	**697**	0
Deferred taxation	22	**0**	4,569
Staff retirement benefits - gratuity	23	**9,706**	26,776
		10,403	31,345
Current Liabilities			
Trade and other payables	24	**162,411**	189,630
Accrued mark-up on short term borrowings		**13,798**	26,975
Short term borrowings	25	**523,489**	815,754
Current portion of liabilities against assets subject to finance lease	21	**200**	0
Taxation	26	**17,527**	1,981
		717,425	1,034,340
TOTAL LIABILITIES		**727,828**	1,065,685
TOTAL EQUITY AND LIABILITIES		**1,836,901**	2,210,022
Contingencies and commitments	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 LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2013

	Note	2013	2012
		Rupees in thousand	
Sales - Net	28	**1,889,547**	1,490,368
Cost of Sales	29	**1,891,462**	1,651,096
Gross Loss		**(1,915)**	(160,728)
Distribution Cost	30	**8,305**	19,132
Administrative Expenses	31	**71,575**	72,937
Other Expenses	32	**105**	234
		79,985	92,303
		(81,900)	(253,031)
Other Income	33	**135,336**	99,202
Profit / (Loss) from Operations		**53,436**	(153,829)
Finance Cost	34	**74,370**	90,706
Loss before Taxation		**(20,934)**	(244,535)
Taxation	35	**19,394**	(84,989)
Loss after Taxation		**(40,328)**	(159,546)
Other Comprehensive Income		**0**	0
Total Comprehensive Loss for the Year		**(40,328)**	(159,546)
		--------- Rupees ---------	
Loss per Share	36	**(10.75)**	(42.55)

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 LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2013

	2013	2012
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(20,934)**	(244,535)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**58,220**	62,897
Depreciation on investment property	**1,624**	1,768
Mark-up on loan to Subsidiary Company and profit / mark-up on bank deposits	**(36,878)**	(45,919)
Staff retirement benefits-gratuity (net)	**(16,377)**	3,428
Unclaimed payable balances written-back	**(198)**	(311)
(Gain) / loss on sale of operating fixed assets	**(30,420)**	120
Gain on re-measurement of short term investments to fair value	**0**	(6,592)
Dividend income	**0**	(13,751)
Uncollectible receivable balances written-off	**105**	114
Finance cost	**68,315**	88,380
Profit / (loss) before working capital changes	**23,457**	(154,401)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(14,217)**	(13,447)
Stock-in-trade	**254,716**	54,305
Trade debts	**105,108**	(84,479)
Loans and advances	**(1,501)**	(4,763)
Trade deposits and short term prepayments	**81**	288
Other receivables	**(4,616)**	(5,999)
Sales tax refundable	**8,594**	9,946
(Decrease) / increase in trade and other payables	**(27,700)**	158,951
	320,465	114,802
Cash generated from / (used in) operations	**343,922**	(39,599)
Income tax paid	**(8,552)**	(22,787)
Security deposits	**(2)**	(51)
Net cash generated from / (used in) operating activities	**335,368**	(62,437)
Cash flow from investing activities		
Additions to property, plant and equipment	**(109,316)**	(29,891)
Addition to investment property	**(215)**	0
Sale proceeds of operating fixed assets	**30,450**	153
Balance of long term loan received-back from Subsidiary Company	**23,000**	20,000
Mark-up / profit received on loan to Subsidiary Company and bank deposits	**36,900**	45,949
Dividend received	**0**	13,751
Short term investments	**65,749**	119,259
Net cash generated from investing activities	**46,568**	169,221
Cash flow from financing activities		
Short term borrowings - net	**(292,265)**	18,628
Finance cost paid	**(81,492)**	(91,672)
Lease finances - net	**897**	0
Dividend paid	**(14)**	(21)
Net cash used in financing activities	**(372,874)**	(73,065)
Net increase in cash and cash equivalents	**9,062**	33,719
Cash and cash equivalents - at beginning of the year	**83,000**	49,281
Cash and cash equivalents - at end of the year	**92,062**	83,000

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

	Share capital	Reserves: Capital — Share redemption	Reserves: Revenue — General	Reserves: Sub-total	Accumulated loss	Total
	---------- Rupees in thousand ----------					
Balance as at September 30, 2011	37,500	1	900,000	900,001	(22,501)	915,000
Total comprehensive loss for the year ended September 30, 2012	0	0	0	0	(159,546)	(159,546)
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	31,375	31,375
Balance as at September 30, 2012	37,500	1	900,000	900,001	(150,672)	786,829
Total comprehensive loss for the year ended September 30, 2013	0	0	0	0	(40,328)	(40,328)
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	28,371	28,371
Balance as at September 30, 2013	**37,500**	**1**	**900,000**	**900,001**	**(162,629)**	**774,872**

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

1. CORPORATE INFORMATION

The Premier Sugar Mills & Distillery Company Limited (the Company) was incorporated on July 24, 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 the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or 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 as disclosed in the accounting policies.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

4. NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS

4.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended September 30, 2013

There are certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee, which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

4.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the date specified below. Except for the amendment in IAS 19, which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, these standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases.

(a) IAS 19 (Amendment), 'Employee Benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from October 01, 2013 and its impact on retained earnings shall be Rs. 2.354 million due to recognition of current unrecognised actuarial loss on its defined benefit plan.

(b) IAS 28 (Revised), 'Associates and Joint Ventures' (effective for periods beginning on or after January 01, 2013). This standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Company is yet to assess the full impact of IAS 28 (Revised).

(c) IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.

(d) IFRS 9, 'Financial Instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial Instruments: Recognition and Measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(e) IFRS 13, 'Fair Value Measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company shall apply this standard from October 01, 2013 and does not expect to have a material impact on its financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

5. 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.

5.1 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 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 7.1. 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.

5.2 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 8. 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.

5.3 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.

The Company is required to issue consolidated financial statements along with its separate financial statements in accordance with the requirements of IAS 27 (Consolidated and Separate Financial Statements). Investments in associates, in the consolidated financial statements, have been accounted for using the equity method.

At each balance sheet date, the Company reviews the carrying amounts of the investments in subsidiaries and associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and the net assets value of these investments. Impairment losses are recognised as expense in the profit and loss account.

Investments in subsidiaries and associates, that suffered an impairment, are reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the profit and loss account on investments in subsidiaries and associates are reversed through the profit and loss account.

5.4 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 upto the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

5.5 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.

5.6 Trade debts and other receivables

Trade debts are initially recognised 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. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

5.7 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.

5.8 Cash and cash equivalents

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

5.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

5.10 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 9% of the basic salaries both by the employees and the Company.

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 September 30, 2013 on the basis of the projected unit credit method by an independent Actuary.

5.11 Trade and other payables

Liabilities for 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.

5.12 Taxation

Current and prior year

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current year also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

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

5.13 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.

5.14 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.

5.15 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:

- sales are recorded on dispatch of goods.
- return on deposits is accounted for on 'accrual basis'.
- dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

5.16 Development expenditure

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

5.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.18 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 of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.19 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange contracts are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5.20 Financial instruments

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, trade deposits, accrued profit / mark-up on bank deposits, other receivables, short term investments, bank balances, lease finances, 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.

5.21 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 to settle the liabilities simultaneously.

6. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) 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 indicators of impairment are identified.

b) Stores & spares and stock-in-trade

The Company estimates 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 sale.

c) 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.

d) Staff retirement benefits - gratuity

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 September 30, 2012 on the basis of the projected unit credit method by an independent Actuary.

e) 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.

f) Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and legal advisors' judgments, appropriate provision is made.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	**2013**	2012
		Rupees in thousand	
Operating fixed assets	**7.1**	**573,857**	619,135
Capital work-in-progress			
- buildings on freehold land		**1,393**	0
- plant & machinery		**105,407**	21,431
- furniture, fittings and office equipment		**10,975**	0
		117,775	21,431
		691,632	640,566

7.1 Operating fixed assets - tangible

Particulars	Land		Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	Leased vehicle	Total
	Leasehold	Freehold							
	---------- Rupees in thousand ----------								
As at September 30, 2011									
Cost / revaluation	2,725	5,082	139,694	138,024	610,533	20,802	18,013	0	934,873
Accumulated depreciation	388	0	16,555	16,356	199,053	17,011	11,665	0	261,028
Book value	2,337	5,082	123,139	121,668	411,480	3,791	6,348	0	673,845
Year ended September 30, 2012:									
Additions	0	6,986	0	0	0	720	754	0	8,460
Disposals									
- cost	0	0	0	0	0	0	(402)	0	(402)
- depreciation	0	0	0	0	0	0	129	0	129
Depreciation charge for the year	28	0	10,001	9,882	41,167	530	1,289	0	62,897
Book value as at September 30, 2012	2,309	12,068	113,138	111,786	370,313	3,981	5,540	0	619,135
Year ended September 30, 2013:									
Additions	0	0	2,224	0	1,255	3,136	5,297	1,060	12,972
Disposals:									
- cost	0	(3)	0	0	0	0	(674)	0	(677)
- depreciation	0	0	0	0	0	0	647	0	647
Depreciation charge for the year	28	0	9,149	9,040	37,079	725	2,164	35	58,220
Book value as at September 30, 2013	**2,281**	**12,065**	**106,213**	**102,746**	**334,489**	**6,392**	**8,646**	**1,025**	**573,857**
As at September 30, 2012									
Cost / revaluation	2,725	12,068	139,694	138,024	610,533	21,522	18,365	0	942,931
Accumulated depreciation	416	0	26,556	26,238	240,220	17,541	12,825	0	323,796
Book value	2,309	12,068	113,138	111,786	370,313	3,981	5,540	0	619,135
As at September 30, 2013									
Cost / revaluation	2,725	12,065	141,918	138,024	611,788	24,658	22,988	1,060	955,226
Accumulated depreciation	444	0	35,705	35,278	277,299	18,266	14,342	35	381,369
Book value	**2,281**	**12,065**	**106,213**	**102,746**	**334,489**	**6,392**	**8,646**	**1,025**	**573,857**
Depreciation rate (%)	**1.01**	**0**	**5-10**	**5-10**	**10-12**	**10-15**	**10-20**	**10**	

7.2 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
	---------- Rupees in thousand ----------					
Freehold land 7 Kanals & 10 Marlas at Bagh-e-Irm, Mardan	3	0	3	30,000	29,997	Mr. Israr Bacha, Sector-C, Sheikh Maltoon Town, Mardan.
Honda City	674	647	27	450	423	Mr. Muhammad Hanif, Sector G-9/2, Blue Area, Islamabad.
	677	**647**	**30**	**30,450**	**30,420**	

7.3 Depreciation for the year has been allocated as follows:

	2013	2012
	Rupees in thousand	
Cost of sales	**55,193**	60,892
Administrative expenses	**3,027**	2,005
	58,220	62,897

7.4 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	**8,746**	7,036
- buildings on leasehold land	**6,447**	6,955
- plant & machinery	**96,254**	105,599
	111,447	119,590

7.5 The Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009 and September 30, 2011 and revaluation surplus on these assets aggregating Rs.116.886 million and Rs. 17.376 million respectively was incorporated in the books of account.

Clause 6 of the lease agreement dated July 09, 1947, which was for a period of 60 years, empowers the Company to renew the lease. On August 10, 2007, the Company, in terms of the aforesaid clause 6, had 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 January 01, 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 relevant provisions of the Arbitration Act, 1940. One suit has already been stayed till the outcome of Arbitration Award.

8. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------- Rupees in thousand -------------		
As at September 30, 2011:			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	40,971	40,971
Book value	14,544	22,522	37,066
Year ended September 30, 2012:			
Depreciation charge	0	1,768	1,768
Book value	14,544	20,754	35,298
Year ended September 30, 2013:			
Addition during the year	0	215	215
Depreciation charge	0	1,624	1,624
Book value	**14,544**	**19,345**	**33,889**
As at September 30, 2012			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	42,739	42,739
Book value	14,544	20,754	35,298
As at September 30, 2013			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	44,363	44,363
Book value	**14,544**	**19,345**	**33,889**
Depreciation rate (%)	0	5-10	

8.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2013 was Rs.260 million (2012: Rs.260 million).

9. LONG TERM INVESTMENTS - in Related Parties

SUBSIDIARY COMPANIES	2013 Share-holding %	2012 Share-holding %	2013 Rupees in thousand	2012 Rupees in thousand
QUOTED:				
Chashma Sugar Mills Ltd.				
13,751,000 (2012: 13,751,000) ordinary shares of Rs.10 each **(note 9.1)**	**47.93**	47.93	**137,584**	137,584
- Market value Rs.134.072 million (2012: Rs.107.258 million)				
- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2013 Rs. 1,210.184 million (2012: Rs. 669.804 million)				
Balance c/f			**137,584**	137,584

	2013 Share-holding %	2012 Share-holding %	2013 Rupees in thousand	2012 Rupees in thousand
Balance b/f			**137,584**	137,584
UN-QUOTED:				
The Frontier Sugar Mills & Distillery Ltd.				
1,113,637 (2012: 1,113,637) ordinary shares of Rs.10 each	**82.49**	82.49	**26,509**	26,509
42,984 (2012: 42,984) 7% irredeemable preference shares of Rs.10 each	**85.97**	85.97	**597**	597
- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2013 Rs.186.309 million (2012: Rs. 196.521 million)				
			27,106	27,106
			164,690	164,690

	2013	2012	2013	2012
	Share-holding %		**Rupees in thousand**	
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2012: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Market value Rs.3.219 million (2012: Rs.3.449 million)				
UN-QUOTED:				
National Computers (Pvt.) Ltd.				
14,450 (2012: 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 un-audited financial statements for the year ended June 30, 2013 - Rs. Nil			**0**	0
Premier Board Mills Ltd.				
47,002 (2012: 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 June 30, 2013 Rs.3.929 million (2012: Rs.3.645 million)				
Azlak Enterprises (Pvt.) Ltd.				
200,000 (2012: 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 June 30, 2013 Rs.36.315 million (2012: Rs.32.779 million)				
			170,006	170,006

9.1 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 financial year ended September 30, 2010.

10. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured

	Note	2013	2012
		Rupees in thousand	
Opening balance		**302,500**	322,500
Less: Amounts received during the year		**23,000**	20,000
Closing balance		**279,500**	302,500

10.1 The Company and Chashma Sugar Mills Ltd. (CSM) have entered into a loan agreement on May 20, 2008 whereby the Company had 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 10.53% to 11.68% (2012: 13.42% to 15.17%) per annum. As per the previous loan agreement, the loan was receivable in 8 equal half-yearly instalments with effect from August, 2013; however, CSM had made repayments aggregating Rs.43 million upto September 30, 2013. The Company and CSM have entered into a revised agreement on September 30, 2013 whereby the balance of loan as at September 30, 2013 is receivable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.397.810 million.

11. STORES AND SPARES

		2013	2012
Stores		**68,849**	63,585
Spares		**63,346**	54,393
		132,195	117,978

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

12. STOCK-IN-TRADE

	Note	2013	2012
Sugar-in-process		**5,167**	11,615
Finished goods:			
- Sugar	12.1	**354,387**	598,589
- Spirit		**23**	4,089
		354,410	602,678
		359,577	614,293

12.1 Finished sugar inventory as at September 30, 2012 included inventory costing Rs.658.062 million, which was 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.59.473 million.

12.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 16.526 metric tonnes (2012: 2,538.221 metric tonnes) valued at Rs. Nil.

	Note	2013	2012
		Rupees in thousand	
Local - unsecured, considered good		**3,843**	1,951
Export - secured		**0**	107,000
		3,843	108,951

14. LOANS AND ADVANCES

Advances to:		
- suppliers and contractors - considered good	**15,660**	13,433
- employees - considered good	**1,330**	2,161
	16,990	15,594

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

15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Excise duty deposit	**136**	136
Short term prepayments	**1,567**	1,648
	1,703	1,784

16. OTHER RECEIVABLES

The balance as at September 30, 2013 includes sugar export subsidy receivable amounting Rs.2.991 million and export refinance charges amounting Rs.7.465 million deducted by a commercial bank due to non-shipment. State Bank of Pakistan has refunded-back these charges during October, 2013.

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

Askari Sovereign Cash Fund Nil Units (2012: 607,527 Units)	**0**	54,887
MCB Cash Management Optimizer Nil Units (2012: 44,135 Units)	**0**	3,982
Pakistan Cash Management Fund Nil Units (2012: 6,352 Units)	**0**	288
	0	59,157
Add: adjustment on re-measurement to fair value	**0**	6,592
	0	65,749

	Note	2013	2012
		Rupees in thousand	
18. BANK BALANCES			
Cash at banks on:			
- PLS accounts	**18.1**	**16,428**	5,425
- current accounts		**33,877**	6,522
- deposit accounts	**18.3**	**7,512**	36,808
- deposits with a non-bank finance company - unsecured	**18.4**	**39,000**	39,000
- dividend accounts		**245**	245
		97,062	88,000
Less: provision for doubtful bank balance	**18.5**	**5,000**	5,000
		92,062	83,000

18.1 These include Rs.381 thousand (2013: Rs.335 thousand) in security deposit account.

18.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 6.20% to 11% (2012: 5.00% to 12.85%) per annum.

18.3 As at September 30, 2012, deposits aggregating Rs.29.297 million were under bank's lien as detailed in note 27.3.

18.4 **(a)** 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 were as follows:

Date of maturity	Amount of deposit
	Rs in '000'
July 29, 2009	**7,800**
July 29, 2010	**7,800**
July 29, 2011	**7,800**
July 29, 2012	**15,600**
	39,000

(b) The realisibility of these deposits is doubtful of recovery as these could not be encashed on their respective maturity dates; further, year-end balance confirmation certificate from IIBL was also not received. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from January 28, 2010. SECP had also instituted winding-up proceedings against IIBL in the Lahore High Court, Lahore (LHC). SECP had 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.

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

18.5 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 September 25, 1993 vide TDR No.007902, which was to mature on March 25, 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 November 05, 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 September 25, 1993 till the date of payment. The Civil Judge, Peshawar, vide his judgment dated May 13, 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.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(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

19.1 Ordinary shares held by the Associated Companies at the year-end are as follows:

	2013	2012
	Number of shares	
- Arpak International Investments Ltd.	**400,000**	400,000
- Azlak Enterprises (Pvt.) Ltd.	**0**	13,451
	400,000	413,451

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

20.1 The Company, during the financial years ended September 30, 2000 and September 30, 2009, had revalued its 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.

20.2 The Company, as at September 30, 2011, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [Hamid Mukhtar & Co. (Pvt.) Ltd., Consulting Engineers, Surveyors & Loss Adjusters and Valuation Consultants] 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	2013	2012
		Rupees in thousand	
Opening balance		**550,013**	598,283
Less: transferred to accumulated loss on account of incremental depreciation for the year		**(43,648)**	(48,270)
		506,365	550,013
Less: deferred tax on:			
- opening balance of surplus		**192,505**	209,400
- incremental depreciation for the year		**(15,277)**	(16,895)
		177,228	192,505
		329,137	357,508
Resultant adjustment due to reduction in tax rate		**5,064**	0
Closing balance		**334,201**	357,508

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2013		
	Upto one year	From one to four years	Total
	---------- Rupees in thousand ----------		
Minimum lease payments	**283**	**925**	**1,208**
Less: finance cost allocated to future periods	**83**	**127**	**210**
	200	**798**	**998**
Less: security deposits adjustable on expiry of lease terms	**0**	**101**	**101**
Present value of minimum lease payments	**200**	**697**	**897**

21.1 The Company has entered into a lease agreement with Bank Al-Habib Ltd. for lease of a vehicle. The liabilities under the lease agreement are payable in monthly instalments by August, 2017 and are subject to finance cost at the rate of 9.16% per annum. The Company intends to exercise its option to purchase the leased vehicle upon completion of the lease term. The lease finance facility is secured against title of the leased vehicle in the name of lessor.

22. DEFERRED TAXATION

	Note	2013	2012
		Rupees in thousand	
This is comprised of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**13,246**	17,084
- surplus on revaluation of property, plant and equipment		**172,164**	192,505
- lease finances		**43**	0
- gain on re-measurement of short term investments to fair value		**0**	560
		185,453	210,149
Deductible temporary differences arising in respect of:			
- available unused tax losses	**22.1**	**(162,764)**	(194,345)
- staff retirement benefits - gratuity		**(3,300)**	(9,372)
- impairment loss against investments		**(109)**	(113)
- provision for doubtful bank balance		**(1,700)**	(1,750)
- minimum tax recoverable against normal tax charge in future years		**(17,580)**	0
		(185,453)	(205,580)
		0	4,569

22.1 As at September 30, 2013, deferred tax asset amounting Rs.31.248 million on unused tax losses has not been recognised in the financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2014.

23. 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:

	2013	2012
- discount rate - per annum	**11.50%**	11.50%
- expected rate of growth per annum in future salaries	**10.50%**	10.50%
- average expected remaining working life time of employees	**08 years**	07 years

The amount recognised in the balance sheet is as follows:	2013	2012
	Rupees in thousand	
Present value of defined benefit obligation	**12,060**	29,889
Unrecognised actuarial loss	**(2,354)**	(3,113)
Net liability at end of the year	**9,706**	26,776

	Note	2013	2012
		Rupees in thousand	
Net liability at beginning of the year		**26,776**	23,241
Charge to profit and loss account		**4,539**	4,562
Payments made during the year to:			
- Resident Director		**(10,140)**	0
- Outgoing Members		**(696)**	(946)
Balance of benefits payable to Resident Director transferred	**23.2**	**(10,000)**	0
Benefits payable to outgoing Members- grouped under current liabilities		**(773)**	(81)
Net liability at end of the year		**9,706**	26,776

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

Opening balance	**29,889**	27,141
Current service cost	**1,084**	972
Interest cost	**3,437**	3,392
Benefits payable to outgoing Members - grouped under current liabilities	**(773)**	(81)
Benefits paid	**(10,836)**	(946)
Benefits transferred to a Subsidiary Company	**(10,000)**	0
Actuarial gain	**(741)**	(589)
Closing balance	**12,060**	29,889

Expense recognised in profit and loss account

Current service cost	**1,084**	972
Interest cost	**3,437**	3,392
Actuarial loss recognised	**18**	198
	4,539	4,562

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

	2013	2012	2011	2010	2009
	Rupees in thousand				
Present value of defined benefit obligation	**12,060**	29,889	27,141	24,480	23,936
Experience adjustment on obligation	**(741)**	(589)	0	(1,593)	0

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

23.2 The Group management, during the year, has transferred gratuity benefits of the Resident Director aggregating Rs.10 million accrued in the books of the Company to Chashma Sugar Mills Ltd. (CSM - a Subsidiary Company) as the Resident Director is rendering his services to CSM since its incorporation. The board of directors of both the Companies have passed necessary resolutions in this regard. The balance of benefits transferred to CSM aggregating Rs.10 million have been accounted for in these financial statements under the head of Other Income (note 33).

24. TRADE AND OTHER PAYABLES

	Note	**2013**	2012
		Rupees in thousand	
Creditors		**21,633**	21,165
Accrued expenses		**19,741**	6,793
Security deposits	**24.1**	**2,294**	1,693
Advance from customers		**107,314**	151,123
Income tax deducted at source		**916**	377
Sales tax payable		**1,277**	0
Gratuity payable to ex-employees		**2,075**	1,382
Unclaimed dividends		**6,997**	7,011
Others		**164**	86
		162,411	189,630

24.1 Security deposits include Rs.381 thousand (2012: Rs.335 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.

25. SHORT TERM BORROWINGS

	Note	2013	2012
Secured	**25.1**	**522,150**	812,277
Un-secured	**25.3**	**1,339**	3,477
		523,489	815,754

25.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.1,150 million (2012: Rs.1,000 million). These facilities are secured against pledge of stock of refined sugar and charge over present and future current assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 9.20% to 14.18% (2012: 11.00% to 15.96%) per annum and are expiring on various dates by March 31, 2014.

25.2 Facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.75 million (2012: Rs.154.300 million). Out of the available facilities, facilities aggregating Rs.60.371 million (2012: Rs.115.003 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts and shipping documents.

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

26. TAXATION - Net

	Note	2013	2012
		Rupees in thousand	
Opening balance		**1,981**	338
Add: provision / (reversal) made during the year:			
- current	**26.2**	**18,899**	3,351
- prior years - net		**0**	(1,549)
		18,899	1,802
Less: adjustments made during the year against -0 completed assessments		**3,353**	159
		17,527	1,981

26.1 The returns for the Tax Years 2009 to 2013 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.

26.2 No numeric tax rate reconciliation is given in these financial statements as provision made during the current year mainly represents minimum tax payable under section 113 of the Ordinance; (2012: provision made mainly represented taxes payable on dividend income and export sales under sections 5 and 154 of the Ordinance respectively).

27. CONTINGENCIES AND COMMITMENTS

27.1 No commitments were outstanding as at September 30, 2013 and September 30, 2012.

27.2 The Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Peshawar, during the financial year ended September 30, 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 August 22, 1996. Further, the Company had 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 August 12, 2003 had partially allowed the appeal.

The Company, during the financial year ended September 30, 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 September 30, 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 May 05, 2004.

27.3 The Bank of Khyber (BoK), on behalf of the Company, had issued guarantees aggregating Rs.29.297 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 12,700 metric tons of sugar. These guarantees had expired on various dates by February 13, 2013 and were secured against BoK's lien over deposit accounts aggregating Rs. 29.297 million.

27.4 Bank Al-Habib Ltd., on behalf of the Company, has issued two guarantees aggregating Rs.4.629 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 1,934 metric tons of sugar. These guarantees will expire on July 29, 2014 and August 14, 2014.

27.5 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at September 30, 2013 was for Rs.10 million (2012: Rs.10 million). The guarantee is valid upto May 26, 2014.

27.6 Also refer contents of note 7.5.

28. SALES - Net

	Note	2013	2012
		Rupees in thousand	
Turnover:			
Local		**1,905,336**	1,397,493
Export		**131,532**	197,430
		2,036,868	1,594,923
Less: Sales tax		**147,321**	104,555
		1,889,547	1,490,368

	Note	2013	2012
		Rupees in thousand	
29. COST OF SALES			
Raw materials consumed		**1,159,365**	1,176,691
Chemicals and stores consumed		**31,407**	25,586
Salaries, wages and benefits	**29.1**	**157,222**	94,984
Power and fuel		**192,837**	200,263
Insurance		**2,187**	2,256
Repair and maintenance		**38,535**	36,119
Depreciation		**55,193**	60,892
		1,636,746	1,596,791
Adjustment of sugar-in-process:			
Opening		**11,615**	10,850
Closing		**(5,167)**	(11,615)
		6,448	(765)
Cost of goods manufactured		**1,643,194**	1,596,026
Adjustment of finished goods:			
Opening stock		**602,678**	657,748
Closing stock		**(354,410)**	(602,678)
		248,268	55,070
		1,891,462	1,651,096

29.1 These include Rs.2.035 million (2012: Rs.1.313 million) and Rs.3.495 million (2012: Rs.3.513 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

30. DISTRIBUTION COST

	2013	2012
Commission	**1,796**	1,665
Salaries, wages and amenities	**772**	315
Stacking and loading	**1,107**	1,059
Spirit export expenses	**3,867**	14,912
Others	**763**	1,181
	8,305	19,132

31. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		Rupees in thousand	
Salaries and amenities	31.1	**33,899**	32,801
Travelling, vehicles' running and maintenance		**3,523**	8,185
Utilities		**1,261**	1,606
Directors' travelling		**6,650**	3,477
Rent, rates and taxes		**1,673**	1,144
Insurance		**747**	926
Repair and maintenance		**7,424**	7,782
Printing and stationery		**2,558**	1,802
Communication		**1,814**	1,577
Legal and professional charges (other than Auditors)		**2,662**	5,766
Subscription		**1,154**	934
Auditors' remuneration	31.2	**1,035**	1,084
Depreciation on:			
- operating fixed assets		**3,027**	2,005
- investment property		**1,624**	1,768
General office expenses		**2,524**	2,080
		71,575	72,937

31.1 These include Rs.0.627 million (2012: Rs.0.573 million) and Rs.1.044 million (2012: Rs.1.049 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

31.2 Auditors' remuneration

	2013	2012
Hameed Chaudhri & Co.		
- statutory audit	**500**	500
- half yearly review	**83**	75
- consultancy, tax services and certification charges	**345**	395
- out-of-pocket expenses	**55**	55
	983	1,025
Munawar Associates		
- cost audit fee	**35**	35
- audit fee of workers' (profit) participation fund	**7**	14
- out-of-pocket expenses	**10**	10
	52	59
	1,035	1,084

	Note	2013	2012
		Rupees in thousand	
32. OTHER EXPENSES			
Uncollectible receivable balances written-off		**105**	114
Loss on disposal of vehicle		**0**	120
		105	234

	Note	2013	2012
33. OTHER INCOME			
Income from financial assets:			
Mark-up on loan to Subsidiary Company		**31,730**	45,195
Mark-up / interest / profit on bank deposits / saving accounts and certificates		**5,148**	724
Gain on redemption of short term investments		**804**	2,006
Fair value gain on re-measurement of short term investments	**17**	**0**	6,592
Dividend Income		**0**	13,751
Exchange fluctuation gain		**2,884**	0
Income from other than financial assets:			
Rent		**8**	7
Sale of scrap - net of sales tax amounting Rs.0.370 million		**2,309**	2
Unclaimed payable balances written-back		**198**	311
Profit from fertilizer sales	**33.1**	**6,500**	5,384
Gain on sale of operating fixed assets	**7.2**	**30,420**	0
Sale of agricultural produce		**25,415**	17,633
Sale of beet pulp		**15,000**	5,000
Sugar export subsidy	**16**	**2,991**	0
Workers' welfare fund - written back		**0**	581
Provision for gratuity benefits - written back	**23.2**	**10,000**	0
Miscellaneous - net of sales tax amounting Rs.667 thousand (2012: Rs.321 thousand)		**1,929**	2,016
		135,336	99,202

	Note	2013	2012
		Rupees in thousand	
33.1 Profit from fertilizer sales			
Sales		**35,499**	25,593
Less: cost of sales			
opening stock		**2,635**	10,194
purchases		**38,518**	12,650
closing stock		**(12,154)**	(2,635)
		28,999	20,209
		6,500	5,384
34. FINANCE COST			
Mark-up on short term borrowings		**68,315**	88,380
Lease finance charges		**8**	0
Bank charges		**6,047**	2,326
		74,370	90,706
35. TAXATION			
Current:			
- for the year	**26**	**18,899**	3,351
- for prior years	**26**	**0**	(1,549)
		18,899	1,802
Deferred:			
- resultant adjustment due to reduction in tax rate	**20**	**5,064**	0
- on account of temporary differences	**22**	**(4,569)**	(86,791)
		495	(86,791)
		19,394	(84,989)
36. LOSS PER SHARE			
Loss after taxation attributable to ordinary shareholders		**(40,328)**	(159,546)
		No. of shares	
Weighted average number of shares outstanding during the year		**3,750,000**	3,750,000
		--------- Rupees ---------	
Loss per share		**(10.75)**	(42.55)

36.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2013 and September 30, 2012, which would have any effect on the loss per share of the Company if the option to convert is exercised.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

37.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on export of spirit and import of stores & spares mainly denominated in U.S. $ and Euro respectively. The Company is not exposed to foreign currency risk as at September 30, 2013 as it has no foreign currency financial instrument at the year-end. The Company's exposure to foreign currency risk as at September 30, 2012 was as follows:

	2013	2012
	Rupees in thousand	
Trade debts	**0**	107,000

The following exchange rates were applied as at September 30, 2012:

	Average rate	**Balance sheet date rate**
U.S. $ to Rupee	**94.40**	94.50

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2013	2012	**2013**	2012
	Effective rate Percentage		**Carrying amount Rupees in thousand**	
Fixed rate instruments				
Deposits with a non-bank finance company	**5%**	5%	**39,000**	39,000
Bank balances	**6.20% to 11%**	5.00% to 12.85%	**23,940**	42,233
Variable rate instruments				
Long term loan to Subsidiary Company	**10.53% to 11.68%**	13.42% to 15.17%	**279,500**	302,500
Short term borrowings	**9.20% to 14.18%**	11.00% to 15.96%	**522,150**	812,277

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 rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At September 30, 2013, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.2,427 thousand (2012: Rs.5,098 thousand) higher / lower, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

37.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts, deposits with a non-bank finance company and balances with banks. 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. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

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.

Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2013 along with comparative is tabulated below:

	2013	2012
	Rupees in thousand	
Security deposits	**570**	568
Trade debts	**3,843**	108,951
Trade deposits	**136**	136
Accrued profit / mark-up on bank deposits	**48**	70
Other receivables	**11,094**	6,478
Short term investments	**0**	65,749
Deposits with a non-bank finance company	**39,000**	39,000
Bank balances	**53,062**	44,000
	107,753	264,952

The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-bank finance company as detailed in note 18.4.

Trade debts exposure by geographic region is as follows:

Domestic	**3,843**	1,951
Export	**0**	107,000
	3,843	108,951

The ageing of trade debts at the balance sheet date is as follows:

Not past due	**3,557**	107,059
Past due 30 days	**0**	1,605
Past due 180 days	**0**	157
Past due 1 year	**286**	130
	3,843	108,951

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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

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

	2013			
	Carrying amount	**Contractual cash flows**	**Less than one year**	**Between one to four years**
	------------- Rupees in thousand -------------			
Lease finances	**897**	**1,107**	**283**	**824**
Trade and other payables	**52,904**	**52,904**	**52,904**	**0**
Accrued mark-up	**13,798**	**13,798**	**13,798**	**0**
Short term borrowings	**523,489**	**534,712**	**534,712**	**0**
	591,088	**602,521**	**601,697**	**824**

	2012			
	Carrying amount	Contractual cash flows	Less than one year	Between one to four years
	------------- Rupees in thousand -------------			
Trade and other payables	38,130	38,130	38,130	0
Accrued mark-up	26,975	26,975	26,975	0
Short term borrowings	815,754	897,822	897,822	0
	880,859	962,927	962,927	0

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

37.4 Fair values of financial instruments

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.

At September 30, 2013, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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. TRANSACTIONS WITH RELATED PARTIES

39.1 No amount was due from Subsidiary and Associated Companies at any month-end during the current and preceding years.

39.2 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:

	2013	2012
Subsidiary Companies	**Rupees in thousand**	
- dividend received	**0**	13,751
- purchase of goods	**9,705**	6,401
- sale of goods	**77**	0
- mark-up earned on long term loan	**31,730**	45,195
Associated Companies		
- purchase of goods	**17,273**	19,626
- purchase of vehicle	**150**	0

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2013	2012	**2013**	2012	**2013**	2012
	---------------------- Rupees in thousand ----------------------					
Managerial remuneration	**1,500**	1,200	**7,776**	7,560	**3,700**	3,306
Medical expenses reimbursed	**0**	0	**0**	52	**0**	0
	1,500	1,200	**7,776**	7,612	**3,700**	3,306
No. of persons	**1**	1	**2**	2	**2**	2

40.1 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.

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

40.3 Also refer the contents of note 23.

41. CAPACITY AND PRODUCTION

		2013	2012
SUGAR CANE PLANT			
Rated crushing capacity per day	M.Tonnes	**3,810**	3,810
Cane crushed	M.Tonnes	**222,121**	249,062
Sugar produced	M.Tonnes	**20,507**	24,290
Days worked	Nos.	**141**	133
Sugar recovery	%	**9.14**	9.76
SUGAR BEET PLANT			
Rated slicing capacity per day	M.Tonnes	**2,500**	2,500
Beet sliced	M.Tonnes	**47,379**	43,125
Sugar produced	M.Tonnes	**4,567**	4,539
Days worked	Nos.	**34**	32
Sugar recovery	%	**9.71**	10.65
DISTILLERY			
Rated capacity per day	Gallons	**10,000**	10,000
Actual production	Gallons	**402,790**	660,010
Days worked	Nos.	**94**	131

- 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.

42. PROVIDENT FUND RELATING DISCLOSURES

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un-audited financial statements of the provident fund for the year ended September 30, 2013 and audited financial statements of the provident fund for the year ended September 30, 2012:

	2013	2012
	(Rupees in thousand)	
Size of the fund - total assets	**57,024**	55,654
Cost of investments made	**53,353**	54,585
Percentage of investments made	**93.56%**	98.08%
Fair value of investments made	**56,409**	54,966

42.1 The break-up of fair value of investments is as follows:

	2013	2012		
	-------- % --------			
Term deposit receipt (TDR)	**88.66%**	90.98%	**50,010**	50,010
Accrued profit on TDR	**5.42%**	0.70%	**3,056**	381
Saving account in a scheduled bank	**5.92%**	8.32%	**3,343**	4,575
	100.00%	100.00%	**56,409**	54,966

42.2 Investments out of the provident fund have been made in accordance with the requirements of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

43. NUMBER OF EMPLOYEES

Number of permanent employees as at September 30, 2013 was 498 (2012: 436) and average number of employees during the year was 512 (2012: 456).

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on January 03, 2014 by the board of directors of the Company.

45. FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no material rearrangements and reclassifications have been made in these financial statements.

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

annual report

2013

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

Company Profile

Chashma Sugar Mills Limited (the Company) was incorporated on 05 May, 1988 as a Public Company and its shares are quoted on Islamabad, Lahore and Karachi Stock Exchanges. The Company is principally engaged in manufacturing and sale of white sugar including the following:

a) The exclusive object for which the Company established is to set up and operate an industrial undertaking at, Dera Ismail Khan in the Khyber Pakhtoon Khawa province to manufacture, produce, process, compound, prepare and sell sugar and other allied compounds, intermediates and by products thereto.

b) To appoint agents, sub-agents, attorneys, consultants, brokers, and contractors and connection with the exclusive object but not to act as managing agents.

c) To receive money on loan and borrow or raise money in such manner as the Company shall think fit in pursuance of the exclusive object, and in particular by the issue of debentures, or debenture stock (perpetual or otherwise) and to secure the repayment of any money borrowed raised or owing by mortgage, charge or lien upon all or any of the property or assets of the Company (both present and future), and also by a similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person or company of any obligation undertaken by the Company or any other person or company as the case may be, but not to act as a finance or banking company.

d) To purchase and import equipment, machinery, spare parts, or other articles and chemicals of use required by the Company for the purpose of carrying on the exclusive object and to export the products of the Company.

e) To employ and remunerate managers and other officers, employees and servants of the Company or any person or firm or company rendering services to the Company upon such terms as the Company may determine.

f) To accept or give security, including but not limited to promissory notes, indemnity bonds, guarantees, assignments, receipts, bailments pledges, hypothecations, liens, mortgages and charges, against the credit extended or moneys borrowed in connection with the exclusive object of the Company.

g) To open, close and operate banking accounts of the Company with any bank or banks, financial institutions or co-operative societies and to draw, make, accept, endorse, discount, execute and issue promissory notes bills of exchange, bill of lading, warrants, debentures and other negotiable or transferable instruments, but not to act as a finance or banking Company.

CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

Board of Directors

Mr. Aziz Sarfaraz Khan
Chairman / Chief Executive
Begum Laila Sarfaraz
Mr. Abbas Sarfaraz Khan
Ms. Zarmine Sarfaraz
Ms. Najda Sarafaraz
Mr. Iskander M. Khan
Mr. Baber Ali Khan
Mr. Abdul Qadar Khattak
Mr. Sher Ali Jafar Khan

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Auditors

M/s. Hameed Chaudhri & Co.,
Chartered Accountants

Cost Auditors

M/s. Munawar Associates
Chartered Accountants

Tax Consultants

M/s. Hameed Chaudhri & Co.,
Chartered Accountants

Legal Advisor

Mr. Tariq Mehmood Khokhar
Barrister-at-Law, Advocate

Bankers

Bank Al-Habib Limited
The Bank of Khyber
MCB Bank Limited
The Bank of Punjab
Bank Al-Falah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
National Bank of Pakistan
Habib Bank Limited
Silk Bank Limited

Management Committees

Executive Committee

Mr. Abbas Sarfaraz Khan (Non-Executive Director)	Chairman
Mr. Baber Ali Khan (Non-Executive Director)	Member
Mr. Abdul Qadar Khattak (Executive Director)	Member

Executive Committee is involved in day to day operations of the Company and is authorized to conduct every business except the businesses to be carried out by Board of Directors as required by section 196 of the Companies Ordinance, 1984. Executive Committee meets periodically to review operating performance of the Company against pre-defined objectives, commercial business decisions, investments and funding requirements.

Audit Committee

Mr. Iskander M. (Non-Executive Director)	Chairman
Ms. Najda Sarfaraz (Non-Executive Director)	Member
Mr. Baber Ali Khan (Non-Executive Director)	Member
Mr. Mujahid Bashir	Secretary

The terms of reference of the Audit Committee have been derived from the Code of Corporate Governance applicable to listed companies. Thereby Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.
The terms of reference of the Audit Committee also include the following:

a) Determination of appropriate measures to safeguard the Company's assets;
b) Review of preliminary announcements of results prior to publication;
c) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The going-concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards; and
- Compliance with listing regulations and other statutory and regulatory requirements.

d) Facilitating the external audit and discussion with external auditors of major observations arising form interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) Review of management letter issued by external auditors and management's response thereto;

f) Ensuring coordination between the internal and external auditors of the Company;

g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h) Consideration of major findings of internal investigations and management's response thereto;

i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;

k) Instituting special projects, value for money studies or other investigations on any matte specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

l) Determining of compliance with relevant statutory requirements;

m) Monitoring compliance with the best practices of Corporate Governance and identification of significant violations thereof; and

n) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource and Remuneration Committee

Mr. Abbas Sarfaraz Khan (Non-Executive Director)	Chairman
Mr. Iskander M. Khan (Non-Executive Director)	Member
Mr. Abdul Qadar Khattak (Executive Director)	Member
Mr. Mujahid Bashir	Secretary

The Committee is responsible for:

i) The overall system of remuneration and benefits for senior management and functional heads.

ii) Succession and career development within the senior management.

iii) The size and composition of the Board including the "mix" of Executive and Non-Executive Directors.

iv) Selection and nomination of Non-Executive Directors to the Board and the terms & conditions, wherever applicable and if any, on which Non-Executive Directors are appointed and hold office, for the ultimate approval of the shareholders.

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 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.

- We 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 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 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

- 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 decision and operations.

CHASHMA SUGAR MILLS LIMITED

Code of Conduct

Chashma Sugar Mills Limited has built a reputation for conducting its business with integrity in accordance with high standards of ethical behavior and in compliance with the laws and regulations that govern our business. This reputation is among our most valuable assets and ultimately depends upon the individual actions of each of our employees all over the country.

The Company Code of Conduct has been prepared to assist each of us in our efforts to not only maintain but enhance this reputation. It provides guidance for business conduct in a number of areas and references to more detailed corporate policies for further direction. The adherence of all employees to high standards of integrity and ethical behavior is mandatory and benefits all stakeholders including our customers, our communities, our shareholders and ourselves.

The Company carefully checks for compliance with the Code by providing suitable information, prevention and control tools and ensuring transparency in all transactions and behaviors by taking corrective measures if and as required.

The Code of Conduct applies to all affiliates, employees and others who act for us countrywide, within all sectors, regions, areas and functions.

The Code of Conduct of the Company includes the policies in respect of followings:

- Standard of Conduct;
- Obeying the law;
- Human Capital;
- Consumers;
- Shareholders;
- Business Partners;
- Community involvement;
- Public activities;
- The environment;
- Innovation;
- Competition;
- Business integrity;
- Conflicts of interests; and
- Compliance, monitoring and reporting.

General Principles

- Compliance with the law, regulations, statutory provisions, ethical integrity and fairness is a constant commitment and duty of all the employees and characterizes the Conduct of the organization.

- The Company's business and activities have to be carried out in a transparent, honest and fair way, in good faith and in full compliance. Any form of discrimination, corruption, forced or child labor is rejected. Particular attention is paid to the acknowledgment and safeguarding of the dignity, freedom and equality of human beings.

- All employees, without any distinction or exception whatsoever, respect the principles and contents of the Code in their actions and behaviors while performing their functions according to their responsibilities, because compliance with the Code is fundamental for the quality of their working and professional performance. Relationships among employees, at all levels, must be characterized by honesty, fairness, cooperation, loyalty and mutual respect.
- The belief that one is acting in favor or to the advantage of the Company can never, in any way, justify-not even in part any behavior that conflict with the principles and content of the Code.
- The Code of Conduct aims at guiding the Company with respect to standards of conduct expected in areas where improper activities could result in adverse consequences to the Company, harm its reputation or diminish its competitive advantage.
- Every employee is expected to adhere to, and firmly inculcate in his/her everyday conduct; this mandatory framework; any contravention or deviation will be regarded as misconduct and may attract disciplinary action in accordance with the Company service rules and relevant laws.

Statement of Ethical Practices

It is the basic principle of Chahma Sugar Mills Limited to obey the law of the land and comply with its legal system. Accordingly every director and employee of the Company shall obey the law. Any director and employee guilty of violation will be liable to disciplinary consequences because of the violation of his / her duties.

Employees must avoid conflicts of interest between their private financial activities and conduct of Company business.

All business transactions on behalf of the Company must be reflected accordingly in the accounts of the Company. The image and reputation of the Company is determined by the way each and every of us acts and conducts him / her at all times.

We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.

Every manager and supervisor shall be responsible to see that there is no violation of laws within his / her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he / she delegates particular tasks.

CHASHMA SUGAR MILLS LIMITED

TEN YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
(RUPEES IN THOUSAND)										
Sales	6,673,731	5,848,891	5,882,738	6,362,700	3,968,673	2,579,812	1,638,595	1,187,913	1,250,551	1,453,370
Cost of sales	6,173,254	5,702,814	5,186,437	5,597,467	3,595,629	2,233,798	1,709,629	1,132,589	1,023,674	1,369,614
Operating profit/(Loss)	481,250	97,323	612,225	647,940	297,935	270,343	(128,111)	12,327	180,256	48,878
Profit/(Loss) before tax	56,728	(239,067)	165,491	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086	33,246
Profit/(Loss) After tax	32,972	(218,971)	140,610	283,794	(217,910)	(63,163)	(358,007)	(32,338)	80,472	21,144
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	191,280	191,280	191,280	191,280
Shareholders' equity	2,524,899	1,397,464	1,645,127	423,572	66,712	203,438	128,232	486,239	537,705	457,355
Fixed assets - net	5,014,393	3,171,414	3,103,002	2,335,101	2,515,056	2,723,775	1,850,560	893,731	934,125	322,811
Total assets	7,485,951	5,835,443	5,647,181	2,975,098	3,535,462	4,509,239	3,460,459	2,422,106	1,444,253	996,908
Long term liabilities	2,270,940	1,451,512	1,357,532	1,059,164	1,229,686	1,464,166	949,167	1,245,000	370,833	263,868
Dividend										
Cash dividend		0	10%	10%	0	0	0	0	10%	-
Ratios:										
Profitability (%)										
Operating profit	7.21	1.66	10.41	10.18	7.51	10.48	(4.34)	4.66	18.14	3.36
Profit/ (Loss) before tax	0.85	(4.09)	2.81	5.47	(3.55)	(2.22)	23.04	(4.90)	11.04	2.29
Profit/(Loss) after tax	0.49	(3.74)	2.39	4.46	(5.49)	(2.45)	21.85	(2.72)	6.43	1.45
Return to Shareholders										
ROE - Before tax	2.25	(17.11)	10.06	82.11	(211.04)	(28.10)	(294.35)	(11.99)	25.68	7.27
ROE - After tax	1.31	(15.67)	8.55	67.00	(326.64)	(31.05)	(279.19)	(6.65)	14.96	4.62
Return on Capital Employed	6.21	(6.21)	4.68	15.03	(14.23)	(3.79)	(187.16)	(0.16)	8.85	2.93
E. P. S. - After tax	1.15	(7.63)	4.90	9.89	(7.59)	(2.20)	(18.72)	(1.69)	4.2	1.11
Activity										
Income to total assets	0.89	1.00	1.36	2.14	1.12	0.57	10.34	(0.01)	0.86	1.46
Income to fixed assets	1.33	1.84	2.16	2.72	1.58	0.95	18.79	(0.02)	1.34	4.50
Liquidity/Leverage										
Current ratio	0.92	0.87	0.96	0.87	0.92	0.93	1.53	1.07	1.1	1.06
Break up value per share	88.00	48.71	5.73	14.76	2.33	7.09	0.67	25.42	28.11	23.91
Total Liabilities to equity (Times)	1.96	3.17	2.43	6.02	20.06	21.17	25.66	3.98	1.69	1.18

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
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
2012	1,196,202	8.65	103,478
2013	1,326,905	9.18	121,771

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that 26th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2014 at 11:30 a.m., at the Registered Office of the Company at Nowshera Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2013.

(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, 2013.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2014. 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 31 January, 2014 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
03 January, 2014

(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 (CNIC), Account and participants I.D numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her CNIC.

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.

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited are pleased to present Directors' Report of the Company together with the audited financial statements for the year ended 30 September, 2013

SUMMARISED FINANCIAL RESULTS

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

	2013	2012
	(Rupees in thousands)	
Profit / (Loss) before taxation	**56,728**	(239,067)
Taxation		
- Current	**69,144**	30,688
- Prior	**(902)**	98
- Deferred	**(44,486)**	(50,882)
	23,756	(20,096)
Profit / (Loss) after taxation	**32,972**	(218,971)
	---------- (Rupees) ----------	
Earnings / (Loss) / per share	**1.15**	(7.63)

1. REVIEW OF OPERATIONS

The sugarcane crushing season 2012-13 commenced on 30 November, 2012 and continued till 28 March, 2013. The Mills crushed 1,326,905 tons (2012: 1,196,202 tons) of sugarcane and produced 121,771 tons (2012: 103,478 tons) of sugar. The Government increased the sugar can support price from Rs. 150/- to Rs. 170/- per 40 kg during the year. This has encouraged the farmers to bring additional area under cultivation.

2. CURRENT SEASON 2013-2014

The sugarcane crushing season started on 27 November, 2013 and the Mills have crushed 402,226 tons of sugarcane, producing 31,313 tons of sugar at average recovery of 7.96 % up to 29 December, 2013.

3. SUGAR PRICE

The GoP allowed the export of 1.20 million tons of sugar for the crushing season 2012-13, by April 2013, the sugar mills had completed the exports of 1.20 M. Tons and requested GoP to allow further export of 500,000 M. Tons, the GoP delayed this decision till October 2013, due to this, Company's finances remained under pressure because of the inventory holding cost coupled with the depressed sugar prices throughout the year adversely affecting our profitability.

4. ETHANOL FUEL PLANT AT UNIT-II

The installation of Ethanol fuel plant of 125,000 Liters / day is in final stages and it is expected to start operation during the month of February 2014.

5. STAFF

The Management and Labor relations remained cordial during the year. Bonus to employees was paid at the rate of 03 months salary during the year.

6. PATTERN OF SHAREHOLDING

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

7. 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 has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no significant doubts upon Chashma Sugar Mills Limited's ability to continue as a 'going concern'.
- Key operating and financial data for the last ten years in a summarized form is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2013, 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. 33.2 million as at 30 September, 2012.
- During the year five (05) meetings of the Board of Directors were held.

- Attendance by each Director is as follow:-

	Name of Directors	No. of Meetings Attended
-	Mr. Aziz Sarfaraz Khan	4
-	Begum Laila Sarfaraz	5
-	Mr. Abbas Sarfaraz Khan	3
-	Ms. Zarmine Sarfaraz	4
-	Ms. Najda Sarfaraz	4
-	Mr. Iskander M Khan	5
-	Mr. Baber Ali Khan	3
-	Mr. Abdul Qadar Khattak	4
-	Mr. Sher Ali Jafar Khan	2

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

8. **ROLE OF SHAREHOLDERS**

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

9. **DIVIDEND**

The Directors do not recommend any dividend due to application of funds in the installation of Ethanol Fuel Plant.

10. **EXTERNAL AUDITORS**

The Audit Committee and Board of Directors have recommended to re-appoint M/s Hameed Chaudhri & Co., Chartered Accountants, Lahore as External Auditors for the financial year 2013-2014. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP..

11. **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 financial year 2010.

12. **COMPLIANCE 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 for the year ended 30 September, 2013 have been duly complied with. A statement to this effect is annexed with the report.

13. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

Mardan
03 January, 2014

(AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

Shareholders' Information

Registered Office
Nowshera Road Mardan, Khyber Pakhtunkhwa
Tel # 92 937 862051-52
Fax # 92 937 862989

Shares Registrar
Hameed Majeed Associates (Pvt.)Limited,
HM House, 7-Bank Square, Lahore.
Tel # 92 42 37235081-2
Fax # 92 42 37358817

M/s. Hameed Majeed Associates (Pvt.) Limited is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, and issue of duplicate/replaced share certificates, change of address and other related matters.

Listing on Stock Exchanges
Chashma Sugar Mills Limited Compay's equity shares are listed on Lahore Karachi and Islamabad Stock Exchanges.

Listing Fees
The annual listing fee for the financial year 2013-14 has been paid to the stock exchanges within the prescribed time limit.

Statutory Compliance
During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Stock Code
The stock code for dealing in equity shares of Chashma Sugar Mills Limited at KSE, LSE and ISE is Chas.

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from 21.01.2014 to 31.01.2014

Web Presence
Updated information regarding the Company can be accessed at the website, www.chashmasugarmills.com. The website contains the latest financial results of the Company together with Company's profile.

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2013

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
138	From	1	to	100	Shares	10,576
543	From	101	to	500	Shares	242,635
132	From	501	to	1,000	Shares	125,147
157	From	1,001	to	5,000	Shares	408,627
34	From	5,001	to	10,000	Shares	259,800
12	From	10,001	to	15,000	Shares	154,500
10	From	15,001	to	20,000	Shares	179,206
9	From	20,001	to	25,000	Shares	206,264
5	From	25,001	to	30,000	Shares	140,500
3	From	30,001	to	35,000	Shares	102,000
4	From	35,001	to	40,000	Shares	148,400
2	From	40,001	to	60,000	Shares	99,500
1	From	60,001	to	70,000	Shares	69,000
2	From	70,001	to	80,000	Shares	148,500
1	From	80,001	to	85,000	Shares	81,800
6	From	85,001	to	125,000	Shares	652,486
3	From	125,001	to	200,000	Shares	497,934
3	From	200,001	to	310,000	Shares	872,000
4	From	310,001	to	450,000	Shares	1,489,964
6	From	625,001	to	2,000,000	Shares	5,461,686
2	From	2,000,001	to	above	Shares	17,341,475
1,077						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines	4	19,111,834	67.50
NIT and ICP	1	24,264	0.08
Directors & Relatives	12	4,175,719	14.55
Public Sector Companies & Corporation	12	253,534	0.89
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds	4	1,117,121	3.89
Individuals	1,042	3,714,528	12.05
Charitable Trusts	2	295,000	1.03
	1,077	**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**		**67.50**
Phipson & Co. (Pak) (Pvt.) Limited		307,500		1.07	
Azlak Enterprises (Pvt) Limited		1,717,250		5.99	
The Premier Sugar Mills & Distillery Co., Ltd.		13,751,000		47.93	
Syntronics Limited		3,590,475		12.51	
NIT and ICP	**1**		**24,264**		**0.08**
Directors & Relatives	**12**		**4,175,719**		**14.55**
Public Sector Companies and Corporations	**12**		**253,534**		**0.89**
M/s Asif Mushtaq & Company		1,500		0.01	
M/s Neelum Taxtlile Mills (Pvt) Ltd.		12,400		0.04	
M/s Shakil Express (Pvt) Limited		17,700		0.06	
Amer Cotton Mills (Pvt) Ltd		300		0.00	
S.H Bukhari Securities (Pvt) Limited		400		0.00	
Mohd Ahmed Nadeem Sec (Pvt) Ltd		300		0.00	
Mazhar Hussain Securities (Pvt) Limited		2,500		0.01	
Mehran Sugar Mills Limited		197,934		0.69	
CMA Securities (Pvt) Ltd.		10,000		0.03	
AWJ Securities (Pvt) Limited		2,500		0.02	
Fikrees (SMC-Pvt) Limited		3,000		0.01	
Trustees Moosa Lawal Foundation		5,000		0.02	
Banks, Development Finance Instituions, Non Banking Financial Instituitions, Insurance Companies, Modarabas and Mutual Funds	**4**		**1,117,121**		**3.89**
National Bank of Pakistan.		89,694		0.31	
National Bank of Pakistan, trustee Deptt.		942,227		3.28	
State Life Insurance Corporatian of Pakistan		81,800		0.29	
IDBP (ICP Unit)		3,400		0.01	
Individuals	**1,042**		**3,714,528**		**12.05**
Charitable Trusts	**2**		**295,000**		**1.03**
Sarfaraz District Hospital Charity Fund		290,000		1.01	
Trustees Moosa Lawari Foundation		5,000		0.02	
	1,077		**28,692,000**		**100.00**

Shareholders holding 10% or more voting Intesrest in the Company	Shares Held	Percentage
The Premier Sugar Mills & Distillery Co., Ltd	13,751,000	47.93
Syntronics Limited	3,590,475	12.51

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of the Lahore, Karachi 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 and Directors representing minority interests on its board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Sher Ali Jaffar Khan.
Executive Directors	Mr. Aziz Sarfaraz Khan, Mr. Abdul Qadar Khattak
Non-Executive Directors	Mr. Abbas Sarfaraz Khan, Begum Laila Sarfaraz, Ms. Zarmine Sarfaraz, Ms. Najda Sarfaraz, Mr. Iskander M. Khan, Mr. Baber Ali Khan.

2. The Directors have confirmed that none of them is serving as a director in more than seven 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/she, being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred in the Board during the year.

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

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

7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions.

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 among the directors.

9. There was no new appointment of Company Secretary and CFO. New Appointment of Head of Internal Audit Department was made during the year.

10. 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.

11. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.

12. 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.

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

14. The Board has formed an Audit Committee, which is composed of non-executive directors.

15. 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.

16. The Board ensures arrangement of orientation courses for its Directors to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.

17. The Board has formed an HR and Remuneration Committee. It comprises 3 members, of whom one as executive director and the chairman of the Committee is a non-executive director.

18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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.

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

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

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

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

For and on behalf of the Board

Islamabad **(AZIZ SARFARAZ KHAN)**
03 January, 2014 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 the 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 personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, Listing Regulations of the 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 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 September 30, 2013.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE;
04 January, 2014

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** (the Company) as at September 30, 2013 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 September 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

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

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE;
04 January, 2014

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2013

	Note	2013	2012
Assets		**(Rupees in thousand)**	
Non-current Assets			
Property, plant and equipment	7	**5,010,389**	3,167,380
Intangible assets	8	**0**	100
Security deposits		**4,004**	3,934
		5,014,393	3,171,414
Current Assets			
Stores and spares	9	**461,159**	177,166
Stock-in-trade	10	**1,318,668**	1,347,663
Trade debts	11	**319,517**	681,660
Loans and advances	12	**154,341**	124,787
Prepayments and other receivables	13	**88,166**	3,321
Investments	14	**0**	202,154
Sales tax refundable		**25,754**	0
Income tax refundable, advance tax and tax deducted at source		**76,829**	58,605
Bank balances	15	**27,124**	68,673
		2,471,558	2,664,029
Total Assets		**7,485,951**	5,835,443
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 50,000,000 (2012: 50,000,000) ordinary shares of Rs.10 each		**500,000**	500,000
Issued, subscribed and paid-up capital 28,692,000 (2012: 28,692,000) ordinary shares of Rs.10 each	16	**286,920**	286,920
General reserve		**327,000**	327,000
Accumulated loss		**(69,526)**	(188,853)
Shareholders' Equity		**544,394**	425,067
Surplus on Revaluation of Property, Plant and Equipment	17	**1,980,505**	972,397
Non-current Liabilities			
Long term financing	18	**911,845**	544,578
Loans from related parties	19	**437,000**	439,687
Liabilities against assets subject to finance lease	20	**8,970**	9,304
Deferred taxation	21	**913,125**	457,943
		2,270,940	1,451,512
Current Liabilities			
Trade and other payables	22	**275,689**	819,694
Accrued mark-up	23	**120,236**	98,838
Short term borrowings	24	**1,999,468**	1,710,005
Current portion of non-current liabilities	25	**225,575**	323,453
Sales tax payable		**0**	3,789
Taxation	26	**69,144**	30,688
		2,690,112	2,986,467
TOTAL LIABILITIES		**4,961,052**	4,437,979
TOTAL EQUITY & LIABILITIES		**7,485,951**	5,835,443
Contingencies and Commitments	27		

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, 2013

	Note	2013	2012
		(Rupees in thousand)	
Sales	28	**6,673,731**	5,848,891
Cost of Sales	29	**6,173,254**	5,702,814
Gross Profit		**500,477**	146,077
Distribution Cost	30	**89,830**	15,586
Administrative Expenses	31	**157,038**	118,728
Other Expenses	32	**4,297**	275
Other Income	33	**(231,938)**	(85,835)
		19,227	48,754
Profit from Operations		**481,250**	97,323
Finance Cost	34	**424,522**	336,390
Profit / (Loss) before Taxation		**56,728**	(239,067)
Taxation	35	**23,756**	(20,096)
Profit / (Loss) after Taxation		**32,972**	(218,971)
Other Comprehensive Income		**0**	0
Total Comprehensive Income / (Loss)		**32,972**	(218,971)
		------- Rupees -------	
Earnings / (Loss) per Share	36	**1.15**	(7.63)

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, 2013

	2013	2012
Cash flow from operating activities	**(Rupees in thousand)**	
Profit / (loss) for the year - before taxation	**56,728**	(239,067)
Adjustments for non-cash charges and other items:		
Depreciation	**261,793**	287,673
Amortisation of intangible assets	**100**	100
Profit on deposit accounts	**(4,575)**	(4,936)
Fair value gain on re-measurement of investments	**0**	(11,501)
Gain on redemption of investments	**(16,556)**	(32,262)
Gain on disposal of operating fixed assets	**(774)**	(548)
Finance cost	**420,738**	333,783
Profit before working capital changes	**717,454**	333,242
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	**(283,993)**	(7,800)
Stock-in-trade	**28,995**	621,628
Trade debts	**362,143**	(642,928)
Loans and advances	**(29,554)**	(49,577)
Prepayments and other receivables	**(84,845)**	(1,397)
Sales tax refundable - net	**(29,543)**	(12,228)
(Decrease) / increase in trade and other payables	**(543,998)**	549,332
	(580,795)	457,030
Cash generated from operations	**136,659**	790,272
Income tax paid	**(48,010)**	(92,808)
Security deposits	**(70)**	(225)
Net cash generated from operating activities	**88,579**	697,239
Cash flow from investing activities		
Purchase of property, plant and equipment	**(512,396)**	(356,312)
Insurance claim / sale proceeds of operating fixed assets	**2,499**	900
Investments redeemed	**218,710**	20,649
Profit on bank deposits received	**4,575**	4,936
Net cash used in investing activities	**(286,612)**	(329,827)
Cash flow from financing activities		
Long term finances - net	**310,509**	234,789
Loans from related parties repaid	**(45,500)**	(20,000)
Lease finances - net	**1,359**	5,160
Short term borrowings - net	**233,099**	(195,095)
Dividend paid	**(7)**	(28,327)
Finance cost paid	**(399,340)**	(360,393)
Net cash generated from / (used in) financing activities	**100,120**	(363,866)
Net (decrease) / increase in cash and cash equivalents	**(97,913)**	3,546
Cash and cash equivalents - at beginning of the year	**68,673**	65,127
Cash and cash equivalents - at end of the year	**(29,240)**	68,673
Cash and cash equivalents comprised of:		
Bank balances	**27,124**	68,673
Temporary bank overdrafts	**(56,364)**	0
	(29,240)	68,673

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, 2013

	Share capital	General reserve	Accumulated loss	Total
	--------------- Rupees in thousand			----------------
Balance as at September 30, 2011	286,920	327,000	(35,687)	578,233
Transaction with owners: Final cash dividend for the year ended September 30, 2011 at the rate of Re.1 per share	0	0	(28,692)	(28,692)
Total comprehensive loss for the year ended September 30, 2012	0	0	(218,971)	(218,971)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	94,497	94,497
Balance as at September 30, 2012	286,920	327,000	(188,853)	425,067
Total comprehensive income for the year ended September 30, 2013	0	0	32,972	32,972
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	86,355	86,355
Balance as at September 30, 2013	**286,920**	**327,000**	**(69,526)**	**544,394**

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, 2013

1. CORPORATE INFORMATION

1.1 Chashma Sugar Mills Limited (the Company) was incorporated on May 05, 1988 as a Public Company and it commenced commercial production from October 01, 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 financial year ended September 30, 2010.

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 the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or 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 as disclosed in the accounting policies.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

4. NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS

4.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended September 30, 2013

There are certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee, which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

4.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the date specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases.

(a) IAS 28 (Revised), 'Associates and Joint Ventures' (effective for periods beginning on or after January 01, 2013). This standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Company is yet to assess the full impact of IAS 28 (Revised).

(b) IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.

(c) IFRS 9, 'Financial Instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial Instruments: Recognition and Measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(d) IFRS 13, 'Fair Value Measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company shall apply this standard from October 01, 2013 and does not expect to have a material impact on its financial statements.

(e) There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

5. 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.

5.1 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 7.1. 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

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 7.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

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

5.2 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 8.1.

5.3 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 upto the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

5.4 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.

5.5 Trade debts and other receivables

Trade debts are initially recognised 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. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

5.6 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.

5.7 Cash and cash equivalents

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

5.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

5.9 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.

5.10 Trade and other payables

Liabilities for 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.

5.11 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 substantively enacted by the end of the reporting period 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, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

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

5.12 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.

5.13 Development expenditure

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

5.14 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 of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.15 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated in Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5.16 Financial instruments

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, 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.

5.17 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 to settle the liabilities simultaneously.

5.18 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:

- Sales are recorded on dispatch of goods.
- Income on deposit / saving accounts is accounted for on 'accrual basis'.

5.19 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.

5.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) 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 indicators of impairment are identified.

b) Stores & spares and stock-in-trade

The Company estimates 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 sale.

c) 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.

d) 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.

e) Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and legal advisors' judgments, appropriate provision is made.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	**2013**	2012
		(Rupees in thousand)	
Operating fixed assets - tangible	**7.1**	**4,112,223**	2,727,325
Capital work-in-progress	**7.6**	**896,121**	277,588
Stores held for capital expenditure		**2,045**	162,467
		5,010,389	3,167,380

7.1 Operating fixed assets - tangible

	Owned								Leased	
	Freehold land	Buildings and roads	Plant and machinery	Electric installati-ons	Office equip-ment	Farm equip-ment	Furniture and fixtures	Vehicles	Vehicles	Total
	-- Rupees in thousand --									
As at September 30, 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 as at September 30, 2011	162,989	496,057	2,201,265	88,879	13,482	880	7,490	15,937	6,041	2,993,020
Year ended September 30, 2012:										
Additions	330	0	0	1,210	2,849	0	1,364	4,262	12,315	22,330
Disposals:										
-cost	0	0	0	0	0	0	0	(1,279)	0	(1,279)
-depreciation	0	0	0	0	0	0	0	927	0	927
Depreciation charge for the year	0	49,606	220,126	8,934	1,525	88	845	3,809	2,740	287,673
Book value as at September 30, 2012	163,319	446,451	1,981,139	81,155	14,806	792	8,009	16,038	15,616	2,727,325
Year ended September 30, 2013:										
Additions	30,298	0	0	1,442	4,641	0	1,250	11,431	5,223	54,285
Revaluation adjustments:										
- cost / revaluation	86,037	21,009	840,280	0	0	0	0	0	0	947,326
- depreciation	0	190,110	456,695	0	0	0	0	0	0	646,805
Disposals:										
- cost	0	0	0	0	0	(55)	0	(2,580)	0	(2,635)
- depreciation	0	0	0	0	0	16	0	894	0	910
Depreciation charge for the year	0	44,645	198,114	8,166	1,768	79	870	4,750	3,401	261,793
Book value as at September 30, 2013	**279,654**	**612,925**	**3,080,000**	**74,431**	**17,679**	**674**	**8,389**	**21,033**	**17,438**	**4,112,223**
As at September 30, 2012										
Cost / revaluation	163,319	591,916	2,239,720	163,689	27,090	1,017	18,775	42,471	18,625	3,266,622
Accumulated depreciation	0	145,465	258,581	82,534	12,284	225	10,766	26,433	3,009	539,297
Book value	163,319	446,451	1,981,139	81,155	14,806	792	8,009	16,038	15,616	2,727,325
As at September 30, 2013										
Cost / revaluation	279,654	803,035	3,536,695	165,131	31,731	962	20,025	51,322	23,848	4,912,403
Accumulated depreciation	0	190,110	456,695	90,700	14,052	288	11,636	30,289	6,410	800,180
Book value	**279,654**	**612,925**	**3,080,000**	**74,431**	**17,679**	**674**	**8,389**	**21,033**	**17,438**	**4,112,223**
Depreciation rate (%)	**0**	**10**	**10**	**10**	**10**	**10**	**10**	**20**	**20**	

7.2 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 17.2, has been determined as follows:

Particulars	Freehold land	Buildings & roads	Plant & machinery	Total
	------------ Rupees in thousand ------------			
Cost / revaluation as at September 30, 2013	193,617	591,916	2,239,720	3,025,253
Accumulated depreciation to September 30, 2013	0	190,110	456,695	646,805
Book value before revaluation adjustments as at September 30, 2013	193,617	401,806	1,783,025	2,378,448
Revalued amount	279,654	612,925	3,080,000	3,972,579
Revaluation surplus	**86,037**	**211,119**	**1,296,975**	**1,594,131**

7.3 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:

	2013	2012
	(Rupees in thousand)	
- freehold land	**71,685**	41,387
- buildings & roads	**197,984**	219,982
- plant and machinery	**809,280**	899,200
	1,078,949	1,160,569

7.4 Depreciation for the year has been allocated as follows:

	2013	2012
Cost of sales	**251,004**	278,754
Administrative expenses	**10,789**	8,919
	261,793	287,673

7.5 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
	------- Rupees in thousand -------						
Farm equipment	55	16	39	55	16	Negotiation	Muhammad Ibrahim, Village Quyyum Nagar Dera Ismail Khan.
Vehicles:							
Suzuki Jeep	324	313	11	405	394	- do -	Mr. Mumtaz Bahadar, Village Tambulak, Mardan.
Suzuki Jeep	255	253	2	185	183	- do -	Mr. Aurangzeb, Village Par Hoti, Mardan.
Suzuki Khyber	242	240	2	95	93	- do -	Muhammad Hanif, House No. 624, Street No. 2, Sector G-9/2, Islamabad.
Toyota Corolla	1,759	88	1,671	1,759	88	Insurance claim received	IGI Insurance Ltd Lahore.
	2,580	894	1,686	2,444	758		
	2,635	**910**	**1,725**	**2,499**	**774**		

7.6 Capital work-in-progress

	Note	2013	2012
		(Rupees in thousand)	
Freehold land - advance payments		**421**	421
Buildings on freehold land		**174,336**	48,956
Plant and machinery		**643,263**	209,700
Electric installations		**43,440**	12,040
Office equipment		**297**	0
Furniture and fixtures		**111**	0
Vehicle		**1,014**	0
Un-allocated capital expenditure	7.7	**33,239**	6,471
		896,121	277,588

7.7 Un-allocated capital expenditure

	2013	2012
Salaries and benefits	**7,134**	861
Fee for soil testing	**750**	750
Consultancy fee for Ethanol Fuel Plant and other charges	**5,229**	4,651
Mark-up on long term financing	**15,157**	0
Others	**4,969**	209
	33,239	6,471

8. INTANGIBLE ASSETS - Computer softwares

	2013	2012
Cost as at September 30,	**6,592**	6,592
Less: amortisation:		
- at beginning of the year	**6,492**	6,392
- charge for the year	**100**	100
- at end of the year	**6,592**	6,492
Book value as at September 30 ,	**0**	100

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

9. STORES AND SPARES

	2013	2012
Stores including in-transit inventory valuing Rs.239.987 million (2012: Rs.40.002 million)	**431,708**	150,887
Spares	**29,451**	26,279
	461,159	177,166

10. STOCK-IN-TRADE

	Note	2013	2012
		(Rupees in thousand)	
Finished goods		**1,314,744**	1,340,572
Sugar-in-process		**3,924**	7,091
		1,318,668	1,347,663

11. TRADE DEBTS - Unsecured, considered good

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

12. LOANS AND ADVANCES

	Note	2013	2012
Advance payments to:			
- employees		**3,329**	3,998
- suppliers and contractors	**12.1**	**128,652**	121,876
Due from an Associated Company	**12.2**	**19**	793
Letters of credit		**24,778**	557
		156,778	127,224
Less: provision for doubtful advances		**2,437**	2,437
		154,341	124,787

12.1 These are unsecured and considered good except for Rs.2.437 million (2012: Rs.2.437 million), which have been fully provided for in the books of account.

12.2 This represents due from Syntron Limited (2012: The Frontier Sugar Mills & Distillery Ltd.) in respect of current account transactions.

12.3 **(a)** The Company has related party relationship with its Holding Company and Associated Companies, 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 the Holding Company and Associated Companies during the year were as follows:

	2013	2012
The Holding Company		
- sale of goods	**4,990**	4,832
- sale of stores	**4,838**	1,734
- mark-up expensed	**31,730**	45,195
- dividend paid	**0**	13,751
Associated Companies		
- purchase of goods	**35,403**	53,980
- mark-up expensed	**18,323**	23,933
- dividend paid	**0**	5,361

(b) Maximum aggregate debit balance of the Holding Company and Associated Companies at any month-end during the year was Rs.8.587 million (2012: Rs.7.547 million).

		Note	2013	2012
			(Rupees in thousand)	
13.	**PREPAYMENTS AND OTHER RECEIVABLES**			
	Prepayments		**2,846**	2,754
	Sugar export subsidy receivable	**13.1**	**84,833**	0
	Others		**487**	567
			88,166	3,321

13.1 This represents subsidy receivable from the Ministry of Commerce, Government of Pakistan (GoP). The GoP, vide public notice dated February 08, 2013, has decided to compensate inland freight cost to exporters of 0.895 million metric tones of sugar at the rate of Rs.1.75 per kg.

14.	**INVESTMENTS** - At fair value through profit or loss			
	Pakistan Cash Management Fund - Nil Units (2012: 2,347,097 Units)		**0**	112,423
	Askari Sovereign Fund - Nil Units (2012: 841,240 Units)		**0**	78,230
			0	190,653
	Add: adjustment arising from re-measurement to fair value		**0**	11,501
			0	202,154
15.	**BANK BALANCES**			
	Cash at banks on:			
	- current accounts	**15.1**	**21,144**	44,260
	- PLS accounts	**15.2**	**5,751**	24,324
	- deposit accounts	**15.2**	**229**	89
			27,124	68,673

15.1 These include dividend account balance of Rs.1.722 million (2012: Rs.1.723 million).

15.2 These carry profit at the rate of 6% (2012: 6%) per annum.

16. SHARE CAPITAL

		2013	2012
		(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

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

17.1 The Company had revalued its freehold land, building & roads and plant & machinery of its Unit - I on March 31, 2008, which resulted in revaluation surplus aggregating Rs.957.702 million. The Company as at September 30, 2011 had also revalued the aforementioned fixed assets of its both Units, which resulted in revaluation surplus aggregating Rs.880.755 million. These fixed assets were revalued by independent Valuers on the basis of replacement value / depreciated market values.

17.2 The Company as at September 30, 2013, has again revalued the aforementioned fixed assets of its both Units. The revaluation exercise has been carried-out by Independent Valuers - K.G. Traders (Pvt.) Ltd., Clifton Centre, Khayaban-e-Roomi, Clifton, Karachi. 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. 1.594 billion 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:

		2013	2012
Opening balance		**1,430,340**	1,575,719
Add: surplus arisen on revaluation carried-out during the year	7.2	**1,594,131**	0
Less: transferred to accumulated loss on account of incremental depreciation for the year		**(130,841)**	(145,379)
		2,893,630	1,430,340
Less: deferred tax on:			
- opening balance of surplus		**457,943**	508,825
- surplus on revaluation carried-out during the year		**512,752**	0
- incremental depreciation for the year		**(44,486)**	(50,882)
		926,209	457,943
		1,967,421	972,397
Resultant adjustment due to reduction in tax rate		**13,084**	0
Closing balance		**1,980,505**	972,397

		Note	2013	2012
18.	**LONG TERM FINANCING** - Secured		**(Rupees in thousand)**	
	From banking companies			
	Bank Alfalah Limited: (BAL)			
	- Term finance - II	**18.1**	**40,000**	80,000
	- Term finance - III	**18.2**	**250,000**	242,939
			290,000	322,939
	Bank Al-Habib Limited: (BAH)			
	- Term finance - I	**18.3**	**30,000**	120,000
	- Term finance - II	**18.4**	**70,000**	140,000
	- Fixed loan	**18.5**	**55,230**	0
	- Long term finance [(LTFF) - SBP]	**18.5**	**172,713**	0
			327,943	260,000
	Silkbank Limited:			
	- Term finance	**18.6**	**0**	30,000
	Soneri Bank Limited: (SBL)			
	- Term finance	**18.7**	**2,292**	0
	- LTFF (ERF)	**18.7**	**24,325**	0
			26,617	0
	The Bank of Punjab: (BoP)			
	- Demand finance	**18.8**	**92,472**	0
	- LTFF	**18.8**	**215,800**	0
			308,272	0
	The Bank of Khyber: (BoK)			
	- Demand finance	**18.9**	**179,130**	208,514
			1,131,962	821,453
	Less: current portion grouped under current liabilities (2012 balance included an overdue instalment of Rs.30 million, which was repaid on October 10, 2012)		**220,117**	276,875
			911,845	544,578

18.1 Term finance facilities utilised from BAL aggregated Rs.400 million. The outstanding balance of term finance-I was fully repaid during October, 2011. 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 11.06% to 14% (2012: 13.95% to 15.80%) per annum. Term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. Term finance-II and term finance-III are secured against first registered joint pari passu charge on present and future fixed assets of the Company for Rs.533.334 million.

18.2 These finances have been obtained against a term finance facility of Rs.250 million for purchase of plant & machinery and are repayable in 10 equal half-yearly instalments commencing September, 2014. These finances are secured against the securities as detailed in note 18.1 and carry mark-up at the rates detailed in note 18.1.

18.3 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 10.96% to 13.84% (2012: 13.81% to 15.59%) per annum and is repayable in 9 equal half-yearly instalments commenced from February, 2010.

18.4 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 18.3. This finance facility, during the year, has carried mark-up at the rates ranging from 11.16% to 14.04% (2012: 14.01% to 15.79%) per annum and is repayable in 9 equal half-yearly instalments commenced from May, 2010.

18.5 Fixed loan and LTFF (SBP) finance facilities available from BAH aggregate Rs.500 million and are being utilised for establishment of ethanol plant. The finance facilities tenor is seven years with two years grace period from the date of first disbursement and are secured against the securities as detailed in note 18.3. Fixed loan carries mark-up at the rate of 6-months average KIBOR; the effective mark-up rates during the year ranged from 10.52% to 11.12% per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% per annum.

18.6 Term finance facility utilised from Silk Bank Ltd. aggregated Rs.150 million; the facility was obtained to finance the acquisition of plant and machinery for Unit-2 and was secured against joint pari passu charge over fixed assets of the Company for Rs.200 million. This finance facility carried mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 11.38% to 14.06% (2012: 14.02% to 15.78%) per annum. The outstanding balance of this finance facility was fully repaid during the year.

18.7 Term finance and LTFF (ERF) facilities available from SBL aggregate Rs.500 million and have been obtained to finance plant and machinery. The finance facilities tenor is 7 years with two years grace period and are secured against joint pari passu charge of Rs.666.667 million over present and future fixed assets of the Company. Term finance carries mark-up at the rate of 6-months KIBOR + 1.75%; the effective mark-up rate during the year was 10.92% per annum. LTFF (ERF) carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% per annum.

18.8 Demand finance and LTFF finance facilities available from BoP aggregate Rs.500 million and have been obtained to finance distillery / ethanol plant being established by the Company. The finance facilities tenor is 7 years with two years grace period and are secured against joint pari passu hypothecation charge over fixed assets of the Company for Rs.666.670 million. Demand finance carries mark-up at the rate of 6-months KIBOR + 1.3%; the effective mark-up rate during the year ranged from 10.16% to 10.89% per annum. LTFF carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% per annum.

18.9 Demand finance facility available from BoK for purchase of plant & machinery amounts to Rs.250 million and carries mark-up at the rate of 6-months KIBOR plus 200 bps with no floor and no cap; the effective mark-up rate during the year ranged from 11.06% to 14% (2012: 13.95% to 14.01%) per annum. The finance facility is repayable in 16 equal quarterly instalments commenced from January, 2013 and is secured against first registered pari passu charge for Rs.350 million over all present and future fixed assets of the Company.

19. LOANS FROM RELATED PARTIES - Secured

	Note	2013	2012
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**19.1**	**279,500**	302,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	**19.2**	**113,750**	130,000
Arpak International Investments Ltd. **(AIIL)**	**19.3**	**43,750**	50,000
		437,000	482,500
Less: current portion grouped under current liabilities		**0**	42,813
		437,000	439,687

19.1 The Company and PSM have entered into a loan agreement on May 20, 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 10.53% to 11.68% (2012: 13.42% to 15.17%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from August, 2013; however, the Company had made repayments aggregating Rs.43 million upto September 30, 2013. The Company and PSM have entered into a revised agreement on September 30, 2013 whereby the balance of loan as at September 30, 2013 is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.397.810 million.

19.2 The Company and PBM have entered into a loan agreement on May 20, 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 10.26% to 11.54% (2012: 11.72% to 14.69%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. The Company and PBM have entered into a revised agreement on September 30, 2013 whereby the balance of loan as at September 30, 2013 is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.268.031 million.

19.3 The Company and AIIL have entered into a loan agreement on May 20, 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 10.26% to 11.54% (2012: 11.72% to 14.69%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. The Company and AIIL have entered into a revised agreement on September 30, 2013 whereby the balance of loan as at September 30, 2013 is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.55.615 million.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2013			2012		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	---------- Rupees in thousand ----------					
Minimum lease payments	**6,821**	**12,556**	**19,377**	5,291	12,752	18,043
Less: finance cost allocated to future periods	**1,363**	**1,187**	**2,550**	1,526	1,652	3,178
	5,458	**11,369**	**16,827**	3,765	11,100	14,865
Less: security deposits adjustable on expiry of lease terms	**0**	**2,399**	**2,399**	0	1,796	1,796
Present value of minimum lease payments	**5,458**	**8,970**	**14,428**	3,765	9,304	13,069

20.1 The Company has entered into lease agreements with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by August, 2017 and are subject to finance cost at the rates ranging from 9.16% to 11.76% (2012: 11.43% to 11.76%) 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 notes.

21. DEFERRED TAXATION - Net

	Note	2013	2012
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**229,831**	254,610
- surplus on revaluation of property, plant and equipment		**913,125**	457,943
- gain on re-measurement of investments to fair value		**0**	1,438
- lease finances		**208**	891
		1,143,164	714,882
Deductible temporary differences arising in respect of:			
- provision for doubtful advances		**(829)**	(853)
- unused tax losses	**21.1**	**(13,931)**	(76,359)
- minimum tax recoverable against normal tax charge in future years		**(215,279)**	(179,727)
		(230,039)	(256,939)
		913,125	457,943

21.1 As at September 30, 2013, deferred tax asset amounting Rs.176.020 million (2012: Rs.137.605 million) on unused tax losses has not been recognised in the financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2014.

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

22. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in thousand)	
Creditors		**137,174**	121,122
Due to Associated Companies	**22.1**	**0**	15,121
Accrued expenses		**37,767**	30,043
Retention money		**9,034**	4,948
Security deposits - interest free repayable on demand		**732**	763
Advance payments		**70,050**	630,577
Income tax deducted at source		**627**	414
Workers' (profit) participation fund	**22.2**	**3,046**	2,023
Workers' welfare fund	**22.3**	**11,633**	10,475
Unclaimed dividends		**3,276**	3,283
Due to employees		**2,350**	925
		275,689	819,694

22.1 2012 balance represented amounts due to:

	2013	2012
- Syntronics Ltd.	**0**	12,591
- Syntron Ltd.	**0**	2,530
	0	15,121

22.2 Workers' (profit) participation fund

	2013	2012
Opening balance	**2,023**	8,888
Add: interest on funds utilised in the Company's business	**0**	752
	2,023	9,640
Less: payments made during the year	**2,023**	7,617
	0	2,023
Add: allocation for the year	**3,046**	0
Closing balance	**3,046**	2,023

22.3	**Workers' welfare fund**		**2013**	2012
		Note	**(Rupees in thousand)**	
	Opening balance		**10,475**	10,475
	Add: allocation for the year		**1,158**	0
	Closing balance		**11,633**	10,475

23.	**ACCRUED MARK-UP**			
	Mark-up accrued on:			
	- long term financing		**28,473**	27,503
	- loans from related parties		**11,714**	12,272
	- lease finances		**48**	0
	- short term borrowings		**80,001**	59,063
			120,236	98,838

24.	**SHORT TERM BORROWINGS**			
	Secured	**24.1**	**1,943,104**	1,710,005
	Un-secured	**24.2**	**56,364**	0
			1,999,468	1,710,005

24.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.150 billion (2012: Rs.3.850 billion) and, during the year, carried mark-up at the rates ranging from 10.22% to 12.95% (2012: 11.39% to 15.17%) per annum. Facilities available for opening letters of credit aggregate Rs.625 million (2012: Rs.25 million). These facilities are secured against hypothecation charge over the Company's fixed and current assets, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by September 30, 2014.

24.2 These temporary bank overdrafts have arisen due to issuance of cheques for amounts in excess of balances in the bank accounts.

25.	**CURRENT PORTION OF NON-CURRENT LIABILITIES**			
	Long term financing	**18**	**220,117**	276,875
	Loans from related parties	**19**	**0**	42,813
	Liabilities against assets subject to finance lease	**20**	**5,458**	3,765
			225,575	323,453

26. TAXATION - Net

	Note	2013	2012
		(Rupees in thousand)	
Opening balance		**30,688**	79,594
Add: provision / (reversal) made during the year for:			
- current year	**26.2**	**69,144**	30,688
- prior years		**(902)**	98
		68,242	30,786
		98,930	110,380
Less: payments / adjustments made against completed assessments		**29,786**	79,692
		69,144	30,688

26.1 Returns filed by the Company for Tax Years 2004 to 2013, except for Tax Years 2009, 2011 and 2012, have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

26.2 No numeric tax rate reconciliation is given in these financial statements as provisions made during the current year mainly represent minimum tax payable under section 113 and tax on export proceeds under section 154 of the Ordinance (2012: provision represented minimum tax payable under section 113 of the Ordinance).

26.3 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.

26.4 A tax reference for the Assessment Year 2002-03, filed by the Department, is pending before the PHC. The amount of revenue involved in the tax reference is Rs.2.993 million, which was initially assessed by the Assessing Officer and later-on annulled by the Commissioner Inland Revenue - Appeals [CIR(A)].

26.5 A reference for the Tax Year 2006, filed by the Department, is pending before the 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 Inland Revenue (ATIR).

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

26.7 The Company's writ petition filed before the PHC against its selection for the tax audit of the Tax Year 2009 is pending adjudication.

26.8 The Department has selected the Company's case for the Tax Year 2011 for audit under section 214C of the Ordinance.

26.9 The Company's appeal for the Tax Year 2012, whereby workers' welfare fund of Rs.3.310 million has been assessed, is pending before the CIR(A).

26.10 The Department has issued a show cause notice under sections 161/205 of the Ordinance for the Tax Year 2012. The Company has challenged the said show cause notice before the Federal Tax Ombudsman, who, after hearing the complaint, treated the impugned show cause notice as unlawful proceedings and recommended dropping it. The Department has challenged these findings before the President of Pakistan, who has accepted the representation vide order dated December 06, 2013. The Department has created no demand as it was only a show cause notice. The Company, against the Presidential order, is contemplating to file a writ petition.

27. CONTINGENCIES AND COMMITMENTS

27.1 Commitments for irrevocable letters of credit outstanding at the year-end aggregated Rs.543.482 million (2012: Rs.10.420 million).

27.2 Two commercial banks, on behalf of the Company, have issued guarantees aggregating Rs.40.904 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 15,750 metric tons of sugar. These guarantees will expire on various dates by June 19, 2014.

27.3 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 vide SRO. No. 564(I)/2006 dated June 05, 2006. This resulted in excess payment of duty amounting Rs.35.825 million. The refund application was submitted to the Deputy Commissioner (DC), who had rejected the application. The Company had filed an appeal before the Commissioner Inland Revenue - Appeals [CIR(A)] against the impugned order. The CIR(A), during the year, has upheld the order of DC. The Company, thereafter, has filed an appeal before the Appellate Tribunal Inland Revenue, Peshawar Bench, which has heard and reserved the judgment on June 19, 2013. The Company's legal Advisors are of the opinion that in view of highly meritorious arguments placed before the Tribunal, the Company's refund claim shall be sanctioned.

27.4 Refer contents of taxation notes.

28. SALES - Net

	2013	2012
	(Rupees in thousand)	
Turnover:		
Local	**4,648,317**	6,245,157
Export	**2,300,606**	51,361
	6,948,923	6,296,518
Less: sales tax	**275,192**	447,627
	6,673,731	5,848,891

			2013	2012
29.	**COST OF SALES**	**Note**	**(Rupees in thousand)**	
	Raw materials consumed		**5,422,077**	4,425,426
	Chemicals and stores consumed		**124,510**	92,516
	Salaries, wages and benefits	**29.1**	**239,060**	192,095
	Power and fuel		**23,262**	21,113
	Repair and maintenance		**74,156**	64,586
	Insurance		**7,987**	5,982
	Machinery lease rentals		**2,203**	714
	Depreciation	**7.4**	**251,004**	278,754
			6,144,259	5,081,186
	Adjustment of sugar-in-process:			
	Opening		**7,091**	8,629
	Closing		**(3,924)**	(7,091)
			3,167	1,538
	Cost of goods manufactured		**6,147,426**	5,082,724
	Adjustment of finished goods :			
	Opening stock		**1,340,572**	1,960,662
	Closing stock		**(1,314,744)**	(1,340,572)
			25,828	620,090
			6,173,254	5,702,814

29.1 These include Rs.2.700 million (2012: Rs.2.370 million) in respect of contribution to staff provident fund.

30.	**DISTRIBUTION COST**			
	Salaries and benefits	**30.1**	**5,358**	2,875
	Commission		**3,592**	6,333
	Loading and stacking		**20,025**	6,250
	Export development surcharge		**6,290**	128
	Freight expenses on export of sugar		**29,266**	0
	Other expenses on export of sugar		**25,299**	0
			89,830	15,586

30.1 These include Rs.50 thousand (2012: Rs.46 thousand) in respect of contribution to staff provident fund.

31. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		(Rupees in thousand)	
Salaries and benefits	31.1	**109,861**	80,567
Travelling and conveyance:			
- directors'		**4,218**	3,267
- others		**3,003**	2,716
Vehicles' running / maintenance and lease rentals		**7,089**	6,012
Rent, rates and taxes		**2,025**	1,958
Communication		**3,733**	2,866
Printing and stationery		**3,515**	2,516
Insurance		**991**	1,022
Repair and maintenance		**6,659**	5,341
Fees and subscription		**1,377**	949
Depreciation	7.4	**10,789**	8,919
Amortisation of intangible assets	8	**100**	100
Auditors' remuneration	31.2	**1,337**	1,291
Legal and professional charges (other than Auditors)		**1,798**	984
General		**543**	220
		157,038	118,728

31.1 **(a)** These include Rs.1.088 million (2012: Rs.1.019 million) in respect of contribution to staff provident fund.

(b) The Group management, during the year, has transferred gratuity benefits of the Resident Director aggregating Rs.10 million accrued in the books of The Premier Sugar Mills & Distillery Co. Ltd. (the Holding Company) to the Company as the Resident Director is rendering his services to the Company since incorporation. The board of directors of both the Companies have passed necessary resolutions in this regard. The balance of benefits transferred to the Company aggregating Rs.10 million have been accounted for in these financial statements under the head of salaries and benefits.

31.2 Auditors' remuneration:	Note	2013	2012
		(Rupees in thousand)	
Hameed Chaudhri & Co.			
- statutory audit		**1,000**	1,000
- half yearly review		**100**	150
- consultancy and certification charges		**83**	67
- out-of-pocket expenses		**110**	19
		1,293	1,236
Munawar Associates			
- cost audit fee		**35**	35
- provident fund's audit fee		**0**	5
- workers' (profit) participation fund's audit fee		**0**	5
- out-of-pocket expenses		**9**	10
		44	55
		1,337	1,291

32. OTHER EXPENSES

Donations (without directors' interest)		**93**	275
Workers' (profit) participation fund		**3,046**	0
Workers' welfare fund		**1,158**	0
		4,297	275

33. OTHER INCOME

	Note	2013	2012
Income from financial assets			
Profit on deposit accounts		**4,575**	4,936
Fair value gain on re-measurement of investments	14	**0**	11,501
Gain on redemption of investments		**16,556**	32,262
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.275 thousand (2012: Rs.247 thousand)		**1,716**	1,547
Gain on disposal of operating fixed assets	7.5	**774**	548
Seed sales net of expenses		**123,484**	35,041
Sugar export subsidy	13.1	**84,833**	0
		231,938	85,835

34. FINANCE COST

Mark-up on:			
- long term financing		**84,887**	96,387
- loans from related parties		**50,053**	69,128
- short term borrowings		**284,207**	165,820
Lease finance charges		**1,591**	1,696
Interest on workers' (profit) participation fund		**0**	752
Bank charges		**3,784**	2,607
		424,522	336,390

35. TAXATION

	Note	2013	2012
		(Rupees in thousand)	
Current:			
- for the year	26	**69,144**	30,688
- for prior years	26	**(902)**	98
		68,242	30,786
Deferred:			
- resultant adjustment due to reduction in tax rate	17.2	**13,084**	0
- on account of temporary differences		**(57,570)**	(50,882)
		(44,486)	(50,882)
		23,756	(20,096)

36. EARNINGS / (LOSS) PER SHARE

	2013	2012
Profit / (loss) after taxation attributable to ordinary shareholders	**32,972**	(218,971)
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
Earnings / (loss) per share	**1.15**	(7.63)

36.1 Diluted earnings / (loss) per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2013 and September 30, 2012, which would have any effect on the earnings / (loss) per share of the Company if the option to convert is exercised.

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2013	2012	**2013**	2012	**2013**	2012
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**13,960**	0	**30,548**	13,573
Allowances and utilities	**0**	0	**0**	0	**10,926**	12,651
Contribution to provident fund	**0**	0	**0**	0	**840**	707
Medical expenses reimbursed	**358**	174	**143**	154	**0**	0
	1,558	1,374	**14,103**	154	**42,314**	26,931
No. of persons	**1**	1	**4**	4	**18**	16

37.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Eighteen (2012: thirteen) 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).

37.2 Refer contents of note 31.1(b).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

38.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks:

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of plant & machinery and stores & spares mainly denominated in U.S.$, Euro and Japanese Yen. The Company's unfunded exposure to foreign currency risk at the year-end is as follows:

	2013	2012
	(Rupees in thousand)	
Outstanding letters of credit	**194,177**	10,420

The Company is not exposed to currency risk at the year-end as it has no funded foreign currency liabilities as at September 30, 2013 and September 30, 2012.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2013	2012	**2013**	2012
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**6**	6	**5,980**	24,413
Variable rate instruments				
Financial liabilities				
Long term financing	**10.16 to 14.06**	13.81 to 15.80	**1,131,962**	821,453
Loans from related parties	**10.26 to 11.68**	11.72 to 15.17	**437,000**	482,500
Liabilities against assets subject to finance lease	**9.16 to 11.76**	11.43 to 11.76	**14,428**	13,069
Short term borrowings	**10.22 to 12.95**	11.39 to 15.17	**1,943,104**	1,710,005

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 rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At September 30, 2013, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.35.265 million lower / higher mainly as a result of higher / lower interest expense on variable rate financial liabilities (2012: loss would have been higher / lower by Rs.30.270 million).

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk as at September 30, 2013.

38.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts, loans & advances, other receivables and balances with banks. 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. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

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.

Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2013 along with comparative is tabulated below:

	2013	2012
	(Rupees in thousand)	
Security deposits	**4,004**	3,934
Trade debts	**319,517**	681,660
Loans and advances	**126,234**	120,232
Other receivables	**85,320**	567
Investments	**0**	202,154
Bank balances	**27,124**	68,673
	562,199	1,077,220

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	**284,267**	646,807
Past due 61-90 days	**525**	0
Past due 91-120 days	**1,065**	1,094
Past due 121-365 days	**33,660**	33,759
	319,517	681,660

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.268.851 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

38.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

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

	2013				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	----------------- Rupees in thousand -----------------				
Long term financing	**1,131,962**	**4,400,390**	**270,057**	**3,855,805**	**274,528**
Loans from related parties	**437,000**	**661,514**	**45,591**	**414,738**	**201,185**
Liabilities against assets subject to finance lease	**14,428**	**14,428**	**5,458**	**8,970**	**0**
Trade and other payables	**50,809**	**50,809**	**50,809**	**0**	**0**
Accrued mark-up	**120,236**	**120,236**	**120,236**	**0**	**0**
Short term borrowings	**1,999,468**	**2,066,608**	**2,066,608**	**0**	**0**
	3,753,903	**7,313,985**	**2,558,759**	**4,279,513**	**475,713**

	2012				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----------------- Rupees in thousand -----------------				
Long term financing	821,453	1,042,016	364,723	677,293	0
Loans from related parties	482,500	643,140	103,353	539,787	0
Liabilities against assets subject to finance lease	13,069	13,069	3,765	9,304	0
Trade and other payables	54,158	54,158	54,158	0	0
Accrued mark-up	98,838	98,838	98,838	0	0
Short term borrowings	1,710,005	1,742,688	1,742,688	0	0
	3,180,023	3,593,909	2,367,525	1,226,384	0

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

38.5 Fair values 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.

At September 30, 2013, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

39. 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.

40. CAPACITY AND PRODUCTION

	2013	2012
	--------- M.Tons	---------
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,326,905**	1,196,202
Sugar produced	**121,771**	103,478
	--------- Number	---------
Days worked:		
Unit - I	**115**	113
Unit - II	**120**	110

41. OPERATING SEGMENTS

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

41.1 Sugar sales represent 92% (2012: 94%) of the total sales of the Company.

41.2 66.89% (2012: 99.12%) of the Company's sales relate to customers in Pakistan.

41.3 All non-current assets of the Company as at September 30, 2013 are located in Pakistan.

41.4 The Company sells sugar to commission agents. Sugar sales to five (2012: five) of the Company's customers during the year aggregated Rs.4.082 billion (2012: Rs.4.577 billion) constituting 63.95% (2012: 78.25%) of the total sugar sales. Three (2012: three) of the Company's customers individually exceeded 10% of the sugar sales.

	2013	2012
42. NUMBER OF EMPLOYEES		
Number of persons employed as at September 30,		
- permanent	**495**	459
- contractual	**375**	360
Average number of employees during the year		
- permanent	**256**	245
- contractual	**216**	213

43. PROVIDENT FUND RELATING DISCLOSURES

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un-audited financial statements of the provident fund for the year ended September 30, 2013 and audited financial statements of the provident fund for the year ended September 30, 2012:

	(Rupees in thousand)	
Size of the fund - total assets	**49,263**	45,960
Cost of investments made	**37,803**	33,666
Percentage of investments made	**76.74%**	73.25%
Fair value of investments made	**48,621**	45,096

43.1 The break-up of fair value of investments is as follows:

	2013	2012		
	----------- % -----------			
Saving account in a scheduled bank	19.75%	1.03%	**9,603**	466
Deposit certificates	58.00%	73.62%	**28,200**	33,200
Accrued profit	22.25%	25.35%	**10,818**	11,430
	100.00%	100.00%	**48,621**	45,096

43.2 Investments out of the provident fund have been made in accordance with the requirements of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

44. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue on January 03, 2014 by the board of directors of the Company.

45. FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, no material re-arrangements and re-classifications have been made in these financial statements.

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

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

Chashma Sugar Mills 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, 2014 and at any adjournment thereof.

As witness my/our hand this ....day of .... 2014.

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.

annual report

2013

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CONTENTS

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. BABER 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.
LEGAL ADVISOR	MR. QAZI MUHAMMAD ANWAR ADVOCATE
BANKERS	MCB BANK LIMITED HABIB BANK LMITED THE BANK OF KHYBER BANK AL-FALAH LIMITED NATIONAL BANK OF PAKISTAN INNOVATIVE INVESTMENT BANK LIMITED ALLIED BANK LIMITED
REGISTERED OFFICE	NOWSHERA ROAD, MARDAN
FACTORY	TAKHT-BHAI DISTT. MARDAN (KHAYBER PAKHTOON KHAWA) PHONES: (0937) 551051-551049-551041 FAX: (0937) 552878

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 76th Annual General Meeting of the shareholders of The Frontier Sugar Mills and Distillery Limited will be held on 31 January, 2014 at 12:00 Noon, at the Registered Office of the Company at Nowshera Road, Mardan for transacting the following business:-

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2013.

(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, 2013.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2014. 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 31 January, 2014 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
03 January, 2014

(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 proxy. Representative of corporate members should bring the usual documents required for such purpose.

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

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, 2013..

SUMMARISED FINANCIAL RESULTS

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

	2013	2012
	(Rupees in thousand)	
Gross (Loss)	**(5,541)**	(6,119)
Administrative & other expenses	**(10,778)**	(8,674)
Finance cost	**(3)**	(9)
Other operating Income	**5,186**	7,737
Loss before taxation	**(11,136)**	(7,065)
Taxation - Current	**183**	131
Loss after taxation	**(11,319)**	(7,196)
Other Comprehensive (Loss)/ Income	**(1,034)**	5,956
Total Comprehensive Loss for the year	**(12,353)**	(1,240)
	----- Rupees -----	
Loss per Share	**(8.38)**	(5.33)

The Company, during the year, could not operate due to the non-availability of sugarcane, hence suffered losses.

GENERAL

1. REVIVAL OF THE CRUSHING

The completion and inauguration of canal “Bai Zai Irrigation Scheme” that will irrigate 20,000 acres in Mardan District and 5,000 acres in Malakand Agency has been delayed. As the growers of this area prefer to cultivate sugarcane, therefore, we are hopeful that increased sugarcane crop because of above said irrigation scheme will help us to commence operations. However, revival may require material investment for BMR.

2. REPLY TO AUDITORS OBSERVATIONS

Note 9.1
The Auditors have raised doubts regarding the Company's ability to continue business as a going concern due to the non-availability of sugarcane. We are hopeful that after successful operation of "Bai Zai Irrigation Scheme" the area under sugarcane cultivation will increase to the extent, that the Mills achieve profitable operations.

Note 13.2
The Company is representing / monitoring through CM No. 454/2011 in winding of proceedings filed by SECP before Honorable Lahore High Court Lahore. The Court has appointed a liquidator by accepting the Winding up petition and Company has filed statement of claims before the court. Furthermore, the balance confirmation letter has been circulated to the bank for direct confirmation to the auditors and the reply will be received by the auditors directly.

3. EXTERNAL AUDITORS

The present auditors Messrs Hameed Chaudhri & Co., Chartered Accountants, Lahore retire and being eligible for re-appointment offers themselves for the financial year ending 30 September, 2014.

4. PATTERN OF SHAREHOLDING

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

5. ACKNOWLEDGEMENT

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

ON BEHALF OF THE BOARD

Mardan:
03 January, 2014

(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 September 30, 2013 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 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 company due to pending Court case as well as non-receipt of year-end balance confirmation certificate (note 13.2) and the contents of note 9.1 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 September 30, 2013 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;
04 January, 2014

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2013

		2013	2012
ASSETS	**Note**	**Rupees in thousand**	
Non-current Assets			
Property, plant and equipment	7	**99,990**	102,393
Long term investments	8	**18,893**	19,927
Security deposits		**92**	92
		118,975	122,412
Current Assets			
Stores and spares	9	**32,581**	32,581
Loans and advances	10	**207**	199
Short term prepayments		**21**	22
Accrued profit on deposits with a non-bank finance company		**973**	973
Other receivables	11	**856**	705
Tax deducted at source		**5,429**	5,380
Short term investments	12	**31,025**	40,395
Bank balances	13	**40,362**	40,455
		111,454	120,710
TOTAL ASSETS		**230,429**	243,122
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorised capital	14.1	**20,000**	20,000
Issued, subscribed and paid-up capital	14.2	**14,000**	14,000
General reserve		**134,000**	134,000
Fair value reserve on available-for-sale investments	8	**13,213**	14,247
Accumulated loss		**(29,540)**	(19,670)
Shareholders' Equity		**131,673**	142,577
Surplus on Revaluation of Property, Plant and Equipment	15	**93,845**	95,294
Liabilities			
Non-current Liabilities			
Staff retirement benefits - gratuity	16	**3,274**	3,372
Current Liabilities			
Trade and other payables	17	**1,637**	1,879
Total Liabilities		**4,911**	5,251
Contingencies and Commitments	18		
TOTAL EQUITY AND LIABILITIES		**230,429**	243,122

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, 2013

	Note	2013	2012
		Rupees in thousand	
Other Income	19	5,186	7,737
Fixed Production Overheads	20	5,541	6,119
Administrative Expenses	21	10,778	8,050
Other Expenses	22	0	624
		(16,319)	(14,793)
Loss from Operations		(11,133)	(7,056)
Bank Charges		3	9
Loss before Taxation		(11,136)	(7,065)
Taxation	23.3	183	131
Loss after Taxation		(11,319)	(7,196)
Other Comprehensive (Loss) / Income for the Year			
Fair value (loss) / gain on available-for-sale investments	8	(1,034)	5,956
Total Comprehensive Loss for the Year		(12,353)	(1,240)
		------ Rupees ------	
Loss per Share	24	(8.38)	(5.33)

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, 2013

	2013	2012
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(11,136)**	(7,065)
Adjustments for non-cash charges and other items:		
Depreciation	**2,403**	2,672
Staff retirement benefits - gratuity (net)	**(98)**	(87)
Interest / profit on bank deposits	**(61)**	(64)
Unclaimed payable balances written-back	**0**	(228)
Gain on sale of vehicle	**(149)**	0
Gain on sale of investment in shares	**0**	(1,364)
Gain on re-measurement of short term investments to fair value	**(2,360)**	(3,988)
Dividend income	**(1,826)**	(1,315)
Loss before working capital changes	**(13,227)**	(11,439)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Loans and advances	**(8)**	470
Short term prepayments	**1**	5
Other receivables	**(151)**	50
Decrease in trade and other payables	**(242)**	(1,522)
	(400)	(997)
Cash used in operations	**(13,627)**	(12,436)
Taxes paid	**(232)**	(179)
Net cash used in operating activities	**(13,859)**	(12,615)
Cash flow from investing activities		
Sale proceeds of vehicle	**149**	0
Sale proceeds of long term investments	**0**	1,819
Profit on bank deposits received	**61**	64
Short term investments	**11,730**	10,611
Dividend received	**1,826**	1,315
Net cash generated from investing activities	**13,766**	13,809
Net (decrease) / increase in cash and cash equivalents	**(93)**	1,194
Cash and cash equivalents - at beginning of the year	**40,455**	39,261
Cash and cash equivalents - at end of the year	**40,362**	40,455

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, 2013

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Accumulated loss	Total
	------------------ Rupees in thousand ------------------				
Balance as at September 30, 2011	14,000	134,000	8,291	(14,084)	142,207
Total comprehensive income / (loss) for the year ended September 30, 2012	0	0	5,956	(7,196)	(1,240)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,610	1,610
Balance as at September 30, 2012	14,000	134,000	14,247	(19,670)	142,577
Total comprehensive loss for the year ended September 30, 2013	0	0	(1,034)	(11,319)	(12,353)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,449	1,449
Balance as at September 30, 2013	**14,000**	**134,000**	**13,213**	**(29,540)**	**131,673**

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, 2013

1. CORPORATE INFORMATION

1.1 The Frontier Sugar Mills & Distillery Limited (the Company) was incorporated on March 31, 1938 as a Public Company and its shares were quoted on all the Stock Exchanges of Pakistan; the Company was 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 January 30, 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 June 10, 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 August 26, 2011, the Company was de-listed from all the Stock Exchanges with effect from October 25, 2010. The purchase agent, during the financial year ended September 30, 2011, had 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 the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or 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 as disclosed in the accounting policies.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

4. NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS

4.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended September 30, 2013

There are certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee, which became effective during the year. Except for the amendment detailed in paragraph (a) below, these amendments are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

(a) Amendment to IAS 1 (Presentation of Financial Statements; effective July 01, 2012), the main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The adoption of this amendment has only resulted in additional disclosures, which have been duly incorporated in these financial statements.

4.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the date specified below. Except for the amendment in IAS 19, which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, these standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases.

(a) IAS 19 (Amendment), ‘Employee Benefits’ is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from October 01, 2013 and its impact on retained earnings shall be Rs. 764 thousand due to recognition of unrecognised actuarial gain on its defined benefit plan.

(b) IAS 28 (Revised), 'Associates and Joint Ventures' (effective for periods beginning on or after January 01, 2013). This standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Company is yet to assess the full impact of IAS 28 (Revised).

(c) IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.

(d) IFRS 9, 'Financial Instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial Instruments: Recognition and Measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(e) IFRS 13, 'Fair Value Measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company shall apply this standard from October 01, 2013 and does not expect to have a material impact on its financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

5. 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.

5.1 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 7. 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.

5.2 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.

5.3 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 upto the balance sheet date.

5.4 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.

5.5 Cash and cash equivalents

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

5.6 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% of the basic salaries both by the employees and the Company.

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 September 30, 2012 on the basis of the projected unit credit method by an independent Actuary.

5.7 Trade and other payables

Liabilities for 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.

5.8 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 substantively enacted by the end of the reporting period 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, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

5.9 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.

5.10 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.

5.11 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'.

5.12 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 of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.13 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated in Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5.14 Financial instruments

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, security deposits, accrued profit, short term investments, deposits with a non-bank finance company, bank balances and trade & other payables. 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.

5.15 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 to settle the liabilities simultaneously.

6. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) 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 indicators of impairment are identified.

b) Staff retirement benefits - gratuity

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 September 30, 2012 on the basis of the projected unit credit method by an independent Actuary.

c) 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.

d) Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and legal advisors' judgments, appropriate provision is made.

7. Operating fixed assets - tangible

Particulars	Freehold land	Buildings on freehold land	Plant and machinery	Tools	Railway sidings and weigh bridges	Beet water line	Electric and gas equipment	Laboratory equipment	Furniture and fixtures	Vehicles	Tube well	Arms	Total
	Rupees in thousand												
As at September 30, 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
Year ended September 30, 2012:													
Depreciation charge	0	580	2,066	0	9	0	2	0	5	9	0	1	2,672
Book value as at September 30, 2012	78,419	5,214	18,588	2	49	0	19	4	49	37	1	11	102,393
Year ended September 30, 2013:													
Disposal													
- cost	0	0	0	0	0	0	0	0	0	(110)	0	0	(110)
- depreciation	0	0	0	0	0	0	0	0	0	110	0	0	110
Depreciation charge	0	522	1,859	0	7	0	2	0	5	7	0	1	2,403
Book value as at September 30, 2013	**78,419**	**4,692**	**16,729**	**2**	**42**	**0**	**17**	**4**	**44**	**30**	**1**	**10**	**99,990**
As at September 30, 2012													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	194,653
Accumulated depreciation	0	9,091	78,016	912	482	206	1,016	116	925	1,395	58	43	92,260
Book value	78,419	5,214	18,588	2	49	0	19	4	49	37	1	11	102,393
As at September 30, 2013													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	1,322	59	54	194,543
Accumulated depreciation	0	9,613	79,875	912	489	206	1,018	116	930	1,292	58	44	94,553
Book value	**78,419**	**4,692**	**16,729**	**2**	**42**	**0**	**17**	**4**	**44**	**30**	**1**	**10**	**99,990**
Depreciation rate (%)	0	10	10	15	15	15	10	10	10	20	10	10	

7.1 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	2013	2012
		Rupees in thousand	
- freehold land		**325**	325
- buildings on freehold land		**78**	85
- plant & machinery		**1,279**	1,421
		1,682	1,831

		Note	2013	2012
			Rupees in thousand	
7.2	**Depreciation for the year has been apportioned as under:**			
	- fixed production overheads		**2,223**	2,472
	- administrative expenses		**180**	200
			2,403	2,672

8.	**LONG TERM INVESTMENTS** - Available-for-sale (Quoted)			
	Ibrahim Fibres Limited 405,670 (2012: 405,670) ordinary shares of Rs.10 each		**5,680**	5,680
	Add: adjustment arising from re-measurement to fair value		**13,213**	14,247
			18,893	19,927
9.	**STORES AND SPARES**			
	Stores		**22,650**	22,650
	Spares		**9,931**	9,931
			32,581	32,581

9.1 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.

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

10.	**LOANS AND ADVANCES** - Considered good			
	Unsecured advances to:			
	- employees		**204**	196
	- suppliers / contractors		**3**	3
			207	199
11.	**OTHER RECEIVABLES**			
	Excise duty deposit / refundable		**83**	83
	Sales tax refundable	**11.1**	**701**	612
	Others		**72**	10
			856	705

11.1 The Appellate Tribunal Inland Revenue, Peshawar, vide its order dated October 09, 2012, has allowed the Company's appeal; the Company has prayed that the order passed by the Department during July, 2007 be set-aside and refund claims pertaining to the period April to December, 2006 aggregating Rs. 421 thousand be sanctioned.

12. SHORT TERM INVESTMENTS

- At fair value through profit or loss	Note	**2013**	2012
		Rupees in thousand	
MCB Cash Management Optimizer 310,018 Units (2012: 402,971 Units)		**28,665**	36,407
Add: adjustment on re-measurement to fair value		**2,360**	3,988
		31,025	40,395

13. BANK BALANCES

	Note	2013	2012
Cash at banks on:			
- current accounts		**437**	54
- saving accounts	**13.1**	**925**	1,401
- deposits with a non-bank finance company - unsecured	**13.2**	**39,000**	39,000
		40,362	40,455

13.1 Saving accounts during the year carried profit at the rates ranging from 5% to 7% (2012: 5% to 7%) per annum.

13.2 **(a)** 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 were as follows:

Date of maturity	**Amount of deposit**
	Rs. in '000'
July 29, 2009	**7,800**
July 29, 2010	**7,800**
July 29, 2011	**7,800**
July 29, 2012	**15,600**
	39,000

(b) The realisibility of these deposits is doubtful of recovery as these 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, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from January 28, 2010. SECP had also instituted winding-up proceedings against IIBL in the Lahore High Court, Lahore (LHC). SECP had 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.

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

14. SHARE CAPITAL

14.1 Authorised capital

2013	2012		**2013**	2012
(No. of shares)			**Rupees in thousand**	
50,000	50,000	7% irredeemable preference shares of Rs.10 each	**500**	500
1,950,000	1,950,000	ordinary shares of Rs.10 each	**19,500**	19,500
2,000,000	2,000,000		**20,000**	20,000

14.2 Issued, subscribed and paid-up capital

2013	2012		**2013**	2012
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

14.3 The Premier Sugar Mills & Distillery Company Limited (the Holding Company) holds 1,113,637 (2012: 1,113,637) ordinary shares and 42,984 (2012: 42,984) 7% irredeemable preference shares as at September 30, 2013.

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

15.1 The Company, during the financial year ended September 30, 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.

15.2 The Company, during the financial year ended September 30, 2009, had again revalued its aforementioned fixed assets and freehold land. The latest revaluation exercise was carried-out by independent Valuers [Hamid Mukhtar & Co. (Pvt.) Ltd., Consulting Engineers, Surveyors & Loss Adjusters and Valuation Consultants] 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:

	2013	2012
	Rupees in thousand	
Opening balance	**95,294**	96,904
Less: transferred to accumulated loss on account of incremental depreciation for the year	**1,449**	1,610
Closing balance	**93,845**	95,294

16. 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:

	2013	2012
- discount rate - per annum	**11.5%**	11.5%
- expected rate of growth per annum in future salaries	**10.5%**	10.5%
- average expected remaining working life time of employees	**04 years**	04 years

The amount recognised in the balance sheet is as follows:	**2013**	2012
	Rupees in thousand	
Present value of defined benefit obligation	**2,336**	2,434
Unrecognised actuarial gain	**938**	938
Net liability at end of the year	**3,274**	3,372
Net liability at beginning of the year	**3,372**	3,459
Charge to profit and loss account	**221**	557
Payments made during the year	**(319)**	(644)
Net liability at end of the year	**3,274**	3,372
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**2,434**	3,594
Current service cost	**115**	108
Interest cost	**280**	449
Benefits paid	**(319)**	(644)
Actuarial gain	**(174)**	(1,073)
Closing balance	**2,336**	2,434
Expense recognised in profit and loss account		
Current service cost	**115**	108
Interest cost	**280**	449
Actuarial gain	**(174)**	0
	221	557

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

	2013	2012	2011	2010	2009
	---------------- Rupees in thousand				**----------------**
Present value of defined benefit obligation	**2,336**	2,434	3,594	4,022	943
Experience adjustment on obligation	**(174)**	(1,073)	0	1,323	0

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

17. TRADE AND OTHER PAYABLES

	2013	2012
	Rupees in thousand	
Accrued expenses	**1,039**	487
Due to an Associated Company (Chashma Sugar Mills Ltd.)	**0**	793
Interest free deposits	**21**	21
Income tax deducted at source	**1**	0
Workers' (profit) participation fund	**0**	3
Unclaimed dividends	**572**	572
Others	**4**	3
	1,637	1,879

18. CONTINGENCIES AND COMMITMENTS

18.1 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.

18.2 Various ex-employees of the Company, retrenched on June 30, 2008 due to non-availability of raw materials to the Company, had filed a petition in the Court of Payment and Wage Commissioner, Mardan despite the fact that the Company had paid all their terminal dues as per its rules and according to the entitlement of each ex-employee. The ex-employees, in their petition, had 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, which during the current year has decided all the issues in favour of the Company and held that petitioners were not entitled to statutory gratuity in presence of contributory provident fund in the Company. After dismissal of their appeal, the ex-employees have again filed an appeal before the Session Judge, Labour Court, Mardan. The Parties, during July 2013, have amicably patched-up the matter out of the Court and the appellants have requested withdrawal of their appeal. The Presiding Officer, Labour Court, Mardan on July 22, 2013 has accepted the application furnished by the appellants and dismissed the appeal as withdrawn.

18.3 No commitments were outstanding as at September 30, 2013 and September 30, 2012.

19. OTHER INCOME

	Note	2013	2012
		Rupees in thousand	
Income from financial assets:			
Profit on saving accounts		**61**	64
Dividend		**1,826**	1,315
Gain on sale of investment in shares		**0**	1,364
Gain on redemption of short term investments		**571**	639
Fair value gain on re-measurement of short term investments	**12**	**2,360**	3,988
Income from other than financial assets:			
Unclaimed payable balances written-back		**0**	228
Sale of trees, wheat, etc.		**219**	139
Gain on sale of vehicle		**149**	0
		5,186	7,737

20. FIXED PRODUCTION OVERHEADS

	Note	2013	2012
Salaries and benefits	**20.1**	**1,222**	1,384
Power and fuel		**1,979**	2,145
Depreciation		**2,223**	2,472
Insurance		**117**	118
		5,541	6,119

20.1 These include Rs.15 thousand (2012: Rs.25 thousand) and Rs.199 thousand (2012: Rs.501 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

21. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries and benefits	**21.1**	**8,184**	6,347
Travelling and vehicles' running		**371**	163
Rent, rates and taxes		**126**	141
Communication		**46**	25
Printing and stationery		**58**	52
Insurance		**139**	138
Repair and maintenance		**267**	105
Subscription		**10**	1
Auditors' remuneration	**21.2**	**282**	282
Legal and professional charges (other than Auditors')		**974**	437
General		**141**	159
Depreciation		**180**	200
		10,778	8,050

21.1 These include Rs.88 thousand (2012: Rs.81 thousand) and Rs.22 thousand (2012: Rs.56 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

21.2 Auditors' remuneration:

	2013	2012
	Rupees in thousand	
Hameed Chaudhri & Co.		
- statutory audit	**125**	125
- half-yearly review	**60**	60
- certification charges	**25**	25
- out-of-pocket expenses	**36**	36
	246	246
Munawar Associates		
- cost audit	**30**	30
- workers' (profit) participation fund's audit fee	**3**	3
- out-of-pocket expenses	**3**	3
	36	36
	282	282

22. OTHER EXPENSES

Uncollectible receivable balances written-off	**0**	624

23. TAXATION

23.1 The Tax Department against the judgment of the Peshawar High Court, Peshawar (PHC) dated October 22, 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 April 28, 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).

23.2 The returns for Tax Years 2009 to 2013 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.

23.3 No numeric tax rate reconciliation is given in these financial statements as provision made during the current and preceding years represents tax payable on dividend income under section 5 of the Ordinance.

23.4 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.

	2013	2012
	Rupees in thousand	
24. LOSS PER SHARE		
Loss after taxation attributable to ordinary shareholders	**(11,319)**	(7,196)
	No. of shares	
Weighted average number of shares outstanding during the year	**1,350,000**	1,350,000
	------- Rupees -------	
Loss per share	**(8.38)**	(5.33)

24.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2013 and September 30, 2012, which would have any effect on the loss per share of the Company if the option to convert is exercised.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

25.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

25.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in 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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2013	2012	**2013**	2012
	Effective rate		**Carrying amount**	
	Percentage		**Rupees in thousand**	
Fixed rate instruments				
Deposits with a non - bank finance company	**5%**	5%	**39,000**	39,000
Bank balances	**5% to 7%**	5% to 7%	**925**	1,401

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 rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

Not applicable as no variable rate financial liability was outstanding as at September 30, 2013 and September 30, 2012.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. Price risk arises from the Company's investments in Units of a Mutual Fund classified as short term investments at fair value through profit or loss. To manage its price risk, the Company diversifies its 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 Units of the Mutual Fund would decrease / increase loss before taxation for the year by Rs.3,103 thousand (2012:Rs.4,040 thousand).

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

25.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from investments, accrued profit, short term investments, deposits with a non-bank finance company and balances with banks. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2013 along with comparative is tabulated below:

	2013	2012
	Rupees in thousand	
Investments	**18,893**	19,927
Security deposits	**92**	92
Accrued profit on deposits with a non-bank finance company	**973**	973
Short term investments	**31,025**	40,395
Deposits with a non-bank finance company	**39,000**	39,000
Bank balances	**1,362**	1,455
	91,345	101,842

The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-bank finance company as detailed in note 13.2.

Credit quality of the Company's investments :

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

25.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Contractual maturity of financial liabilities:

	2013		
	Carrying amount	**Contractual cash flows**	**Less than 1 year**
	------------------ **Rupees in thousand** --------------		
Trade and other payables	**597**	**597**	**597**
	2012		
Trade and other payables	1,083	1,083	1,083

25.5 Fair values 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.

At September 30, 2013, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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.

26. 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.

27. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with its Holding Company, Associated Companies, employee benefit plan, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. The Company had carried-out no transaction with any related party during the current and preceding financial years.

28. REMUNERATION OF DIRECTORS

28.1 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.

28.2 No employee of the Company can be categorised as executive as per the definition contained in the Companies Ordinance, 1984.

29. CAPACITY AND PRODUCTION		**2013**	2012
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

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

30. PROVIDENT FUND RELATING DISCLOSURES

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un-audited financial statements of the provident fund for the year ended September 30, 2013 and audited financial statements of the provident fund for the year ended September 30, 2012:

	2013	2012
	Rupees in thousand	
Size of the fund - total assets	**12,210**	11,337
Cost of investments made	**8,501**	7,700
Percentage of investments made	**69.62%**	67.92%
Fair value of investments made	**8,501**	7,700

30.1 The break-up of fair value of investments is as follows:

	2013	2012	**2013**	2012
	-------- % --------		**Rupees in thousand**	
Term deposit receipt (TDR)	**82.34%**	90.91%	**7,000**	7,000
Saving account in a scheduled bank	**17.66%**	9.09%	**1,501**	700
	100.00%	100.00%	**8,501**	7,700

30.2 Investments out of the provident fund have been made in accordance with the requirements of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

31. NUMBER OF EMPLOYEES

Number of permanent employees as at September 30, 2013 was 19 (2012: 24) and average number of employees during the year was 20 (2012: 24).

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on January 03, 2014 by the board of directors of the Company.

33. FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no material rearrangements and reclassifications have been made in these financial statements.

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, 2013

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		SHARES HELD		TOTAL SHARES HELD
	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.	Categories of shareholders	No of shares held	Preference	TOTAL
1.	**Directors and Chief Executive Officer**			
	Khan Aziz Sarfaraz Khan	23,977		23,977
	Begum Laila Sarfaraz	500		500
	Mr. Abbas Sarfaraz Khan	1,342		1,342
	Ms. Zarmine Sarfaraz	500		500
	Ms. Najda Sarfaraz	500		500
	Mr. Iskander M. Khan	500		500
	Mr. Babar Ali Khan	1,903	210	2,113
	Mr. Abdul Qadar Khattak	100		100
2.	**Company Secretary/Chief Financial Officer**			
	Mr. Mujahid Bashir	2		2
3.	**Shares held by relatives**			
4.	**Associated Companies**			
	The Premier Sugar Mills & Distillery Co. Limited	1,113,637	42,984	1,156,621
5.	**Financial Institutions, Investment & Securities Companies**			
	The Frontier Cooperative Bank Limited	5,501	-	5,501
	Investmen Corporation of Pakistan	3	300	303
	District Council Mardan	72	1,000	1,072
	Municipal Committee Mardan	73	1,000	1,073
6.	**Shares held by General Public**			
	Held by General Public	201,390	4,506	205,896
		1,350,000	**50,000**	**1,400,000**
7.	**Shareholders holding 10% or more voting Interest in the Company**			
	The Premier Sugar Mills & Distillery Limited	1,113,637	42,984	1,156,621

annual report

2013

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

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, 2013.

1. GENERAL REVIEW

Chashma Sugar Mills Limited earned profit of Rs. 32.972 million whereas The Frontier Sugar Mills & Distillery Limited suffered loss of Rs. 12.353 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, 2013 with the preceding year comparatives:

	2013	2012
	(Rupees in thousand)	
- Profit / (Loss) before taxation	**28,988**	(499,948)
- **Taxation**		
- Current year	**88,226**	34,170
- Prior	**(902)**	(1,451)
- Deferred	**(43,991)**	(137,672)
- Associated Companies	**1,643**	1,591
	44,976	(103,362)
- Loss after taxation	**(15,988)**	(396,586)
- Other comprehensive (Loss) / Income for the year	**(423)**	6,000
- **Total comprehensive loss for the year**	**(16,411)**	(390,586)
	------------Rupees------------	
- **Combined loss per share**	**(8.13)**	(76.21)

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 2013-2014

The sugarcane crushing season in The Premier Sugar Mills & Distillery Company Limited started on 01 November, 2013 and the mills have crushed 61,290 tons of sugarcane producing 4,742 tons of sugar at an average recovery of 8.27 % up to 29 December, 2013.

5. REPLIES TO AUDITORS RESERVATION

5.1 The Auditors have raised doubts regarding The Frontier Sugar Mills & Distillery Limited's ability to continue business as a going concern due to the non-availability of sugarcane. We are hopeful that after successful operation of “Bai Zai Irrigation Scheme” the area under sugarcane cultivation will increase to the extent, that the Mills achieve profitable operations.

5.2 We are representing / monitoring through CM No. 454/2011 in winding of proceedings filed by SECP before Honorable Lahore High Court Lahore. The Court has appointed a liquidator by accepting the Winding up petition and we have filed statement of claims before the court. Furthermore, the balance confirmation letter has been circulated to the bank for direct confirmation to the auditors and the reply will be received by the auditors directly.

6. CUSTOMERS' SUPPORT AND STAFF RELATIONS

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

7. PATTERN OF SHAREHOLDING

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

ON BEHALF OF THE BOARD

Mardan:
03 January, 2014

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **The Premier Sugar Mills & Distillery Company Limited** (the Holding Company) and its Subsidiary Companies (Chashma Sugar Mills Limited and The Frontier Sugar Mills & Distillery Limited) as at September 30, 2013 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of **The Premier Sugar Mills & Distillery Company Limited** and its Subsidiary Companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

> The Frontier Sugar Mills & Distillery Limited (Subsidiary Company) has been unable to carry-out manufacturing operations during the current and prior years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of raw materials. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Subsidiary Company's ability to continue as a going concern; however, the financial statements of the Subsidiary Company have been prepared on the going concern basis. These 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 company due to pending court cases (note 18.3) and the contents of note 12.1 and the extent to which these may affect the annexed consolidated financial statements, in our opinion the consolidated financial statements present fairly the financial position of **The Premier Sugar Mills & Distillery Company Limited** and its Subsidiary Companies as at September 30, 2013 and the results of their operations for the year then ended.

HAMEED CHAUDHRI & CO.,
LAHORE; **CHARTERED ACCOUNTANTS**
04 January, 2014 Audit Engagement Partner: Nafees ud din

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER, 2013

Assets		**2013**	2012
Non-current Assets	**Note**	**Rupees in thousand**	
Property, plant and equipment	**8**	**5,801,657**	3,909,986
Intangible assets	**9**	**0**	100
Investment property	**10**	**33,889**	35,298
Long term investments	**11**	**72,676**	70,275
Security deposits		**4,666**	4,594
		5,912,888	4,020,253
Current Assets			
Stores and spares	**12**	**625,935**	327,725
Stock-in-trade	**13**	**1,678,245**	1,961,956
Trade debts	**14**	**323,360**	790,611
Loans and advances	**15**	**171,538**	140,032
Trade deposits, short term prepayments and other receivables	**16**	**101,408**	17,115
Accrued profit / mark-up on bank deposits		**1,021**	1,043
Income tax refundable, advance income tax and tax deducted at source		**126,050**	102,709
Sales tax refundable - net		**25,261**	0
Short term investments	**17**	**31,025**	308,298
Bank balances	**18**	**159,548**	192,128
		3,243,391	3,841,617
TOTAL ASSETS		**9,156,279**	7,861,870
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 5,750,000 (2012: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500
Issued, subscribed and paid-up capital	**19**	**37,500**	37,500
Reserves		**1,021,438**	1,022,291
Accumulated loss		**(24,372)**	(67,444)
Equity Attributable to Equity Holders of the Parent Company		**1,034,566**	992,347
Non-Controlling Interest		**300,150**	242,360
		1,334,716	1,234,707
Surplus on Revaluation of Property, Plant and Equipment	**20**	**2,408,551**	1,425,199
Non-current Liabilities			
Long term finances	**21**	**911,845**	544,578
Loans from Associated Companies	**22**	**157,500**	157,500
Liabilities against assets subject to finance lease	**23**	**9,667**	9,304
Deferred taxation	**24**	**913,125**	462,512
Staff retirement benefits - gratuity	**25**	**12,980**	30,148
		2,005,117	1,204,042
Current Liabilities			
Trade and other payables	**26**	**434,610**	1,006,555
Accrued mark-up	**27**	**134,034**	125,813
Short term borrowings	**28**	**2,522,957**	2,525,759
Current portion of non-current liabilities	**29**	**225,775**	303,140
Dividends payable to non-controlling interest		**3,848**	3,855
Taxation	**30**	**86,671**	32,800
		3,407,895	3,997,922
TOTAL LIABILITIES		**5,413,012**	5,201,964
TOTAL EQUITY AND LIABILITIES		**9,156,279**	7,861,870
Contingencies and Commitments	**31**		

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

	Note	2013	2012
		Rupees in thousand	
Sales - Net	32	**8,563,278**	7,334,559
Cost Of Sales	33	**8,070,257**	7,355,329
Gross Profit / (Loss)		**493,021**	(20,770)
Distribution Cost	34	**98,135**	34,718
Administrative Expenses	35	**229,391**	199,715
Other Expenses	36	**4,402**	1,013
		331,928	235,446
		161,093	(256,216)
Other Income	37	**330,838**	133,708
Profit / (Loss) from Operations		**491,931**	(122,508)
Finance Cost	38	**467,165**	381,910
		24,766	(504,418)
Share of Profit from Associated Companies	11.2	**4,222**	4,470
Profit / (Loss) before Taxation		**28,988**	(499,948)
Taxation			
Group			
- Current	30	**88,226**	34,170
- Prior Years'	30	**(902)**	(1,451)
- Deferred		**(43,991)**	(137,672)
		43,333	(104,953)
Associated Companies	11.2	**1,643**	1,591
		44,976	(103,362)
Loss after Taxation		**(15,988)**	(396,586)
Other Comprehensive Income (Loss) for the year			
Fair value (loss) / gain on available-for-sale investments	11	**(1,034)**	5,956
Share of other comprehensive income from associated companies	11.2	**611**	44
Total Comprehensive Loss for the year		**(16,411)**	(390,586)
Attributable to:			
- Equity holders of the Parent		**(30,744)**	(280,818)
- Non-controlling interest		**14,333**	(109,768)
		(16,411)	(390,586)
Combined Loss per Share		------ Rupees-----	
	39	**(8.13)**	(76.21)

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 LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2013

	2013	2012
Cash flow from operating activities	**Rupees in thousand**	
Profit / (loss) for the year - before taxation	**28,988**	(499,948)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**322,416**	353,242
Depreciation on investment property	**1,624**	1,768
Amortisation of intangible assets	**100**	100
Profit from Associated Companies - net	**(4,222)**	(4,470)
Interest / profit on bank deposits and saving accounts	**(9,784)**	(5,724)
Staff retirement benefits - gratuity (net)	**(16,475)**	3,341
Un-claimed payable balances written-back	**(198)**	(539)
Gain on disposal of operating fixed assets	**(31,343)**	(428)
Gain on sale of investment in shares	**0**	(1,364)
Gain on re-measurement of short term investments to fair value	**(2,360)**	(22,081)
Uncollectible receivable balances written-off	**105**	738
Dividend income	**(1,826)**	(1,315)
Finance cost	**457,331**	376,216
Profit before working capital changes	**744,356**	199,536
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(298,210)**	(21,247)
Stock-in-trade	**283,711**	675,933
Trade debts	**467,251**	(727,407)
Loans and advances	**(31,611)**	(54,802)
Trade deposits, short term prepayments and other receivables	**(84,293)**	(9,091)
Sales tax refundable	**(25,261)**	0
(Decrease) / increase in trade and other payables	**(572,426)**	706,825
	(260,839)	570,211
Cash generated from operations	**483,517**	769,747
Income tax paid	**(56,794)**	(115,774)
Security deposits	**(72)**	(276)
Net cash generated from operating activities	**426,651**	653,697
Cash flow from investing activities		
Additions to property, plant and equipment	**(621,712)**	(386,203)
Additions to investment property	**(215)**	0
Sale proceeds of operating fixed assets	**33,099**	1,053
Sale proceeds of investments	**0**	1,819
Interest / profit on bank deposits and saving accounts	**9,806**	5,754
Short term investments - net	**279,633**	118,257
Dividend received	**1,826**	1,315
Net cash used in investing activities	**(297,563)**	(258,005)
Cash flow from financing activities		
Long term finances - net	**310,509**	234,789
Instalments of loans from Associated Companies repaid	**(22,500)**	0
Lease finances - net	**2,256**	5,160
Short term borrowings - net	**(2,802)**	(176,467)
Finance cost paid	**(449,110)**	(406,118)
Dividends paid	**(21)**	(14,597)
Net cash used in financing activities	**(161,668)**	(357,233)
Net (decrease) / increase in cash and cash equivalents	**(32,580)**	38,459
Cash and cash equivalents - at beginning of the year	**192,128**	153,669
Cash and cash equivalents - at end of the year	**159,548**	192,128

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, 2013

	------------- 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 / (accumul-ated loss)	Total	Non-controlling interest	Total equity
	-- Rupees in thousand --								
Balance as at September 30, 2011	37,500	1	1,010,537	6,840	1,017,378	138,714	1,193,592	318,924	1,512,516
Total comprehensive income / (loss) for the year ended September 30, 2012									
Loss after taxation	0	0	0	0	0	(285,775)	(285,775)	(110,811)	(396,586)
Other comprehensive income	0	0	0	4,913	4,913	44	4,957	1,043	6,000
	0	0	0	4,913	4,913	(285,731)	(280,818)	(109,768)	(390,586)
Transactions with owners: Final cash dividend for the year ended September 30, 2011 at the rate of Re.1 per share	0	0	0	0	0	0	0	(14,355)	(14,355)
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	235	235	0	235
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	79,924	79,924	47,559	127,483
Balance as at September 30, 2012	37,500	1	1,010,537	11,753	1,022,291	(67,444)	992,347	242,360	1,234,707
Total comprehensive income / (loss) for the year ended September 30, 2013									
(Loss) / profit after taxation	0	0	0	0	0	(30,502)	(30,502)	14,514	(15,988)
Other comprehensive (loss) / income	0	0	0	(853)	(853)	611	(242)	(181)	(423)
	0	0	0	(853)	(853)	(29,891)	(30,744)	14,333	(16,411)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	245	245	0	245
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	72,718	72,718	43,457	116,175
	37,500	1	1,010,537	10,900	1,021,438	(24,372)	1,034,566	300,150	1,334,716

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, 2013

1. THE GROUP AND ITS OPERATIONS

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

The Parent Company was incorporated on July 24, 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 May 05, 1988 as a Public Company and it commenced commercial production from October 01, 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 financial year ended September 30, 2010.

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

(i) FSM was incorporated on March 31, 1938 as a Public Company and its shares were quoted on all the Stock Exchanges of Pakistan; FSM was 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.

(iii) Delisting of FSM

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 January 30, 2010. The shareholders had 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 June 10, 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 August 26, 2011, FSM was de-listed from all the Stock Exchanges with effect from October 25, 2010. The purchase agent, during the financial year ended September 30, 2011, had further purchased 19,884 ordinary shares and 20,014 preference shares.

2. STATEMENT OF COMPLIANCE

These consolidated 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 the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or requirements of the said directives have been followed.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

3.2 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the functional currency of the Group. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

4. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Parent Company and its Subsidiary Companies (CSM and FSM) as at September 30, 2013. The Parent Company's direct interest, as at September 30, 2013, in CSM was 47.93% (2012: 47.93%) and in FSM was 82.49% (2012: 82.49%).

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.

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

5.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended September 30, 2013

There are certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee, which became effective during the year. Except for the amendment detailed in paragraph (a) below, these amendments are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements.

(a) Amendment to IAS 1 (Presentation of Financial Statements; effective July 01, 2012), the main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The adoption of this amendment has only resulted in additional disclosures, which have been duly incorporated in these consolidated financial statements.

5.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the date specified below. Except for the amendment in IAS 19, which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, these standards are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements, other than increased disclosures in certain cases.

(a) IAS 19 (Amendment), 'Employee Benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Group shall apply these amendments from October 01, 2013 and its impact on retained earnings shall be Rs. 1.416 million due to recognition of current unrecognised actuarial loss on its defined benefit plans.

(b) IAS 28 (Revised), 'Associates and Joint Ventures' (effective for periods beginning on or after January 01, 2013). This standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Group is yet to assess the full impact of IAS 28 (Revised).

(c) IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the consolidated financial statements.

(d) IFRS 9, 'Financial Instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial Instruments: Recognition and Measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Group is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Group's financial assets.

(e) IFRS 13, 'Fair Value Measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group shall apply this standard from October 01, 2013 and does not expect to have a material impact on its consolidated financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Group and therefore have not been presented here.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Property, plant and equipment

Owned assets

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 8.1. 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.

Assets subject to finance lease

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 8.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

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

6.2 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 9.1.

6.3 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 10. 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.

6.4 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 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.

6.5 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 upto the balance sheet date. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

6.6 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.

6.7 Trade debts and other receivables

Trade debts are initially recognised 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. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

6.8 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.

6.9 Cash and cash equivalents

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

6.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

6.11 Staff retirement benefits

(a) Defined contribution plans

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 plans

The Parent Company and FSM also operate un-funded retirement gratuity schemes for their eligible employees. Provisions for gratuity are made annually to cover obligations under the schemes in accordance with the actuarial recommendations. Latest actuarial valuation of the Parent Company was conducted on September 30, 2013 whereas for FSM it was conduced on September 30, 2012. These valuations were conducted on the basis of the projected unit credit method by an independent Actuary.

6.12 Trade and other payables

Liabilities for 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.

6.13 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 substantively enacted by the end of the reporting period 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, and taxes paid under the Final Tax Regime. 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 arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

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

6.14 Dividend and appropriation to reserves

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

6.15 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 is accounted for when the right of receipt is established.
(c) Income on long term deposit accounts is accounted for on `accrual basis'.

6.16 Development expenditure

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

6.17 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 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.

6.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6.19 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 of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

6.20 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated in Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

6.21 Financial instruments

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, 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.

6.22 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 to settle the liabilities simultaneously.

7. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) 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 indicators of impairment are identified.

b) Stores & spares and stock-in-trade

The Group estimates 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 sale.

c) 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.

d) Staff retirement benefits - gratuity

The Parent Company and FSM operate un-funded retirement gratuity schemes for their eligible employees. Provisions for gratuity are made annually to cover obligations under the schemes in accordance with the actuarial recommendations. Latest actuarial valuations were conducted on September 30, 2013 and September 30, 2012 on the basis of the projected unit credit method by an independent Actuary.

e) 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.

f) Contingencies

The Group reviews the status of all the legal cases on a regular basis. Based on the expected outcome and legal advisors' judgments, appropriate provision is made.

8. PROPERTY, PLANT AND EQUIPMENT

	Note	**2013**	2012
		Rupees in thousand	
Operating fixed assets - tangible	**8.1**	**4,785,716**	3,448,500
Capital work-in-progress	**8.7**	**1,013,896**	299,019
Stores held for capital expenditure		**2,045**	162,467
		5,801,657	3,909,986

8.1 Operating fixed assets - tangible

Particulars	Leasehold land	Owned													Leased	Total
		Freehold land	Buildings on freehold land	Buildings and roads on leasehold 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	Arms	Vehicles	
	Rupees in thousand															
As at September 30, 2011																
Cost / revaluation	2,725	246,491	745,915	138,024	2,969,621	914	206	163,514	120	63,427	1,017	59,463	59	54	6,310	4,397,860
Accumulated depreciation	387	0	120,925	16,355	336,575	913	205	74,614	116	38,612	137	37,075	58	42	269	626,283
Book value	2,338	246,491	624,990	121,669	2,633,046	1	1	88,900	4	24,815	880	22,388	1	12	6,041	3,771,577
Year ended September 30, 2012																
Additions	0	7,316	0	0	0	0	0	1,210	0	4,933	0	5,016	0	0	12,315	30,790
Disposals:																
- cost	0	0	0	0	0	0	0	0	0	0	0	(1,681)	0	0	0	(1,681)
- depreciation	0	0	0	0	0	0	0	0	0	0	0	1,056	0	0	0	1,056
	0	0	0	0	0	0	0	0	0	0	0	(625)	0	0	0	(625)
Depreciation charge	28	0	60,187	9,882	263,359	0	0	8,936	0	2,905	88	5,116	0	1	2,740	353,242
Book value as at September 30, 2012	2,310	253,807	564,803	111,787	2,369,687	1	1	81,174	4	26,843	792	21,663	1	11	15,616	3,448,500
Year ended September 30, 2013																
Additions	0	30,298	2,224	0	1,255	0	0	1,442	0	9,027	0	16,728	0	0	6,283	67,257
Revaluation adjustments:																
- cost	0	86,037	21,009	0	840,280	0	0	0	0	0	0	0	0	0	0	947,326
- depreciation	0	0	190,110	0	456,695	0	0	0	0	0	0	0	0	0	0	646,805
Disposals:																
- cost	0	(3)	0	0	0	0	0	0	0	0	(55)	(3,364)	0	0	0	(3,422)
- depreciation	0	0	0	0	0	0	0	0	0	0	16	1,650	0	0	0	1,666
	0	(3)	0	0	0	0	0	0	0	0	(39)	(1,714)	0	0	0	(1,756)
Depreciation charge	28	0	54,316	9,040	237,052	0	0	8,168	0	3,368	79	6,928	0	1	3,436	322,416
Book value as at September 30, 2013	2,282	370,139	723,830	102,747	3,430,865	1	1	74,448	4	32,502	674	29,749	1	10	18,463	4,785,716
As at September 30, 2012																
Cost / revaluation	2,725	253,807	745,915	138,024	2,969,621	914	206	164,724	120	68,360	1,017	62,798	59	54	18,625	4,426,969
Accumulated depreciation	415	0	181,112	26,237	599,934	913	205	83,550	116	41,517	225	41,135	58	43	3,009	978,469
Book value	2,310	253,807	564,803	111,787	2,369,687	1	1	81,174	4	26,843	792	21,663	1	11	15,616	3,448,500
As at September 30, 2013																
Cost / revaluation	2,725	370,139	959,258	138,024	4,267,851	914	206	166,166	120	77,387	962	76,162	59	54	24,908	6,084,935
Accumulated depreciation	443	0	235,428	35,277	836,986	913	205	91,718	116	44,885	288	46,413	58	44	6,445	1,299,219
Book value	2,282	370,139	723,830	102,747	3,430,865	1	1	74,448	4	32,502	674	29,749	1	10	18,463	4,785,716
Depreciation rate (%)	1.01	0	5-10	5-10	10-12	15	15	10	10	10-15	10	10-20	10	10	20	

8.2 In case of CSM, revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 20.4, has been determined as follows:

Particulars	Freehold land	Buildings & roads	Plant & machinery	Total
	---------- Rupees in thousand ----------			
Cost / revaluation as at September 30, 2013	193,617	591,916	2,239,720	3,025,253
Accumulated depreciation to September 30, 2013	0	190,110	456,695	646,805
Book value before revaluation adjustments as at September 30, 2013	193,617	401,806	1,783,025	2,378,448
Revalued amount	279,654	612,925	3,080,000	3,972,579
Revaluation surplus	**86,037**	**211,119**	**1,296,975**	**1,594,131**

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

	2013	2012
	Rupees in thousand	
- freehold land	**72,010**	41,712
- buildings on freehold land and roads	**206,808**	227,103
- buildings on leasehold land	**6,447**	6,955
- plant & machinery	**906,813**	1,006,220
	1,192,078	1,281,990

8.4 The Parent Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009 and September 30, 2011 and revaluation surplus on these assets aggregating Rs.116.886 million and Rs. 17.376 million respectively was incorporated in the books of account.

Clause 6 of the lease agreement dated July 09, 1947, which was for a period of 60 years, empowers the Parent Company to renew the lease. On August 10, 2007, the Parent Company, in terms of the aforesaid clause 6, had 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 January 01, 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 relevant provisions of the Arbitration Act, 1940. One suit has already been stayed till the outcome of Arbitration Award.

8.5 Depreciation for the year has been allocated as follows:

	Note	2013	2012
		Rupees in thousand	
Cost of sales		**308,420**	342,118
Administrative expenses		**13,996**	11,124
		322,416	353,242

8.6 Disposal of operating fixed assets

Particulars	Cost	Accumu-lated deprec-	Book value	Sale proc-eeds	Gain	Mode of disposal	Particulars of buyers
	------- Rupees in thousand -------						
Freehold land							
7 Kanals & 10 Marlas at Bagh-e-Irm, Mardan	3	0	3	30,000	29,997	Negotiation	Mr. Israr Bacha, Sector-C, Sheikh Maltoon Town, Mardan.
Farm equipment	55	16	39	55	16	- do -	Muhammad Ibrahim, Village Quyyum Nagar, Dera Ismail Khan.
Vehicles:							
Suzuki Jeep	324	313	11	405	394	- do -	Mr. Mumtaz Bahadar, Village Tambulak, Mardan.
Suzuki Jeep	255	253	2	185	183	- do -	Mr. Aurangzeb, Village Par Hoti, Mardan.
Suzuki Khyber	242	240	2	95	93	- do -	Muhammad Hanif, House No. 624, Street No. 2, Sector G-9/2, Islamabad.
Honda City	674	647	27	450	423	- do -	---------- do ----------
Suzuki Photohar Jeep	110	109	1	150	149	- do -	Mr. Zahoor-ul-Islam, Khazana Payan, Peshawar.
Toyota Corolla	1,759	88	1,671	1,759	88	Insurance claim	IGI Insurance Ltd., Lahore.
	3,364	1,650	1,714	3,044	1,330		
	3,422	**1,666**	**1,756**	**33,099**	**31,343**		

8.7 Capital work-in-progress

	Note	2013	2012
Freehold land - advance payments		**421**	421
Buildings on freehold land		**175,729**	48,956
Plant and machinery		**748,670**	231,131
Electric installations		**43,440**	12,040
Furniture, fittings and office equipment		**11,383**	0
Vehicles		**1,014**	0
Un-allocated capital expenditure	**8.8**	**33,239**	6,471
		1,013,896	299,019

	2013	2012
	Rupees in thousand	

8.8 Un-allocated capital expenditure

Salaries and benefits	**7,134**	861
Fee for soil testing	**750**	750
Consultancy fee for Ethanol Fuel Plant and other charges	**5,229**	4,651
Mark-up on long term financing	**15,157**	0
Others	**4,969**	209
	33,239	6,471

9. INTANGIBLE ASSETS - Computer softwares

Cost as at September 30	**6,592**	6,592
Less: amortisation:		
- at beginning of the year	**6,492**	6,392
- charge for the year	**100**	100
- at end of the year	**6,592**	6,492
Book value as at September 30,	**0**	100

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

10. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------- Rupees in thousand -------------		
As at September 30, 2011:			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	40,971	40,971
Book value	14,544	22,522	37,066
Year ended September 30, 2012:			
Depreciation charge	0	1,768	1,768
Book value	14,544	20,754	35,298
Year ended September 30, 2013:			
Addition during the year	0	215	215
Depreciation charge	0	1,624	1,624
Book value	**14,544**	**19,345**	**33,889**
As at September 30, 2012			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	42,739	42,739
Book value	14,544	20,754	35,298
As at September 30, 2013			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	44,363	44,363
Book value	**14,544**	**19,345**	**33,889**
Depreciation rate (%)	0	5-10	

10.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2013 was Rs.260 million (2012: Rs.260 million).

11. LONG TERM INVESTMENTS

	2013	2012	2013	2012
	Equity held (%)		**Rupees in thousand**	
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2012: 229,900) ordinary shares of Rs.10 each Market value Rs.3.219 million (2012: Rs.3.449 million)	**5.75**	5.75	**13,553**	13,937
UN-QUOTED:				
National Computers (Pvt.) Ltd. *				
14,450 (2012: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	0
Premier Board Mills Ltd.				
47,002 (2012: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**3,915**	3,632
Azlak Enterprises (Pvt.) Ltd. **				
200,000 (2012: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**36,315**	32,779
			53,783	50,348
OTHERS - QUOTED (available-for-sale)				
Ibrahim Fibres Ltd.				
405,670 (2012: 405,670) ordinary shares of Rs.10 each			**5,680**	5,680
Add: adjustment arising from re-measurement to fair value			**13,213**	14,247
			18,893	19,927
			72,676	70,275

11.1 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 financial year ended September 30, 2010.

	2013	2012
	Rupees in thousand	
11.2 Investments in equity instruments of Associated Companies		
Opening balance - cost	**5,638**	5,638
Add: post acquisition profit brought forward	**44,710**	41,552
	50,348	47,190
Add: share for the year:		
- profit - net	**4,222**	4,470
- other comprehensive income	**611**	44
- items directly credited in equity	**245**	235
Less: taxation - net	**(1,643)**	(1,591)
	3,435	3,158
Balance as at 30 September,	**53,783**	50,348

* Based on un-audited financial statements for the year ended June 30, 2013.

** Based on audited financial statements for the year ended June 30, 2013.

11.3 Summarised financial information of the Associated Companies, based on the audited financial statements for the year ended June 30, 2013, is as follows:

Name of the Associated Company	Assets	Liabilities	Operating revenues	(Loss) / profit after tax
	2013			
	--------------- Rupees in thousand ---------------			
Arpak International Investments Ltd.	**238,317**	**2,612**	**13,143**	**(10,796)**
Premier Board Mills Ltd.	**476,949**	**5,255**	**22,973**	**32,254**
Azlak Enterprises (Pvt.) Ltd.	**138,219**	**47,433**	**49,759**	**7,330**
	2012			
Arpak International Investments Ltd.	244,709	2,324	13,724	(10,867)
Premier Board Mills Ltd.	444,685	7,135	24,135	18,466
Azlak Enterprises (Pvt.) Ltd.	119,854	37,907	44,905	8,873

	2013	2012
12. STORES AND SPARES	**Rupees in thousand**	
Stores including in-transit inventory valuing Rs. 240 million (2012: Rs.40.002 million)	**523,207**	237,122
Spares	**102,728**	90,603
	625,935	327,725

12.1 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.

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

		Note	2013	2012
13.	**STOCK-IN-TRADE**		**Rupees in thousand**	
	Sugar-in-process		**9,091**	18,706
	Finished goods:			
	- Sugar	**13.1**	**1,669,131**	1,939,161
	- Spirit	**13.2**	**23**	4,089
			1,669,154	1,943,250
			1,678,245	1,961,956

13.1 Finished sugar inventory of the Parent Company as at September 30, 2012 included inventory costing Rs.658.062 million, which was stated at net realisable value. The amount charged to consolidated profit and loss account in respect of inventory write-down to net realisable value amounted Rs.59.473 million.

13.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 16.526 metric tonnes (2012: 2,538.221 metric tonnes) valued at Rs. Nil.

		Note	2013	2012
14.	**TRADE DEBTS**			
	Local - unsecured, considered good	**14.1**	**323,360**	683,611
	Export - secured		**0**	107,000
			323,360	790,611

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

		Note	2013	2012
15.	**LOANS AND ADVANCES**			
	Advances to:			
	- suppliers and contractors - considered good	**15.1**	**144,315**	135,557
	- employees - considered good		**4,863**	6,355
	Due from an Associated Company	**15.2**	**19**	0
	Letter of credit		**24,778**	557
			173,975	142,469
	Less: provision for doubtful advances		**2,437**	2,437
			171,538	140,032

15.1 These are unsecured and considered good except for Rs.2.437 million (2012: Rs.2.437 million), which have been fully provided for in the books of account.

15.2 This represents due from Syntron Limited in respect of current account transactions.

16. TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2013	2012
		Rupees in thousand	
Sugar export subsidy receivable	16.1	**87,824**	0
Prepayments		**4,434**	4,424
Excise duty deposits		**136**	219
Export refinance charges refundable	16.2	**7,465**	0
Other receivables		**1,549**	12,472
		101,408	17,115

16.1 This represents subsidy receivable from the Ministry of Commerce, Government of Pakistan (GoP). The GoP, vide public notice dated February 08, 2013, has decided to compensate inland freight cost to exporters of 0.895 million metric tones of sugar at the rate of Rs.1.75 per kg.

16.2 These represent export refinance charges deducted by a commercial bank due to non-shipment; State Bank of Pakistan has refunded-back these charges during October, 2013.

17. SHORT TERM INVESTMENTS

- At fair value through profit or loss

	2013	2012
MCB Cash Management Optimizer 310,018 Units (2012: 447,106 Units)	**28,665**	40,389
Askari Sovereign Cash Fund Nil Units (2012: 1,448,767 Units)	**0**	133,117
Pakistan Cash Management Fund Nil Units (2012: 2,353,449 Units)	**0**	112,711
	28,665	286,217
Add: adjustment on re-measurement to fair value	**2,360**	22,081
	31,025	308,298

18. BANK BALANCES

	Note	2013	2012
		Rupees in thousand	
Cash at banks on:			
- PLS accounts	31.1 & 31.2	**22,179**	29,749
- saving accounts	18.2	**925**	1,401
- deposit accounts	18.2	**7,741**	36,897
- current accounts		**55,458**	49,113
- deposits with a non-bank finance company - unsecured	18.3	**78,000**	78,000
- dividend accounts		**245**	1,968
		164,548	197,128
Less: provision for doubtful bank balance	18.4	**5,000**	5,000
		159,548	192,128

18.1 These include Rs.381 thousand (2012: Rs.335 thousand) in security deposit account.

18.2 PLS, saving and deposit accounts during the year carried profit / mark-up at the rates ranging from 5.00% to 11% (2012: 5.00% to 12.85%) per annum.

18.3 **(a)** 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 were as follows:

Date of maturity	Amount of deposit
	Rs. in '000'
July 29, 2009	**15,600**
July 29, 2010	**15,600**
July 29, 2011	**15,600**
July 29, 2012	**31,200**
	78,000

(b) The realisibility of these deposits is doubtful of recovery as these could not be encashed on their respective maturity dates; further, year-end balance confirmation certificates from IIBL were also not received. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from January 28, 2010. SECP had also instituted winding-up proceedings against IIBL in the Lahore High Court, Lahore (LHC). SECP had 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 investment 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.

(c) The Group has not accrued profit on these deposits during the current and preceding financial years.

18.4 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 September 25, 1993 vide TDR No.007902, which was to mature on March 25, 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 November 05, 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 September 25, 1993 till the date of payment. The Civil Judge, Peshawar, vide his judgment dated May 13, 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.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		**2013**	2012
(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

19.1 Ordinary shares held by the Associated Companies at the year-end are as follows:

	2013	2012
	Number of shares	
- Arpak International Investments Ltd.	**400,000**	400,000
- Azlak Enterprises (Pvt.) Ltd.	**0**	13,451
	400,000	413,451

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

20.1 The Parent Company and FSM, during the financial years ended September 30, 2000 and September 30, 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.

20.2 The Parent Company, as at September 30, 2011, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [Hamid Mukhtar & Co. (Pvt.) Ltd., Consulting Engineers, Surveyors & Loss Adjusters and Valuation Consultants] 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 Ordinance).

20.3 CSM had revalued its freehold land, building & roads and plant & machinery of its Unit - I on March 31, 2008, which resulted in revaluation surplus aggregating Rs.957.702 million. CSM as at September 30, 2011 had also revalued the aforementioned fixed assets of its both Units, which resulted in revaluation surplus aggregating Rs.880.755 million. These fixed assets were revalued by independent Valuers on the basis of replacement value / depreciated market values.

20.4 CSM as at September 30, 2013, has again revalued the aforementioned fixed assets of its both Units. The revaluation exercise has been carried-out by Independent Valuers - K.G. Traders (Pvt.) Ltd., Clifton Centre, Khayaban-e-Roomi, Clifton, Karachi. 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. 1.594 billion has been credited to this account to comply with the requirements of section 235 of the Ordinance. The year-end balance has been arrived at as follows:

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

	Note	2013	2012
		Rupees in thousand	
Opening balance		**2,075,647**	2,270,906
Add: surplus arisen on revaluation carried-out during the year	**8.2**	**1,594,131**	0
Less: transferred to unappropriated profit / accumulated loss on account of incremental depreciation for the year		**(175,938)**	(195,259)
		3,493,840	2,075,647
Less: deferred tax on:			
- opening balance of surplus		**650,448**	718,224
- surplus on revaluation carried-out during the year		**512,752**	0
- incremental depreciation for the year		**(59,763)**	(67,776)
		1,103,437	650,448
		2,390,403	1,425,199
Resultant adjustment due to reduction in tax rate		**18,148**	0
Closing balance		**2,408,551**	1,425,199

21. LONG TERM FINANCES - Secured

From banking companies	Note	2013	2012
		Rupees in thousand	
Bank Alfalah Limited: (BAL)			
- Term finance - II	21.1	**40,000**	80,000
- Term finance - III	21.2	**250,000**	242,939
		290,000	322,939
Bank Al-Habib Limited: (BAH)			
- Term finance - I	21.3	**30,000**	120,000
- Term finance - II	21.4	**70,000**	140,000
- Fixed loan	21.5	**55,230**	0
- Long term finance [(LTFF) - SBP]	21.5	**172,713**	0
		327,943	260,000
Silkbank Limited:			
- Term finance	21.6	**0**	30,000
Soneri Bank Limited: (SBL)			
- Term finance	21.7	**2,292**	0
- LTFF (ERF)	21.7	**24,325**	0
		26,617	0
The Bank of Punjab: (BoP)			
- Demand finance	21.8	**92,472**	0
- LTFF	21.8	**215,800**	0
		308,272	0
The Bank of Khyber: (BoK)			
- Demand finance	21.9	**179,130**	208,514
		1,131,962	821,453
Less: current portion grouped under current liabilities (2012 balance included an overdue instalment of Rs.30 million, which was repaid on October 10, 2012)		**220,117**	276,875
		911,845	544,578

21.1 Term finance facilities utilised from BAL aggregated Rs.400 million. The outstanding balance of term finance-I was fully repaid during October, 2011. 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 11.06% to 14% (2012: 13.95% to 15.80%) per annum. Term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. Term finance-II and term finance-III are secured against first registered joint pari passu charge on present and future fixed assets of CSM for Rs.533.334 million.

21.2 These finances have been obtained against a term finance facility of Rs.250 million for purchase of plant & machinery and are repayable in 10 equal half-yearly instalments commencing September, 2014. These finances are secured against the securities as detailed in note 21.1 and carry mark-up at the rates detailed in note 21.1.

21.3 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 10.96% to 13.84% (2012: 13.81% to 15.59%) per annum and is repayable in 9 equal half-yearly instalments commenced from February, 2010.

21.4 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 21.3. This finance facility, during the year, has carried mark-up at the rates ranging from 11.16% to 14.04% (2012: 14.01% to 15.79%) per annum and is repayable in 9 equal half-yearly instalments commenced from May, 2010.

21.5 Fixed loan and LTFF (SBP) finance facilities available from BAH aggregate Rs.500 million and are being utilised for establishment of ethanol plant. The finance facilities tenor is seven years with two years grace period from the date of first disbursement and are secured against the securities as detailed in note 21.4. Fixed loan carries mark-up at the rate of 6-months average KIBOR; the effective mark-up rates during the year ranged from 10.52% to 11.12% per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% per annum.

21.6 Term finance facility utilised from Silkbank Ltd. aggregated Rs.150 million; the facility was obtained to finance the acquisition of plant and machinery for Unit-2 and was secured against joint pari passu charge over fixed assets of CSM for Rs.200 million. This finance facility carried mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 11.38% to 14.06% (2012: 14.02% to 15.78%) per annum. The outstanding balance of this finance facility was fully repaid during the year.

21.7 Term finance and LTFF (ERF) facilities available from SBL aggregate Rs.500 million and have been obtained to finance plant and machinery. The finance facilities tenor is 7 years with two years grace period and are secured against joint pari passu charge of Rs.666.667 million over present and future fixed assets of CSM. Term finance carries mark-up at the rate of 6-months KIBOR + 1.75%; the effective mark-up rate during the year was 10.92% per annum. LTFF (ERF) carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% per annum.

21.8 Demand finance and LTFF finance facilities available from BoP aggregate Rs.500 million and have been obtained to finance distillery / ethanol plant being established by CSM. The finance facilities tenor is 7 years with two years grace period and are secured against joint pari passu hypothecation charge over fixed assets of CSM for Rs.666.670 million. Demand finance carries mark-up at the rate of 6-months KIBOR + 1.3%; the effective mark-up rate during the year ranged from 10.16% to 10.89% per annum. LTFF carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% per annum.

21.9 Demand finance facility available from BoK for purchase of plant & machinery amounts to Rs.250 million and carries mark-up at the rate of 6-months KIBOR plus 200 bps with no floor and no cap; the effective mark-up rate during the year ranged from 11.06% to 14% (2012: 13.95% to 14.01%) per annum. The finance facility is repayable in 16 equal quarterly instalments commenced from January, 2013 and is secured against first registered pari passu charge for Rs.350 million over all present and future fixed assets of CSM.

22. LOANS FROM ASSOCIATED COMPANIES - Secured

	Note	**2013**	2012
		Rupees in thousand	
Premier Board Mills Ltd. **(PBM)**	**22.1**	**113,750**	130,000
Arpak International Investments Ltd. **(AIIL)**	**22.2**	**43,750**	50,000
		157,500	180,000
Less: current portion grouped under current liabilities		**0**	22,500
		157,500	157,500

22.1 CSM and PBM have entered into a loan agreement on May 20, 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 10.26% to 11.54% (2012: 11.72% to 14.69%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. CSM and PBM have entered into a revised agreement on September 30, 2013 whereby the balance of loan as at September 30, 2013 is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.268.031 million.

22.2 CSM and AIIL have entered into a loan agreement on May 20, 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 10.26% to 11.54% (2012: 11.72% to 14.69%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. CSM and AIIL have entered into a revised agreement on September 30, 2013 whereby the balance of loan as at September 30, 2013 is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.55.615 million.

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2013			2012		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	---------------------- Rupees in thousand ----------------------					
Minimum lease payments	**7,104**	**13,481**	**20,585**	5,291	12,752	18,043
Less: finance cost allocated to future periods	**1,446**	**1,314**	**2,760**	1,526	1,652	3,178
	5,658	**12,167**	**17,825**	3,765	11,100	14,865
Less: security deposits adjustable on expiry of lease terms	**0**	**2,500**	**2,500**	0	1,796	1,796
Present value of minimum lease payments	**5,658**	**9,667**	**15,325**	3,765	9,304	13,069

23.1 The Parent Company has entered into a lease agreement with Bank Al-Habib Ltd. for lease of a vehicle. The liabilities under the lease agreement are payable in monthly instalments by August, 2017 and are subject to finance cost at the rate of 9.16% per annum. The Parent Company intends to exercise its option to purchase the leased vehicle upon completion of the lease term. The lease finance facility is secured against title of the leased vehicle in the name of lessor.

23.2 CSM has entered into lease agreements with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by August, 2017 and are subject to finance cost at the rates ranging from 9.16% to 11.76% (2012: 11.43% to 11.76%) 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 notes.

24. DEFERRED TAXATION - Net

	2013	2012
	Rupees in thousand	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**243,077**	271,694
- surplus on revaluation of property, plant & equipment	**1,085,289**	650,448
- gain on re-measurement of investments to fair value	**0**	1,998
- lease finances	**251**	891
	1,328,617	925,031
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(3,300)**	(9,372)
- impairment loss against investments	**(109)**	(113)
- provision for doubtful bank balance	**(1,700)**	(1,750)
- provision for doubtful advances	**(829)**	(853)
- unused tax losses	**(176,695)**	(270,704)
- minimum tax recoverable against normal tax charge in future years	**(232,859)**	(179,727)
	(415,492)	(462,519)
	913,125	462,512

24.1 Deferred tax asset on unused tax losses amounting Rs.31.248 million (2012: Rs. nil) in case of the Parent Company and Rs.176.020 million (2012: Rs.137.605 million) in case of CSM has not been recognised in the consolidated financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2014.

25. 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:

	2013	2012
- discount rate - per annum	**11.50%**	11.50%
- expected rate of growth per annum in future salaries	**10.50%**	10.50%
- average expected remaining working life time of employees	**4 to 8 years**	4 to 7 years

The amount recognised in the consolidated balance sheet is as follows:	**2013**	2012
	Rupees in thousand	
Present value of defined benefit obligation	**14,396**	32,323
Unrecognised actuarial loss - net	**(1,416)**	(2,175)
Net liability at end of the year	**12,980**	30,148
Net liability at beginning of the year	**30,148**	26,700
Charge to profit and loss account	**4,760**	5,119
Payments made during the year to:		
- Resident Director	**(20,140)**	0
- Outgoing Members	**(1,015)**	(1,590)
Benefits payable to outgoing members - grouped under current liabilities	**(773)**	(81)
Net liability at end of the year	**12,980**	30,148
The movement in the present value of defined benefit obligations is as follows:		
Opening balance	**32,323**	30,735
Current service cost	**1,199**	1,080
Interest cost	**3,717**	3,841
Benefits payable to outgoing members - grouped under current liabilities	**(773)**	(81)
Benefits paid	**(21,155)**	(1,590)
Actuarial gain	**(915)**	(1,662)
Closing balance	**14,396**	32,323
Charge to profit and loss account		
Current service cost	**1,199**	1,080
Interest cost	**3,717**	3,841
Actuarial loss recognised - net	**(156)**	198
	4,760	5,119

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

	2013	2012	2011	2010	2009
	------------------ Rupees in thousand ------------------				
Present value of defined benefit obligations	**14,396**	32,323	30,735	28,502	24,879
Experience adjustment on obligations	**(915)**	(1,662)	0	(270)	0

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

26. TRADE AND OTHER PAYABLES

	Note	2013	2012
		Rupees in thousand	
Creditors		**158,807**	142,287
Due to Associated Companies	**26.1**	**0**	15,121
Accrued expenses		**58,547**	37,323
Retention money		**9,034**	4,948
Security deposits - interest free repayable on demand	**26.2**	**3,047**	2,477
Advances from customers		**177,363**	781,700
Income tax deducted at source		**1,544**	791
Gratuity payable to ex-employees		**2,075**	1,382
Workers' (profit) participation fund	**26.3**	**3,046**	2,026
Workers' welfare fund		**11,633**	10,475
Unclaimed dividends		**6,997**	7,011
Others		**2,517**	1,014
		434,610	1,006,555

26.1 2012 balance represented amounts due to:

	2013	2012
- Syntronics Ltd.	**0**	12,591
- Syntron Ltd.	**0**	2,530
	0	15,121

26.2

Security deposits include Rs.381 thousand (2012: Rs.335 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	2013	2012
		Rupees in thousand	
26.3 Workers' (profit) participation fund			
Opening balance		**2,026**	9,036
Add:			
- interest on funds utilised in the Group's business		**0**	752
- allocation for the year		**3,046**	0
		3,046	752
		5,072	9,788
Less: payments made during the year		**2,026**	7,762
Closing balance		**3,046**	2,026

27. ACCRUED MARK-UP

		2013	2012
Mark-up accrued on:			
- long term finances		**28,473**	27,503
- loans from Associated Companies		**11,714**	12,272
- lease finances		**48**	0
- short term borrowings		**93,799**	86,038
		134,034	125,813

28. SHORT TERM BORROWINGS

	Note	2013	2012
Secured	**28.1 & 28.2**	**2,465,254**	2,522,282
Un-secured	**28.3**	**57,703**	3,477
		2,522,957	2,525,759

28.1 Short term finance facilities available to the parent Company from various commercial banks under mark-up arrangements aggregate Rs.1.150 billion (2012: Rs.1.000 billion). These facilities are secured against pledge of stock of refined sugar and charge over present and future current assets of the Parent Company. These facilities, during the year, carried mark-up at the rates ranging from 9.20% to 14.18% (2012: 11.00% to 15.96%) per annum and are expiring on various dates by March 31, 2014.

Facilities available to the Parent Company for opening letters of guarantee and credit from commercial banks aggregate Rs.75 million (2012: Rs.154.300 million). Out of the available facilities, facilities aggregating Rs.60.371 million (2012: Rs.115.003 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts and shipping documents.

28.2 Short term finance facilities available to CSM from various commercial banks under mark-up arrangements aggregate Rs.4.150 billion (2012: Rs.3.850 billion) and, during the year, carried mark-up at the rates ranging from 10.22% to 12.95% (2012: 11.39% to 15.17%) per annum. Facilities available for opening letters of credit to CSM aggregate Rs.625 million (2012: Rs.25 million). These facilities are secured against hypothecation charge over CSM's fixed and current assets, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by September 30, 2014.

28.3 These temporary bank overdrafts have arisen due to issuance of cheques for amounts in excess of balances in the bank accounts.

29. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2013	2012
		Rupees in thousand	
Long term finances	**21**	**220,117**	276,875
Loans from Associated Companies	**22**	**0**	22,500
Liabilities against assets subject to finance lease	**23**	**5,658**	3,765
		225,775	303,140

30. TAXATION - Net

	2013	2012
Opening balance	**32,800**	79,932
Add: provision / (reversal) made during the year:		
- current	**88,226**	34,170
- prior years' - net	**(902)**	(1,451)
	87,324	32,719
Less: adjustments made during the year against completed assessments	**33,453**	79,851
Closing balance	**86,671**	32,800

Group

30.1 Returns of the Group for Tax Years 2009 to 2013, except for the returns of CSM for the Tax Years 2009, 2011 and 2012, 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.

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

CSM

30.3 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.

30.4 A tax reference for the Assessment Year 2002-03, filed by the Department, is pending before the PHC. The amount of revenue involved in the tax reference is Rs.2.993 million, which was initially assessed by the Assessing Officer and later-on annulled by the Commissioner Inland Revenue - Appeals [CIR(A)].

30.5 A reference for the Tax Year 2006, filed by the Department, is pending before the 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 Inland Revenue (ATIR).

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

30.7 CSM's writ petition filed before the PHC against its selection for the tax audit of the Tax Year 2009 is pending adjudication.

30.8 The Department has selected the CSM's case for the Tax Year 2011 for audit under section 214C of the Ordinance.

30.9 CSM's appeal for the Tax Year 2012, whereby workers' welfare fund of Rs.3.310 million has been assessed, is pending before the CIR(A).

30.10 The Department has issued a show cause notice under sections 161/205 of the Ordinance for the Tax Year 2012. CSM has challenged the said show cause notice before the Federal Tax Ombudsman, who, after hearing the complaint, treated the impugned show cause notice as unlawful proceedings and recommended dropping it. The Department has challenged these findings before the President of Pakistan, who has accepted the representation vide order dated December 06, 2013. The Department has created no demand as it was only a show cause notice. CSM, against the Presidential order, is contemplating to file a writ petition.

FSM

30.11 The Department against the judgment of the PHC dated October 22, 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 April 28, 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.

31. CONTINGENCIES AND COMMITMENTS

31.1 Commitments for irrevocable letters of credit outstanding at the year-end aggregated Rs.543.482 million (2012: Rs.10.420).

31.2 In case of the Parent Company, the Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Peshawar, during the financial year ended September 30, 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 August 22, 1996. Further, the Parent Company had 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 August 12, 2003 had partially allowed the appeal.

The Parent Company, during the financial year ended September 30, 2005, had filed an appeal before the Peshawar High Court against the order of the Tribunal, which is pending adjudication. The Parent Company, however during the financial year ended September 30, 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 May 05, 2004.

31.3 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.

31.4 Various ex-employees of FSM, retrenched on June 30, 2008 due to non-availability of raw materials to FSM, had filed a petition in the Court of Payment and Wage Commissioner, Mardan despite the fact that FSM had paid all their terminal dues as per its rules and according to the entitlement of each ex-employee. The ex-employees, in their petition, had 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, which during the current year has decided all the issues in favour of FSM and held that petitioners were not entitled to statutory gratuity in presence of contributory provident fund in FSM. After dismissal of their appeal, the ex-employees have again filed an appeal before the Session Judge, Labour Court, Mardan. The Parties, during July 2013, have amicably patched-up the matter out of the Court and the appellants have requested withdrawal of their appeal. The Presiding Officer, Labour Court, Mardan on July 22, 2013 has accepted the application furnished by the appellants and dismissed the appeal as withdrawn.

31.5 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Parent Company outstanding as at September 30, 2013 was for Rs.10 million (2012: Rs.10 million). The guarantee is valid upto May 26, 2014.

31.6 The Bank of Khyber (BoK), on behalf of the Parent Company, had issued guarantees aggregating Rs.29.297 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. (TCP) to ensure due performance of the contracts for supply of 12,700 metric tons of sugar. These guarantees had expired on various dates by February 13, 2013 and were secured against BoK's lien over deposit accounts aggregating Rs. 29.297 million.

31.7 Bank Al-Habib Ltd., on behalf of the Parent Company, has issued two guarantees aggregating Rs.4.629 million in favour of TCP to ensure due performance of the contracts for supply of 1,934 metric tons of sugar. These guarantees will expire on July 29, 2014 and August 14, 2014.

31.8 Two commercial banks, on behalf of CSM, have issued guarantees aggregating Rs.40.904 million in favour of TCP to ensure due performance of the contracts for supply of 15,750 metric tons of sugar. These guarantees will expire on various dates by June 19, 2014.

31.9 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 vide SRO. No. 564(I)/2006 dated June 05, 2006. This resulted in excess payment of duty amounting Rs.35.825 million. The refund application was submitted to the Deputy Commissioner (DC), who had rejected the application. CSM had filed an appeal before the Commissioner Inland Revenue - Appeals [CIR(A)] against the impugned order. The CIR(A), during the year, has upheld the order of DC. CSM, thereafter, has filed an appeal before the Appellate Tribunal Inland Revenue, Peshawar Bench, which has heard and reserved the judgment on June 19, 2013. CSM's legal Advisors are of the opinion that in view of highly meritorious arguments placed before the Tribunal, CSM's refund claim shall be sanctioned.

31.10 Also refer contents of taxation notes and note 8.4.

32. SALES - Net

	2013	2012
	Rupees in thousand	
Turnover - Local	**6,553,653**	7,637,950
- Export	**2,432,138**	248,791
	8,985,791	7,886,741
Less: Sales tax	**422,513**	552,182
	8,563,278	7,334,559

33. COST OF SALES	Note	2013	2012
		Rupees in thousand	
Raw materials consumed		**6,581,442**	5,602,117
Chemicals and stores consumed		**155,917**	118,102
Salaries, wages and benefits	**33.1**	**397,504**	288,463
Power and fuel		**218,078**	218,821
Insurance		**10,291**	8,356
Repair and maintenance		**112,691**	100,705
Machinery lease rentals		**2,203**	714
Depreciation		**308,420**	342,118
		7,786,546	6,679,396
Adjustment of sugar-in-process:			
Opening		**18,706**	19,479
Closing		**(9,091)**	(18,706)
		9,615	773
Cost of goods manufactured		**7,796,161**	6,680,169
Adjustment of finished goods:			
Opening stock		**1,943,250**	2,618,410
Closing stock		**(1,669,154)**	(1,943,250)
		274,096	675,160
		8,070,257	7,355,329

33.1 These include Rs.4.750 million (2012: Rs.3.708 million) and Rs. 3.694 million (2012: Rs.4.014 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

34. DISTRIBUTION COST	Note	2013	2012
Commission		**5,388**	7,998
Salaries, wages and amenities	**34.1**	**6,130**	3,190
Stacking and loading		**21,132**	7,309
Spirit export expenses		**3,867**	14,912
Export development surcharge		**6,290**	128
Freight expenses on export of sugar		**29,266**	0
Other expenses on export of sugar		**25,299**	0
Others		**763**	1,181
		98,135	34,718

34.1 These include Rs. 50 thousand (2012: Rs.46 thousand) in respect of provident fund contributions.

	Note	2013	2012
		Rupees in thousand	
35. ADMINISTRATIVE EXPENSES			
Salaries and benefits	**35.1**	**141,944**	119,715
Travelling and vehicles' running:			
- directors		**10,868**	6,744
- others		**13,986**	17,076
Utilities		**1,261**	1,606
Rent, rates and taxes		**3,824**	3,243
Insurance		**1,877**	2,086
Repair and maintenance		**14,350**	13,228
Printing and stationery		**6,131**	4,370
Communication		**5,593**	4,468
Fees and subscription		**2,541**	1,884
Auditors' remuneration	**35.2**	**2,654**	2,657
Legal and professional charges (other than Auditors)		**5,434**	7,187
Depreciation on:			
- operating fixed assets		**13,996**	11,124
- investment property		**1,624**	1,768
Amortisation of intangible assets		**100**	100
General		**3,208**	2,459
		229,391	199,715

35.1 These include Rs. 1.803 million (2012: Rs.1.673 million) and Rs. 1.066 million (2012: Rs.1.105 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

35.2 Auditors' remuneration

	2013	2012
Hameed Chaudhri & Co.		
- statutory audit	**1,625**	1,625
- half-yearly review	**243**	285
- consultancy, tax services and certification charges	**453**	487
- out-of-pocket expenses	**201**	110
	2,522	2,507
Munawar Associates		
- cost audit fee	**100**	100
- employees' provident fund's audit fee	**0**	5
- workers' (profit) participation fund's audit fee	**10**	22
- out-of-pocket expenses	**22**	23
	132	150
	2,654	2,657

		Note	2013	2012
			Rupees in thousand	
36.	**OTHER EXPENSES**			
	Donations (without directors' interest)		**93**	275
	Uncollectible receivable balances written-off		**105**	738
	Workers' welfare fund		**1,158**	0
	Workers' (profit) participation fund		**3,046**	0
			4,402	1,013
37.	**OTHER INCOME**			
	Income from financial assets:			
	Interest / profit on bank deposits and saving accounts		**9,784**	5,724
	Gain on redemption of short term investments		**17,931**	34,907
	Gain on sale of investment in shares		**0**	1,364
	Fair value gain on re-measurement of short term investments		**2,360**	22,081
	Exchange fluctuation gain		**2,884**	0
	Dividend		**1,826**	1,315
	Income from other than financial assets:			
	Rent		**8**	7
	Sale of scrap (net of sales tax amounting Rs.370 thousand)		**2,309**	2
	Sale of press mud - net of sales tax amounting Rs.275 thousand (2012: Rs.247 thousand)		**1,716**	1,547
	Unclaimed payable balances written-back		**198**	539
	Gain on sale of operating fixed assets - net	**8.6**	**31,343**	428
	Sugar export subsidy	**16.1**	**87,824**	0
	Profit from fertilizer sales	**37.1**	**6,500**	5,384
	Sale of agricultural produce		**25,634**	17,772
	Seed sales net of expenses		**123,484**	35,041
	Sale of beet pulp		**15,000**	5,000
	Workers' welfare fund - written back		**0**	581
	Miscellaneous - net of sales tax amounting Rs.667 thousand (2012: Rs.321 thousand)		**2,037**	2,016
			330,838	133,708

37.1 Profit from fertilizer sales

	2013	2012
	Rupees in thousand	
Sales	**35,499**	25,593
Less: cost of sales		
opening stock	**2,635**	10,194
purchases	**38,518**	12,650
closing stock	**(12,154)**	(2,635)
	28,999	20,209
	6,500	5,384

38. FINANCE COST

	2013	2012
Mark-up on:		
- long term finances	**84,887**	96,387
- loans from Associated Companies	**18,323**	23,933
- short term borrowings	**352,522**	254,200
Interest on workers' (profit) participation fund	**0**	752
Lease finance charges	**1,599**	1,696
Bank charges	**9,834**	4,942
	467,165	381,910

39. COMBINED LOSS PER SHARE

	2013	2012
Loss attributable to equity holders of the Parent	**(30,502)**	(285,775)
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	R u p e e s	
Combined loss per share	**(8.13)**	(76.21)

39.1 Diluted loss per share has not been presented as there are no convertible instruments in issue as at September 30, 2013 and September 30, 2012, which would have any effect on the combined loss per share if the option to convert is exercised.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried-out by the Group's finance departments under policies approved by the board of directors. The Group's finance departments evaluate financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

40.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Group is exposed to currency risk on import of plant & machinery and stores & spares mainly denominated in U.S.$, Euro and Japanese Yen. The Group's unfunded exposure to foreign currency risk at the year-end is as follows:

	2013	2012
	Rupees in thousand	
Trade debts (gross balance sheet exposure)	**0**	107,000
Outstanding letters of credit	**194,177**	10,420
Net exposure	**(194,177)**	96,580

The Group is not exposed to currency risk at the year-end as it has no funded foreign currency liabilities as at September 30, 2013 and September 30, 2012.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Group's interest bearing financial instruments is as follows:

	2013	2012	**2013**	2012
	Effective rate		**Carrying amount**	
	%	**%**	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Deposit with a non-bank finance Company	**5**	5	**78,000**	78,000
Bank balances	**5.00 to 11**	5.00 to 12.85	**30,845**	68,047
Variable rate instruments				
Financial liabilities				
Long term financing	**10.16 to 14.06**	13.81 to 15.80	**1,131,962**	821,453
Loans from Associated Companies	**10.26 to 11.54**	11.72 to 14.69	**157,500**	180,000
Liabilities against assets subject to finance lease	**9.16 to 11.76**	11.43 to 11.76	**15,325**	13,069
Short term borrowings	**9.20 to 14.18**	11.00 to 15.96	**2,465,254**	2,522,282

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

At September 30, 2013, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.37,700 thousand (2012: Rs.35,368 thousand) higher / lower, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. Price risk arises from the Group's investments in Units of a Mutual Fund classified as short term investments at fair value through profit or loss. To manage the price risk, the Group diversifies its portfolio and continuously monitors developments in the market. In addition, the management actively monitors the key factors that affect price movement.

A 10% increase / decrease in redemption value of Units of the Mutual Fund would decrease / increase loss before taxation for the year by Rs.3,103 thousand (2012:Rs.30,830 thousand).

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

40.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts, loans & advances, short term investments, other receivables, deposits with a non-bank finance company and balances with banks. 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. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

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.

Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2013 along with comparative is tabulated below:

	2013	2012
	Rupees in thousand	
Long term investments	**18,893**	19,927
Security deposits	**4,666**	4,594
Trade debts	**323,360**	790,611
Loans and advances	**141,897**	133,120
Trade deposits and other receivables	**96,974**	12,691
Accrued profit / mark-up on bank deposits	**1,021**	1,043
Short term investments	**31,025**	308,298
Deposits with a non-bank finance company	**78,000**	78,000
Bank balances	**81,548**	114,128
	777,384	1,462,412

The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-bank finance company as detailed in note 18.3.

Trade debts exposure by geographic region is as follows:

Domestic	**323,360**	683,611
Export	**0**	107,000
	323,360	790,611

The ageing of trade debts, all of which are domestic parties as at September 30, 2013, is as follows:

Not past due	**287,824**	753,866
Past due 61 - 90 days	**525**	0
Past due 91 - 120 days	**1,065**	0
Past due 121 - 365 days	**33,946**	36,745
	323,360	790,611

Based on past experience, the Group's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.268.851 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

Credit quality of the Group's investments:

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

40.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Group's treasury departments aim at maintaining flexibility in funding by keeping committed credit lines available.

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

	2013				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	---------------- Rupees in thousand ----------------				
Long term financing	**1,131,962**	**4,400,390**	**270,057**	**3,855,805**	**274,528**
Loans from Associated Companies	**157,500**	**238,439**	**16,160**	**150,289**	**71,990**
Liabilities against assets subject to finance lease	**15,325**	**15,325**	**5,658**	**9,667**	**0**
Trade and other payables	**241,024**	**241,024**	**241,024**	**0**	**0**
Accrued mark-up	**134,034**	**134,034**	**134,034**	**0**	**0**
Short term borrowings	**2,522,957**	**2,601,320**	**2,601,320**	**0**	**0**
	4,202,802	**7,630,532**	**3,268,253**	**4,015,761**	**346,518**

	2012				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----------------- Rupees in thousand -----------------				
Long term financing	821,453	1,042,016	364,723	677,293	0
Loans from Associated Companies	180,000	225,793	42,661	183,132	0
Liabilities against assets subject to finance lease	13,069	13,069	3,765	9,304	0
Trade and other payables	211,563	211,563	211,563	0	0
Accrued mark-up	125,813	125,813	125,813	0	0
Short term borrowings	2,525,759	2,640,510	2,640,510	0	0
	3,877,657	4,258,764	3,389,035	869,729	0

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

40.5 Fair values 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.

At September 30, 2013, the carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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 Group'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 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.

41. 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 structures of the Parent and Subsidiary Companies 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 structures, 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.2.549 million (2012: no amount was due from Associated Companies at any month-end during the year).

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:

	2013	2012
	Rupees in thousand	
- purchase of goods and services	**52,676**	73,606
- purchase of vehicle	**150**	0
- dividend paid	**0**	5,361
- mark-up accrued on long term loans	**18,323**	23,933

43. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	Chief Executive		Directors		Executives	
	2013	2012	**2013**	2012	**2013**	2012
	------------------- Rupees in thousand-------------------					
Managerial remuneration including bonus	**1,500**	1,200	**22,936**	8,760	**34,248**	16,879
Allowances and utilities	**0**	0	**0**	0	**10,926**	12,651
Retirement benefits	**0**	0	**0**	0	**840**	707
Medical expenses reimbursed	**0**	0	**501**	206	**0**	0
	1,500	1,200	**23,437**	8,966	**46,014**	30,237
Number of persons	**1**	1	**4**	4	**20**	18

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 executives are also provided with the Parent Company's maintained cars.

43.2 The chief executive and all the executives of CSM have been provided with free use of the CSM's maintained cars. Eighteen (2012: thirteen) of the CSM's executives have also been provided with free housing (with the 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 the 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

		2013	2012
SUGAR CANE PLANTS			
Rated crushing capacity per day	**M.Tonnes**	**22,690**	22,690
Cane crushed	**M.Tonnes**	**1,549,026**	1,445,264
Sugar produced	**M.Tonnes**	**142,278**	127,768
SUGAR BEET PLANTS			
Rated slicing capacity per day	**M.Tonnes**	**3,500**	3,500
Beet sliced	**M.Tonnes**	**47,379**	43,125
Sugar produced	**M.Tonnes**	**4,567**	4,539
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**402,790**	660,010

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 Companies.

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 91.93% (2012: 93.09%) of the total sales of the Group.

45.2 Except for export sales aggregating Rs.2.432 billion, all of the Group's sales relate to customers in Pakistan.

45.3 All non-current assets of the Group as at September 30, 2013 are located in Pakistan.

45.4 The Group sells sugar to commission agents. Sugar sales to five (2012: five) of the Group's customers during the year aggregated Rs. 3.081 billion (2012: Rs. 5.303 billion), which represent 39% (2012: 78%) of entire sugar sales. Two (2012: three) of the Group's customers individually exceeded 10% of the sugar sales.

46. NUMBER OF EMPLOYEES

	2013	2012
	------ Number ------	
Number of persons employed as at September 30,		
- permanent	**1,012**	919
- contractual	**375**	360
Average number of employees during the year		
- permanent	**788**	725
- contractual	**216**	213

47. PROVIDENT FUND RELATING DISCLOSURES

The Group operates funded contributory provident fund schemes for all its permanent and eligible employees. The following information is based on the un-audited financial statements of the provident funds for the year ended September 30, 2013 and audited financial statements of the provident funds for the year ended September 30, 2012:

	2013	2012
	(Rupees in thousand)	
Size of the funds - total assets	**118,497**	112,951
Cost of investments made	**99,657**	95,951
Percentage of investments made	**84.10%**	84.95%
Fair value of investments made	**113,531**	107,762

47.1 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	----- % -----			
Term deposit receipts	**50.21**	52.90	**57,010**	57,010
Saving accounts in scheduled banks	**12.73**	5.33	**14,447**	5,741
Deposit certificates	**24.84**	30.81	**28,200**	33,200
Accrued profit	**12.22**	10.96	**13,874**	11,811
	100.00	100.00	**113,531**	107,762

48. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on January 03, 2014 by the board of directors of the Parent Company.

49. FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, no material re-arrangements and re-classifications have been made in these consolidated financial statements.

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
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, 2014 and at any adjournment thereof.

As witness my/our hand this ....day of 2014

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.