annual report 2014

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Page **CONTENTS**

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
Mr. Isaac Ali Qazi
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
Faysal Bank Limited
Habib Bank Limited
National Bank of Pakistan

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. Baber Ali Khan (Non-Executive Director)	Chairman
Ms. Najda Sarfaraz (Non-Executive Director)	Member
Mr. Aziz Sarfaraz 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. 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
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
2014	117,589.000	8.90	10,402.00	NOT OPERATED		

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY GLNS PER MND	PRODUCTION IN GALLONS
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
2014	6,477.00	2.104	340,694.00

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
SIX YEARS' PERFORMANCE AT A GLANCE

PARTICULARS	2014	2013	2012	2011	2010	2009
	(R U P E E S		I N	T H O U S A N D)		
Turnover	781,125	1,889,547	1,490,368	395,059	297,209	531,398
Operating Profit/(Loss)	(200,516)	(81,882)	(253,031)	(395,554)	(153,703)	1,389
Profit/(Loss) before tax	(140,924)	(20,916)	(244,535)	(327,986)	20,424	46,716
Profit/(Loss) After tax	(78,509)	(41,148)	(159,546)	(192,566)	38,527	55,205
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,327,479	1,106,719	1,144,337	1,303,833	1,428,054	1,389,527
Non-current assets	1,601,222	1,175,597	1,148,938	1,203,934	1,158,556	1,143,636
Total assets	2,105,089	1,836,901	2,210,022	2,277,333	1,670,583	1,670,931
Non current liabilities	290,161	12,757	31,345	114,601	207,256	223,597
Current assets	503,867	661,304	1,061,084	1,073,399	512,027	527,295
Current liabilities	487,449	717,425	1,034,340	858,849	35,273	57,807
Dividend						
Cash dividend	0	0	0	0	10%	30%
Ratios:						
Profitability (%)						
Operating profit / (loss)	(25.67)	(4.33)	(16.98)	(100.13)	(51.72)	0.26
Profit/ (Loss) before tax	(18.04)	(1.11)	(16.41)	(83.02)	6.87	8.79
Profit/(Loss) after tax	(10.05)	(2.18)	(10.71)	(48.74)	12.96	10.39
Return to Shareholders						
ROE - Before tax	(10.62)	(1.89)	(21.37)	(25.16)	1.43	3.36
ROE - After tax	(5.91)	(3.72)	(13.94)	(14.77)	2.70	3.97
Return on Capital Employed	(4.85)	(3.68)	(13.57)	(13.58)	2.36	3.42
E. P. S. - After tax	(20.94)	(10.97)	(42.55)	(51.35)	1.03	1.47
Activity						
Total assets turnover	0.40	0.93	0.66	0.20	0.18	#REF!
Non-current assets turnover	0.56	1.63	1.27	0.33	0.26	#REF!
Liquidity/Leverage						
Current ratio	1.03	0.92	1.03	1.25	14.52	9.12
Break up value per share	35.40	29.51	30.52	34.77	38.08	37.05
Total Liabilities to equity (Times)	(0.59)	(0.49)	(0.93)	(0.75)	(0.17)	(0.20)

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 69th Annual General Meeting of the shareholders of **The Premier Sugar Mills & Distillery Company Limited** will be held on 31 January, 2015 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 Extra Ordinary General Meeting held on 31 March, 2014.

(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, 2014.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2015. 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, 2015 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
02 January, 2015

(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.

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, 2014.

1. SUMMARISED FINANCIAL RESULTS

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

	2014	2013
	Rupees in thousand	
Loss before taxation	**(140,924)**	(20,916)
Taxation		
- Current	**0**	18,899
- Prior	**1,439**	0
- Deferred	**(63,854)**	1,333
	62,415	20,232
Loss after taxation	**(78,509)**	(41,148)
	---------- Rupees ----------	
Loss per share	**(20.94)**	(10.97)

2. REVIEW OF OPERATIONS

2.1 SUGARCANE SEASON 2013-2014

The sugarcane crushing season 2013-14, commenced on 01 November, 2013 and continued till 21 March, 2014. The Mills crushed 117,589 tons (2013: 222,121 tons) of sugarcane and produced 10,402 tons (2013: 20,507 tons) of sugar. The Company suffered losses due to the depressed prices of sugar throughout the year.

2.2 SUGAR BEET SEASON 2014

The management has decided to close down sugar beet operations as excessive production of sugar in the country, depressed selling prices and external fuel required for beet slicing has rendered operations uneconomical.

2.3 CURRENT SEASON 2014-2015

The sugarcane crushing season started on 12 November, 2014 and the Mills have crushed 107,794 tons of sugarcane, producing 10,850 tons of sugar up to 25 December, 2014.

3. **SUGAR PRICE**

Due to excessive sugar production in the country sugar prices have remained below the cost of production.

4. **DISTILLERY**

340,694 gallons of Industrial Alcohol (2013: 402,790 gallons) was produced during the year ended 30 September, 2014.

.

5. **ELECTION OF DIRECTORS**

The directors have retired in accordance with the provision of Section 178 of the Companies Ordinance, 1984 and fresh election was held in the Extra Ordinary General Meeting of 31 March, 2014. The Board has fixed the number of directors to be nine (9) including one independent director as required by the Code of Corporate Governance 2012.

6. **STAFF**

The Management and Labor relations remained cordial during the year. No bonus was paid during the year due to huge losses suffered by the Company .

7. **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 accounts 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, 2014, 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, 2013.

- 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	4
Ms. Zarmine Sarfaraz	4
Ms. Najda Sarfaraz	4
Ms. Mehnaz Saigol	1
Mr. Iskandar M. Khan	5
Mr. Baber Ali Khan	2
Mr. Abdul Qadar Khattak	4

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 losses suffered by the Company.

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 2014-15. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

11. REPLY TO AUDITORS' OBSERVATION

Note 16.4

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.

12. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Islamabad Stock Exchanges in their Listing Rules, relevant for the year ended 30 September, 2014 have been duly complied with. A statement to this effect is annexed with the report

13. PATTERN OF SHAREHOLDING

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

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:
02 January, 2015

(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 2014-15 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 21.01.2015 to 31.01.2015

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 SHAREHOLDING OF THE SHARES HELD BY THE SHARE HOLDERS AS ON 30 SEPTEMBER, 2014

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
499	1	100	**18,824**
430	101	500	104,930
170	501	1,000	124,464
203	1,001	5,000	422,935
33	5,001	10,000	236,984
10	10,001	20,000	133,893
5	20,001	50,000	118,831
3	50,001	150,000	217,558
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
1357			**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 Limited.		400,000		10.67
5.	**Public Sector Companies and Corporation**	**17**		**46,269**	
	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
	Al-Haqqani Securities & Investment Corporation (Pvt.) Limited		1		0.00
	Sherman Securities (Pvt.) Limited		10,000		0.27
6.	**Banks, Development Finance Institutions, Non Banking Financial Instituations, Insurance Companies, Modarabas and Mutual Funds**	**4**		**70,971**	
	National Bank of Pakistan		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	**1325**		**1,218,184**	32.48
		1357		**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 Chartered Accountants	Cost Auditors	Nil	Nil
11.	**Legal Advisor**			
	Mr. Isaac Ali Qazi Advocate	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	Ms. Mahnaz Saigol
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, 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. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly apprised with the amendments in the corporate and other laws if any. One Director has acquired certification under the “Code of Corporate Governance Leadership Skills” programme conducted by the “Institute of Chartered Accountants of Pakistan”.

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

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

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share-holding.

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

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

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

17. The Board 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.

18. 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.

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

20. 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.

21. 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.

22. 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).

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

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

For and on behalf of the Board

Islamabad
02 January, 2015

(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 enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED (the Company) for the year ended September 30, 2014 to comply with the requirements of Listing Regulation of the Karachi and Islamabad Stock Exchanges, where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended September 30, 2014.

Hameed Chaudhri & Co.

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

LAHORE;
03 January, 2015

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, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

- **(i)** the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in an accounting policy as stated in note 5 to the annexed financial statements with which we concur;
- **(ii)** the expenditure incurred during the year was for the purpose of the Company's business; and
- **(iii)** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, except for the fact that provision against deposits with a non-bank finance company has not been made in these financial statements as the matter is pending adjudication before the Court as fully detailed in note 16.4 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, 2014 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.

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

LAHORE;
03 January, 2015

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2014

	Note	2014	(Re-stated) 2013	(Re-stated) October 01, 2012
ASSETS	**Note**	-----------Rupees in thousand-----------		
Non-current Assets				
Property, plant and equipment	6	**1,118,284**	691,632	640,566
Investment property	7	**32,402**	33,889	35,298
Long term investments	8	**170,006**	170,006	170,006
Long term loan to Subsidiary Company	9	**279,500**	279,500	302,500
Security deposits		**1,030**	570	568
		1,601,222	1,175,597	1,148,938
Current Assets				
Stores and spares	10	**120,582**	132,195	117,978
Stock-in-trade	11	**176,694**	359,577	614,293
Trade debts		**33,846**	3,843	108,951
Advances	12	**36,758**	16,990	15,594
Trade deposits and short term prepayments	13	**911**	1,703	1,784
Accrued profit and mark-up	14	**16,447**	48	70
Other receivables	15	**14,989**	11,094	6,478
Sales tax refundable		**7,397**	0	8,594
Income tax refundable, advance tax and tax deducted at source		**38,526**	43,792	38,593
Short term investments		**0**	0	65,749
Bank balances	16	**57,717**	92,062	83,000
		503,867	661,304	1,061,084
TOTAL ASSETS		**2,105,089**	1,836,901	2,210,022
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Authorised capital 5,750,000 (2013: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500	57,500
Issued, subscribed and paid-up capital	17	**37,500**	37,500	37,500
Reserves		**900,001**	900,001	900,001
Accumulated loss		**(216,303)**	(164,983)	(152,695)
Shareholders' Equity		**721,198**	772,518	784,806
Surplus on Revaluation of Property, Plant and Equipment	18	**606,281**	334,201	357,508
Non-current Liabilities				
Long term finances	19	**200,000**	0	0
Liabilities against assets subject to finance lease	20	**4,405**	697	0
Deferred taxation	21	**76,581**	0	3,479
Staff retirement benefits - gratuity	22	**9,175**	12,060	29,889
		290,161	12,757	33,368
Current Liabilities				
Trade and other payables	23	**62,246**	162,411	189,630
Accrued mark-up	24	**17,380**	13,798	26,975
Short term borrowings	25	**405,971**	523,489	815,754
Current portion of liabilities against assets subject to finance lease	20	**1,852**	200	0
Taxation	26	**0**	17,527	1,981
		487,449	717,425	1,034,340
Total Liabilities		**777,610**	730,182	1,067,708
TOTAL EQUITY AND LIABILITIES		**2,105,089**	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, 2014

	Note	2014	(Re-stated) 2013
		Rupees in thousand	
Sales - Net	28	**781,125**	1,889,547
Cost of Sales	29	**924,231**	1,891,448
Gross Loss		**(143,106)**	(1,901)
Distribution Cost	30	**4,525**	8,305
Administrative Expenses	31	**47,179**	71,571
Other Expenses	32	**5,706**	105
		57,410	79,981
		(200,516)	(81,882)
Other Income	33	**134,451**	135,336
(Loss) / Profit from Operations		**(66,065)**	53,454
Finance Cost	34	**74,859**	74,370
Loss before Taxation		**(140,924)**	(20,916)
Taxation	35	**(62,415)**	20,232
Loss after Taxation		**(78,509)**	(41,148)
Other Comprehensive Income			
Item that will not be reclassified to profit or loss:			
- gain on remeasurement of staff retirement benefit obligation (net of deferred tax)		**1,097**	489
Total Comprehensive Loss		**(77,412)**	(40,659)
		--------- Rupees ---------	
Loss per Share	36	**(20.94)**	(10.97)

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2014

	2014	2013
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(140,924)**	(20,916)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**55,185**	58,220
Depreciation on investment property	**1,487**	1,624
Mark-up on loan to Subsidiary Company and profit on bank deposits	**(33,737)**	(36,878)
Staff retirement benefits-gratuity (net)	**(1,238)**	(16,395)
Unclaimed payable balances written-back	**(166)**	(198)
Gain on sale of operating fixed assets	**(14,514)**	(30,420)
Uncollectible receivable balances written-off	**570**	105
Finance cost	**72,461**	68,315
(Loss) / profit before working capital changes	**(60,876)**	23,457
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**11,613**	(14,217)
Stock-in-trade	**182,883**	254,716
Trade debts	**(30,003)**	105,108
Advances	**(20,338)**	(1,501)
Trade deposits and short term prepayments	**792**	81
Other receivables	**(3,895)**	(4,616)
Sales tax refundable	**(7,397)**	8,594
Decrease in trade and other payables	**(99,991)**	(27,700)
	33,664	320,465
Cash (used in) / generated from operations	**(27,212)**	343,922
Income tax paid	**(13,700)**	(8,552)
Security deposits	**(460)**	(2)
Net cash (used in) / generated from operating activities	**(41,372)**	335,368
Cash flow from investing activities		
Additions to property, plant and equipment	**(43,829)**	(109,316)
Addition to investment property	**0**	(215)
Sale proceeds of operating fixed assets	**14,572**	30,450
Balance of long term loan received-back from Subsidiary Company	**0**	23,000
Mark-up / profit received on loan to Subsidiary Company and bank deposits	**17,338**	36,900
Short term investments	**0**	65,749
Net cash (used in) / generated from investing activities	**(11,919)**	46,568
Cash flow from financing activities		
Long term finances	**200,000**	0
Short term borrowings - net	**(117,518)**	(292,265)
Finance cost paid	**(68,879)**	(81,492)
Lease finances - net	**5,360**	897
Dividend paid	**(17)**	(14)
Net cash generated from / (used in) financing activities	**18,946**	(372,874)
Net (decrease) / increase in cash and cash equivalents	**(34,345)**	9,062
Cash and cash equivalents - at beginning of the year	**92,062**	83,000
Cash and cash equivalents - at end of the year	**57,717**	92,062

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, 2014

	Share capital	Reserves			Accumulated loss	Total
		Capital	Revenue			
		Share redemption	General	Sub-total		
	--------------------- Rupees in thousand ---------------------					
Balance as at September 30, 2012 as previously reported	37,500	1	900,000	900,001	(150,672)	786,829
Effect of change in accounting policy with respect to accounting for recognition of actuarial loss on staff retirement benefits scheme - gratuity - note 5	0	0	0	0	(2,023)	(2,023)
Balance as at October 01, 2012 - as restated	37,500	1	900,000	900,001	(152,695)	784,806
Total comprehensive loss for the year ended September 30, 2013						
- loss for the year	0	0	0	0	(41,148)	(41,148)
- other comprehensive income	0	0	0	0	489	489
	0	0	0	0	(40,659)	(40,659)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	28,371	28,371
Balance as at September 30, 2013 - as restated	37,500	1	900,000	900,001	(164,983)	772,518
Total comprehensive loss for the year ended September 30, 2014						
- loss for the year	0	0	0	0	(78,509)	(78,509)
- other comprehensive income	0	0	0	0	1,097	1,097
	0	0	0	0	(77,412)	(77,412)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation)						
- on account of incremental depreciation for the year	0	0	0	0	26,056	26,056
- upon sale of revalued plant and machinery	0	0	0	0	36	36
Balance as at September 30, 2014	37,500	1	900,000	900,001	(216,303)	721,198

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, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

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. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 22.

e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

f) Contingencies

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

2.5 No critical judgment has been used in applying the accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to approved accounting standards that became effective during the year

The amendments to the following standard have been adopted by the Company for the first time for financial year beginning on October 01, 2013:

(a) IAS 19 (revised) has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefits - gratuity by adjusting the opening balance of accumulated loss and retirement benefits for the prior period presented. Latest actuarial assessment has been carried-out as at September 30, 2014. Effects of change in accounting policy have been disclosed in note 22.

(b) There are other amendments to the approved standards and new interpretations that are mandatory for accounting periods beginning on or after October 01, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

3.2 Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to published standards are effective for the Company's accounting periods beginning on or after October 01, 2014 (although available for early adoption) and have not been early adopted by the Company:

(a) IAS 27 (revised 2011) 'Separate Financial Statements' is effective from accounting periods beginning on or after January 01, 2015. IAS 27 (revised 2011) will concurrently apply with IFRS 10. The revised standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised standard are carried forward unchanged from the previous standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

(b) IAS 28 (revised 2011) 'Investments in Associates and Joint Ventures' is effective from accounting periods beginning on or after January 01, 2015. Similar to the previous standard, the new standard deals with how to apply the equity method of accounting. However, the scope of this revised standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

(c) IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable on accounting 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 date. The Company shall apply this amendment from October 01, 2014 and does not expect to have a material impact on its financial statements.

(d) IFRS 9 ‘Financial Instruments - Classification and Measurement' is applicable on accounting 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 Company does not expect to have a material impact on its financial statements due to application of this standard.

(e) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company shall apply this amendment from October 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

(f) IFRS 10 'Consolidated Financial Statements' is effective from accounting periods beginning on or after January 01, 2015 and replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determine which investee should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27, which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

(g) IFRIC 21 - Levies is effective from accounting periods beginning on or after January 01, 2014. IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The interpretations are not likely to have an impact on the Company's financial statements.

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

4. 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.

4.1 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 Values, 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 6.1. 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.

4.2 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 7. 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.

4.3 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 IFRS 10 'Consolidated 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 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.

4.4 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.

4.5 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.

4.6 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.

4.7 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 profit and loss account.

4.8 Cash and cash equivalents

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

4.9 Borrowings and borrowing costs

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.10 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, 2014 on the basis of the projected unit credit method by an independent Actuary.

4.11 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.

4.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current 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.

4.13 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.

4.14 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.

4.15 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.

4.16 Development expenditure

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

4.17 Provisions

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

4.18 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.

4.19 Financial instruments

Financial instruments include long term loan to a Subsidiary Company, security deposits, trade debts, trade deposits, accrued profit & mark-up, other receivables, bank balances, long term finances, lease finances, trade & other payables, accrued mark-up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.20 Offsetting

Monetary assets and liabilities are offset 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.

4.21 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company’s products, as required by the approved accounting standards, is presented in note 43 to these financial statements.

5. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for 'staff retirement benefits - gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' is recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	2013	October 01, 2012
	Rupees in thousand	
Impact on Balance Sheet		
Increase in staff retirement benefits- gratuity	2,354	3,113
Decrease in deferred taxation	(801)	(1,090)
Increase in accumulated loss	1,553	2,023
Impact on Statement of Changes in Equity		
Increase in accumulated loss		
- cumulative effect from prior years	0	2,023
- impact for the year ended	(470)	
Impact on Profit and Loss Account		
Decrease in:		
- cost of sales	14	
- administrative expenses	4	
Decrease in loss before taxation	18	
Impact on Other Comprehensive Income		
Item that will not be reclassified to profit or loss	489	

The effect of change in accounting policy, due to application of IAS 19 (revised), on loss per share for the year ended September 30, 2013 is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		Rupees in thousand	
Operating fixed assets	**6.1**	**1,118,284**	573,857
Capital work-in-progress			
- buildings on freehold land		**0**	1,393
- plant & machinery		**0**	105,407
- furniture, fittings and office equipment		**0**	10,975
		0	117,775
		1,118,284	691,632

6.1 Operating fixed assets - tangible

Particulars	Land - Leasehold	Land - Freehold	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	Leased - Vehicles	Leased - Generator	Total
	-------	-------	-------	-------	Rupees in thousand	-------	-------	-------	-------	-------
As at September 30, 2012										
Cost / revaluation	2,725	12,068	139,694	138,024	610,533	21,522	18,365	0	0	942,931
Accumulated depreciation	416	0	26,556	26,238	240,220	17,541	12,825	0	0	323,796
Book value	2,309	12,068	113,138	111,786	370,313	3,981	5,540	0	0	619,135
Year ended September 30, 2013:										
Additions	0	0	2,224	0	1,255	3,136	5,297	1,060	0	12,972
Disposals										
- cost	0	(3)	0	0	0	0	(674)	0	0	(677)
- depreciation	0	0	0	0	0	0	647	0	0	647
Depreciation charge for the year	28	0	9,149	9,040	37,079	725	2,164	35	0	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	0	573,857
Year ended September 30, 2014:										
Additions	0	0	8,393	0	113,489	32,071	107	1,841	5,700	161,601
Revaluation adjustments										
Cost / revaluation	0	0	37,721	37,271	0	0	0	0	0	74,992
Depreciation	0	0	39,439	38,969	284,666	0	0	0	0	363,074
Disposals:										
- cost	0	0	0	0	(1,000)	0	(67)	0	0	(1,067)
- depreciation	0	0	0	0	944	0	65	0	0	1,009
Depreciation charge for the year	28	0	8,404	8,304	34,515	1,264	1,731	512	427	55,185
Book value as at September 30, 2014	2,253	12,065	183,362	170,682	698,073	37,199	7,020	2,354	5,273	1,118,281
As at September 30, 2013										
Cost / revaluation	2,725	12,065	141,918	138,024	611,788	24,658	22,988	1,060	0	955,226
Accumulated depreciation	444	0	35,705	35,278	277,299	18,266	14,342	35	0	381,369
Book value	2,281	12,065	106,213	102,746	334,489	6,392	8,646	1,025	0	573,857
As at September 30, 2014										
Cost / revaluation	2,725	12,068	188,032	175,295	724,277	56,729	23,028	2,901	5,700	1,190,755
Accumulated depreciation	472	0	4,670	4,613	26,204	19,530	16,008	547	427	72,471
Book value	2,253	12,068	183,362	170,682	698,073	37,199	7,020	2,354	5,273	1,118,284
Depreciation rate (%)	1.01	0	5-10	5-10	10-12	10-15	10-20	10	10-12	

6.2 Revaluation surplus on each class of asset, excluding roads, farm building, guest house at Peshawar and plant & machinery having book value aggregating Rs.3.929 million and Rs.1.073 million respectively, as a result of latest revaluation as detailed in note 18.2 has been determined as follows:

Particulars	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Total
	------------------------ Rupees in thousand ------------------------			
Cost / revaluation as at September 30, 2014	138,386	136,735	722,791	997,912
Accumulated depreciation to September 30, 2014	39,438	38,968	310,457	388,863
Book value before revaluation adjustments as at September 30, 2014	98,948	97,767	412,334	609,049
Revalued amounts	176,108	174,007	697,000	1,047,115
Revaluation surplus	**77,160**	**76,240**	**284,666**	**438,066**

6.3 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
	----------------- Rupees in thousand -----------------					
Plant & machinery - boilers	1,000	944	56	14,561	14,505	Abdullah Traders, Faisalabad.
Motorcycle	67	65	2	11	9	Mr. Muhammad Kamran, Islamabad.
	1,067	**1,009**	**58**	**14,572**	**14,514**	
	677	647	30	30,450	30,420	

6.4 Depreciation for the year has been allocated as follows:

	2014	2013
	Rupees in thousand	
Cost of sales	**51,883**	55,193
Administrative expenses	**3,302**	3,027
	55,185	58,220

6.5 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	**16,606**	8,746
- buildings on leasehold land	**5,920**	6,447
- plant & machinery	**199,058**	96,254
	221,584	111,447

6.6 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, have been revalued during the financial years ended September 30, 2009, September 30, 2011 and September 30, 2014 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million and Rs. 76.240 million respectively has been 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.

7. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------- Rupees in thousand -------------		
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
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
Year ended September 30, 2014:			
Depreciation charge	0	1,487	1,487
Book value	**14,544**	**17,858**	**32,402**
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
As at September 30, 2014			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	45,850	45,850
Book value	**14,544**	**17,858**	**32,402**
Depreciation rate (%)	0	5-10	

7.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2014 was Rs.260 million (2013: Rs.260 million).

8. LONG TERM INVESTMENTS - in Related Parties

	2014	2013	2014	2013
SUBSIDIARY COMPANIES	**Share-holding %**		**Rupees in thousand**	
QUOTED:				
Chashma Sugar Mills Ltd.				
13,751,000 (2013: 13,751,000) ordinary shares of Rs.10 each (note 8.1)	**47.93**	47.93	**137,584**	137,584
- Market value Rs.367.564 million (2013: Rs.134.072 million)				
- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2014 Rs. 1,161.859 million (2013: Rs. 1,210.184 million)				
UN-QUOTED:				
The Frontier Sugar Mills & Distillery Ltd.				
1,113,637 (2013: 1,113,637) ordinary shares of Rs.10 each	**82.49**	82.49	**26,509**	26,509
42,984 (2013: 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, 2014 Rs.183.276 million (2013: Rs. 186.309 million)				
			27,106	27,106
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2013: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Market value Rs.2.540 million (2013: Rs.3.219 million)				
Balance c/f			**167,536**	167,536

	2014	2013	2014	2013
	Share-holding %		**Rupees in thousand**	
Balance b/f			**167,536**	167,536
UN-QUOTED:				
National Computers (Pvt.) Ltd.				
14,450 (2013: 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 (2013: 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, 2014 Rs.3.996 million (2013: Rs.3.929 million)				
Azlak Enterprises (Pvt.) Ltd.				
200,000 (2013: 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, 2014 Rs.39.013 million (2013: Rs.36.315 million)				
			170,006	170,006

8.1 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.

9. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured

	2014	2013
Opening balance	**279,500**	302,500
Less: amounts received during the year	**0**	23,000
Closing balance	**279,500**	279,500

9.1 The Company and Chashma Sugar Mills Ltd. (CSM) had entered into a loan agreement on May 20, 2008 whereby the Company advanced amounts aggregating Rs.322.500 million to CSM. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by the Company during the year ranged from 10.94% to 11.67% (2013: 10.53% to 11.68%) 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 equal half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.397.810 million.

10. STORES AND SPARES

	2014	2013
	Rupees in thousand	
Stores	**53,410**	68,849
Spares	**67,172**	63,346
	120,582	132,195

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

11. STOCK-IN-TRADE

Sugar-in-process	**3,779**	5,167
Finished goods:		
- sugar	**166,975**	354,387
- spirit	**5,940**	23
	172,915	354,410
	176,694	359,577

11.1 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 558.595 metric tonnes (2013: 16.526 metric tonnes) valued at Rs. Nil.

12. ADVANCES - Considered good

Suppliers and contractors	**35,007**	15,660
Employees	**1,751**	1,330
	36,758	16,990

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

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Excise duty deposit	**136**	136
Short term prepayments	**775**	1,567
	911	1,703

		Note	2014	2013
14.	**ACCRUED PROFIT AND MARK-UP**		**Rupees in thousand**	
	Profit accrued on bank deposits		**50**	48
	Mark-up accrued on loan to Subsidiary Company	**9.1**	**16,397**	0
			16,447	48
15.	**OTHER RECEIVABLES**			
	Sugar export subsidy		**2,991**	2,991
	Export refinance charges		**2,444**	7,465
	Advance made to Arbitrator		**6,000**	0
	Gas infrastructure development cess paid under protest - refundable	**27.3**	**3,018**	0
	Others		**536**	638
			14,989	11,094
16.	**BANK BALANCES**			
	Cash at banks on:			
	- PLS accounts	**16.1**	**3,991**	16,428
	- current accounts		**11,969**	33,877
	- deposit accounts	**16.3**	**7,512**	7,512
	- deposits with a non-bank finance company - unsecured	**16.4**	**39,000**	39,000
	- dividend accounts		**245**	245
			62,717	97,062
	Less: provision for doubtful bank balance	**16.5**	**5,000**	5,000
			57,717	92,062

16.1 These include Rs.383 thousand (2013: Rs.381 thousand) in security deposit account.

16.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 6% to 11.66% (2013: 6.20% to 11%) per annum.

16.3 These include deposit amounting Rs.2.500 million, which is under lien of a bank against guarantee issued by it in favour of Sui Northern Gas Pipelines Ltd. on behalf of the Company.

16.4 **(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.

16.5 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.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		Note	**2014**	2013
(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

17.1 Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2014 and September 30, 2013.

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

18.1 The Company, during the financial years ended September 30, 2000, September 30, 2009 and September 30, 2011 had revalued its buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.229.409 million, Rs.544.516 million and Rs.110.992 million respectively. These fixed assets were revalued by independent Valuers on the basis of depreciated market values.

18.2 The Company, as at September 30, 2014, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [K.G. Traders (Pvt.) Ltd., PBA Approved Assets Valuators, Gulberg Arcade, Main Market, Gulberg, Lahore] to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.438.066 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	2014	2013
Opening balance		**506,365**	550,013
Add: surplus arisen on revaluation carried-out during the year	**6.2**	**438,066**	0
Less: transferred to accumulated loss			
- on account of incremental depreciation for the year		**(39,479)**	(43,648)
- upon sale of revalued plant and machinery		**(55)**	0
		904,897	506,365
Less: deferred tax on:			
- opening balance of surplus		**172,164**	192,505
- surplus on revaluation carried out during the year		**148,943**	0
- incremental depreciation for the year		**(13,423)**	(15,277)
- sale of revalued plant and machinery		**(19)**	0
		307,665	177,228
- resultant adjustment due to reduction in tax rate		**(9,049)**	(5,064)
		298,616	172,164
Closing balance		**606,281**	334,201

19. LONG TERM FINANCES - Secured

Soneri Bank Limited (SBL), during September, 2014, against a term finance facility has disbursed Rs.200 million. The finance facility carries mark-up at the rate of 6 months KIBOR + 1 %; effective mark-up rate charged by SBL ranged from 11.18% to 11.20% per annum. The finance facility is secured against first pari passu charge of Rs.267 million over plant and machinery of the Company and is repayable in six equal half-yearly instalments of Rs.33.333 million commencing March, 2017.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	**2014**			2013		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	-------------------------Rupees in thousand-------------------------					
Minimum lease payments	**2,492**	**6,230**	**8,722**	283	925	1,208
Less: finance cost allocated to future periods	**640**	**651**	**1,291**	83	127	210
	1,852	**5,579**	**7,431**	200	798	998
Less: security deposits adjustable on expiry of lease terms	**0**	**1,174**	**1,174**	0	101	101
Present value of minimum lease payments	**1,852**	**4,405**	**6,257**	200	697	897

20.1 The Company has entered into lease agreements with Bank Al-Habib Ltd. and MCB Bank Ltd. for lease of vehicles and a diesel generator respectively. The liabilities under the lease agreements are payable in monthly instalments by December, 2017. The Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. These facilities are secured against title of the leased assets in the name of lessors and during the year carried finance cost at the rates ranging from 11.04% to 12.17% (2013: 9.16%) per annum.

21. DEFERRED TAXATION

	2014	2013
	Rupees in thousand	
This is comprised of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**25,174**	13,246
- surplus on revaluation of property, plant and equipment	**298,616**	172,164
- lease finances	**64**	43
	323,854	185,453
Deductible temporary differences arising in respect of:		
- available unused tax losses	**(216,829)**	(162,764)
- staff retirement benefits - gratuity	**(3,027)**	(3,300)
- impairment loss against investments	**0**	(109)
- provision for doubtful bank balance	**(1,650)**	(1,700)
- minimum tax recoverable against normal tax charge in future years	**(17,580)**	(17,580)
- tax credit for investment in plant and machinery	**(8,187)**	0
	(247,273)	(185,453)
	76,581	0

22. 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:

Significant actuarial assumptions	**2014**	2013
- 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**	08 years

Amount recognised in the balance sheet is the present value of defined benefit obligation at the reporting date:

The movement in the present value of defined benefit obligation is as follows:	**2014**	(Re-stated) 2013
	Rupees in thousand	
Opening balance	**12,060**	29,889
Current service cost	**542**	1,084
Interest cost	**1,214**	3,437
Benefits payable to outgoing Members - grouped under current liabilities	**(156)**	(773)
Benefits paid	**(2,847)**	(10,836)
Benefits transferred to Subsidiary Company	**0**	(10,000)
Remeasurements: experience adjustments	**(1,638)**	(741)
Closing balance	**9,175**	12,060

Expense recognised in profit and loss account	2014	(Re-stated) 2013
	Rupees in thousand	
Current service cost	**542**	1,084
Interest cost	**1,214**	3,437
Charge for the year	**1,756**	4,521
Remeasurement recognised in other comprehensive income		
Experience adjustments	**(1,638)**	(741)

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

	2014	2013	2012	2011	2010
	---- Rupees in thousand ----				
Present value of defined benefit obligation	**9,175**	12,060	29,889	27,141	24,480
Experience adjustment on obligation	**(1,638)**	(741)	589	0	(1,593)

Year-end Sensitivity Analysis:

	Change in assumption	Impact on defined benefit obligation Increase	Decrease
		--- Rupees in thousand ---	
Discount rate	**1%**	**875**	**964**
Salary growth rate	**1%**	**965**	**874**

22.1 The Group management, during the preceding year, had 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 had passed necessary resolutions in this regard. The balance of benefits transferred to CSM aggregating Rs.10 million were accounted for in the financial statements under the head of Other Income (note 33).

23. TRADE AND OTHER PAYABLES

	Note	2014	2013
		Rupees in thousand	
Creditors		**25,194**	21,633
Accrued expenses		**16,082**	19,741
Security deposits	**23.1**	**1,911**	2,294
Advance from customers		**9,517**	107,314
Income tax deducted at source		**209**	916
Sales tax payable		**143**	1,277
Gratuity payable to ex-employees		**2,084**	2,075
Unclaimed dividends		**6,980**	6,997
Others		**126**	164
		62,246	162,411

23.1 Security deposits include Rs.383 thousand (2013: Rs.381 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.

24. ACCRUED MARK-UP

Mark-up accrued on:			
- long term finances		**640**	0
- short term borrowings		**16,740**	13,798
		17,380	13,798

25. SHORT TERM BORROWINGS

Secured	**25.1**	**403,650**	522,150
Un-secured	**25.3**	**2,321**	1,339
		405,971	523,489

25.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.1,300 million (2013: Rs.1,150 million). These facilities are secured against pledge of stock of refined sugar, charge over present and future current assets of the Company and registered charge for Rs.200 million on all present and future fixed assets of the Company (excluding land and buildings). These facilities, during the year, carried mark-up at the rates ranging from 9.40% to 11.67% (2013: 9.20% to 14.18%) per annum and are expiring on various dates by June 30, 2015.

25.2 Facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2013: Rs.75 million). Out of the available facilities, facilities aggregating Rs.115 million (2013: Rs.60.371 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**	**2014**	2013
		Rupees in thousand	
Opening balance		**17,527**	1,981
Add: provision made during the year:			
- current	**26.2**	**0**	18,899
- prior years - net		**1,439**	0
		1,439	18,899
Less: adjustments made during the year against completed assessments		**18,966**	3,353
		0	17,527

26.1 The returns for the Tax Years 2010 to 2014 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 Provision for minimum tax payable under section 113 of the Ordinance has not been made during the year as the Company has incurred gross loss before set-off of depreciation and other inadmissible expenses under the Ordinance.

26.3 The required provision for tax for current year on profit on bank deposits and export proceeds payable under sections 151 and 154 of the Ordinance aggregating Rs.3.162 million has been fully adjusted against the tax credit for investment in plant and machinery aggregating Rs.11.349 million available under section 65B of the Ordinance.

27. CONTINGENCIES AND COMMITMENTS

27.1 No commitments were outstanding as at September 30, 2014 and September 30, 2013.

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.

27.3 The Company, against promulgation of Gas Infrastructure Development Cess Ordinance, 2014 (the GIDC Ordinance) has filed a writ petition under article 199 of the Constitution of Pakistan before the Peshawar High Court, Peshawar. The Court, as an interim relief vide its order dated November 06, 2014, has ordered that no GIDC on the basis of the GIDC Ordinance be charged / imposed, levied or recovered from the Company nor the gas supply be disconnected provided the Company furnishes indemnity bond equal to consumption on the basis of average of previous two years' consumption. The Company has submitted the required indemnity bond. The petition is pending adjudication.

27.4 Bank Al-Habib Ltd., on behalf of the Company, has issued guarantees aggregating Rs.10.928 million (2013: Rs.4.629 million) in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 4,631 (2013: 1,934) metric tons of sugar. These guarantees have expired during the year.

27.5 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at September 30, 2014 was for Rs.10 million (2013: Rs.10 million). The guarantee is valid upto May 26, 2015.

27.6 Also refer contents of note 6.6.

28. SALES - Net

	2014	2013
	Rupees in thousand	
Turnover:		
Local	**507,278**	1,905,336
Export	**300,391**	131,532
	807,669	2,036,868
Less: sales tax	**26,544**	147,321
	781,125	1,889,547

29. COST OF SALES

	Note	2014	2013
		Rupees in thousand	
Raw materials consumed		**459,600**	1,159,365
Chemicals and stores consumed		**17,858**	31,407
Salaries, wages and benefits	**29.1**	**126,759**	157,208
Power and fuel		**59,769**	192,837
Insurance		**4,006**	2,187
Repair and maintenance		**21,473**	38,535
Depreciation	**6.4**	**51,883**	55,193
		741,348	1,636,732
Adjustment of sugar-in-process:			
Opening		**5,167**	11,615
Closing		**(3,779)**	(5,167)
		1,388	6,448
Cost of goods manufactured		**742,736**	1,643,180
Adjustment of finished goods:			
Opening stock		**354,410**	602,678
Closing stock		**(172,915)**	(354,410)
		181,495	248,268
		924,231	1,891,448

29.1 These include Rs.2.144 million (2013: Rs.2.035 million) and Rs.1.352 million (2013: Rs.3.495 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

30. DISTRIBUTION COST

	2014	2013
Commission	**669**	1,796
Salaries, wages and amenities	**444**	772
Stacking and loading	**439**	1,107
Spirit export expenses	**1,457**	3,867
Others	**1,516**	763
	4,525	8,305

	Note	2014	2013
31. ADMINISTRATIVE EXPENSES		**Rupees in thousand**	
Salaries and amenities	**31.1**	**24,061**	33,895
Travelling, vehicles' running and maintenance		**1,442**	3,523
Utilities		**1,343**	1,261
Directors' travelling		**175**	6,650
Rent, rates and taxes		**1,034**	1,673
Insurance		**730**	747
Repair and maintenance		**4,527**	7,424
Printing and stationery		**2,056**	2,558
Communication		**1,991**	1,814
Legal and professional charges (other than Auditors)		**1,562**	2,662
Subscription		**1,157**	1,154
Auditors' remuneration	**31.2**	**1,036**	1,035
Depreciation on:			
- operating fixed assets	**6.4**	**3,302**	3,027
- investment property	**7**	**1,487**	1,624
General office expenses		**1,276**	2,524
		47,179	71,571

31.1 These include Rs.0.730 million (2013: Rs.0.627 million) and Rs.0.404 million (2013: Rs.1.044 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

31.2 Auditors' remuneration

	2014	2013
Hameed Chaudhri & Co.		
- statutory audit	**500**	500
- half yearly review	**83**	83
- consultancy, tax services and certification charges	**345**	345
- out-of-pocket expenses	**55**	55
	983	983
Munawar Associates		
- cost audit fee	**40**	35
- audit fee of workers' (profit) participation fund	**7**	7
- out-of-pocket expenses	**6**	10
	53	52
	1,036	1,035

32. OTHER EXPENSES

	2014	2013
Uncollectible receivable balances written-off	**570**	105
Loss on sale of beet seed	**2,998**	0
Exchange fluctuation loss	**2,138**	0
	5,706	105

33. OTHER INCOME

	Note	2014	2013
		Rupees in thousand	
Income from financial assets:			
Mark-up on loan to Subsidiary Company		**32,159**	31,730
Mark-up / interest / profit on bank deposits / saving accounts and certificates		**1,578**	5,148
Gain on redemption of short term investments		**0**	804
Exchange fluctuation gain		**0**	2,884
Income from other than financial assets:			
Rent		**7**	8
Sale of scrap		**277**	2,309
Unclaimed payable balances written-back		**166**	198
Profit from fertilizer sales	**33.1**	**3,909**	6,500
Gain on sale of operating fixed assets	**6.3**	**14,514**	30,420
Sale of agricultural produce		**6,997**	25,415
Sale of beet pulp		**10,000**	15,000
Sugar export subsidy		**0**	2,991
Provision for gratuity benefits - written back	**22.1**	**0**	10,000
Excess recoveries of local clearing expenses incurred against export of sugar through Commission Agents		**63,774**	0
Miscellaneous - net of sales tax amounting Rs.182 thousand (2013: Rs.667 thousand)		**1,070**	1,929
		134,451	135,336

33.1 Profit from fertilizer sales

	2014	2013
Sales	**24,424**	35,499
Less: cost of sales		
opening stock	**12,154**	2,635
purchases	**14,269**	38,518
closing stock	**(5,908)**	(12,154)
	20,515	28,999
	3,909	6,500

34. FINANCE COST

	Note	2014	2013
		Rupees in thousand	
Mark-up on:			
- long term finances		**640**	0
- short term borrowings		**71,821**	68,315
Lease finance charges		**587**	8
Bank charges		**1,811**	6,047
		74,859	74,370

35. TAXATION

	Note	2014	2013
Current:			
- for the year	**26**	**0**	18,899
- for prior years	**26**	**1,439**	0
		1,439	18,899
Deferred:			
- resultant adjustment due to reduction in tax rate	**18**	**9,049**	5,064
- on account of temporary differences		**(72,903)**	(3,731)
		(63,854)	1,333
		(62,415)	20,232

36. LOSS PER SHARE

	2014	2013
		(Re-stated)
Loss after taxation attributable to ordinary shareholders	**(78,509)**	(41,148)
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	--------- Rupees ---------	
Loss per share	**(20.94)**	(10.97)

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, 2014 and September 30, 2013, 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. $. The Company is not exposed to foreign currency risk as at September 30, 2014 and September 30, 2013 as it has no foreign currency financial instrument at the respective year-ends.

(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:

	2014	2013	**2014**	2013
	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% to 11.66%**	6.20% to 11%	**11,503**	23,940
Variable rate instruments				
Long term loan to Subsidiary Company	**10.94% to 11.67%**	10.53% to 11.68%	**279,500**	279,500
Long term finances	**11.18% to 11.20%**	-	**200,000**	0
Short term borrowings	**9.40% to 11.67%**	9.20% to 14.18%	**403,650**	522,150

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, 2014, 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.3,242 thousand (2013: Rs.2,427 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, 2014 along with comparative is tabulated below:

	2014	2013
	Rupees in thousand	
Security deposits	**1,030**	570
Trade debts	**33,846**	3,843
Trade deposits	**136**	136
Accrued profit and mark-up	**16,447**	48
Other receivables	**8,989**	11,094
Deposits with a non-bank finance company	**39,000**	39,000
Bank balances	**18,717**	53,062
	118,165	107,753

- 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 16.4.

- All the trade debts at the balance sheet date represent domestic parties.

The ageing of trade debts at the balance sheet date is as follows:	**2014**	2013
	Rupees in thousand	
Not past due	**0**	3,557
Past due 30 days	**33,846**	0
Past due 1 year	**0**	286
	33,846	3,843

No impairment loss allowance is necessary in respect of trade debts as all the trade debts have been realised subsequent to the year-end.

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:

Particulars	Carrying amount	Contractual cash flows	Less than one year	Between one to four years
2014	------------- Rupees in thousand -------------			
Long term finances	**200,000**	**283,069**	**22,360**	**260,709**
Lease finances	**6,257**	**7,548**	**2,492**	**5,056**
Trade and other payables	**52,377**	**52,377**	**52,377**	**0**
Accrued mark-up	**17,380**	**17,380**	**17,380**	**0**
Short term borrowings	**403,650**	**418,810**	**418,810**	**0**
	679,664	**779,184**	**513,419**	**265,765**
2013				
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

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, 2014, 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 and current ratios 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:

	2014	2013
Subsidiary Companies	**Rupees in thousand**	
- purchase of goods	**4,544**	9,705
- sale of goods	**2,991**	77
- mark-up earned on long term loan	**32,159**	31,730
Associated Companies		
- purchase of goods	**7,125**	17,273
- purchase of vehicle	**0**	150

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2014	2013	**2014**	2013	**2014**	2013
	---------------------- Rupees in thousand ----------------------					
Managerial remuneration	**1,200**	1,500	**9,999**	7,776	**4,781**	3,700
Medical expenses reimbursed	**0**	0	**34**	0	**0**	0
	1,200	1,500	**10,033**	7,776	**4,781**	3,700
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 22.1.

41. CAPACITY AND PRODUCTION

		2014	2013
SUGAR CANE PLANT			
Rated crushing capacity per day	M.Tonnes	**3,810**	3,810
Cane crushed	M.Tonnes	**117,589**	222,121
Sugar produced	M.Tonnes	**10,402**	20,507
Days worked	Nos.	**140**	141
Sugar recovery	%	**8.90**	9.14
SUGAR BEET PLANT			
Rated slicing capacity per day	M.Tonnes	**2,500**	2,500
Beet sliced	M.Tonnes	**-**	47,379
Sugar produced	M.Tonnes	**-**	4,567
Days worked	Nos.	**-**	34
Sugar recovery	%	**-**	9.71
DISTILLERY			
Rated capacity per day	Gallons	**10,000**	10,000
Actual production	Gallons	**340,694**	402,790
Days worked	Nos.	**82**	94

- 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, 2014 and audited financial statements of the provident fund for the year ended September 30, 2013:

	2014	2013
	(Rupees in thousand)	
Size of the fund - total assets	**53,118**	57,024
Cost of investments made	**52,701**	53,353
Percentage of investments made	**99.21%**	93.56%
Fair value of investments made	**52,975**	56,409

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

	2014	2013		
	-------- % --------			
Term deposit receipt (TDR)	**94.40%**	88.66%	**50,010**	50,010
Accrued profit on TDR	**0.52%**	5.42%	**274**	3,056
Saving account in a scheduled bank	**5.08%**	5.92%	**2,691**	3,343
	100.00%	100.00%	**52,975**	56,409

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. OPERATING SEGMENT

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

43.1 Sugar sales represent 90% (2013: 91%) of the total gross sales of the Company.

43.2 Sales to domestic customers in Pakistan are 62.81% (2013: 93.54%) and to customers outside Pakistan are 37.19% (2013: 6.46%) of the sales made during the year.

43.3 All non-current assets of the Company as at September 30, 2014 are located in Pakistan.

43.4 Two (2013: two) of the Company's customers contributed towards 60.80% (2013: 88.46%) of the sugar sales during the year aggregating Rs.475 million (2013: Rs.1,671 million).

	2014	2013
	Rupees in thousand	

44. NUMBER OF EMPLOYEES

	2014	2013
Number of permanent employees as at September 30,	**484**	498
Average number of employees during the year,	**483**	512

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 02 January, 2015 by the board of directors of the Company.

46. CORRESPODING FIGURES

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (revised) as detailed in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

annual report

2014

CHASHMA SUGAR MILLS LIMITED

Page CONTENTS

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
United 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.

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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	(RUPEES IN THOUSAND)									
Sales	5,831,752	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
Cost of sales	5,725,768	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
Operating profit/(Loss)	84,272	481,250	97,323	612,225	647,940	297,935	270,343	(128,111)	12,327	180,256
Profit/(Loss) before tax	(275,026)	56,728	(239,067)	165,491	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086
Profit/(Loss) After tax	(128,619)	32,972	(218,971)	140,610	283,794	(217,910)	(63,163)	(358,007)	(32,338)	80,472
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	286,920	191,280	191,280	191,280
Shareholders' equity	2,423,137	2,524,899	1,397,464	1,645,127	423,572	66,712	203,438	128,232	486,239	537,705
Fixed assets - net	6,372,848	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
Total assets	9,303,424	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
Long term liabilities	3,223,672	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
Dividend										
Cash dividend	0	0	0	10%	10%	0	0	0	0	10%
Ratios:										
Profitability (%)										
Operating profit	1.45	7.21	1.66	10.41	10.18	7.51	10.48	(4.34)	4.66	18.14
Profit/ (Loss) before tax	(4.72)	0.85	(4.09)	2.81	5.47	(3.55)	(2.22)	23.04	(4.90)	11.04
Profit/(Loss) after tax	(2.21)	0.49	(3.74)	2.39	4.46	(5.49)	(2.45)	21.85	(2.72)	6.43
Return to Shareholders										
ROE - Before tax	(11.35)	2.25	(17.11)	10.06	82.11	(211.04)	(28.10)	(294.35)	(11.99)	25.68
ROE - After tax	(5.31)	1.31	(15.67)	8.55	67.00	(326.64)	(31.05)	(279.19)	(6.65)	14.96
Return on Capital Employed	(3.31)	0.83	(7.65)	4.52	15.03	(14.23)	(3.79)	(187.16)	(0.16)	8.85
E. P. S. - After tax	(4.48)	1.15	(7.63)	4.90	9.89	(7.59)	(2.20)	(18.72)	(1.69)	4.2
Activity										
Income to total assets	0.63	0.89	1.00	1.36	2.14	1.12	0.57	10.34	(0.01)	0.86
Income to fixed assets	0.92	1.33	1.84	2.16	2.72	1.58	0.95	18.79	(0.02)	1.34
Liquidity/Leverage										
Current ratio	0.80	0.92	0.87	0.96	0.87	0.92	0.93	1.53	1.07	1.1
Break up value per share	84.45	88.00	48.71	5.73	14.76	2.33	7.09	0.67	25.42	28.11
Total Liabilities to equity (Times)	2.83	1.96	3.17	2.43	6.02	20.06	21.17	25.66	3.98	1.69

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
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
2014	1,294,435	8.33	107,775

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that 27th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2015 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, 2014.

(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, 2014.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2015. 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, 2015 (Both days inclusive).

BY ORDER OF THE BOARD

(Mujahid Bashir)
Company Secretary

Mardan:
02 January, 2015

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, 2014.

1. SUMMARISED FINANCIAL RESULTS

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

	2014	2013
	(Rupees in thousands)	
(Loss)/ Profit before taxation	**(275,026)**	56,728
Taxation		
- Current	**0**	69,144
- Prior	**(2,349)**	(902)
- Deferred	**(144,058)**	(44,486)
	(146,407)	23,756
(Loss)/ Profit after taxation	**(128,619)**	32,972
	---------- (Rupees) ----------	
(Loss) / Earnings per share	**(4.48)**	1.15

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2013-14

The sugarcane crushing season 2013-14 commenced on 27 November, 2013 and continued till 17 March, 2014. The Mills crushed 1,294,435 tons (2013: 1,326,905 tons) of sugarcane and produced 107,775 tons (2013: 121,771 tons) of sugar. The sugarcane crop in our area was severely damaged due to the Pyrila attack and prolonged dry weather during grand growth period. Due to this the sucrose contents dropped and hampered the sugar recovery process resulting in financial loss.

2.2 CURRENT SEASON 2014-2015

The sugarcane crushing season started on 04 December, 2014 and the Mills have crushed 266,341 tons of sugarcane, producing 20,505 tons of sugar at average recovery of 7.97 % up to 25 December, 2014. We worked along with the farmers to change the Indian variety and hopeful for the improved results; weather remained favorable and rains were on time.

3. SUGAR PRICE

Excessive production of sugar in the country, low international sugar prices and delayed decisions to export surplus sugar resulted in depressed selling prices in local market throughout the year

4. ETHANOL FUEL PLANT AT UNIT-II

The Ethanol fuel plant of 125,000 Liters per day commenced operation during March 2014. The installation of Bio-Gas Plant is in progress.

5. STAFF

The Management and Labor relations remained cordial during the year. No bonus was paid during the year due to huge losses suffered by the Company.

6. 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 accounts 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, 2014, 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. 37.7 million as at 30 September, 2013.
- 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	4
-	Ms. Zarmine Sarfaraz	4
-	Ms. Najda Sarfaraz	4
-	Mr. Iskander M Khan	5
-	Mr. Baber Ali Khan	2
-	Mr. Abdul Qadar Khattak	4
-	Mr. Sher Ali Jafar Khan	5

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

7. 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.

8. DIVIDEND

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

9. 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 2014-15. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

10. 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.

11. 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, 2014 have been duly complied with. A statement to this effect is annexed with the report.

12. PATTERN OF SHAREHOLDING

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

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
02 January, 2015

(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 2014-15 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 21.01.2015 to 31.01.2015.

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, 2014

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
144	From	1	to	100	Shares	10,584
531	From	101	to	500	Shares	236,623
123	From	501	to	1,000	Shares	116,977
130	From	1,001	to	5,000	Shares	350,035
26	From	5,001	to	10,000	Shares	196,500
26	From	10,001	to	20,000	Shares	394,206
7	From	20,001	to	25,000	Shares	158,264
3	From	25,001	to	30,000	Shares	83,000
5	From	30,001	to	35,000	Shares	166,000
4	From	35,001	to	40,000	Shares	148,400
4	From	40,001	to	60,000	Shares	190,000
1	From	60,001	to	70,000	Shares	69,000
1	From	70,001	to	80,000	Shares	76,500
1	From	80,001	to	85,000	Shares	81,800
5	From	85,001	to	125,000	Shares	495,986
7	From	125,001	to	200,000	Shares	1,011,500
3	From	200,001	to	310,000	Shares	872,000
5	From	310,001	to	450,000	Shares	1,958,964
5	From	625,001	to	2,000,000	Shares	4,734,186
2	From	2,000,001	to	above	Shares	17,341,475
1,033						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines	4	19,111,834	66.61
NIT and ICP			
Directors & Relatives	12	4,175,719	14.55
Executive			
Public Sector Companies & Corporation	7	1,051,185	3.66
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and	10	45,600	0.16
Individuals	998	4,012,662	13.99
Charitable Trusts	2	295,000	1.03
	1,033	**28,692,000**	**100.00**

Categories of Shareholders	Numbers		Shares Held		Percentage of Paid-up Capital
<u>Associated Companies, Undertakings and Related Parties</u>	**4**		**19,111,834**		**66.61**
Phipson & Co. (Pak) (Pvt.) Limited		307,500		1.07	
Azlak Enterprises (Pvt) Limited		1,462,859		5.10	
The Premier Sugar Mills & Distillery Co., Ltd.		13,751,000		47.93	
Syntronics Limited		3,590,475		12.51	
<u>Directors & Relatives</u>	**12**		**4,175,719**		**14.55**
<u>Public Sector Companies and Corporations</u>	**10**		**45,600**		**0.16**
Asif Mushtaq & Company		1,500		0.01	
Shakil Express (Pvt) Ltd.		17,700		0.06	
Neelam Textile Mills Ltd.		12,400		0.04	
Amer Cotton Mills (Pvt) Ltd.		300		0.00	
Muhammad Ahmed Nadeem Securities (Pvt) Ltd.		300		0.00	
Standard Capital Securities (Pvt) Limited		5,000		0.02	
Akhai Securities (Pvt) Limited		3,000		0.01	
Sherman Securities (Pvt) Limited		2,000		0.01	
S.H Bukhari Securities Fabrics		400		0.00	
Fikree's (SMC) (Pvt) Limited		3,000		0.01	
<u>Banks, Development Finance Instituions, Non Banking Financial Instituitions, Insurance Companies, Modarabas and Mutual Funds</u>	**7**		**1,051,185**		**3.67**
National Bank of Pakistan (Pension Fund)		86,142		0.30	
National Bank of Pakistan (Emp Benevolent Fund)		3,023		0.01	
National Bank of Pakistan		529		0.00	
National Bank of Pakistan Trustee Department		852,227		2.97	
IDBP (ICP) Unit		3,200		0.01	
State life Insurance Co. of Pakistan		81,800		0.29	
NIT & ICP		24,264		0.08	
<u>Individuals</u>	**998**		**4,012,662**		**13.98**
<u>Charitable Trusts</u>	**2**		**295,000**		**1.03**
Sarfaraz District Hospital Charity Fund		290,000		1.01	
Trustees Moosa Lawari Foundation		5,000		0.02	
	1,033		**28,692,000**		**100.00**

<u>Shareholders holding 10% or more voting Intesrest in the Company</u>

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. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly apprised with the amendments in the corporate and other laws if any. One Director has acquired certification under the "Code of Corporate Governance Leadership Skills" programme conducted by the "Institute of Chartered Accountants of Pakistan".

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

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

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share-holding.

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

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

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

17. The Board 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.

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

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

20. 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.

21. 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.

22. 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).

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

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

For and on behalf of the Board

Islamabad
02 January, 2015

(AZIZ SARFARAZ KHAN)
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 enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **CHASHMA SUGAR MILLS LIMITED** (the Company) for the year ended September 30, 2014 to comply with the requirements of Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended September 30, 2014.

Hameed Chaudhri & Co.

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

LAHORE;
03 January, 2015

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, 2014 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, 2014 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.

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

LAHORE;
03 January, 2015

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2014

		2014	2013
ASSETS	**Note**	**(Rupees in thousand)**	
Non-current assets			
Property, plant and equipment	5	**6,368,487**	5,010,389
Intangible assets	6	**233**	0
Security deposits		**4,128**	4,004
		6,372,848	5,014,393
Current assets			
Stores and spares	7	**294,389**	461,159
Stock-in-trade	8	**1,703,189**	1,318,668
Trade debts	9	**177,856**	319,517
Loans and advances	10	**185,188**	154,341
Prepayments and other receivables	11	**152,088**	88,166
Tax refunds due from the Government	12	**295,576**	102,583
Bank balances	13	**122,290**	27,124
		2,930,576	2,471,558
TOTAL ASSETS		**9,303,424**	7,485,951
EQUITY AND LIABILITIES			
Equity			
Authorised capital			
50,000,000 (2013: 50,000,000) ordinary shares of Rs.10 each		**500,000**	500,000
Issued, subscribed and paid-up capital			
28,692,000 (2013: 28,692,000) ordinary shares of Rs.10 each	14	**286,920**	286,920
General reserve		**327,000**	327,000
Accumulated loss		**(18,206)**	(69,526)
Shareholders' Equity		**595,714**	544,394
Surplus on revaluation of property, plant and equipment	15	**1,827,423**	1,980,505
Non-current liabilities			
Long term finances	16	**2,027,408**	911,845
Loans from related parties	17	**437,000**	437,000
Liabilities against assets subject to finance lease	18	**17,054**	8,970
Deferred taxation	19	**742,210**	913,125
		3,223,672	2,270,940
Current liabilities			
Trade and other payables	20	**367,373**	275,689
Accrued mark-up	21	**203,522**	120,236
Short term borrowings	22	**2,930,723**	1,999,468
Current maturity of non-current liabilities	23	**154,997**	225,575
Taxation	24	**0**	69,144
		3,656,615	2,690,112
Total liabilities		**6,880,287**	4,961,052
TOTAL EQUITY AND LIABILITIES		**9,303,424**	7,485,951
Contingencies and commitments	25		

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, 2014

	Note	2014	2013
		(Rupees in thousand)	
Sales - net	26	**5,831,752**	6,673,731
Cost of Sales	27	**(5,725,768)**	(6,173,254)
Gross Profit		**105,984**	500,477
Distribution Cost	28	**(67,121)**	(89,830)
Administrative Expenses	29	**(175,782)**	(157,038)
Other Income	30	**222,229**	231,938
Other Expenses	31	**(1,038)**	(4,297)
Profit from Operations		**84,272**	481,250
Finance Cost	32	**(359,298)**	(424,522)
(Loss) / Profit before Taxation		**(275,026)**	56,728
Taxation	33	**146,407**	(23,756)
(Loss) / Profit after Taxation		**(128,619)**	32,972
Other Comprehensive Income		**0**	0
Total Comprehensive (Loss) / Income		**(128,619)**	32,972
		------- Rupees -------	
(Loss) / Earnings per Share	34	**(4.48)**	1.15

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, 2014

	2014	2013
Cash flow from operating activities	**(Rupees in thousand)**	
(Loss) / profit for the year - before taxation	**(275,026)**	56,728
Adjustments for non-cash charges and other items:		
Depreciation	**392,662**	261,793
Amortisation of intangible assets	**117**	100
Profit on deposit accounts	**(4,765)**	(4,575)
Gain on redemption of investments	**0**	(16,556)
Gain on sale of vehicles	**(223)**	(774)
Finance cost	**355,501**	420,738
Profit before working capital changes	**468,266**	717,454
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Stores and spares	**166,770**	(283,993)
Stock-in-trade	**(384,521)**	28,995
Trade debts	**141,661**	362,143
Loans and advances	**(30,847)**	(29,554)
Prepayments and other receivables	**(63,922)**	(84,845)
Sales tax refundable - net	**(166,687)**	(29,543)
Increase / (decrease) in trade and other payables	**91,686**	(543,998)
	(245,860)	(580,795)
Cash generated from operations	**222,406**	136,659
Income tax paid	**(93,101)**	(48,010)
Security deposits	**(124)**	(70)
Net cash generated from operating activities	**129,181**	88,579
Cash flow from investing activities		
Purchase of property, plant and equipment	**(1,753,373)**	(512,396)
Intangible assets acquired	**(350)**	0
Sale proceeds of vehicles	**2,836**	2,499
Investments redeemed	**0**	218,710
Profit on bank deposits received	**4,765**	4,575
Net cash used in investing activities	**(1,746,122)**	(286,612)
Cash flow from financing activities		
Long term finances - net	**1,040,414**	310,509
Loans from related parties repaid	**0**	(45,500)
Lease finances - net	**12,655**	1,359
Short term borrowings - net	**979,245**	233,099
Dividend paid	**(2)**	(7)
Finance cost paid	**(272,215)**	(399,340)
Net cash generated from financing activities	**1,760,097**	100,120
Net increase / (decrease) in cash and cash equivalents	**143,156**	(97,913)
Cash and cash equivalents - at beginning of the year	**(29,240)**	68,673
Cash and cash equivalents - at end of the year	**113,916**	(29,240)
Cash and cash equivalents comprised of:		
Bank balances	**122,290**	27,124
Temporary bank overdrafts	**(8,374)**	(56,364)
	113,916	(29,240)

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

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

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2014

	Share capital	General reserve	Accumulated loss	Total
	---------------- Rupees in thousand ----------------			
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
Total comprehensive loss for the year ended September 30, 2014	0	0	(128,619)	(128,619)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	179,939	179,939
Balance as at September 30, 2014	**286,920**	**327,000**	**(18,206)**	**595,714**

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, 2014

1. LEAGAL STATUS AND NATURE OF BUSINESS

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. The Company's 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. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

e) Contingencies

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

2.5 No critical judgment has been used in applying the accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to approved accounting standards that became effective during the year

There are amendments to the approved standards and new interpretations that are mandatory for accounting periods beginning on or after October 01, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and therefore not detailed in these financial statements.

3.2 Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to published standards are effective for the Company's accounting periods beginning on or after October 01, 2014 (although available for early adoption) and have not been early adopted by the Company:

(a) IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable on accounting 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 date. The Company shall apply this amendment from October 01, 2014 and does not expect to have a material impact on its financial statements.

(b) IFRS 9 ‘Financial Instruments - Classification and Measurement' is applicable on accounting 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 Company does not expect to have a material impact on its financial statements due to application of this standard.

(c) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company shall apply this amendment from October 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

(d) IFRIC 21 - Levies is effective from accounting periods beginning on or after January 01, 2014. IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The interpretations are not likely to have an impact on the Company's financial statements.

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

4. 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.

4.1 Property, plant and equipment and depreciation

Owned assets

These, other than freehold land, buildings & roads, plant & machinery and generators, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount whereas buildings & roads, plant & machinery and generators are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost.

Depreciation is taken to profit and loss account 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 5.1. 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 property, plant and equipment 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.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

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 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 taken to profit and loss account over the lease term.

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 5.1 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 taken to profit and loss account.

4.2 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 taken to profit and loss account applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 6.1.

4.3 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.

4.4 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.

4.5 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.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried in balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash & bank balances and temporary bank overdrafts.

4.7 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.8 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.

4.9 Trade and other payables

Trade and other payables are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.10 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.

4.11 Taxation

Current

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.

4.12 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.

4.13 Financial instruments

Financial instruments include security deposits, trade debts, loans & advances, other receivables, bank balances, long term finances, loans from related parties, lease finances, trade & other payables, accrued mark-up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.14 Offsetting

Monetary assets and liabilities are offset 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.

4.15 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.

4.16 Impairment loss

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

4.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of 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'.

4.18 Development expenditure

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

4.19 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure, the Company has been organised into two operating segments i.e. sugar and spirit.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	**2014**	2013
		(Rupees in thousand)	
Operating fixed assets - tangible	**5.1**	**3,765,102**	4,112,223
Capital work-in-progress	**5.5**	**2,601,473**	896,121
Stores held for capital expenditure		**1,912**	2,045
		6,368,487	5,010,389

5.1 Operating fixed assets - tangible

	Owned									Leased	
	Freehold land	Buildings and roads	Plant and machinery	Genera-tors	Electric installati-ons	Office equip-ment	Farm equip-ment	Furniture and fixtures	Vehicles	Vehicles	Total
	Rupees in thousand										
As at September 30, 2012											
Cost / revaluation	163,319	591,916	2,231,045	8,676	163,689	27,090	1,017	18,775	42,471	18,625	3,266,623
Accumulated depreciation	0	(145,465)	(256,699)	(1,883)	(82,534)	(12,284)	(225)	(10,766)	(26,433)	(3,009)	(539,298)
Book value as at September 30, 2012	163,319	446,451	1,974,346	6,793	81,155	14,806	792	8,009	16,038	15,616	2,727,325
Year ended September 30, 2013:											
Additions	30,298	0	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	0	947,326
- depreciation	0	190,110	454,133	2,562	0	0	0	0	0	0	646,805
Disposals:											
-cost	0	0	0	0	0	0	(55)	0	(2,580)	0	(2,635)
-depreciation	0	0	0	0	0	0	16	0	894	0	910
Depreciation charge for the year	0	(44,645)	(197,435)	(679)	(8,166)	(1,768)	(79)	(870)	(4,750)	(3,401)	(261,793)
Book value as at September 30, 2013	279,654	612,925	3,071,324	8,676	74,431	17,679	674	8,389	21,033	17,438	4,112,223
Year ended September 30, 2014:											
Additions	110	0	0	6,833	4,138	5,255	0	2,361	799	28,658	48,154
Disposals:											
- cost	0	0	0	0	0	0	0	0	(2,599)	(3,472)	(6,071)
- depreciation	0	0	0	0	0	0	0	0	2,097	1,361	3,458
Depreciation charge for the year	0	(61,293)	(307,132)	(1,551)	(7,630)	(2,106)	(67)	(970)	(4,246)	(7,667)	(392,662)
Book value as at September 30, 2014	279,764	551,632	2,764,192	13,958	70,939	20,828	607	9,780	17,084	36,318	3,765,102
As at September 30, 2013											
Cost / revaluation	279,654	803,035	3,525,458	11,238	165,131	31,731	962	20,025	51,322	23,848	4,912,404
Accumulated depreciation	0	(190,110)	(454,134)	(2,562)	(90,700)	(14,052)	(288)	(11,636)	(30,289)	(6,410)	(800,181)
Book value	279,654	612,925	3,071,324	8,676	74,431	17,679	674	8,389	21,033	17,438	4,112,223
As at September 30, 2014											
Cost / revaluation	279,764	803,035	3,525,458	18,071	169,269	36,986	962	22,386	49,522	49,034	4,954,487
Accumulated depreciation	0	(251,403)	(761,266)	(4,113)	(98,330)	(16,158)	(355)	(12,606)	(32,438)	(12,716)	(1,189,385)
Book value	279,764	551,632	2,764,192	13,958	70,939	20,828	607	9,780	17,084	36,318	3,765,102
Depreciation rate (%)	0	10	10	10	10	10	10	10	20	20	

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

	2014	2013
	(Rupees in thousand)	
- freehold land	**71,795**	71,685
- buildings & roads	**178,185**	197,984
- plant and machinery	**722,850**	803,166
- generator	**11,652**	6,114
	984,482	1,078,949

5.3 Depreciation for the year has been allocated as follows:

Cost of sales	**376,860**	251,004
Administrative expenses	**15,802**	10,789
	392,662	261,793

5.4 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Sold through negotiation to:
	------- Rupees in thousand -------					
Owned						
Honda City	705	435	270	352	82	Mr. Sher Afzal Khan, Kark.
Toyota Land Cruiser	1,285	1,072	213	825	612	Mr. Nasir Ameen, Gilgit.
Suzuki Khyber	509	490	19	142	123	Mr. Saad-ul-Haq, Bhakar.
Toyota Jeep	100	100	0	185	185	Muhammad Zaman, Dera Ismail Khan.
	2,599	2,097	502	1,504	1,002	
Leased						
Toyota Corolla	2,039	799	1,240	533	(707)	Sayed Asif Gillani, Rawalpindi.
Toyota Corolla	1,433	562	871	799	(72)	Mr. Amjad, Pakpatan.
	3,472	1,361	2,111	1,332	(779)	
	6,071	**3,458**	**2,613**	**2,836**	**223**	
2013	2,635	910	1,725	2,499	774	

5.5 Capital work-in-progress

	Note	2014	2013
		(Rupees in thousand)	
Buildings on freehold land		**384,165**	174,336
Plant and machinery	5.6	**1,874,070**	658,420
Electric installations		**152,080**	43,440
Office equipment		**0**	297
Furniture and fixtures		**0**	111
Vehicles		**1,827**	1,014
Un-allocated capital expenditure - net	5.7	**171,395**	18,082
Advance payments:			
-freehold land		**421**	421
-buildings on freehold land		**12,604**	0
-plant and machinery		**4,911**	0
		17,936	421
		2,601,473	896,121

5.6 The balance includes mark-up aggregating Rs.178.937 million (2013: Rs.15.157 million) on long term finances; rates of mark-up have been disclosed in note 16.

5.7 Un-allocated capital expenditure - net

	2014	2013
Salaries and benefits	**37,002**	7,134
Fee for soil testing	**750**	750
Consultancy fee for Ethanol Fuel Plant (EFP) and other charges	**6,483**	5,229
Damages to buildings, plant & machinery and stores due to riots - net of insurance claim amounting Rs.17 million	**30,623**	0
Compensation paid to affectees	**29,003**	0
Mark-up on short term borrowings	**29,377**	0
Penalty imposed by the State Bank of Pakistan due to non-export of spirit - net	**5,517**	0
Other expenses	**42,141**	4,969
	180,896	18,082
Less: sale of spirit during trial run operations	**9,501**	0
	171,395	18,082

5.8 The newly installed Ethanol Fuel Plant's (EFP) trial run operations commenced from April 01, 2014; however, these operations had to be stopped due to Ramak tragedy in which some persons drowned six kilometers away from the factory in waste water drain. The management, to resume EFP operations, is in the process of installing new Biogas Plant, which will consume waste of EFP as its input.

6. INTANGIBLE ASSETS - Computer softwares

	2014	2013
	(Rupees in thousand)	
Cost at beginning of the year	**6,592**	6,592
Additions during the year	**350**	0
Cost at end of the year	**6,942**	6,592
Less: amortisation:		
- at beginning of the year	**6,592**	6,492
- charge for the year	**117**	100
-at end of the year	**6,709**	6,592
Book value as at September 30 ,	**233**	0

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

7. STORES AND SPARES

Stores including in-transit inventory valuing Rs.4.955 million (2013: Rs.239.987 million)	**264,158**	431,708
Spares	**30,231**	29,451
	294,389	461,159

8. STOCK-IN-TRADE

Finished goods	**1,690,948**	1,314,744
Sugar-in-process	**12,241**	3,924
	1,703,189	1,318,668

9. 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.

10. LOANS AND ADVANCES

	Note	2014	2013
		(Rupees in thousand)	
Advance payments to:			
- employees		**6,732**	3,329
- suppliers and contractors	**10.1**	**180,874**	128,652
Due from an Associated Company	**10.2**	**19**	19
Letters of credit		**0**	24,778
		187,625	156,778
Less: provision for doubtful advances		**2,437**	2,437
		185,188	154,341

10.1 These are unsecured and considered good except for Rs.2.437 million (2013: Rs.2.437 million), which have been fully provided for in the books of account.

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

10.3 **(a)** The Company has related party relationship with its Holding Company and Associated Companies, its directors, key management personnel and employee benefit plan. 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:

	2014	2013
The Holding Company		
- sale of goods	**1,893**	4,990
- sale of stores	**2,651**	4,838
- purchase of stores	**2,991**	0
- mark-up expensed	**32,159**	31,730
Associated Companies		
- purchase of goods	**76,897**	35,403
- mark-up expensed	**17,904**	18,323

(b) Maximum aggregate debit balance of the Holding Company and Associated Companies at any month-end during the year was Rs.2.536 million (2013: Rs.8.587 million).

11. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
Prepayments		**2,454**	2,846
Sugar export subsidy receivable	**11.1**	**146,889**	84,833
Others		**2,745**	487
		152,088	88,166

11.1 This represents subsidy receivable from the Ministry of Commerce, Government of Pakistan against export of sugar during the preceding financial year at the rate of Rs.1.75 per Kg and at the rate of Re. 1 per Kg during the current financial year.

12. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2014	2013
		(Rupees in thousand)	
Income tax refundable, advance tax and tax deducted at source		**103,135**	76,829
Sales tax refundable		**192,441**	25,754
		295,576	102,583

13. BANK BALANCES

	Note	2014	2013
Cash at banks on:			
- current accounts	**13.1**	**31,842**	21,144
- PLS accounts	**13.2**	**71,828**	5,751
- deposit accounts	**13.2**	**18,620**	229
		122,290	27,124

13.1 These include dividend account balance of Rs.1.722 million (2013: Rs.1.722 million).

13.2 These carry profit at the rate of 7% (2013: 6%) per annum.

14. SHARE CAPITAL

	2014	2013
	(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

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

15.1 The Company had revalued its freehold land, buildings & 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.

15.2 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:

	2014	2013
	(Rupees in thousand)	
Opening balance	**2,893,630**	1,430,340
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	1,594,131
Less: transferred to accumulated loss on account of incremental depreciation for the year	**(268,566)**	(130,841)
	2,625,064	2,893,630
Less: deferred tax on:		
- opening balance of surplus	**913,125**	457,943
- surplus on revaluation carried-out during the preceding year	**0**	512,752
- incremental depreciation for the year	**(88,627)**	(44,486)
	824,498	926,209
	1,800,566	1,967,421
Resultant adjustment due to reduction in tax rate	**26,857**	13,084
Closing balance	**1,827,423**	1,980,505

16. LONG TERM FINANCES - Secured

From banking companies	Note	2014	2013
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance - II	16.1	0	40,000
- Term finance - III	16.1	250,000	250,000
		250,000	290,000
Bank Al-Habib Limited: (BAH)			
- Term finance - I	16.2	0	30,000
- Term finance - II	16.2	0	70,000
- Fixed loan	16.3	113,204	55,230
- Long term finance [(LTFF) - SBP]	16.3	364,810	172,713
		478,014	327,943
Faysal Bank Limited: (FBL)			
- Term finance	16.4	499,964	0
Soneri Bank Limited: (SBL)			
- Term finance	16.5	130,674	2,292
- LTFF (ERF)	16.5	240,595	24,325
		371,269	26,617
The Bank of Khyber: (BoK)			
- Demand finance	16.6	124,013	179,130
The Bank of Punjab: (BoP)			
- Demand finance	16.7	92,472	92,472
- LTFF	16.7	356,644	215,800
		449,116	308,272
		2,172,376	1,131,962
Less: current maturity grouped under current liabilities (2014 balance includes an overdue instalment amounting Rs.25 million)		144,968	220,117
		2,027,408	911,845

16.1 The outstanding balance of term finance II was fully repaid during the year. Term finance III has been obtained for purchase of plant and machinery and is repayable in 10 equal half-yearly instalments with effect from September, 2014. These finances carry mark-up at the rate of 6-months KIBOR plus 2% per annum; the effective mark-up rates during the year ranged from 11.06% to 12.18% (2013: 11.06% to 14%) per annum and are secured against first registered joint pari passu charge on present and future fixed assets of the Company for Rs.386.670 million.

16.2 The outstanding balances of these finance facilities were fully repaid during the year. The effective mark-up rates charged on these facilities during the year ranged from 10.96% to 12.15% (2013: 10.96% to 14.04%) per annum.

16.3 Fixed loan and LTFF (SBP) finance facilities 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 joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.933.333 million. Fixed loan carries mark-up at the rate of 6-months average KIBOR plus 1.5%; the effective mark-up rates during the year ranged from 10.52% to 11.67% (2013: 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% (2013: 11.40%) per annum.

16.4 Term finance facility available from FBL amounts to Rs.500 million and has been obtained for setting-up Ethanol Fuel Plant. The finance facility's tenor is five years including two years grace period and is secured against joint pari passu hypothecation and mortgage charge over all fixed assets of the Company for Rs. 667 million. The finance facility carries mark-up at the rate of 6-months KIBOR plus 1.5% per annum; the effective mark-up rates during the year ranged from 11.05% to 11.69% per annum.

16.5 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 seven 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 rates during the year ranged from 10.92% to 11.93% (2013: 10.92%) per annum. LTFF (ERF) carries mark-up at SBP rate + 3%; the effective mark-up rates during the year ranged from 9% to 11.40% (2013: 11.40%) per annum.

16.6 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 2% with no floor and no cap; the effective mark-up rates during the year ranged from 11.06% to 12.18% (2013: 11.06% to 14%) 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.

16.7 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 seven 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 rates during the year ranged from 10.62% to 11.48% (2013: 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% (2013: 11.40%) per annum.

17. LOANS FROM RELATED PARTIES - Secured

	Note	2014	2013
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**17.1**	**279,500**	279,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	**17.2**	**113,750**	113,750
Arpak International Investments Ltd. **(AIIL)**	**17.3**	**43,750**	43,750
		437,000	437,000

17.1 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 rates charged by PSM during the year ranged from 10.94% to 11.67% (2013: 10.53% to 11.68%) 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 has 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 is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.397.810 million.

17.2 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 rates charged by PBM during the year ranged from 10.44% to 11.63% (2013: 10.26% to 11.54%) 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 is repayable in seven half-yearly instalments commencing November, 2016. The loan is secured against a promissory note of Rs.268.031 million.

17.3 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 rates charged by AIIL during the year ranged from 10.44% to 11.63% (2013: 10.26% to 11.54%) 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 is repayable in seven half-yearly instalments commencing November, 2016. The loan is secured against a promissory note of Rs.55.615 million.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	**2014**			2013		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	---------- Rupees in thousand ----------					
Minimum lease payments	**13,372**	**25,915**	**39,287**	6,821	12,556	19,377
Less: finance cost allocated to future periods	**2,774**	**2,922**	**5,696**	1,363	1,187	2,550
	10,598	**22,993**	**33,591**	5,458	11,369	16,827
Less: security deposits adjustable on expiry of lease terms	**569**	**5,939**	**6,508**	0	2,399	2,399
Present value of minimum lease payments	**10,029**	**17,054**	**27,083**	5,458	8,970	14,428

18.1 The Company has entered into lease agreements with Bank Al-Habib Ltd., Faysal Bank Ltd. and MCB Bank Ltd. (2013: Bank Al-Habib Ltd.) for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by September, 2018 and are subject to finance cost at the rates ranging from 6.03% to 17.00% (2013: 9.16% 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 lessors and demand promissory notes.

19. DEFERRED TAXATION - Net

	Note	2014	2013
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**207,066**	229,831
- surplus on revaluation of property, plant and equipment		**797,641**	913,125
- lease finances		**900**	208
		1,005,607	1,143,164
Deductible temporary differences arising in respect of:			
- provision for doubtful advances		**(804)**	(829)
- unused tax losses	**19.1**	**0**	(13,931)
- minimum tax recoverable against normal tax charge in future years	**19.1**	**(207,162)**	(215,279)
- tax credit for investment in plant and machinery		**(55,431)**	0
		(263,397)	(230,039)
		742,210	913,125

19.1 As at September 30, 2014, deferred tax asset amounting Rs.202.509 million (2013: Rs.176.020 million) on unused tax losses and Rs.36.205 million (2013: Rs. Nil) on minimum tax recoverable against normal tax charge in future years has not been recognised in the financial statements on the ground of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2015.

Deferred tax liability as at September 30, 2014 represents deferred tax on surplus on revaluation of property, plant and equipment and on tax credit available under section 65B of the Income Tax Ordinance, 2001 (2013: deferred tax liability represented deferred tax on surplus on revaluation of property, plant and equipment).

20.	TRADE AND OTHER PAYABLES	Note	2014	2013
			(Rupees in thousand)	
	Creditors		**252,101**	137,174
	Due to related parties	**20.1**	**28,005**	0
	Accrued expenses		**35,124**	37,767
	Retention money		**21,616**	9,034
	Security deposits - interest free repayable on demand		**743**	732
	Advance payments		**4,498**	70,050
	Income tax deducted at source		**814**	627
	Workers' (profit) participation fund	**20.2**	**3,439**	3,046
	Workers' welfare fund		**11,633**	11,633
	Unclaimed dividends		**3,274**	3,276
	Due to employees		**6,126**	2,350
			367,373	275,689

20.1 This represents amounts due to:

	2014	2013
The Holding Company		
- The Premier Sugar Mills & Distillery Company Ltd.	**846**	0
Associated Companies		
- Phipson & Co. Pakistan (Pvt.) Ltd.	**185**	0
- Syntronics Ltd.	**26,897**	0
- The Frontier Sugar Mills & Distillery Ltd.	**77**	0
	28,005	0

20.2 Workers' (profit) participation fund

	2014	2013
Opening balance	**3,046**	2,023
Add: interest on funds utilised in the Company's business	**393**	0
	3,439	2,023
Less: payments made during the year	**0**	2,023
	3,439	0
Add: allocation for the year	**0**	3,046
Closing balance	**3,439**	3,046

21. ACCRUED MARK-UP

	Note	2014	2013
		(Rupees in thousand)	
Mark-up accrued on:			
- long term finances		**74,677**	28,473
- loans from related parties		**38,170**	11,714
- lease finances		**0**	48
- short term borrowings		**90,675**	80,001
		203,522	120,236

22. SHORT TERM BORROWINGS

	Note	2014	2013
Secured	22.1	**2,922,349**	1,943,104
Un-secured	22.2	**8,374**	56,364
		2,930,723	1,999,468

22.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.5,850 million (2013: Rs.4,150 million) and, during the year, carried mark-up at the rates ranging from 8.50% to 12.18% (2013: 10.22% to 12.95%) per annum. Facilities available for opening letters of credit aggregate Rs.625 million (2013: Rs.625 million). These facilities are secured against charge over the Company's current assets, lien over export documents, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by September 30, 2015.

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

23. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2014	2013
Long term finances	16	**144,968**	220,117
Liabilities against assets subject to finance lease	18	**10,029**	5,458
		154,997	225,575

24. TAXATION - Net

	Note	2014	2013
Opening balance		**69,144**	30,688
Add: provision / (reversal) made during the year for:			
- current year	24.2	**0**	69,144
- prior years		**(2,349)**	(902)
		(2,349)	68,242
		66,795	98,930
Less: payments / adjustments made against completed assessments		**66,795**	29,786
		0	69,144

24.1 Returns filed by the Company for tax years 2004 to 2014, except for tax years 2011 and 2012, have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

24.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under sections 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance aggregating Rs 56.977 million. The required provision for the current year has been fully adjusted against current year's tax credit for investment in plant & machinery aggregating Rs.112.409 million available under section 65B of the Ordinance.

24.3 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.

24.4 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)].

24.5 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).

24.6 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.

24.7 The PHC, during the year, has accepted the Company's appeal and the Department has been restrained from tax audit under section 177 of the Ordinance for tax year 2009.

24.8 The PHC, during the year for tax year 2011, has stayed the Department from finalising the proceedings under section 177 of the Ordinance till the next hearing to be held in February, 2015.

24.9 The Department for the tax year 2012 has passed order for recovery of workers' welfare fund demand of Rs. 3.310 million. The appeal was unsuccessful at CIR(A) forum. The Company against the CIR(A)'s order has filed an appeal before the ATIR, which is pending adjudication.

24.10 The Department has issued a show cause notice under sections 161/205 of the Ordinance for tax year 2012. The Company had 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, has filed a writ petition before the Islamabad High Court, which is pending adjudication.

25. CONTINGENCIES AND COMMITMENTS

25.1 No bank guarantee was outstanding as at September 30, 2014. (2013: two commercial banks, on behalf of the Company, had 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 had expired on various dates by June 19, 2014.)

25.2 The Company, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue 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 CIR(A) against the impugned order. The CIR(A), during the preceding year, had upheld the order of DC. The Company, thereafter, has filed an appeal before the ATIR, 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.

25.3 The Company's appeal is pending adjudication before the ATIR against order passed by the CIR(A), who has upheld the assessment order dated April 24, 2014 in show cause notice dated February 02, 2014 for claiming input adjustment of Rs.20.678 million in violation of SRO 490(I)/2002.

Commitments in respect of :	**2014**	2013
	(Rupees in million)	
- foreign letters of credit for purchase of stores & spares	**0.000**	194.176
- in land letters of credit for capital expenditure	**100.755**	543.482
- capital expenditure other than for letters of credit	**97.612**	0.000

25.4 Also ref er cont ents of taxation notes.

26. SALES - Net

	(Rupees in thousand)	
Turnover:		
Local	**2,839,491**	4,648,317
Export	**3,035,726**	2,300,606
	5,875,217	6,948,923
Less: sales tax	**43,465**	275,192
	5,831,752	6,673,731

27. COST OF SALES

	Note	2014	2013
		(Rupees in thousand)	
Raw materials consumed		**5,233,444**	5,422,077
Chemicals and stores consumed		**132,492**	124,510
Salaries, wages and benefits	**27.1**	**257,994**	239,060
Power and fuel		**30,437**	23,262
Repair and maintenance		**66,962**	74,156
Insurance		**8,795**	7,987
Machinery lease rentals		**3,305**	2,203
Depreciation	**5.3**	**376,860**	251,004
		6,110,289	6,144,259
Adjustment of sugar-in-process:			
Opening		**3,924**	7,091
Closing		**(12,241)**	(3,924)
		(8,317)	3,167
Cost of goods manufactured		**6,101,972**	6,147,426
Adjustment of finished goods :			
Opening stock		**1,314,744**	1,340,572
Closing stock		**(1,690,948)**	(1,314,744)
		(376,204)	25,828
		5,725,768	6,173,254

27.1 These include Rs.3.361 million (2013: Rs.2.700 million) in respect of contribution to staff provident fund.

28. DISTRIBUTION COST

	Note	2014	2013
Salaries and benefits	**28.1**	**5,119**	5,358
Commission		**2,816**	3,592
Loading and stacking		**12,268**	20,025
Export development surcharge		**7,041**	6,290
Freight expenses on export of sugar		**26,606**	29,266
Other expenses on export of sugar		**13,271**	25,299
		67,121	89,830

28.1 These include Rs.49 thousand (2013: Rs.50 thousand) in respect of contribution to staff provident fund.

29.	**ADMINISTRATIVE EXPENSES**	**Note**	**2014**	2013
			(Rupees in thousand)	
	Salaries and benefits	**29.1**	**112,901**	109,861
	Travelling and conveyance:			
	- directors'		**9,354**	4,218
	- others		**3,431**	3,003
	Vehicles' running / maintenance and lease rentals		**7,351**	7,089
	Rent, rates and taxes		**2,721**	2,025
	Communication		**4,666**	3,733
	Printing and stationery		**3,677**	3,515
	Insurance		**1,272**	991
	Repair and maintenance		**9,203**	6,659
	Fees and subscription		**1,756**	1,377
	Depreciation	**5.3**	**15,802**	10,789
	Amortisation of intangible assets	**6**	**117**	100
	Auditors' remuneration	**29.2**	**1,484**	1,337
	Legal and professional charges (other than Auditors)		**1,417**	1,798
	General		**630**	543
			175,782	157,038

29.1 **(a)** These include Rs.1.485 million (2013: Rs.1.088 million) in respect of contribution to staff provident fund.

(b) The Group management, during the preceding 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 passed necessary resolutions in this regard. The balance of benefits transferred to the Company aggregating Rs.10 million have been accounted for in the preceding year's financial statements under the head of salaries and benefits.

	Note	2014	2013
		(Rupees in thousand)	
29.2 Auditors' remuneration:			
Hameed Chaudhri & Co.			
- statutory audit		**1,000**	1,000
- half yearly review		**190**	100
- consultancy and certification charges		**124**	83
- out-of-pocket expenses		**55**	110
		1,369	1,293
Other Auditors			
- cost audit fee		**40**	35
- provident fund's audit fee		**7**	0
- workers' (profit) participation fund's audit fee		**52**	0
- out-of-pocket expenses		**16**	9
		115	44
		1,484	1,337

30. OTHER INCOME

	Note	2014	2013
Income from financial assets			
Profit on deposit accounts		**4,765**	4,575
Gain on redemption of investments		**0**	16,556
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.310 thousand (2013: Rs.275 thousand)		**1,825**	1,716
Gain on sale of vehicles	**5.4**	**223**	774
Seed sales net of expenses		**151,873**	123,484
Sugar export subsidy	**11.1**	**62,056**	84,833
Sale of scrap- net of sales tax amounting Rs.253 thousand		**1,487**	0
		222,229	231,938

31. OTHER EXPENSES

	Note	2014	2013
Donations (without directors' interest)		**1,038**	93
Workers' (profit) participation fund		**0**	3,046
Workers' welfare fund		**0**	1,158
		1,038	4,297

32. FINANCE COST

	Note		
Mark-up on:			
- long term finances		**55,986**	84,887
- loans from related parties		**50,063**	50,053
- short term borrowings		**246,219**	284,207
Lease finance charges		**2,840**	1,591
Interest on workers' (profit) participation fund	**20.2**	**393**	0
Bank charges		**3,797**	3,784
		359,298	424,522

33. TAXATION

	Note		
Current:			
- for the year	**24**	**0**	69,144
- for prior years	**24**	**(2,349)**	(902)
		(2,349)	68,242
Deferred:			
- resultant adjustment due to reduction in tax rate	**15.2**	**26,857**	13,084
- on account of temporary differences	**19**	**(170,915)**	(57,570)
		(144,058)	(44,486)
		(146,407)	23,756

34. (LOSS) / EARNINGS PER SHARE

(Loss) / profit after taxation attributable to ordinary shareholders	**(128,619)**	32,972
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
(Loss) / earnings per share	**(4.48)**	1.15

34.1 Diluted (loss) / earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2014 and September 30, 2013, which would have any effect on the (loss) / earnings per share of the Company if the option to convert is exercised.

35. SEGMENT INFORMATION

These financial statements have been prepared on the basis of two reportable segments.

Information on assets and liabilities by segment is as follows:

As at September 30, 2014	Sugar	Ethanol	Total
	-------Rupees in thousand-------		
Segment assets	7,302,758	2,000,666	9,303,424
Segment liabilities	4,389,873	2,490,414	6,880,287

35.1 Sugar sales represent 95.52% (2013: 92%) of the total sales of the Company.

35.2 47.94% (2013: 66.89%) of the Company's sales relate to customers in Pakistan.

35.3 All non-current assets of the Company as at September 30, 2014 are located in Pakistan.

35.4 The Company sells sugar to commission agents. Sugar sales to five (2013: five) of the Company's customers during the year aggregated Rs.2,562 million (2013: Rs.4,082 million) constituting 46% (2013: 63.95%) of the total sugar sales. Two (2013: three) of the Company's customers individually exceeded 10% of the sugar sales.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 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.

36.2 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, U.K Pound (GBP) and Japanese Yen. The Company's unfunded exposure to foreign currency risk at the year-end is as follows:

	2014	2013
	(Rupees in thousand)	
Outstanding letters of credit	**0**	194,176

The following significant average exchange rates have been applied:

	2014	2013
U.S. $ to Rupee	**103.90**	99.90
Euro to Rupee	**136.42**	131.95
GBP to Rupee	**168.76**	161.65
Yen to Rupee	**1.0082**	1.1465

The Company is not exposed to currency risk at the year-end as it has no funded foreign currency liabilities as at September 30, 2014 and September 30, 2013.

(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:

	2014	2013	2014	2013
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Fixed rate instruments				
Financial assets				
Bank balances	**7**	6	**90,448**	5,980
Variable rate instruments				
Financial liabilities				
Long term finances	**10.52 to 12.18**	10.16 to 14.06	**2,172,376**	1,131,962
Loans from related parties	**10.44 to 11.67**	10.26 to 11.68	**437,000**	437,000
Liabilities against assets subject to finance lease	**6.03 to 17.00**	9.16 to 11.76	**27,083**	14,428
Short term borrowings	**8.50 to 12.18**	10.22 to 12.95	**2,922,349**	1,943,104

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, 2014, 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.55.588 million higher / lower mainly as a result of higher / lower interest expense on variable rate financial liabilities (2013: profit after taxation would have been lower / higher by Rs.35.265 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, 2014.

36.3 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, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in thousand)	
Security deposits	**4,128**	4,004
Trade debts	**177,856**	319,517
Loans and advances	**178,456**	126,234
Other receivables	**149,634**	85,320
Bank balances	**122,290**	27,124
	632,364	562,199

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:

	2014	2013
	(Rupees in thousand)	
Not past due	**108,601**	284,267
Past due less than 3 months	**0**	525
Past due less than 6 months	**1,865**	1,065
Past due more than 6 months	**67,390**	33,660
	177,856	319,517

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.105.361 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.

36.4 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:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
2014	---------------- Rupees in thousand ----------------				
Long term finances	**2,172,376**	**6,442,364**	**198,913**	**5,163,917**	**1,079,534**
Loans from related parties	**437,000**	**782,271**	**50,734**	**518,492**	**213,045**
Liabilities against assets subject to finance lease	**27,083**	**27,083**	**10,029**	**17,054**	**0**
Trade and other payables	**340,863**	**340,863**	**340,863**	**0**	**0**
Accrued mark-up	**203,522**	**203,522**	**203,522**	**0**	**0**
Short term borrowings	**2,930,723**	**3,020,659**	**3,020,659**	**0**	**0**
	6,111,567	**10,816,762**	**3,824,720**	**5,699,463**	**1,292,579**
2013					
Long term finances	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	187,983	187,983	187,983	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
	3,891,077	7,451,159	2,695,933	4,279,513	475,713

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.

36.5 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, 2014, 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.

37. **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 and current ratios under the financing agreements.

38. **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Particulars	Chief Executive		Directors		Executives	
	2014	2013	**2014**	2013	**2014**	2013
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**1,200**	13,960	**35,839**	30,548
Allowances and utilities	**0**	0	**0**	0	**12,812**	10,926
Contribution to provident fund	**0**	0	**0**	0	**1,155**	840
Medical expenses reimbursed	**500**	358	**108**	143	**0**	0
	1,700	1,558	**1,308**	14,103	**49,806**	42,314
No. of persons	**1**	1	**4**	4	**23**	18

38.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Nineteen (2013: eighteen) 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).

38.2 Also refer contents of note 29.1(b).

39. CAPACITY AND PRODUCTION

	2014	2013
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,294,435**	1,326,905
Sugar produced	**107,775**	121,771
	--------- Number ---------	
Days worked:		
Unit - I	**109**	115
Unit - II	**111**	120

40. NUMBER OF EMPLOYEES

Number of persons employed as at September 30,		
- permanent	**849**	495
- contractual	**767**	375
Average number of employees during the year		
- permanent	**860**	256
- contractual	**1,106**	216

41. 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, 2014 and audited financial statements of the provident fund for the year ended September 30, 2013:

	(Rupees in thousand)	
Size of the fund - total assets	**59,145**	49,241
Cost of investments made	**44,824**	37,781
Percentage of investments made	**75.79%**	76.73%
Fair value of investments made	**58,314**	48,599

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

	2014	2013	**2014**	2013
	----------- % -----------		**(Rupees in thousand)**	
Saving account in a scheduled bank	**7.93%**	19.71%	**4,624**	9,581
Deposit certificates	**68.94%**	58.03%	**40,200**	28,200
Accrued profit	**23.13%**	22.26%	**13,490**	10,818
	100.00%	100.00%	**58,314**	48,599

41.2 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.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on January 02, 2015 by the board of directors of the Company.

43. 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

annual report

2014

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. ISAAC ALI QAZI 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 77th Annual General Meeting of the shareholders of The Frontier Sugar Mills and Distillery Limited will be held on 31 January, 2015 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 Extra Ordinary General Meeting held on 31 March, 2014.

(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, 2014.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2015. 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, 2015 (Both days inclusive).

BY ORDER OF THE BOARD

(Mujahid Bashir)
Company Secretary

Mardan:
02 January, 2015

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.

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, 2014.

SUMMARISED FINANCIAL RESULTS

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

	2014	2013
	(Rupees in thousand)	
Other Income	**7,205**	5,186
Fixed Production Overheads	**6,251**	5,698
Administrative expenses	**10,848**	10,795
Finance cost	**5**	3
Other expenses	**1,176**	0
Loss before taxation	**(11,075)**	(11,310)
Taxation- Current	**81**	183
Loss after taxation	**(11,156)**	(11,493)
Other Comprehensive (Loss)/ Income	**6,648**	(860)
Total Comprehensive Loss for the year	**(4,508)**	(12,353)
	----- Rupees -----	
Loss per Share	**(8.26)**	(8.51)

The Company suffered loss during the year as it could not operate due to the non-availability of sugarcane.

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 8.1

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 12.2

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, 2015.

4. ELECTION OF DIRECTORS

The directors have retired in accordance with the provision of Section 178 of the Companies Ordinance, 1984 and fresh election was made in the Extra Ordinary General Meeting held on 31 March, 2014. The Board had fixed the number of directors to be eight (8) including one independent director as required by the Code of Corporate Governance 2012.

5. PATTERN OF SHAREHOLDING

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

6. ACKNOWLEDGEMENT

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

ON BEHALF OF THE BOARD

CHIEF EXECUTIVE/DIRECTOR

Mardan:
02 January, 2015

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, 2014 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 adjustment that might result from the outcome of this uncertainty.

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

(c) in our opinion

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in an accounting policy as stated in note 5 to the annexed financial statements with which we concur;

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

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

(d) except for the omission of information detailed in the aforementioned paragraph (a), non-provision against deposits with a non-bank finance company due to pending Court case as well as non-receipt of year-end balance confirmation certificate (note 12.2) and the contents of note 8.1 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, 2014 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).

Hameed Chaudhri & Co.

LAHORE;
03 January, 2015

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

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2014

	Note	2014	(Re-stated) 2013	(Re-stated) October 01, 2012
ASSETS		----------Rupees in thousand----------		
Non-current Assets				
Property, plant and equipment	6	**97,824**	99,990	102,393
Long term investments	7	**25,209**	18,893	19,927
Security deposits		**92**	92	92
		123,125	118,975	122,412
Current Assets				
Stores and spares	8	**32,581**	32,581	32,581
Advances	9	**175**	207	199
Short term prepayments		**21**	21	22
Accrued profit on deposits with a non-bank finance company	22.1	**0**	973	973
Other receivables	10	**819**	856	705
Tax deducted at source		**5,538**	5,429	5,380
Short term investments	11	**27,487**	31,025	40,395
Bank balances	12	**66,636**	40,362	40,455
		133,257	111,454	120,710
TOTAL ASSETS		**256,382**	230,429	243,122
EQUITY AND LIABILITIES				
Capital and Reserves				
Authorised capital	13	**20,000**	20,000	20,000
Issued, subscribed and paid-up capital	13	**14,000**	14,000	14,000
General reserve		**134,000**	134,000	134,000
Fair value reserve on available-for-sale investments	7	**19,529**	13,213	14,247
Accumulated loss		**(38,101)**	(28,602)	(18,732)
Shareholders' Equity		**129,428**	132,611	143,515
Surplus on Revaluation of Property, Plant and Equipment	14	**92,520**	93,845	95,294
Liabilities				
Non-current Liabilities				
Staff retirement benefits - gratuity	15	**2,321**	2,336	2,434
Current Liabilities				
Trade and other payables	16	**1,232**	1,637	1,879
Advances against sale of land	17	**30,881**	0	0
		32,113	1,637	1,879
Total Liabilities		**34,434**	3,973	4,313
TOTAL EQUITY AND LIABILITIES		**256,382**	230,429	243,122
Contingencies and Commitments	18			

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

CHIEF EXECUTIVE **DIRECTOR**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER, 2014

	Note	2014	(Re-stated) 2013
		Rupees in thousand	
Other Income	19	**7,205**	5,186
Fixed Production Overheads	20	**6,251**	5,698
Administrative Expenses	21	**10,848**	10,795
Other Expenses	22	**1,176**	0
		(18,275)	(16,493)
Loss from Operations		**(11,070)**	(11,307)
Bank Charges		**5**	3
Loss before Taxation		**(11,075)**	(11,310)
Taxation	23.3	**81**	183
Loss after Taxation		**(11,156)**	(11,493)
Other Comprehensive Income / (Loss) for the Year			
Items that will not be reclassified to profit or loss:			
- fair value gain / (loss) on available-for-sale investments	7	**6,316**	(1,034)
- gain on remeasurement of staff retirement benefit obligation	15	**332**	174
		6,648	(860)
Total Comprehensive Loss		**(4,840)**	(12,353)
		------ Rupees ------	
Loss per Share	24	**(8.26)**	(8.51)

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

CHIEF EXECUTIVE **DIRECTOR**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER, 2014

	2014	2013
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(11,075)**	(11,310)
Adjustments for non-cash charges and other items:		
Depreciation	**2,161**	2,403
Staff retirement benefits - gratuity (net)	**317**	76
Interest / profit on bank deposits	**(448)**	(61)
Gain on sale of vehicles	**(530)**	(149)
Uncollectible receivable balances written-off	**1,176**	0
Gain on re-measurement of short term investments to fair value	**(2,137)**	(2,360)
Dividend income	**(811)**	(1,826)
Loss before working capital changes	**(11,347)**	(13,227)
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets		
Advances	**32**	(8)
Short term prepayments	**0**	1
Other receivables	**(166)**	(151)
(Decrease) / increase in current liabilities		
Trade and other payables	**(405)**	(242)
Advances against sale of land	**30,881**	0
	30,342	(400)
Cash generated from / (used in) operations	**18,995**	(13,627)
Taxes paid	**(190)**	(232)
Net cash generated from / (used in) operating activities	**18,805**	(13,859)
Cash flow from investing activities		
Sale proceeds of vehicles	**535**	149
Profit on bank deposits received	**448**	61
Short term investments	**5,675**	11,730
Dividend received	**811**	1,826
Net cash generated from investing activities	**7,469**	13,766
Net increase / (decrease) in cash and cash equivalents	**26,274**	(93)
Cash and cash equivalents - at beginning of the year	**40,362**	40,455
Cash and cash equivalents - at end of the year	**66,636**	40,362

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

CHIEF EXECUTIVE **DIRECTOR**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER, 2014

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Accumulated loss	Total
	------------------ Rupees in thousand ------------------				
Balance as at September 30, 2012 - as previously reported	14,000	134,000	14,247	(19,670)	142,577
Effect of change in accounting policy with respect to accounting for recognition of actuarial gain on staff retirement benefits scheme - gratuity - note 5	0	0	0	938	938
Balance as at October 01, 2012 - as restated	14,000	134,000	14,247	(18,732)	143,515
Total comprehensive loss for the year ended September 30, 2013					
- loss for the year	0	0	0	(11,493)	(11,493)
- other comprehensive (loss) / income	0	0	(1,034)	174	(860)
	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 - as restated	14,000	134,000	13,213	(28,602)	132,611
Total comprehensive loss for the year ended September 30, 2014					
- loss for the year	0	0	0	(11,156)	(11,156)
- other comprehensive income	0	0	6,316	332	6,648
	0	0	6,316	(10,824)	(4,508)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,325	1,325
Balance as at September 30, 2014	**14,000**	**134,000**	**19,529**	**(38,101)**	**129,428**

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

CHIEF EXECUTIVE **DIRECTOR**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2014

1. LEGAL STATUS AND NATURE OF OPERATIONS

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. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 and spares

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

c) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 15.

d) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

e) Contingencies

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

2.5 No critical judgment has been used in applying the accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to approved accounting standards that became effective during the year

The amendments to the following standard have been adopted by the Company for the first time for financial year beginning on October 01, 2013:

(a) IAS 19 (revised) has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses associated with retirement benefits - gratuity by adjusting the opening balance of accumulated loss and retirement benefits for the prior period presented. Latest actuarial assessment has been carried-out as at September 30, 2014. Effects of change in accounting policy have been disclosed in note 15.

(b) There are other amendments to the approved standards and new interpretations that are mandatory for accounting periods beginning on or after October 01, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

3.2 Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to published standards are effective for the Company's accounting periods beginning on or after October 01, 2014 (although available for early adoption) and have not been early adopted by the Company:

(a) IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable on accounting 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 date. The Company shall apply this amendment from October 01, 2014 and does not expect to have a material impact on its financial statements.

(b) IFRS 9 ‘Financial Instruments - Classification and Measurement' is applicable on accounting 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 Company does not expect to have a material impact on its financial statements due to application of this standard.

(c) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company shall apply this amendment from October 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

(d) IFRIC 21 - Levies is effective from accounting periods beginning on or after January 01, 2014. IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The interpretations are not likely to have an impact on the Company's financial statements.

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

4. 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.

4.1 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 6. 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.

4.2 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.

4.3 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.

4.4 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.

4.5 Cash and cash equivalents

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

4.6 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, 2014 on the basis of projected unit credit method by an independent Actuary.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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'.

4.12 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.

4.13 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.

4.14 Financial instruments

Financial instruments include security deposits, bank balances and trade & other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.15 Offsetting

Monetary assets and liabilities are offset 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. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for 'staff retirement benefits - gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' is recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	2013	October 01, 2012
	Rupees in thousand	
Impact on Balance Sheet		
Decrease in staff retirement benefits- gratuity		(938)
Decrease in accumulated loss		938
Impact on Statement of changes in Equity		
Decrease in accumulated loss - cumulative effect form prior years		938
Impact on Profit and Loss Account		
Increase in:		
- fixed production overheads	157	
- administrative expenses	17	
Increase in loss before taxation	174	
Impact on Other Comprehensive Income		
Item that will not be reclassified to profit or loss	174	

The effect of change in accounting policy, due to application of IAS 19 (revised), on loss per share for the year ended September 30, 2013 is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

6. Property, plant and equipment - 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, 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
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
Year ended September 30, 2014:													
Disposal													
- cost	0	0	0	0	0	0	0	0	0	(333)	0	0	(333)
- depreciation	0	0	0	0	0	0	0	0	0	328	0	0	328
Depreciation charge	0	470	1,673	0	6	0	2	0	4	5	0	1	2,161
Book value as at September 30, 2014	78,419	4,222	15,056	2	36	0	15	4	40	20	1	9	97,824
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
As at September 30, 2014													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	989	59	54	194,210
Accumulated depreciation	0	10,083	81,548	912	495	206	1,020	116	934	969	58	45	96,386
Book value	78,419	4,222	15,056	2	36	0	15	4	40	20	1	9	97,824
Depreciation rate (%)	0	10	10	15	15	15	10	10	10	20	10	10	

6.1 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:

	2014	2013
	Rupees in thousand	
- freehold land	**325**	325
- buildings on freehold land	**70**	78
- plant & machinery	**1,151**	1,279
	1,546	1,682

		2014	2013
6.2	**Depreciation for the year has been apportioned as under:**	**Rupees in thousand**	
	- fixed production overheads	**2,000**	2,223
	- administrative expenses	**161**	180
		2,161	2,403

6.3 Sale of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
	----------------- Rupees in thousand -----------------					
Bus	48	48	0	185	185	
Suzuki Bolan	285	280	5	350	345	
	333	**328**	**5**	**535**	**530**	

		2014	2013
7.	**LONG TERM INVESTMENTS** - Available-for-sale (Quoted)		
	Ibrahim Fibres Limited 405,670 (2013: 405,670) ordinary shares of Rs.10 each	**5,680**	5,680
	Add: adjustment arising from re-measurement to fair value	**19,529**	13,213
		25,209	18,893
8.	**STORES AND SPARES**		
	Stores	**22,650**	22,650
	Spares	**9,931**	9,931
		32,581	32,581

8.1 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.

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

9. ADVANCES - Considered good

	Note	2014	2013
		Rupees in thousand	
Due from an Associated Company (Chashma Sugar Mills Ltd.)	9.1	**77**	0
Unsecured advances to:			
- employees		**98**	204
- suppliers / contractors		**0**	3
		175	207

9.1 This balance has arisen due to sharing of expenses.

10. OTHER RECEIVABLES

	Note	2014	2013
Excise duty deposit / refundable		**0**	83
Sales tax refundable	10.1	**819**	701
Others		**0**	72
		819	856

10.1 The Appellate Tribunal Inland Revenue, Peshawar, vide its order dated October 09, 2012, had allowed the Company's appeal; the Company 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.

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

	Note	2014	2013
MCB Cash Management Optimizer 269,230 Units (2013: 310,018 Units)		**25,350**	28,665
Add: adjustment on re-measurement to fair value		**2,137**	2,360
		27,487	31,025

12. BANK BALANCES

	Note	2014	2013
Cash at banks on:			
- current accounts		**110**	437
- saving accounts	12.1	**27,526**	925
- deposits with a non-bank finance company - unsecured	12.2	**39,000**	39,000
		66,636	40,362

12.1 Saving accounts during the year carried profit at the rates ranging from 5% to 7% (2013: 5% to 7%) per annum.

12.2 **(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; further, year-end direct 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.

13. SHARE CAPITAL

13.1 Authorised capital

2014	2013		2014	2013
(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

			2014	2013
13.2 Issued, subscribed and paid-up capital			**Rupees in thousand**	
50,000	50,000	7% irredeemable preference shares of Rs.10 each issued for cash	**500**	500
1,037,500	1,037,500	ordinary shares of Rs.10 each fully paid in cash	**10,375**	10,375
1,087,500	1,087,500		**10,875**	10,875
312,500	312,500	ordinary shares of Rs.10 each issued as fully paid bonus shares	**3,125**	3,125
1,400,000	1,400,000		**14,000**	14,000

13.3 The Premier Sugar Mills & Distillery Company Limited (the Holding Company) holds 1,113,637 (2013: 1,113,637) ordinary shares and 42,984 (2013: 42,984) 7% irredeemable preference shares as at September 30, 2014.

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

14.1 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.

14.2 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:

Opening balance	**93,845**	95,294
Less: transferred to accumulated loss on account of incremental depreciation for the year	**1,325**	1,449
Closing balance	**92,520**	93,845

15. 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:

	2014	2013
- discount rate - per annum	**13.5%**	11.5%
- expected rate of growth per annum in future salaries	**12.5%**	10.5%
- average expected remaining working life time of employees	**05 years**	04 years

Amount recognised in the balance sheet is the present value of defined benefit obligation at the reporting date:

	2014	Restated 2013
The movement in the present value of defined benefit obligation is as follows:	**Rupees in thousand**	
Opening balance	**2,336**	2,434
Current service cost	**49**	115
Interest cost	**268**	280
Benefits paid	**0**	(493)
Remeasurements: experience adjustments	**(332)**	0
Closing balance	**2,321**	2,336
Expense recognised in profit and loss account		
Current service cost	**49**	115
Interest cost	**268**	280
	317	395

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

	2014	2013	2012	2011	2010
	Rupees in thousand				
Present value of defined benefit obligation	**2,321**	2,336	2,434	3,594	4,022
Experience adjustment on obligation	**(332)**	0	(1,073)	0	1,323

16. TRADE AND OTHER PAYABLES

	Note	2014	2013
		Rupees in thousand	
Accrued expenses		**636**	1,039
Interest free deposits		**21**	21
Income tax deducted at source		**2**	1
Unclaimed dividends		**572**	572
Others		**1**	4
		1,232	1,637

17. ADVANCES AGAINST SALE OF LAND

These represent advances received from three parties against proposed sale of the Company's freehold land; formal land sale agreements, however, have not been executed till September 30, 2014.

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 No commitments were outstanding as at September 30, 2014 and September 30, 2013.

19. OTHER INCOME

	Note	2014	2013
Income from financial assets:			
Profit on saving accounts		**448**	61
Dividend		**811**	1,826
Gain on redemption of short term investments		**124**	571
Fair value gain on re-measurement of short term investments	**11**	**2,137**	2,360
Income from other than financial assets:			
Sale of trees, wheat, etc.		**3,155**	219
Gain on sale of vehicle	**6.3**	**530**	149
		7,205	5,186

20. FIXED PRODUCTION OVERHEADS

	Note	2014	2013
Salaries and benefits	**20.1**	**1,714**	1,379
Power and fuel		**2,451**	1,979
Depreciation	**6.2**	**2,000**	2,223
Insurance		**86**	117
		6,251	5,698

20.1 These include Rs.13 thousand (2013: Rs.15 thousand) and Rs.286 thousand (2013: Rs.356 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

21. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		Rupees in thousand	
Salaries and benefits	**21.1**	**8,901**	8,201
Travelling and vehicles' running		**631**	371
Rent, rates and taxes		**123**	126
Communication		**84**	46
Printing and stationery		**77**	58
Insurance		**139**	139
Repair and maintenance		**115**	267
Subscription		**15**	10
Auditors' remuneration	**21.2**	**254**	282
Legal and professional charges (other than Auditors')		**42**	974
General		**306**	141
Depreciation	**6.2**	**161**	180
		10,848	10,795

21.1 These include Rs.94 thousand (2013: Rs.88 thousand) and Rs.31 thousand (2013: Rs.39 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

21.2 Auditors' remuneration:

	2014	2013
Hameed Chaudhri & Co.		
- statutory audit	**125**	125
- half-yearly review	**60**	60
- certification charges	**0**	25
- out-of-pocket expenses	**36**	36
	221	246
Munawar Associates		
- cost audit	**30**	30
- workers' (profit) participation fund's audit fee	**0**	3
- out-of-pocket expenses	**3**	3
	33	36
	254	282

22. OTHER EXPENSES

Uncollectible receivable balances written-off	**22.1**	**1,176**	0

22.1 These include accrued profit on deposits with a non-bank finance company aggregating Rs.973 thousand, which has been written-off during the year.

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 2010 to 2014 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.

24. LOSS PER SHARE

		(Re-stated)
	2014	2013
	Rupees in thousand	
Loss after taxation attributable to ordinary shareholders	**(11,156)**	(11,493)
	No. of shares	
Weighted average number of shares outstanding during the year	**1,350,000**	1,350,000
	------- Rupees -------	
Loss per share	**(8.26)**	(8.51)

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, 2014 and September 30, 2013, 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 respective year-ends.

(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:

	2014	2013	**2014**	2013
	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%	**27,526**	925

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, 2014 and September 30, 2013.

(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.2,749 thousand (2013:Rs.3,103 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 long term investments, 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, 2014 along with comparative is tabulated below:

	2014	2013
	Rupees in thousand	
Long term investments	**25,209**	18,893
Security deposits	**92**	92
Accrued profit on deposits with a non-bank finance company	**0**	973
Short term investments	**27,487**	31,025
Deposits with a non-bank finance company	**39,000**	39,000
Bank balances	**27,636**	1,362
	119,424	91,345

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 12.2.

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:

Particulars	Carrying amount	Contractual cash flows	Less than 1 year
2014	**------------------ Rupees in thousand**		**--------------**
Trade and other payables	**1,230**	**1,230**	**1,230**
2013			
Trade and other payables	1,636	1,636	1,636

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, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

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

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

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

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

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

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

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		**2014**	2013
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, 2014 and audited financial statements of the provident fund for the year ended September 30, 2013:

	2014	2013
	Rupees in thousand	
Size of the fund - total assets	**13,353**	12,212
Cost of investments made	**9,525**	8,501
Percentage of investments made	**71.33%**	69.61%
Fair value of investments made	**9,525**	8,501

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

	2014	2013	**2014**	2013
	-------- % --------		**Rupees in thousand**	
Term deposit receipt (TDR)	**94.49%**	82.34%	**9,000**	7,000
Saving account in a scheduled bank	**5.51%**	17.66%	**525**	1,501
	100.00%	100.00%	**9,525**	8,501

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, 2014 was 19 (2013: 19) and average number of employees during the year was 20 (2013: 20).

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on January 02, 2015 by the board of directors of the Company.

33. CORRESPONDING FIGURES

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (revised) as detailed in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

CHIEF EXECUTIVE **DIRECTOR**

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED MARDAN

FORM - 34

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30 SEPTEMBER, 2014

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

2014

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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, 2014.

1. GENERAL REVIEW

Chashma Sugar Mills Limited and The Frontier Sugar Mills & Distillery Limited suffered loss of Rs. 128.62 million and Rs. 4.805 million respectively, 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, 2014 with the preceding year comparatives:

	2014	2013
	(Rupees in thousand)	
- (Loss)/Profit before taxation	**(424,755)**	28,832
- **Taxation**		
- Current year	**81**	88,226
- Prior	**(910)**	(902)
- Deferred	**(207,912)**	(43,153)
- Associated Companies	**1,167**	1,643
	(207,574)	45,814
- (Loss) after taxation	**(217,181)**	(16,982)
- Other comprehensive Income for the year	**9,435**	240
- Total comprehensive (Loss) for the year	**(207,746)**	(16,742)
	------------Rupees------------	
- Combined (Loss) per share	**(40.23)**	(8.39)

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 2014-2015

The sugarcane crushing season in The Premier Sugar Mills & Distillery Company Limited started on 12 November, 2014 and the mills have crushed 107,794 tons of sugarcane producing 10,850 tons of sugar up to 25 December, 2014.

5. SUGAR PRICE

This is the fourth consecutive year of excessive sugar production in the country and any policy regarding extra production to be exported is still awaited form GoP, due to this, sugar prices have remained below the cost of production throughout the period. The present sugar price set by the government does not cover the cost of sugar production hence resulting in huge losses.

6. REPLIES TO AUDITORS RESERVATION

Note 11.1
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.

Note 18.4
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.

7. CUSTOMERS' SUPPORT AND STAFF RELATIONS

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

8. PATTERN OF SHAREHOLDING

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

ON BEHALF OF THE BOARD

Mardan:
02 January, 2015

(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 the 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, 2014 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 consolidated 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 and annexed notes 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 18.4) and the contents of note 11.1 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, 2014 and the results of their operations for the year then ended.

Hameed Chaudhri & Co.

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

LAHORE;
03 January, 2015

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER, 2014

	Note	2014	(Re-stated) 2013	(Re-stated) October 01, 2012
Assets				
Non-current Assets		**Rupees in thousand**		
Property, plant and equipment	7	**7,584,238**	5,801,657	3,909,986
Intangible assets	8	**233**	0	100
Investment property	9	**32,402**	33,889	35,298
Long term investments	10	**82,115**	72,676	70,275
Security deposits		**5,250**	4,666	4,594
		7,704,238	5,912,888	4,020,253
Current Assets				
Stores and spares	11	**447,552**	625,935	327,725
Stock-in-trade	12	**1,879,883**	1,678,245	1,961,956
Trade debts	13	**211,702**	323,360	790,611
Loans and advances	14	**222,044**	171,538	140,032
Trade deposits, short term prepayments and other receivables	15	**168,330**	101,408	17,115
Accrued profit / mark-up on bank deposits		**50**	1,021	1,043
Tax refunds due from the Government	16	**347,856**	151,311	102,709
Short term investments	17	**27,487**	31,025	308,298
Bank balances	18	**246,643**	159,548	192,128
		3,551,547	3,243,391	3,841,617
TOTAL ASSETS		**11,255,785**	9,156,279	7,861,870
Equity and Liabilities				
Share Capital and Reserves				
Authorised capital 5,750,000 (2013: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500	57,500
Issued, subscribed and paid-up capital	19	**37,500**	37,500	37,500
Reserves		**1,026,560**	1,021,408	1,022,291
Accumulated loss		**(56,318)**	(25,952)	(68,693)
Equity Attributable to Equity Holders of the Parent Company		**1,007,742**	1,032,956	991,098
Non-Controlling Interest		**325,462**	300,344	242,524
		1,333,204	1,333,300	1,233,622
Surplus on Revaluation of Property, Plant and Equipment	20	**2,526,224**	2,408,551	1,425,199
Non-current Liabilities				
Long term finances	21	**2,227,408**	911,845	544,578
Loans from Associated Companies	22	**157,500**	157,500	157,500
Liabilities against assets subject to finance lease	23	**21,459**	9,667	9,304
Deferred taxation	24	**818,791**	913,125	461,422
Staff retirement benefits - gratuity	25	**11,496**	14,396	32,323
Current Liabilities		**3,236,654**	2,006,533	1,205,127
Trade and other payables	26	**426,082**	434,610	1,006,555
Advances against sale of land	27	**30,881**	0	0
Accrued mark-up	28	**205,351**	134,034	125,813
Short term borrowings	29	**3,336,694**	2,522,957	2,525,759
Current portion of non-current liabilities	30	**156,849**	225,775	303,140
Dividends payable to non-controlling interest		**3,846**	3,848	3,855
Taxation	31	**0**	86,671	32,800
		4,159,703	3,407,895	3,997,922
TOTAL LIABILITIES		**7,396,357**	5,414,428	5,203,049
TOTAL EQUITY AND LIABILITIES		**11,255,785**	9,156,279	7,861,870
Contingencies and Commitments	32			

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, 2014

	Note	2014	(Re-stated) 2013
		Rupees in thousand	
Sales - net	33	**6,610,984**	8,563,278
Cost of Sales	34	**6,654,357**	8,070,400
Gross (Loss) / Profit		**(43,373)**	492,878
Distribution Cost	35	**71,646**	98,135
Administrative Expenses	36	**233,809**	229,404
Other Expenses	37	**7,920**	4,402
		313,375	331,941
		(356,748)	160,937
Other Income	38	**331,726**	330,838
(Loss) / Profit from Operations		**(25,022)**	491,775
Finance Cost	39	**402,003**	467,165
		(427,025)	24,610
Share of Profit from Associated Companies	10.2	**2,270**	4,222
(Loss) / Profit before Taxation		**(424,755)**	28,832
Taxation			
Group			
- Current	31	**81**	88,226
- Prior years	31	**(910)**	(902)
- Deferred		**(207,912)**	(43,153)
		(208,741)	44,171
Associated Companies	10.2	**1,167**	1,643
		(207,574)	45,814
Loss after Taxation		**(217,181)**	(16,982)
Other Comprehensive Income / (Loss)			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain / (loss) on available-for-sale investments	10	**6,316**	(1,034)
Share of other comprehensive income from Associated Companies	10.2	**1,690**	611
Item that will not be reclassified to profit or loss:			
- gain on remeasurement of staff retirement benefit obligation (net of deferred tax)		**1,429**	663
		9,435	240
Total Comprehensive Loss		**(207,746)**	(16,742)
Attributable to:			
- Equity holders of the Parent Company		**(142,609)**	(31,105)
- Non-controlling interest		**(65,137)**	14,363
		(207,746)	(16,742)
Combined Loss per Share		------ Rupees-----	
	40	**(40.23)**	(8.39)

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, 2014

	2014	2013
Cash flow from operating activities	**Rupees in thousand**	
(Loss) / profit for the year - before taxation	**(424,755)**	28,832
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**450,008**	322,416
Depreciation on investment property	**1,487**	1,624
Amortisation of intangible assets	**117**	100
Profit from Associated Companies - net	**(2,270)**	(4,222)
Interest / profit on bank deposits and saving accounts	**(6,791)**	(9,784)
Staff retirement benefits - gratuity (net)	**(921)**	(16,319)
Un-claimed payable balances written-back	**(166)**	(198)
Gain on disposal of operating fixed assets	**(15,267)**	(31,343)
Gain on re-measurement of short term investments to fair value	**(2,137)**	(2,360)
Uncollectible receivable balances written-off	**1,746**	105
Dividend income	**(811)**	(1,826)
Finance cost	**396,390**	457,331
Profit before working capital changes	**396,630**	744,356
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	**178,383**	(298,210)
Stock-in-trade	**(201,638)**	283,711
Trade debts	**111,658**	467,251
Loans and advances	**(52,252)**	(31,611)
Trade deposits, short term prepayments and other receivables	**(66,922)**	(84,293)
Sales tax refundable - net	**(175,396)**	(25,261)
(Decrease) / increase in current liabilities		
Trade and other payables	**(8,354)**	(572,426)
Advances against sale of land	**30,881**	0
	(183,640)	(260,839)
Cash generated from operations	**212,990**	483,517
Income tax paid	**(106,991)**	(56,794)
Security deposits	**(584)**	(72)
Net cash generated from operating activities	**105,415**	426,651
Cash flow from investing activities		
Additions to property, plant and equipment	**(1,797,199)**	(621,712)
Sale proceeds of operating fixed assets	**17,943**	33,099
Additions to investment property	**0**	(215)
Intangible assets acquired	**(350)**	0
Interest / profit on bank deposits and saving accounts	**7,762**	9,806
Short term investments - net	**5,675**	279,633
Dividend received	**811**	1,826
Net cash used in investing activities	**(1,765,358)**	(297,563)
Cash flow from financing activities		
Long term finances - net	**1,240,414**	310,509
Instalments of loans from Associated Companies repaid	**0**	(22,500)
Lease finances - net	**18,015**	2,256
Short term borrowings - net	**813,737**	(2,802)
Finance cost paid	**(325,109)**	(449,110)
Dividends paid	**(19)**	(21)
Net cash generated from / (used in) financing activities	**1,747,038**	(161,668)
Net increase / (decrease) in cash and cash equivalents	**87,095**	(32,580)
Cash and cash equivalents - at beginning of the year	**159,548**	192,128
Cash and cash equivalents - at end of the year	**246,643**	159,548

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, 2014

	------------- 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	Accumul-ated loss	Total	Non-controlling interest	Total equity
	---------------------- Rupees in thousand ----------------------								
Balance as at September 30, 2012 as previously reported	37,500	1	1,010,537	11,753	1,022,291	(67,444)	992,347	242,360	1,234,707
Effect of change in accounting policy with respect to accounting for recognition of actuarial loss on staff retirement benefit schemes - gratuity - note 6	0	0	0	0	0	(1,249)	(1,249)	164	(1,085)
Balance as at October 01, 2012 - as restated	37,500	1	1,010,537	11,753	1,022,291	(68,693)	991,098	242,524	1,233,622
Total comprehensive income / (loss) for the year ended September 30, 2013									
Loss after taxation	0	0	0	0	0	(31,466)	(31,466)	14,514	(16,952)
Other comprehensive (loss) / income	0	0	0	(883)	(883)	1,244	361	(151)	210
	0	0	0	(883)	(883)	(30,222)	(31,105)	14,363	(16,742)
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
Balance as at September 30, 2013 - as restated	37,500	1	1,010,537	10,870	1,021,408	(25,952)	1,032,956	300,344	1,333,300
Total comprehensive (loss) / income for the year ended September 30, 2014									
Loss after taxation	0	0	0	0	0	(150,880)	(150,880)	(66,301)	(217,181)
Other comprehensive income	0	0	0	5,152	5,152	3,119	8,271	1,164	9,435
	0	0	0	5,152	5,152	(147,761)	(142,609)	(65,137)	(207,746)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	330	330	0	330
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	117,065	117,065	90,255	207,320
	37,500	1	1,010,537	16,022	1,026,560	(56,318)	1,007,742	325,462	1,333,204

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, 2014

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. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 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 present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 25.

e) Income taxes

In making the estimates for income taxes, the Group takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Group's view differs with the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

f) Contingencies

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

2.5 No critical judgment has been used in applying the accounting policies.

3. 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, 2014. The Parent Company's direct interest, as at September 30, 2014, in CSM was 47.93% (2013: 47.93%) and in FSM was 82.49% (2013: 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.

4. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

4.1 Standards, interpretations and amendments to approved accounting standards that became effective during the year

The amendments to the following standard have been adopted by the Group for the first time for financial year beginning on October 01, 2013:

(a) IAS 19 (revised) has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Group has applied this change in accounting policy retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefits - gratuity by adjusting the opening balance of accumulated loss and retirement benefits for the prior period presented. Latest actuarial assessments have been carried-out as at September 30, 2014. Effects of change in accounting policy have been disclosed in note 25.

(b) There are other amendments to the approved standards and new interpretations that are mandatory for accounting periods beginning on or after October 01, 2013 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

4.2 Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to published standards are effective for the Group's accounting periods beginning on or after October 01, 2014 (although available for early adoption) and have not been early adopted by the Group:

(a) IAS 27 (revised 2011) 'Separate Financial Statements' is effective from accounting periods beginning on or after January 01, 2015. IAS 27 (revised 2011) will concurrently apply with IFRS 10. The revised standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised standard are carried forward unchanged from the previous standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

(b) IAS 28 (revised 2011) 'Investments in Associates and Joint Ventures' is effective from accounting periods beginning on or after January 01, 2015. Similar to the previous standard, the new standard deals with how to apply the equity method of accounting. However, the scope of this revised standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

(c) IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable on accounting 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 date. The Group shall apply this amendment from October 01, 2014 and does not expect to have a material impact on its financial statements.

(d) IFRS 9 ‘Financial Instruments - Classification and Measurement' is applicable on accounting 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 Group does not expect to have a material impact on its consolidated financial statements due to application of this standard.

(e) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Group shall apply this amendment from October 01, 2014 and this will only affect the disclosures in the Group's consolidated financial statements in the event of impairment.

(f) IFRS 10 'Consolidated Financial Statements' is effective from accounting periods beginning on or after January 01, 2015 and replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determine which investee should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27, which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

(g) IFRIC 21 - Levies is effective from accounting periods beginning on or after January 01, 2014. IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The interpretations are not likely to have an impact on the Group's consolidated financial statements.

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

5. 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.

5.1 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 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.

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 rates stated in note 7.1 applying reducing balance method to write-off the cost of the asset over their 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 taken to profit and loss account.

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 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 taken to profit and loss account applying reducing balance method at the rates stated in note 9. 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.

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 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 taken to profit and loss account.

5.9 Cash and cash equivalents

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

5.10 Borrowings and borrowing costs

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

5.11 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 obligation under the schemes in accordance with the actuarial recommendations. Latest actuarial valuations were conducted on September 30, 2014 on the basis of the projected unit credit method by an independent Actuary.

5.12 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.

5.13 Taxation

(a) Current

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.

5.14 Dividend and appropriation to reserves

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

5.15 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.

5.16 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 dispatch 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'.

5.17 Development expenditure

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

5.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate 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 in 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 instruments include long term 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, lease finances, trade & other payables, accrued mark-up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.21 Offsetting

Monetary assets and liabilities are offset 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.

6. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the Group's policy for 'staff retirement benefits - gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' is recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Group's consolidated financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	2013	October 01, 2012
	Rupees in thousand	
Impact on Consolidated Balance Sheet		
Increase in staff retirement benefits- gratuity	2,354	2,175
Decrease in deferred taxation	(801)	(1,090)
Increase in accumulated loss	1,553	1,085
Impact on Consolidated Statement of Changes in Equity		
Increase in accumulated loss		
- cumulative effect from prior years	0	1,085
- impact for the year ended	(470)	
Impact on Consolidated Profit and Loss Account		
Increase in:		
- cost of sales	143	
- administrative expenses	13	
Increase in loss before taxation	156	
Impact on Consolidated Other Comprehensive Income		
Item that will not be reclassified to profit or loss	663	

The effect of change in accounting policy, due to application of IAS 19 (revised), on loss per share for the year ended September 30, 2013 is immaterial in the overall context of these consolidated financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		Rupees in thousand	
Operating fixed assets - tangible	7.1	**4,980,853**	4,785,716
Capital work-in-progress	7.7	**2,601,473**	1,013,896
Stores held for capital expenditure		**1,912**	2,045
		7,584,238	5,801,657

7.1 Operating fixed assets - tangible

Particulars	Leasehold land	Owned: Freehold land	Owned: Buildings on freehold land	Owned: Buildings and roads on leasehold land	Owned: Plant and machinery	Owned: Genera-tors	Owned: Tools	Owned: Beet water line	Owned: Electric and gas equipment	Owned: Laboratory equipment	Owned: Furniture, fittings & office equipment	Owned: Farm equipment	Owned: Railway rolling stock and vehicles	Owned: Tube well	Owned: Arms	Leased: Vehicles	Leased: Genera-tors	Total
	Rupees in thousand																	
As at September 30, 2012																		
Cost / revaluation	2,725	253,807	745,915	138,024	2,960,945	8,676	914	206	164,724	120	68,360	1,017	62,798	59	54	18,625	0	4,426,969
Accumulated depreciation	415	0	181,112	26,237	598,051	1,883	913	205	83,550	116	41,517	225	41,135	58	43	3,009	0	978,469
Book value	2,310	253,807	564,803	111,787	2,362,894	6,793	1	1	81,174	4	26,843	792	21,663	1	11	15,616	0	3,448,500
Year ended September 30, 2013:																		
Additions	0	30,298	2,224	0	1,255	0	0	0	1,442	0	9,027	0	16,728	0	0	6,283	0	67,257
Revaluation adjustments:																		
- cost	0	86,037	21,009	0	840,280	0	0	0	0	0	0	0	0	0	0	0	0	947,326
- depreciation	0	0	190,110	0	454,133	2,562	0	0	0	0	0	0	0	0	0	0	0	646,805
Disposals:																		
- cost	0	(3)	0	0	0	0	0	0	0	0	0	(55)	(3,364)	0	0	0	0	(3,422)
- depreciation	0	0	0	0	0	0	0	0	0	0	0	16	1,650	0	0	0	0	1,666
Depreciation charge	28	0	54,316	9,040	236,373	679	0	0	8,168	0	3,368	79	6,928	0	1	3,436	0	322,416
Book value as at September 30, 2013	2,282	370,139	723,830	102,747	3,422,189	8,676	1	1	74,448	4	32,502	674	29,749	1	10	18,463	0	4,785,716
Year ended September 30, 2014:																		
Additions	110	0	8,393	0	113,489	6,833	0	0	4,138	0	39,687	0	906	0	0	30,499	5,700	209,755
Revaluation adjustments:																		
- cost	0	0	37,721	37,271	0	0	0	0	0	0	0	0	0	0	0	0	0	74,992
- depreciation	0	0	39,439	38,969	284,666	0	0	0	0	0	0	0	0	0	0	0	0	363,074
Disposals:																		
- cost	0	0	0	0	(1,000)	0	0	0	0	0	0	0	(2,999)	0	0	(3,472)	0	(7,471)
- depreciation	0	0	0	0	944	0	0	0	0	0	0	0	2,490	0	0	1,361	0	4,795
Depreciation charge	28	0	70,167	8,304	343,320	1,551	0	0	7,632	0	4,344	67	5,988	0	1	8,179	427	450,008
Book value as at September 30, 2014	2,364	370,139	739,216	170,683	3,476,968	13,958	1	1	70,954	4	67,845	607	24,158	1	9	38,672	5,273	4,980,853
As at September 30, 2013																		
Cost / revaluation	2,725	370,139	959,258	138,024	4,256,613	11,238	914	206	166,166	120	77,387	962	76,162	59	54	24,908	0	6,084,935
Accumulated depreciation	443	0	235,428	35,277	834,424	2,562	913	205	91,718	116	44,885	288	46,413	58	44	6,445	0	1,299,219
Book value	2,282	370,139	723,830	102,747	3,422,189	8,676	1	1	74,448	4	32,502	674	29,749	1	10	18,463	0	4,785,716
As at September 30, 2014																		
Cost / revaluation	2,835	370,139	1,005,372	175,295	4,369,102	18,071	914	206	170,304	120	117,074	962	74,069	59	54	51,935	5,700	6,362,211
Accumulated depreciation	471	0	266,156	4,612	892,134	4,113	913	205	99,350	116	49,229	355	49,911	58	45	13,263	427	1,381,358
Book value	2,364	370,139	739,216	170,683	3,476,968	13,958	1	1	70,954	4	67,845	607	24,158	1	9	38,672	5,273	4,980,853
Depreciation rate (%)	1.01	0	5-10	5-10	10-12	10-12	15	15	10	10	10-15	10	10-20	10	10	20	10-12	

7.2 In case of the Parent Company, revaluation surplus on each class of asset, excluding roads, farm building, guest house at Peshawar and plant & machinery having book value aggregating Rs.3.929 million and Rs.1.073 million respectively, as a result of latest revaluation as detailed in note 20.2 has been determined as follows:

Particulars	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Total
	-------------------- Rupees in thousand	--------------------		
Cost / revaluation as at September 30, 2014	138,386	136,735	722,791	997,912
Accumulated depreciation to September 30, 2014	39,438	38,968	310,457	388,863
Book value before revaluation adjustments as at September 30, 2014	98,948	97,767	412,334	609,049
Revalued amount	176,108	174,007	697,000	1,047,115
Revaluation surplus	**77,160**	**76,240**	**284,666**	**438,066**

7.3 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:

	2014	2013
	Rupees in thousand	
- freehold land	**72,120**	72,010
- buildings on freehold land and roads	**194,861**	206,808
- buildings on leasehold land	**5,920**	6,447
- plant & machinery	**923,059**	900,699
- generators	**11,652**	6,114
	1,207,612	1,192,078

7.4 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, have been revalued during the financial years ended September 30, 2009, September 30, 2011 and September 30, 2014 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million and Rs. 76.240 million respectively has been 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.

7.5 Depreciation for the year has been allocated as follows:

	2014	2013
	Rupees in thousand	
Cost of sales	**430,743**	308,420
Administrative expenses	**19,265**	13,996
	450,008	322,416

7.6 Disposal of operating fixed assets

Particulars	**Cost**	**Accumulated depreciation**	**Book value**	**Sale proceeds**	**Gain / (loss)**	**Sold through negotiation to:**
	------- Rupees in thousand -------					
Plant & machinery - boilers	1,000	944	56	14,561	14,505	Abdullah Traders, Faisalabad.
Vehicles - owned						
Bus	48	48	0	185	185	Mr. Attaullah, Lahore.
Honda City	705	435	270	352	82	Mr. Sher Afzal Khan, Kark.
Motorcycle	67	65	2	11	9	Muhammad Kamran, Islamabad.
Suzuki Bolan	285	280	5	350	345	Mr. Gulzada, Mardan.
Suzuki Khyber	509	490	19	142	123	Mr. Saad-ul-Haq, Bhakar.
Toyota Jeep	100	100	0	185	185	Muhammad Zaman, Dera Ismail Khan.
Toyota Land Cruiser	1,285	1,072	213	825	612	Mr. Nasir Ameen, Gilgit.
	2,999	2,490	509	2,050	1,541	
Vehicles - leased						
Toyota Corolla	2,039	799	1,240	533	(707)	Sayed Asif Gillani, Rawalpindi.
Toyota Corolla	1,433	562	871	799	(72)	Mr. Amjad, Pakpatan.
	3,472	1,361	2,111	1,332	(779)	
	7,471	**4,795**	**2,676**	**17,943**	**15,267**	
2013	3,422	1,666	1,756	33,099	31,343	

7.7 Capital work-in-progress

	Note	2014	2013
		Rupees in thousand	
Buildings on freehold land		**384,165**	175,729
Plant and machinery	**7.8**	**1,874,070**	763,827
Electric installations		**152,080**	43,440
Furniture, fittings and office equipment		**0**	11,383
Vehicles		**1,827**	1,014
Un-allocated capital expenditure - net	**7.9**	**171,395**	18,082
Advance payments:			
-freehold land		**421**	421
-buildings on freehold land		**12,604**	0
-plant and machinery		**4,911**	0
		17,936	421
		2,601,473	1,013,896

7.8 The balance includes mark-up aggregating Rs.178.937 million (2013: Rs.15.157 million) on long term finances; rates of mark-up have been disclosed in note 21.

7.9 Un-allocated capital expenditure - net

	2014	2013
Salaries and benefits	**37,002**	7,134
Fee for soil testing	**750**	750
Consultancy fee for Ethanol Fuel Plant (EFP) and other charges	**6,483**	5,229
Damages to buildings, plant & machinery and stores due to riots - net of insurance claim amounting Rs.17 million	**30,623**	0
Compensation paid to affectees	**29,003**	0
Mark-up on short term borrowings	**29,377**	0
Penalty imposed by the State Bank of Pakistan due to non-export of spirit - net	**5,517**	0
Other expenses	**42,141**	4,969
	180,896	18,082
Less: sale of spirit during trial run operations	**9,501**	0
	171,395	18,082

7.10 In case of CSM, the newly installed Ethanol Fuel Plant's (EFP) trial run operations commenced from April 01, 2014; however, these operations had to be stopped due to Ramak tragedy in which some persons drowned six kilometers away from the factory in waste water drain. The management, to resume EFP operations, is in the process of installing new Biogas Plant, which will consume waste of EFP as its input.

8. INTANGIBLE ASSETS - Computer softwares

	2014	2013
	Rupees in thousand	
Cost at beginning of the year	**6,592**	6,592
Additions during the year	**350**	0
Cost at end of the year	**6,942**	6,592
Less: amortisation:		
- at beginning of the year	**6,592**	6,492
- charge for the year	**117**	100
-at end of the year	**6,709**	6,592
Book value as at September 30 ,	**233**	0

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

9. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------ Rupees in thousand ------------		
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
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
Year ended September 30, 2014:			
Depreciation charge	0	1,487	1,487
Book value	**14,544**	**17,858**	**32,402**
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
As at September 30, 2014			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	45,850	45,850
Book value	**14,544**	**17,858**	**32,402**
Depreciation rate (%)	0	5-10	

9.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2014 was Rs.260 million (2013: Rs.260 million).

10. LONG TERM INVESTMENTS	2014	2013	2014	2013
	Equity held (%)		Rupees in thousand	
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2013: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**13,912**	13,553
Market value Rs.2.540 million (2013: Rs.3.219 million)				
UN-QUOTED:				
National Computers (Pvt.) Ltd. *				
14,450 (2013: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	0
Premier Board Mills Ltd.				
47,002 (2013: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**3,981**	3,915
Azlak Enterprises (Pvt.) Ltd. **				
200,000 (2013: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**39,013**	36,315
			56,906	53,783
OTHERS - QUOTED (available-for-sale)				
Ibrahim Fibres Ltd.				
405,670 (2013: 405,670) ordinary shares of Rs.10 each			**5,680**	5,680
Add: adjustment arising from re-measurement to fair value			**19,529**	13,213
			25,209	18,893
			82,115	72,676

10.1 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.

10.2 Investments in equity instruments of Associated Companies

	2014	2013
Opening balance - cost	**5,638**	5,638
Add: post acquisition profit brought forward	**48,145**	44,710
	53,783	50,348
Add: share for the year:		
- profit - net	**2,270**	4,222
- other comprehensive income	**1,690**	611
- items directly credited in equity	**330**	245
Less: taxation - net	**(1,167)**	(1,643)
	3,123	3,435
Balance as at 30 September,	**56,906**	53,783

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

** Based on un-audited financial statements for the year ended June 30, 2014.

10.3 Summarised financial information of the Associated Companies, based on the audited / un-audited financial statements for the year ended June 30, 2014, is as follows:

Name of the Associated Company	Assets	Liabilities	Operating revenues	Profit / (loss) after tax
	2014			
	-------------- Rupees in thousand ---------------			
Arpak International Investments Ltd.	**244,965**	**3,014**	**13,169**	**624**
Premier Board Mills Ltd.	**484,764**	**5,079**	**21,527**	**(1,047)**
Azlak Enterprises (Pvt.) Ltd.	**142,627**	**45,094**	**45,270**	**2,689**
	2013			
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

11. STORES AND SPARES

	Note	2014	2013
		Rupees in thousand	
Stores including in-transit inventory valuing Rs. 4.955 million (2013: Rs.240 million)		**340,218**	523,207
Spares		**107,334**	102,728
		447,552	625,935

11.1 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.

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

12. STOCK-IN-TRADE

	Note	2014	2013
Sugar-in-process		**16,020**	9,091
Finished goods:			
- Sugar		**1,857,923**	1,669,131
- Spirit	**12.1**	**5,940**	23
		1,863,863	1,669,154
		1,879,883	1,678,245

12.1 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 558.595 metric tonnes (2013: 16.526 metric tonnes) valued at Rs. Nil.

13. TRADE DEBTS

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.

14. LOANS AND ADVANCES

	Note	2014	2013
		Rupees in thousand	
Advances to:			
- suppliers and contractors - considered good	**14.1**	**215,979**	144,315
- employees - considered good		**8,483**	4,863
Due from an Associated Company	**14.2**	**19**	19
Letters of credit		**0**	24,778
		224,481	173,975
Less: provision for doubtful advances		**2,437**	2,437
		222,044	171,538

14.1 These are unsecured and considered good except for Rs.2.437 million (2013: Rs.2.437 million), which have been fully provided for in the books of account of CSM.

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

15. TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
Sugar export subsidy receivable	**15.1**	**149,880**	87,824
Prepayments		**3,250**	4,434
Excise duty deposits		**136**	136
Export refinance charges refundable		**2,444**	7,465
Advance made to Arbitrator		**6,000**	0
Gas infrastructure development cess paid under protest - refundable		**3,018**	0
Other receivables		**3,602**	1,549
		168,330	101,408

15.1 This represents subsidy receivable from the Ministry of Commerce, Government of Pakistan against export of sugar during the preceding financial year at the rate of Rs.1.75 per Kg and at the rate of Re. 1 per Kg during the current financial year.

16. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2014	2013
		Rupees in thousand	
Income tax refundable, advance tax and tax deducted at source		**147,199**	126,050
Sales tax refundable		**200,657**	25,261
		347,856	151,311

17. SHORT TERM INVESTMENTS

- At fair value through profit or loss

MCB Cash Management Optimizer 269,230 Units (2013: 310,018 Units)		**25,350**	28,665
Add: adjustment on re-measurement to fair value		**2,137**	2,360
		27,487	31,025

18. BANK BALANCES

Cash at banks on:			
- PLS accounts	**18.1 & 18.2**	**75,819**	22,179
- saving accounts	**18.2**	**27,526**	925
- deposit accounts	**18.2 & 18.3**	**26,132**	7,741
- current accounts		**42,199**	53,736
- deposits with a non-bank finance company - unsecured	**18.4**	**78,000**	78,000
- dividend accounts		**1,967**	1,967
		251,643	164,548
Less: provision for doubtful bank balance	**18.5**	**5,000**	5,000
		246,643	159,548

18.1 These include Rs.383 thousand (2013: Rs.381 thousand) in security deposit account.

18.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 6% to 11.66% (2013: 5% to 11%) per annum.

18.3 These include deposit amounting Rs.2.500 million, which is under lien of a bank against guarantee issued by it in favour of Sui Northern Gas Pipelines Ltd. on behalf of the Parent Company.

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	**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.

18.5 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'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 Parent Company, through its lawyers, had issued legal notices to SBP, NBP and the defunct Mehran Bank Limited. In response, the Parent Company, had received a letter from NBP dated 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 Limited. The Parent Company, had filed a suit with the Civil Court for recovery of the said amount along with profit @ 12.5% per annum with effect from 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

2014	2013		2014	2013
(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 Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2014 and September 30, 2013.

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

20.1 The Parent Company, during the financial years ended September 30, 2000, September 30, 2009 and September 30, 2011 had revalued its buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.229.409 million, Rs.544.516 million and Rs.110.992 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, 2014, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [K.G. Traders (Pvt.) Ltd., PBA Approved Assets Valuators, Gulberg Arcade, Main Market, Gulberg, Lahore] to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.438.066 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984 (the Ordinance).

20.3 FSM, 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.

20.4 FSM, 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 Ordinance.

20.5 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.

20.6 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.

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

	Note	**2014**	2013
		Rupees in thousand	
Opening balance		**3,493,840**	2,075,647
Add: surplus arisen on revaluation carried-out during the year	**7.2**	**438,066**	1,594,131
Less: transferred to accumulated loss			
- on account of incremental depreciation for the year		**(309,370)**	(175,938)
- upon sale of revalued plant and machinery		**(55)**	0
		3,622,481	3,493,840
Less: deferred tax on:			
- opening balance of surplus		**1,085,289**	650,448
- surplus on revaluation carried-out during the year		**148,943**	512,752
- incremental depreciation for the year		**(102,050)**	(59,763)
- sale of revalued plant and machinery		**(19)**	0
		1,132,163	1,103,437
		2,490,318	2,390,403
Resultant adjustment due to reduction in tax rate		**35,906**	18,148
Closing balance		**2,526,224**	2,408,551

21. LONG TERM FINANCES - Secured

From banking companies	Note	2014	2013
		Rupees in thousand	
The Parent Company			
Soneri Bank Limited: (SBL)			
- Term finance	**21.1**	**200,000**	0
CSM			
Bank Alfalah Limited: (BAL)			
- Term finance - II	**21.2**	**0**	40,000
- Term finance - III	**21.2**	**250,000**	250,000
		250,000	290,000
Bank Al-Habib Limited: (BAH)			
- Term finance - I	**21.3**	**0**	30,000
- Term finance - II	**21.3**	**0**	70,000
- Fixed loan	**21.4**	**113,204**	55,230
- Long term finance [(LTFF) - SBP]	**21.4**	**364,810**	172,713
		478,014	327,943
Faysal Bank Limited: (FBL)			
- Term finance	**21.5**	**499,964**	0
Soneri Bank Limited: (SBL)			
- Term finance	**21.6**	**130,674**	2,292
- LTFF (ERF)	**21.6**	**240,595**	24,325
		371,269	26,617
The Bank of Khyber: (BoK)			
- Demand finance	**21.7**	**124,013**	179,130
The Bank of Punjab: (BoP)			
- Demand finance	**21.8**	**92,472**	92,472
- LTFF	**21.8**	**356,644**	215,800
		449,116	308,272
		2,372,376	1,131,962
Less: current maturity grouped under current liabilities (2014 balance includes an overdue instalment amounting Rs.25 million)		**144,968**	220,117
		2,227,408	911,845

21.1 SBL, during September, 2014, against a term finance facility has disbursed Rs.200 million. The finance facility carries mark-up at the rate of 6 months KIBOR + 1 %; effective mark-up rate charged by SBL ranged from 11.18% to 11.20% per annum. The finance facility is secured against first pari passu charge of Rs.267 million over plant and machinery of the Parent Company and is repayable in six equal half-yearly instalments of Rs.33.333 million commencing March, 2017.

21.2 The outstanding balance of term finance II was fully repaid during the year. Term finance III has been obtained for purchase of plant and machinery and is repayable in 10 equal half-yearly instalments with effect from September, 2014. These finances carry mark-up at the rate of 6-months KIBOR plus 2% per annum; the effective mark-up rates during the year ranged from 11.06% to 12.18% (2013: 11.06% to 14%) per annum and are secured against first registered joint pari passu charge on present and future fixed assets of CSM for Rs.386.670 million.

21.3 The outstanding balances of these finance facilities were fully repaid during the year. The effective mark-up rates charged on these facilities during the year ranged from 10.96% to 12.15% (2013: 10.96% to 14.04%) per annum.

21.4 Fixed loan and LTFF (SBP) finance facilities 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 joint pari passu charge over fixed assets of CSM; BAH's share amounts to Rs.933.333 million. Fixed loan carries mark-up at the rate of 6-months average KIBOR plus 1.5%; the effective mark-up rates during the year ranged from 10.52% to 11.67% (2013: 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% (2013: 11.40%) per annum.

21.5 Term finance facility available from FBL amounts to Rs.500 million and has been obtained for setting-up ethanol fuel plant. The finance facility's tenor is five years including two years grace period and is secured against joint pari passu hypothecation and mortgage charge over all fixed assets of CSM for Rs. 667 million. The finance facility carries mark-up at the rate of 6-months KIBOR plus 1.5% per annum; the effective mark-up rates during the year ranged from 11.05% to 11.69% per annum.

21.6 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 seven 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 rates during the year ranged from 10.92% to 11.93% (2013: 10.92%) per annum. LTFF (ERF) carries mark-up at SBP rate + 3%; the effective mark-up rates during the year ranged from 9% to 11.40% (2013: 11.40%) per annum.

21.7 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 2% with no floor and no cap; the effective mark-up rates during the year ranged from 11.06% to 12.18% (2013: 11.06% to 14%) 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.

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 seven 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 rates during the year ranged from 10.62% to 11.48% (2013: 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% (2013: 11.40%) per annum.

22. LOANS FROM ASSOCIATED COMPANIES - Secured

	Note	2014	2013
		Rupees in thousand	
Premier Board Mills Ltd. (PBM)	**22.1**	**113,750**	113,750
Arpak International Investments Ltd. (AIIL)	**22.2**	**43,750**	43,750
		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 rates charged by PBM during the year ranged from 10.44% to 11.63% (2013: 10.26% to 11.54%) 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 is repayable in seven half-yearly instalments commencing November, 2016. 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 rates charged by AIIL during the year ranged from 10.44% to 11.63% (2013: 10.26% to 11.54%) 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 is repayable in seven half-yearly instalments commencing November, 2016. The loan is secured against a promissory note of Rs.55.615 million.

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2014			2013		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	-------------------- Rupees in thousand --------------------					
Minimum lease payments	**15,864**	**32,145**	**48,009**	7,104	13,481	20,585
Less: finance cost allocated to future periods	**3,414**	**3,573**	**6,987**	1,446	1,314	2,760
	12,450	**28,572**	**41,022**	5,658	12,167	17,825
Less: security deposits adjustable on expiry of lease terms	**569**	**7,113**	**7,682**	0	2,500	2,500
Present value of minimum lease payments	**11,881**	**21,459**	**33,340**	5,658	9,667	15,325

23.1 The Parent Company has entered into lease agreements with Bank Al-Habib Ltd. and MCB Bank Ltd. for lease of vehicles and a diesel generator respectively. The liabilities under the lease agreements are payable in monthly instalments by December, 2017. The Parent Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. These facilities are secured against title of the leased assets in the name of lessors and during the year carried finance cost at the rates ranging from 11.04% to 12.17% (2013: 9.16%) per annum.

23.2 CSM has entered into lease agreements with Bank Al-Habib Ltd., Faysal Bank Ltd. and MCB Bank Ltd. (2013: Bank Al-Habib Ltd.) for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by September, 2018 and are subject to finance cost at the rates ranging from 6.03% to 17.00% (2013: 9.16% 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 lessors and demand promissory notes.

24. DEFERRED TAXATION - Net

	2014	2013
	Rupees in thousand	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**232,240**	243,077
- surplus on revaluation of property, plant & equipment	**1,096,257**	1,085,289
- lease finances	**964**	251
	1,329,461	1,328,617
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(3,027)**	(3,300)
- impairment loss against investments	**0**	(109)
- provision for doubtful bank balance	**(1,650)**	(1,700)
- provision for doubtful advances	**(804)**	(829)
- unused tax losses	**(216,829)**	(176,695)
- minimum tax recoverable against normal tax charge in future years	**(224,742)**	(232,859)
- tax credit for investment in plant and machinery	**(63,618)**	0
	(510,670)	(415,492)
	818,791	913,125

24.1 In case of CSM, as at September 30, 2014, deferred tax asset amounting Rs.202.509 million (2013: Rs.176.020 million) on unused tax losses and Rs.36.205 million (2013: Rs. Nil) on minimum tax recoverable against normal tax charge in future years has not been recognised in the consolidated financial statements on the ground of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2015.

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:

Significant actuarial assumptions	**2014**	2013
- 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	**5 to 8 years**	4 to 8 years

Amount recognised in the consolidated balance sheet is the present value of defined benefit obligation at the reporting date:

		Re-stated
The movement in the present value of defined benefit obligations is as follows:	**Rupees in thousand**	
Opening balance	**14,396**	32,323
Current service cost	**591**	1,199
Interest cost	**1,482**	3,717
Benefits payable to outgoing members - grouped under current liabilities	**(156)**	(773)
Benefits paid	**(2,847)**	(21,329)
Remeasurements: experience adjustments	**(1,970)**	(741)
Closing balance	**11,496**	14,396
Expense recognised in profit and loss account		
Current service cost	**591**	1,199
Interest cost	**1,482**	3,717
Charge for the year	**2,073**	4,916
Remeasurement recognised in other comprehensive income		
Experience adjustments	**(1,970)**	(741)

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

	2014	2013	2012	2011	2010
	Rupees in thousand				
Present value of defined benefit obligations	**11,496**	14,396	32,323	30,735	28,502
Experience adjustment on obligations	**(1,970)**	(741)	(1,662)	0	270

26. TRADE AND OTHER PAYABLES

	Note	2014	2013
		Rupees in thousand	
Creditors		**277,295**	158,807
Due to Associated Companies	**26.1**	**27,082**	0
Accrued expenses		**51,842**	58,547
Retention money		**21,616**	9,034
Security deposits - interest free repayable on demand	**26.2**	**2,675**	3,047
Advances from customers		**14,015**	177,363
Income tax deducted at source		**1,025**	1,544
Sales tax payable		**143**	0
Gratuity payable to ex-employees		**2,084**	2,075
Workers' (profit) participation fund	**26.3**	**3,439**	3,046
Workers' welfare fund		**11,633**	11,633
Unclaimed dividends		**6,980**	6,997
Due to employees		**6,126**	0
Others		**127**	2,517
		426,082	434,610

26.1 This represents amounts due to:

	2014	2013
- Phipson & Co. Pakistan (Pvt.) Ltd.	**185**	0
- Syntronics Ltd.	**26,897**	0
	27,082	0

26.2 Security deposits include Rs.383 thousand (2013: Rs.381 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.

26.3 Workers' (profit) participation fund

	2014	2013
Opening balance	**3,046**	2,026
Add:		
- interest on funds utilised in the Group's business	**393**	0
- allocation for the year	**0**	3,046
	393	3,046
	3,439	5,072
Less: payments made during the year	**0**	2,026
Closing balance	**3,439**	3,046

27. ADVANCES AGAINST SALE OF LAND

These represent advances received from three parties against proposed sale of FSM's freehold land; formal land sale agreements, however, have not been executed till September 30, 2014.

28. ACCRUED MARK-UP

	Note	2014	2013
		Rupees in thousand	
Mark-up accrued on:			
- long term finances		**75,317**	28,473
- loans from Associated Companies		**22,619**	11,714
- lease finances		**0**	48
- short term borrowings		**107,415**	93,799
		205,351	134,034

29. SHORT TERM BORROWINGS

	Note	2014	2013
Secured	**29.1 & 29.2**	**3,325,999**	2,465,254
Un-secured	**29.3**	**10,695**	57,703
		3,336,694	2,522,957

29.1 Short term finance facilities available to the Parent Company from commercial banks under mark-up arrangements aggregate Rs.1,300 million (2013: Rs.1,150 million). These facilities are secured against pledge of stock of refined sugar, charge over present and future current assets of the Parent Company and registered charge for Rs.200 million on all present and future fixed assets of the Parent Company (excluding land and buildings). These facilities, during the year, carried mark-up at the rates ranging from 9.40% to 11.67% (2013: 9.20% to 14.18%) per annum and are expiring on various dates by June 30, 2015.

Facilities available to the Parent Company for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2013: Rs.75 million). Out of the available facilities, facilities aggregating Rs.115 million (2013: Rs.60.371 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts and shipping documents.

29.2 Short term finance facilities available to CSM from various commercial banks under mark-up arrangements aggregate Rs.5,850 million (2013: Rs.4,150 million) and, during the year, carried mark-up at the rates ranging from 8.50% to 12.18% (2013: 10.22% to 12.95%) per annum. Facilities available for opening letters of credit aggregate Rs.625 million (2013: Rs.625 million). These facilities are secured against charge over CSM's current assets, lien over export documents, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by September 30, 2015.

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

30. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2014	2013
Long term finances	**21**	**144,968**	220,117
Liabilities against assets subject to finance lease	**23**	**11,881**	5,658
		156,849	225,775

31.	**TAXATION** - Net	**2014**	2013
		Rupees in thousand	
	Opening balance	**86,671**	32,800
	Add: provision / (reversal) made during the year:		
	- current	**81**	88,226
	- prior years - net	**(910)**	(902)
		(829)	87,324
	Less: adjustments made during the year against completed assessments	**85,842**	33,453
	Closing balance	**0**	86,671

Group

31.1 Returns of the Group for tax years 2010 to 2014, except for the returns of CSM for the tax years 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.

31.2

No numeric tax rate reconciliation is presented in these consolidated financial statements as in case of the Parent Company and CSM provisions made during the year mainly represent tax due under sections 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance aggregating Rs 60.139 million. The required provision for the current year has been fully adjusted against current year's tax credits for investment in plant & machinery aggregating Rs.123.758 million available under section 65B of the Ordinance. In case of FSM, expense for the year represents tax payable under section 5 (tax on dividend) of the Ordinance.

CSM

31.3 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.

31.4 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)].

31.5 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).

31.6 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.

31.7 The PHC, during the year, has accepted CSM's appeal and the Department has been restrained from tax audit under section 177 of the Ordinance for tax year 2009.

31.8 The PHC, during the year for tax year 2011, has stayed the Department from finalising the proceedings under section 177 of the Ordinance till the next hearing to be held in February, 2015.

31.9 The Department for the tax year 2012 has passed order for recovery of workers' welfare fund demand of Rs. 3.310 million. The appeal was unsuccessful at CIR(A) forum. CSM against the CIR(A)'s order has filed an appeal before the ATIR, which is pending adjudication.

31.10 The Department has issued a show cause notice under sections 161/205 of the Ordinance for tax year 2012. CSM had 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, has filed a writ petition before the Islamabad High Court, which is pending adjudication.

FSM

31.11 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.

32. CONTINGENCIES AND COMMITMENTS

32.1 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.

32.2 The Parent Company, against promulgation of Gas Infrastructure Development Cess Ordinance, 2014 (the GIDC Ordinance) has filed a writ petition under article 199 of the Constitution of Pakistan before the Peshawar High Court, Peshawar. The Court, as an interim relief vide its order dated November 06, 2014, has ordered that no GIDC on the basis of the GIDC Ordinance be charged / imposed, levied or recovered from the Parent Company nor the gas supply be disconnected provided the Parent Company furnishes indemnity bond equal to consumption on the basis of average of previous two years' consumption. The Parent Company has submitted the required indemnity bond. The petition is pending adjudication.

32.3 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 CIR(A) against the impugned order. The CIR(A), during the preceding year, had upheld the order of DC. CSM, thereafter, has filed an appeal before the ATIR, 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.

32.4 CSM's appeal is pending adjudication before the ATIR against order passed by the CIR(A), who has upheld the assessment order dated April 24, 2014 in show cause notice dated February 02, 2014 for claiming input adjustment of Rs.20.678 million in violation of SRO 490(I)/2002.

32.5 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.

32.6 Bank Al-Habib Ltd., on behalf of the Parent Company, has issued guarantees aggregating Rs.10.928 million (2013: Rs.4.629 million) in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 4,631 (2013: 1,934) metric tons of sugar. These guarantees have expired during the year.

32.7 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Parent Company outstanding as at September 30, 2014 was for Rs.10 million (2013: Rs.10 million). The guarantee is valid upto May 26, 2015.

In case of CSM, commitments in respect of :	**2014**	2013
	(Rupees in million)	
- foreign letters of credit for purchase of stores & spares	**0.000**	194.176
- in land letters of credit for capital expenditure	**100.755**	543.482
- capital expenditure other than for letters of credit	**97.612**	0.000

32.8 Also refer contents of taxation notes and note 7.4.

33. SALES - Net

	Note	2014	2013
		Rupees in thousand	
Turnover - Local		**3,344,876**	6,553,653
Turnover - Export		**3,336,117**	2,432,138
		6,680,993	8,985,791
Less: Sales tax		**70,009**	422,513
		6,610,984	8,563,278

34. COST OF SALES

	Note	2014	2013
Raw materials consumed		**5,693,044**	6,581,442
Chemicals and stores consumed		**150,350**	155,917
Salaries, wages and benefits	**34.1**	**386,467**	397,647
Power and fuel		**90,764**	218,078
Insurance		**12,887**	10,291
Repair and maintenance		**88,435**	112,691
Machinery lease rentals		**3,305**	2,203
Depreciation		**430,743**	308,420
		6,855,995	7,786,689
Adjustment of sugar-in-process:			
Opening		**9,091**	18,706
Closing		**(16,020)**	(9,091)
		(6,929)	9,615
Cost of goods manufactured		**6,849,066**	7,796,304
Adjustment of finished goods:			
Opening stock		**1,669,154**	1,943,250
Closing stock		**(1,863,863)**	(1,669,154)
		(194,709)	274,096
		6,654,357	8,070,400

34.1 These include Rs.5.518 million (2013: Rs.4.750 million) and Rs. 1.638 million (2013: Rs.3.851 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

35. DISTRIBUTION COST

	Note	2014	2013
		Rupees in thousand	
Commission		**3,485**	5,388
Salaries, wages and amenities	**35.1**	**5,563**	6,130
Stacking and loading		**12,707**	21,132
Spirit export expenses		**1,457**	3,867
Export development surcharge		**7,041**	6,290
Freight expenses on export of sugar		**26,606**	29,266
Other expenses on export of sugar		**13,271**	25,299
Others		**1,516**	763
		71,646	98,135

35.1 These include Rs. 49 thousand (2013: Rs.50 thousand) in respect of contributions to staff provident funds.

36. ADMINISTRATIVE EXPENSES

	Note	2014	2013
Salaries and benefits	**36.1**	**145,863**	141,957
Travelling:			
- directors		**9,529**	10,868
- others		**5,504**	6,897
Utilities		**1,343**	1,261
Vehicles' running / maintenance and lease rentals		**7,351**	7,089
Rent, rates and taxes		**3,878**	3,824
Insurance		**2,141**	1,877
Repair and maintenance		**13,845**	14,350
Printing and stationery		**5,810**	6,131
Communication		**6,741**	5,593
Fees and subscription		**2,928**	2,541
Auditors' remuneration	**36.2**	**2,774**	2,654
Legal and professional charges (other than Auditors)		**3,021**	5,434
Depreciation on:			
- operating fixed assets		**19,265**	13,996
- investment property		**1,487**	1,624
Amortisation of intangible assets		**117**	100
General		**2,212**	3,208
		233,809	229,404

36.1 These include Rs. 2.309 million (2013: Rs.1.803 million) and Rs. 0.435 million (2013: Rs.1.079 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

		Note	2014	2013
36.2	**Auditors' remuneration**		**Rupees in thousand**	
	Hameed Chaudhri & Co.			
	- statutory audit		**1,625**	1,625
	- half-yearly review		**333**	243
	- consultancy, tax services and certification charges		**469**	453
	- out-of-pocket expenses		**146**	201
			2,573	2,522
	Other Auditors			
	- cost audit fee		**110**	100
	- employees' provident fund's audit fee		**7**	0
	- workers' (profit) participation fund's audit fee		**59**	10
	- out-of-pocket expenses		**25**	22
			201	132
			2,774	2,654

37. OTHER EXPENSES

	2014	2013
Donations (without directors' interest)	**1,038**	93
Uncollectible receivable balances written-off	**1,746**	105
Exchange fluctuation loss	**2,138**	0
Loss on sale of beet seed	**2,998**	0
Workers' welfare fund	**0**	1,158
Workers' (profit) participation fund	**0**	3,046
	7,920	4,402

38. OTHER INCOME

	Note	2014	2013
		Rupees in thousand	
Income from financial assets:			
Interest / profit on bank deposits and saving accounts		**6,791**	9,784
Gain on redemption of short term investments		**124**	17,931
Fair value gain on re-measurement of short term investments		**2,137**	2,360
Exchange fluctuation gain		**0**	2,884
Dividend		**811**	1,826
Income from other than financial assets:			
Rent		**7**	8
Sale of scrap - net		**1,487**	2,309
Sale of press mud - net		**2,102**	1,716
Unclaimed payable balances written-back		**166**	198
Gain on sale of operating fixed assets - net	**7.6**	**15,267**	31,343
Sugar export subsidy	**15.1**	**62,056**	87,824
Profit from fertilizer sales	**38.1**	**3,909**	6,500
Sale of agricultural produce		**10,152**	25,634
Seed sales net of expenses		**151,873**	123,484
Sale of beet pulp		**10,000**	15,000
Excess recoveries of local clearing expenses incurred against export of sugar through Commission Agents		**63,774**	0
Miscellaneous - net		**1,070**	2,037
		331,726	330,838

38.1 Profit from fertilizer sales

	2014	2013
Sales	**24,424**	35,499
Less: cost of sales		
opening stock	**12,154**	2,635
purchases	**14,269**	38,518
closing stock	**(5,908)**	(12,154)
	20,515	28,999
	3,909	6,500

39. FINANCE COST

	Note	2014	2013
		Rupees in thousand	
Mark-up on:			
- long term finances		**56,626**	84,887
- loans from Associated Companies		**17,904**	18,323
- short term borrowings		**318,040**	352,522
Interest on workers' (profit) participation fund		**393**	0
Lease finance charges		**3,427**	1,599
Bank charges		**5,613**	9,834
		402,003	467,165

40. COMBINED LOSS PER SHARE

	2014	2013
Loss attributable to equity holders of the Parent Company	**(150,880)**	(31,466)
	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	**(40.23)**	(8.39)

40.1 Diluted loss per share has not been presented as there are no convertible instruments in issue as at September 30, 2014 and September 30, 2013, which would have any effect on the combined loss per share if the option to convert is exercised.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

41.1 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.

41.2 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, U.K Pound (GBP) and Japanese Yen. The Group's unfunded exposure to foreign currency risk at the year-end is as follows:

	2014	2013
	(Rupees in thousand)	
Outstanding letters of credit	**0**	194,176

The following significant average exchange rates have been applied:

	2014	2013
U.S. $ to Rupee	**103.90**	99.90
Euro to Rupee	**136.42**	131.95
GBP to Rupee	**168.76**	161.65
Yen to Rupee	**1.0082**	1.1465

The Group is not exposed to currency risk at the year-end as it has no funded foreign currency liabilities as at September 30, 2014 and September 30, 2013.

(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:

	2014	2013	2014	2013
	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 11.66**	5.00 to 11	**129,477**	30,845
Variable rate instruments				
Financial liabilities				
Long term finances	**10.52 to 12.18**	10.16 to 14.06	**2,372,376**	1,131,962
Loans from Associated Companies	**10.44 to 11.63**	10.26 to 11.54	**157,500**	157,500
Liabilities against assets subject to finance lease	**6.03 to 17**	9.16 to 11.76	**33,340**	15,325
Short term borrowings	**8.50 to 12.18**	9.20 to 14.18	**3,325,999**	2,465,254

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, 2014, 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.58,892 thousand (2013: Rs.37,700 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.2,749 thousand (2013:Rs.3,103 thousand).

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

41.3 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 investments, trade debts, loans & advances, 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, 2014 along with comparative is tabulated below:

	2014	2013
	Rupees in thousand	
Long term investments	**25,209**	18,893
Security deposits	**5,250**	4,666
Trade debts	**211,702**	323,360
Loans and advances	**213,561**	141,897
Trade deposits and other receivables	**156,062**	96,974
Accrued profit / mark-up on bank deposits	**50**	1,021
Short term investments	**27,487**	31,025
Deposits with a non-bank finance company	**78,000**	78,000
Bank balances	**168,643**	81,548
	885,964	777,384

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.

The ageing of trade debts, all of which are domestic parties as at September 30, 2014, is as follows:

Not past due	**108,601**	287,824
Past due less than 3 months	**33,846**	525
Past due less than 6 months	**1,865**	1,065
Past due more than 6 months	**67,390**	33,946
	211,702	323,360

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.139.207 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**

41.4 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:

	2014				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	---------------- Rupees in thousand ----------------				
Long term finances	**2,372,376**	**6,725,433**	**221,273**	**5,424,626**	**1,079,534**
Loans from Associated Companies	**157,500**	**228,129**	**18,144**	**186,470**	**23,515**
Lease finances	**33,340**	**34,631**	**12,521**	**22,110**	**0**
Trade and other payables	**395,827**	**395,827**	**395,827**	**0**	**0**
Accrued mark-up	**205,351**	**205,351**	**205,351**	**0**	**0**
Short term borrowings	**3,336,694**	**3,336,694**	**3,336,694**	**0**	**0**
	6,501,088	**10,926,065**	**4,189,810**	**5,633,206**	**1,103,049**

	2013				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----------------- Rupees in thousand -----------------				
Long term finances	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
Lease finances	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

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.

41.5 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, 2014, 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.

42. 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 and current ratios under the financing agreements.

43. TRANSACTIONS WITH RELATED PARTIES

43.1 Maximum aggregate balance due from the Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs.22 thousand (2013: Rs.2,549 thousand).

43.2 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:

	2014	2013
	Rupees in thousand	
- purchase of goods and services	**84,022**	52,676
- purchase of vehicle	**0**	150
- mark-up accrued on long term loans	**17,904**	18,323

44. 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	
	2014	2013	**2014**	2013	**2014**	2013
	------------------- Rupees in thousand-------------------					
Managerial remuneration including bonus	**1,200**	1,500	**12,399**	22,936	**40,620**	34,248
Allowances and utilities	**0**	0	**0**	0	**12,812**	10,926
Retirement benefits	**0**	0	**0**	0	**1,155**	840
Medical expenses reimbursed	**0**	0	**642**	501	**0**	0
	1,200	1,500	**13,041**	23,437	**54,587**	46,014
Number of persons	**1**	1	**7**	7	**25**	20

44.1 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.

44.2 The chief executive and all the executives of CSM have been provided with free use of the CSM's maintained cars. Nineteen (2013: eighteen) of CSM's executives have also been provided with free housing (with CSM's generated electricity, telephone and certain household items in the residential colony within the factory compound).

44.3 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.

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

45. CAPACITY AND PRODUCTION

		2014	2013
SUGAR CANE PLANTS			
Rated crushing capacity per day	**M.Tonnes**	**22,690**	22,690
Cane crushed	**M.Tonnes**	**1,412,024**	1,549,026
Sugar produced	**M.Tonnes**	**118,177**	142,278
SUGAR BEET PLANTS			
Rated slicing capacity per day	**M.Tonnes**	**3,500**	3,500
Beet sliced	**M.Tonnes**	**0**	47,379
Sugar produced	**M.Tonnes**	**0**	4,567
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**340,694**	402,790

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

45.2 Production was restricted to the availability of raw materials to the Group Companies.

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

46. OPERATING SEGMENTS

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

46.1 Sugar sales represent 95.23% (2013: 91.93%) of the total sales of the Group.

46.2 Export sales aggregate Rs.3.336 billion (2013: Rs.2.432 billion) and gross local sales aggregate Rs.3.345 billion (2013: Rs.6.554 billion).

46.3 All non-current assets of the Group as at September 30, 2014 are located in Pakistan.

46.4 The Group sells sugar to commission agents. Sugar sales to five (2013: five) of the Group's customers during the year aggregated Rs. 3.037 billion (2013: Rs. 3.081 billion), which represent 48% (2013: 39%) of entire sugar sales. Three (2013: two) of the Group's customers individually exceeded 10% of the sugar sales.

47. NUMBER OF EMPLOYEES

	2014	2013
	------ Number ------	
Number of persons employed as at September 30,		
- permanent	**1,352**	1,012
- contractual	**767**	375
Average number of employees during the year		
- permanent	**1,363**	788
- contractual	**1,106**	216

48. 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, 2014 and audited financial statements of the provident funds for the year ended September 30, 2013:

	2014	2013
	(Rupees in thousand)	
Size of the funds - total assets	**125,616**	118,477
Cost of investments made	**107,050**	99,635
Percentage of investments made	**85.22%**	84.10%
Fair value of investments made	**120,814**	113,509

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

	2014	2013		
	----- % -----			
Term deposit receipts	**48.85**	50.23	**59,010**	57,010
Saving accounts in scheduled banks	**6.49**	12.71	**7,840**	14,425
Deposit certificates	**33.27**	24.84	**40,200**	28,200
Accrued profit	**11.39**	12.22	**13,764**	13,874
	100.00	100.00	**120,814**	113,509

49. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on January 02, 2015 by the board of directors of the Parent Company.

50. CORRESPODING FIGURES

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (revised) as detailed in note 6. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

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, 2015 and at any adjournment thereof.

As witness my/our hand this ....day of .... 2015.

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.