annual report 2016

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 Pakistan Stock Exchange. 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, jaggery, 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 the 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 Sarfaraz
Ms. Samyra Rashid
Mr. Iskander M. Khan
Mr. Baber Ali Khan
Mr. Abdul Qadar Khattak

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Head of Internal Audit

Syed Naveed Ali

Auditors

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

Cost Auditors

M/s. Munawar Associates
Chartered Accountants

Tax Consultants

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

Legal Advisor

Mr. Isaac Ali Qazi
Advocate

Bankers

Bank Al-Habib Limited
MCB Bank Limited
Allied Bank Limited
Bank Al-Falah Limited
Habib Bank Limited
The Bank of Khyber
United Bank Limited
The Bank of Punjab
Faysal 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

Ms. Samyra Rashid (Independent Director)	Chairperson
Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Member
Ms. Najda Sarfaraz (Non-Executive Director)	Member
Mr. Baber Ali Khan (Non-Executive Director)	Member
Mr. Mujahid Bashir	Secretary

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

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

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

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

c) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

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

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

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

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

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

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

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

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

k) Instituting special projects, value for money studies or other investigations on any matter 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. Baber Ali Khan (Non-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
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		
2015	95,526.000	9.49	9,019.00			
2016	178,273.000	9.94	17,677.00			

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY GLNS PER MND	PRODUCTION IN GALLONS
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
2015	NOT OPERATED		
2016			

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

SIX YEARS' PERFORMANCE AT A GLANCE

PARTICULARS	2016	2015	2014	2013	2012	2011
			(RUPEES IN THOUSAND)			
Turnover	1,470,677	225,479	781,125	1,889,547	1,490,368	395,059
Operating Profit/(Loss)	(226,746)	(22,091)	(200,516)	(81,882)	(253,031)	(395,554)
Profit/(Loss) before tax	(195,530)	6,563	(140,924)	(20,916)	(244,535)	(327,986)
Profit/(Loss) After tax	(157,591)	16,769	(78,509)	(41,148)	(159,546)	(192,566)
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,203,899	1,352,350	1,327,479	1,106,719	1,144,337	1,303,833
Non-current assets	1,328,521	1,497,519	1,601,222	1,175,597	1,148,938	1,203,934
Total assets	1,881,265	2,364,963	2,105,089	1,836,901	2,210,022	2,277,333
Non current liabilities	150,724	275,128	290,161	12,757	31,345	114,601
Current assets	552,744	867,444	503,867	661,304	1,061,084	1,073,399
Current liabilities	526,642	737,485	487,449	717,425	1,034,340	858,849
Dividend						
Cash dividend	0	20%	0	0	0	0
Ratios:						
Profitability (%)						
Operating profit / (loss)	(15.42)	(9.80)	(25.67)	(4.33)	(16.98)	(100.13)
Profit/ (Loss) before tax	(13.30)	2.91	(18.04)	(1.11)	(16.41)	(83.02)
Profit/(Loss) after tax	(10.72)	7.44	(10.05)	(2.18)	(10.71)	(48.74)
Return to Shareholders						
ROE - Before tax	(16.24)	0.49	(10.62)	(1.89)	(21.37)	(25.16)
ROE - After tax	(13.09)	1.24	(5.91)	(3.72)	(13.94)	(14.77)
Return on Capital Employed	(11.63)	1.03	(4.85)	(3.68)	(13.57)	(13.58)
E. P. S. - After tax	(42.02)	4.47	(20.94)	(10.97)	(42.55)	(51.35)
Activity						
Total assets turnover	0.69	0.10	0.40	0.93	0.66	0.20
Non-current assets turnover	1.04	0.15	0.56	1.63	1.27	0.33
Liquidity/Leverage						
Current ratio	1.05	1.18	1.03	0.92	1.03	1.25
Break up value per share	32.10	36.06	35.40	29.51	30.52	34.77
Total Liabilities to equity (Times)	(0.56)	(0.75)	(0.59)	(0.66)	(0.93)	(0.75)

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

NOTICE OF MEETING

Notice is hereby given that 71th Annual General Meeting of the shareholders of THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED will be held on January 30, 2017 at 11:00 AM 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 Annual General Meeting held on January 30, 2016.

(2) To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended September 30, 2016.

(3) To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2017. The present auditors' M/s ShineWing Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

SPECIAL BUSINESS

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

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

The share transfer books of the Company will remain closed from January 20, 2017 to January 30, 2017 (both days inclusive).

BY ORDER OF THE BOARD

(Mujahid Bashir)
Company Secretary

Mardan:
December 29, 2016

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

2. Members are requested to notify the Shares Registrar of the Company of any change in their addresses immediately.

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

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

5. The CNIC number / NTN detail is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

6. Members are requested to provide attested photocopies of their CNIC to the Company on its registered address in order to meet the mandatory requirements of SRO 831(1) 2012 of 5 July 2012 which provides that the dividend warrant should bear the CNIC number of the registered member. In case your CNIC copy is not available your dividend warrant will be no be issue/dispatched to you.

7. The Directive of SECP contained in SRO 787(1) 2014 of September 08, 2014 whereby SECP has allowed companies to circulate annual balance sheet, profit and loss account, auditor's report and directors' report etc. along with notice of annual general meeting to its members through e-mail. Members are requested to provide their e-mail addresses on registered address of the Company.

8. Audited accounts of the Company for the year ended September 30, 2016 will be provided on the website www.premiersugarmills.com at least 21 days before the date of Annual General Meeting.shall be assumed to have an equal number of shares.

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

A A statement under section 160 of the Companies Ordinance, 1984 setting forth all material facts concerning the matters contained in the Notice which will be considered for adoption at the meeting and the information required under S.R.O. 27(I) /2012 is provided below:

B A total of Rs. 350 Million was extended as loans and advances to Chashma Mills Limited in terms of section 208 after approval by the members in May 2008 for a period of six (6) years with a grace period of two (2) years and principal to be repaid in 8 equal installments. In September 2013, contract was revised and the outstanding balance of Rs. 279.5 Million *(at that time)* was to be repaid in seven (7) equal half yearly installment after grace period of three years with first installment commencing February 2017. The outstanding amount of loan on September 30, 2016 was Rs. 279.5 Million and no loan amount was written off. It is now proposed that members may approve to further extend the grace period for three (3) years with principal amount to be repaid in seven (7) equal half yearly installments commencing February 2020. Further details are as follows:-

(i) Name of Investee Company	Chashma Sugar Mills Limited
(ii) Nature of Loan/Advance	Long term loan
(iii) Purpose of loans and advances	Expansion of current facilities and installation of Ethanol Fuel Plant and Waste Management Plant.
(iv) Amount of loans and advances (Complete details)	**Rs. 279.5 million only** *(Total Advanced Rs. 350 million out of which Rs. 70.5 million have been received)* .
(v) Rate of mark up	One month KIBOR + 1.25 % which, in any case, will not be less than the borrowing cost of the investing Company.
(vi) Tenure	It is proposed to extend grace period for further 3 years with principal amount to be repaid in 7 equal half annual installments commencing February, 2020.
(vii) Securities	Demand Promissory Note as a Collateral Security had been obtained.
(viii) Source of Funds	Company's own internal reserves (Retained earnings).
(ix) Repayable Schedule	The balance amount in seven half-yearly installments, commencing from February 2020.
(x) Benefits likely to accrue to the Company and its shareholders from loans and advance.	Higher returns on the loans leading to better dividends to the shareholders.

C Brief about Chashma Sugar Mills Limited the investee Company on the basis of reviewed condensed interim financial statements for the half year ended March 31, 2016:

Net Sales	Rs. 5,831 Million
Equity	Rs. 1,074 Million
Long term Loans and Lease	Rs. 3,062 Million
Current Ratio	0.91
GP Ratio	10.58%
Net Profit Ratio	2.20%
Shareholding of PSM	31.75 Million Shares or 71.95%
Outstanding Balance of Loans/advances as on September 30, 2016	Rs. 279.5 Million

D The Directors of Chashma Sugar Mills Limited have no other interest in the investment except common directorship.

E The audited Financial Statement of Chashma Sugar Mills Limited and The Premier Sugar Mills & Distillery Company Limited (PSM) for the year ended September 30, 2016, can be inspected from 10.00 a.m. to 11.30 a.m. in all working days up-to January 30, 2017 by the shareholders.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

DIRECTORS' REPORT

The Board of Directors of The Premier Sugar Mills & Distillery Company Limited, is pleased to present Directors' Report of the Company together with the audited financial statements for the year ended September 30, 2016.

1. SUMMARISED FINANCIAL RESULTS

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

	2016	2015
	Rupees in thousand	
(Loss) / Profit before taxation	**(195,530)**	6,563
Taxation		
- Current	**(16,768)**	-
- Prior	**12,584**	-
- Deferred	**49,921**	9,459
	45,737	9,459
(Loss) / Profit after taxation	**(149,793)**	16,022
	---------- Rupees ----------	
(Loss) / Earnings per Share	**(39.94)**	4.27

2. REVIEW OF OPERATIONS

2.1 SUGARCANE SEASON 2015-2016

The sugarcane crushing season 2015-16 commenced on the November 11, 2015 and continued intermittently till April 3, 2016. The Mills crushed 178,273 tons of sugarcane and produced 17,677 tons of sugar at an average recovery of 9.94%. The Company suffered huge losses due to low crushing and high sugarcane cost because of the competition with the tax free commercial gur manufacturers offering higher price for sugarcane as they do not pay road cess, sales tax and income tax.

2.2 SUGARCANE SEASON 2016-17

The sugarcane crushing season started on November 7, 2016 and the mills have crushed 96,116 M. tons of sugarcane, producing 8,065 M. tons of sugar average recovery of 8.75 % upto December 27, 2016. The Provincial Government of Punjab and KPK fixed sugarcane price @ Rs. 180/- per maund. Whereas, Sind Government has yet to notify the price.

3. SUGAR PRICE

We are expecting overall increase of 5%~10% in the sugarcane yield in the country resulting in increased sugar production. PSMA has requested the GoP to allow export of 300,000 tons of sugar at the international rates. We foresee consistent sugar prices.

4. DISTILLERY

The management has decided to temporarily close down the distillery operations until the mill run at full capacity and produce requisite molasses to run the plant.

5. STAFF

The Management and Labor relations remained cordial during the year. Bonus to employees was paid at the rate of 02 months' salary during the year.

6. PATTERN OF SHAREHOLDING

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

7. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- Proper books of account have been maintained.

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

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

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

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

- There are no significant doubts upon The Premier Sugar Mills & Distillery Company Limited's ability to continue as a 'going concern'.

- Key operating and financial data for the last 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 September 30, 2016, 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. 44.982 million as at September 30, 2016.

- During the year six (06) meetings of the Board of Directors were held

- Attendance by each Director is as follow.

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
Khan Aziz Sarfaraz Khan	6
Begum Laila Sarfaraz	5
Mr. Abbas Sarfaraz Khan	5
Ms. Zarmine Sarfaraz	5
Ms. Najda Sarfaraz	5
Mr. Iskander M Khan	6
Mr. Baber Ali Khan	4
Mr. Abdul Qadar Khattak	3
Ms. Mehnaz Saigol	4
Ms. Samyra Rashid	-

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

During the year, the Board nominated Ms. Samyra Rashid to fill the casual vacancy occurred due to the resignation of Ms. Mehnaz Saigol.

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 ShineWing Hameed Chaudhri & Co., Chartered Accountants, Lahore as External Auditors for the financial year 2016-2017. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

11. REPLY TO AUDITORS' OBSERVATIONS

Note 15.4

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 Pakistan Stock Exchange in its Rule Book, relevant for the year ended September 30, 2016 have been duly complied with. A statement to this effect is annexed with the report.

13. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

Mardan:
December 29, 2016

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Shareholders' Information

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

Head Office
King's Arcade, 20-A, Markaz F-7, Islamabad.
Tel: 92 51 2650805-7
Fax: 92 51 2651285-6

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 Pakistan Stock Exchange (PSX).

Listing Fees
The annual listing fee for the financial year 2015-16 has been paid to Pakistan Stock Exchange.

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 PSX is **Premier Sug.**

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from 20.01.2017 to 30.01.2017.

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, 2016

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
504	1	100	18,894
418	101	500	100,278
159	501	1000	113,970
184	1001	5000	378,037
22	5001	10000	155,417
9	10001	20000	122,107
11	20001	50000	380,233
2	50001	150000	109,483
1	150001	310000	307,370
1	310001	400000	400,000
1	400001	600000	543,591
1	600001	1125000	1,120,620
1313			**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**		**2,014,070**	
	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. Najda Sarfaraz		2,274		0.06
	Ms. Samyra Rashid		1		0.00
	Mr. Iskander M. Khan		500		0.01
	Mr. Babar Ali Khan		3,084		0.08
	Mr. Abdul Qadar Khattak		33,705		0.90
2.	**Company Secretary/Chief Financial Officer**	**1**		**7**	
	Mr. Mujahid Bashir		7		0.00
3.	**Shares held by relatives**	-	-	-	-
4.	**Associated Companies**	**1**		**400,000**	
	Arpak International Investments Ltd.		400,000		10.67
5.	**Public Sector Companies and Corporation**	**16**		**36,191**	
	Deputy Administrator Abandoned Properties		9		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
	Madrassa 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
	Maple Leaf Capital Limited		1		0.00
	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
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	**1282**		**1,228,761**	32.77
		1313		**3,750,000**	**100.01**

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

Mr. 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. ShineWing 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

The Premier Sugar Mills & Distillery Company Limited - Year ended September 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No.5.19 of the Rule Book of Pakistan Stock Exchange (PSX) 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 CCG in the following manner:

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	Ms. Samyra Rashid
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

The independent director meets the criteria of Independence under clause 5.19.1 (b) of the CCG

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 resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or he/she, being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurred during the year which was filled up within due time.

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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

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

9. All Directors of the Company are exempted from the requirement of Director's Training Program (DTP) by virtue of minimum of 14 years of education and 15 years of experience as director of a listed company except one director who will conduct training program in the upcoming year.

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 CCG 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 CCG.

15. The Board has formed an Audit Committee. It comprises of four members, of whom three are non-executive directors whereas the chairman of the committee is an independent director.

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

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

18. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

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

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

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

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

For and on behalf of the Board

Mardan:
December 29, 2016

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) for the year ended September 30, 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad Stock Exchanges have merged), 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 of 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 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, 2016.

ShineWing Hameed Chaudhri & Co.

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

LAHORE;
December 30, 2016

ShineWing PAKISTAN | SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

HM House,
7-Bank Square, Lahore.
Tel: +92 42 37235084-87
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Fax: +92 21 32424835
Email: khi@hccpk.com

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, 2016 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, except for the fact that provision against deposits with a non-banking finance company has not been made in these financial statements as the matter is pending adjudication before the Court as fully detailed in note 15.4 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, 2016 and of the loss, its cash flows and changes in equity for the year then ended; and

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

ShineWing Hameed Chaudhri & Co.

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

LAHORE; 30 DEC 2016

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2016

	Note	2016	2015
ASSETS	**Note**	**-----Rupees in thousand-----**	
Non-current Assets			
Property, plant and equipment	5	**927,819**	1,015,942
Investment property	6	**29,795**	31,041
Long term investments	7	**170,006**	170,006
Long term loan to Subsidiary Company	8	**199,643**	279,500
Security deposits		**1,258**	1,030
		1,328,521	1,497,519
Current Assets			
Stores and spares	9	**110,326**	109,853
Stock-in-trade	10	**172,212**	582,721
Current portion of long term loan to Subsidiary Company	8	**79,857**	0
Trade debts		**28,855**	27,396
Advances	11	**50,715**	31,505
Trade deposits and short term prepayments	12	**1,213**	1,459
Accrued profit on bank deposits		**25**	32
Other receivables	13	**7,218**	13,307
Sales tax refundable		**0**	3,788
Advance sales tax		**27,000**	0
Income tax refundable, advance tax and tax deducted at source	14	**19,936**	41,369
Bank balances	15	**55,387**	56,014
		552,744	867,444
TOTAL ASSETS		**1,881,265**	2,364,963
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 5,750,000 (2015: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500
Issued, subscribed and paid-up capital	16	**37,500**	37,500
Reserves		**900,001**	900,001
Accumulated loss		**(259,728)**	(149,666)
Shareholders' Equity		**677,773**	787,835
Surplus on Revaluation of Property, Plant and Equipment	17	**526,126**	564,515
Non-current Liabilities			
Long term finances	18	**133,333**	200,000
Liabilities against assets subject to finance lease	19	**3,243**	3,384
Deferred taxation	20	**0**	57,980
Staff retirement benefits - gratuity	21	**14,148**	13,764
		150,724	275,128
Current Liabilities			
Trade and other payables	22	**50,149**	48,594
Accrued mark-up	23	**10,314**	18,642
Short term borrowings	24	**379,670**	668,000
Current portion of:			
- long term finances	18	**66,667**	0
- liabilities against assets subject to finance lease	19	**3,074**	2,249
Taxation		**16,768**	0
		526,642	737,485
Total Liabilities		**677,366**	1,012,613
TOTAL EQUITY AND LIABILITIES		**1,881,265**	2,364,963
Contingencies and commitments	25		

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, 2016

	Note	2016	2015
		Rupees in thousand	
Sales - Net	26	**1,470,677**	225,479
Cost of Sales	27	**1,614,636**	192,385
Gross (Loss) / Profit		**(143,959)**	33,094
Distribution Cost	28	**20,338**	841
Administrative Expenses	29	**62,379**	53,970
Other Expenses	30	**70**	374
		82,787	55,185
		(226,746)	(22,091)
Other Income	31	**94,080**	117,627
(Loss) / Profit from Operations		**(132,666)**	95,536
Finance Cost	32	**62,864**	88,973
(Loss) / Profit before Taxation		**(195,530)**	6,563
Taxation	33	**(45,737)**	(9,459)
(Loss) / Profit after Taxation		**(149,793)**	16,022
Other Comprehensive Income			
Item that will not be reclassified to profit or loss:			
- gain / (loss) on remeasurement of staff retirement benefit obligation (net of deferred tax)		**540**	(197)
Total Comprehensive (Loss) / Income		**(149,253)**	15,825
		--------- Rupees ---------	
(Loss) / Earnings per Share	34	**(39.94)**	4.27

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
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2016

	2016	2015
	Rupees in thousand	
Cash flow from operating activities		
(Loss) / profit for the year - before taxation	**(195,530)**	6,563
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**95,104**	104,418
Depreciation on investment property	**1,246**	1,361
Mark-up on loan to Subsidiary Company and profit on bank deposits	**(22,456)**	(29,093)
Staff retirement benefits-gratuity (net)	**1,720**	4,605
Unclaimed payable balances written-back	**(413)**	(381)
Gain on disposal of vehicles	**(1,074)**	(246)
Uncollectible receivable balances written-off	**70**	29
Dividends	**(34,760)**	0
Finance cost	**60,953**	86,955
(Loss) / profit before working capital changes	**(95,140)**	174,211
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Stores and spares	**(473)**	10,729
Stock-in-trade	**410,509**	(406,027)
Trade debts	**(1,459)**	6,450
Advances	**(19,280)**	5,224
Trade deposits and short term prepayments	**246**	(548)
Other receivables	**6,089**	1,682
Sales tax refundable	**3,788**	3,609
Advance sales tax	**(27,000)**	0
Increase / (decrease) in trade and other payables	**662**	(13,577)
	373,082	(392,458)
Cash generated from / (used in) operations	**277,942**	(218,247)
Income tax paid	**34,017**	(2,843)
Security deposits	**(228)**	0
Net cash generated from / (used in) operating activities	**311,731**	(221,090)
Cash flow from investing activities		
Additions to property, plant and equipment	**(7,792)**	(3,115)
Sale proceeds of vehicles	**1,885**	1,282
Dividends received	**34,760**	0
Mark-up / profit received on loan to Subsidiary Company and bank deposits	**22,463**	45,508
Net cash generated from investing activities	**51,316**	43,675
Cash flow from financing activities		
Short term borrowings - net	**(288,330)**	262,029
Finance cost paid	**(69,281)**	(85,693)
Lease finances - net	**684**	(624)
Dividend paid	**(6,747)**	0
Net cash (used in) / generated from financing activities	**(363,674)**	175,712
Net decrease in cash and cash equivalents	**(627)**	(1,703)
Cash and cash equivalents - at beginning of the year	**56,014**	57,717
Cash and cash equivalents - at end of the year	**55,387**	56,014

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, 2016

	Share capital	Reserves			Accumulated loss	Total
		Capital	Revenue			
		Share redemption	General	Sub-total		
	---------------------- Rupees in thousand ----------------------					
Balance as at September 30, 2014	37,500	1	900,000	900,001	(216,306)	721,195
Total comprehensive income for the year ended September 30, 2015						
- profit for the year	0	0	0	0	16,022	16,022
- other comprehensive loss	0	0	0	0	(197)	(197)
	0	0	0	0	15,825	15,825
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	50,815	50,815
Balance as at September 30, 2015	37,500	1	900,000	900,001	(149,666)	787,835
Transaction with owners:						
Cash dividend at the rate of Rs.2 per ordinary share	0	0	0	0	(7,500)	(7,500)
Total comprehensive loss for the year ended September 30, 2016						
- loss for the year	0	0	0	0	(149,793)	(149,793)
- other comprehensive income	0	0	0	0	540	540
	0	0	0	0	(149,253)	(149,253)
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	46,691	46,691
Balance as at September 30, 2016	**37,500**	**1**	**900,000**	**900,001**	**(259,728)**	**677,773**

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, 2016

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 Pakistan Stock Exchange (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have been merged). 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), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

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 21.

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 published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on October 01, 2015 and are considered to be relevant to the Company's operations:

(a) IFRS 12 'Disclosures of interests in other entities'. The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company's accounting policy is in line with the requirements of this standard.

(b) IFRS 13 'Fair value measurement'. The standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial instruments: Disclosures'. The change had no impact on the measurements of the Company's assets and liabilities.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on October 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on October 01, 2015 and have not been early adopted by the Company:

(a) IFRS 9 'Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, which replaces the guidance in IAS 39. The final version includes the requirements on classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan. The Company has yet to assess the impact of these changes on its financial statements.

(b) IFRS 15, 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue. The Company shall apply this standard from October 01, 2017 and does not expect to have a material impact on its financial statements.

(c) IAS 27 'Separate financial statements' is applicable on accounting periods beginning on or after January 01, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

(d) IAS 34 ‘Interim financial reporting’ is applicable on accounting periods beginning on or after July 01, 2016. This amendment clarifies what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Company's interim financial information.

(e) Annual improvements 2014 applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits' and IAS 34,'Interim financial reporting'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.

(f) Amendments to IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’ are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Company shall apply these amendments from October 01, 2016 and does not expect to have a material impact on its financial statements.

(g) Amendments to IAS 1, ‘Presentation of financial statements’ on the disclosure initiative are applicable on annual periods beginning on or after January 01, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The Company has yet to assess the impact of these amendments on its financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company's financial reporting and operations 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 Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment, except freehold land and capital work-in-progress, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Freehold land and capital work-in-progress are stated at cost.

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

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. 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 6. 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 issues 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. Stock of molasses-in-hand and component of molasses included in the distillery products were taken at nil value upto September 30, 2015. Effective from current year, the Company has changed this policy and now molasses inventory is valued at net realisable value. The change in policy has no significant effect on the current and preceding years' financial statements.

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.

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, 2016 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 indication exists, 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 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.

4.19 Financial instruments

Financial instruments include security deposits, trade debts, trade deposits, accrued profit on bank deposits, other receivables, deposits with a non-banking finance company, 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.

` 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 41 to these financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2016	2015
		Rupees in thousand	
Operating fixed assets	5.1	**927,819**	1,015,338
Capital work-in-progress - advances		**0**	604
		927,819	1,015,942

5.1 Operating fixed assets - tangible

Particulars	Land		Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	Leased		Total
	Leasehold	Freehold						Vehicles	Generator	
	Rupees in thousand									
As at September 30, 2014										
Cost / revaluation	2,725	12,065	188,032	175,295	724,277	56,729	23,028	2,901	5,700	1,190,752
Accumulated depreciation	472	0	4,670	4,613	26,204	19,530	16,008	547	427	72,471
Book value	2,253	12,065	183,362	170,682	698,073	37,199	7,020	2,354	5,273	1,118,281
Year ended September 30, 2015:										
Additions	0	0	0	0	100	440	280	1,691	0	2,511
Disposals:										
- cost	0	0	0	0	0	0	(2,583)	0	0	(2,583)
- depreciation	0	0	0	0	0	0	1,547	0	0	1,547
Depreciation charge for the year	28	0	13,342	13,182	69,936	5,494	1,269	640	527	104,418
Book value as at September 30, 2015	2,225	12,065	170,020	157,500	628,237	32,145	4,995	3,405	4,746	1,015,338
Year ended September 30, 2016:										
Additions	0	0	0	0	1,500	1,780	38	5,078	0	8,396
Disposals:										
- cost	0	0	0	0	0	0	(4,198)	0	0	(4,198)
- depreciation	0	0	0	0	0	0	3,387	0	0	3,387
Transfer from leased to owned										
- cost	0	0	0	0	0	0	1,841	(1,841)	0	0
- depreciation	0	0	0	0	0	0	(757)	757	0	0
Depreciation charge for the year	28	0	12,231	12,085	63,047	4,813	1,000	1,425	475	95,104
Book value as at September 30, 2016	2,197	12,065	157,789	145,415	566,690	29,112	4,306	5,974	4,271	927,819
As at September 30, 2015										
Cost / revaluation	2,725	12,065	188,032	175,295	724,377	57,169	20,725	4,592	5,700	1,190,680
Accumulated depreciation	500	0	18,012	17,795	96,140	25,024	15,730	1,187	954	175,342
Book value	2,225	12,065	170,020	157,500	628,237	32,145	4,995	3,405	4,746	1,015,338

5.2 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
	----------------- Rupees in thousand -----------------					
Suzuki Cultus	619	475	144	410	266	Muhammad Shahid, Mardan.
Suzuki Car	608	464	144	325	181	Mr. Naveed Ahmad (employee).
Suzuki Cultus	819	427	392	530	138	Mr. Zubair Hussain (employee).
Toyota Corolla	792	786	6	470	464	---------do--------
Honda City	1,319	1,194	125	130	5	Mr. Shahbaz Khattak, Islamabad.
Motorcycle	41	41	0	20	20	Mr. Akil Taj (employee).
	4,198	3,387	811	1,885	1,074	
2015	2,583	1,547	1,036	1,282	246	

5.3 Depreciation for the year has been allocated as follows:	2016	2015
	Rupees in thousand	
Cost of sales	**89,187**	97,703
Administrative expenses	**5,917**	6,715
	95,104	104,418

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

- buildings on freehold land	**18,848**	19,653
- buildings on leasehold land	**4,255**	5,051
- plant & machinery	**162,580**	179,175
	185,683	203,879

5.5 The Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009, 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 was incorporated in the books of account.

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

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.

The arbitration proceedings have been finalised during the current year and the Arbitrator (a Senior Advocate of the Supreme Court of Pakistan) has announced the award by extending the lease term for a further period of 60 years. The same has been filed before the Senior Civil Judge, Mardan to make it 'Rule of the Court'.

6. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------ Rupees in thousand	------------	
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
Year ended September 30, 2015:			
Depreciation charge	0	1,361	1,361
Book value	14,544	16,497	31,041
Year ended September 30, 2016:			
Depreciation charge	0	1,246	1,246
Book value	**14,544**	**15,251**	**29,795**
As at September 30, 2015			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	47,211	47,211
Book value	14,544	16,497	31,041
As at September 30, 2016			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	48,457	48,457
Book value	**14,544**	**15,251**	**29,795**
Depreciation rate (%)	0	5-10	

6.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2016 was Rs.260 million (2015: Rs.260 million).

7. LONG TERM INVESTMENTS - in Related Parties

SUBSIDIARY COMPANIES	2016	2015	2016	2015
	Share-holding %		Rupees in thousand	
QUOTED:				
Chashma Sugar Mills Ltd.				
13,751,000 (2015: 13,751,000) ordinary shares of Rs.10 each **(note 7.1)**	**47.93**	47.93	**137,584**	137,584
- Market value Rs.983.197 million (2015: Rs.948.819 million)				
- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2016 Rs.1,953.320 million (2015: Rs. 1,256.341 million)				
UN-QUOTED:				
The Frontier Sugar Mills & Distillery Ltd.				
1,113,637 (2015: 1,113,637) ordinary shares of Rs.10 each	**82.49**	82.49	**26,509**	26,509
42,984 (2015: 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, 2016 Rs.162.533 million (2015: Rs. 173.673 million)				
			27,106	27,106
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2015: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Market value Rs.5.518 million (2015: Rs.11.575 million)				
Balance c/f			**167,536**	167,536

	2016	2015	2016	2015
	Share-holding %		**Rupees in thousand**	
Balance b/f			**167,536**	167,536
UN-QUOTED:				
National Computers (Pvt.) Ltd. (NCPL)				
14,450 (2015: 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 **(note 7.2)**			**0**	0
Premier Board Mills Ltd.				
47,002 (2015: 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, 2016 Rs.4.440 million (2015: Rs.4.221 million)				
Azlak Enterprises (Pvt.) Ltd.				
200,000 (2015: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**2,000**	2,000
- Value of investments based on net assets shown in the audited financial statements for the year ended June 30, 2016 Rs.64.458 million (2015: Rs.55.835 million)				
			170,006	170,006

7.1 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.

7.2 NCPL has no known assets and liabilities as at June 30, 2016 and June 30, 2015 and has also seized its operations. NCPL, on January 15, 2015, has filed an application with the Joint Registrar, Securities and Exchange Commission of Pakistan for striking-off its name from the Register of Companies under the Companies (Easy Exit) Regulations, 2014.

8. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured

	2016	2015
Balance as at September 30,	**279,500**	279,500
Less: current portion grouped under current assets	**79,857**	0
	199,643	279,500

		Note	2016	2015
			Rupees in thousand	
9.	**STORES AND SPARES**			
	Stores		**43,194**	44,703
	Spares		**67,132**	65,150
			110,326	109,853

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

		Note	2016	2015
10.	**STOCK-IN-TRADE**			
	Sugar-in-process		**2,588**	2,711
	Finished goods:			
	- sugar	**10.1**	**169,624**	577,664
	- spirit		**0**	2,346
			169,624	580,010
			172,212	582,721

10.1 Sugar inventory as at September 30, 2016 has been stated at net realisable value; the amount charged to profit and loss account in respect of inventory write-down to net realisable value worked-out to Rs.2.781 million approximately.

		Note	2016	2015
11.	**ADVANCES** - Considered good			
	Suppliers and contractors		**48,615**	29,667
	Employees		**2,100**	1,838
			50,715	31,505

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

		Note	2016	2015
12.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Excise duty deposit		**136**	136
	Short term prepayments		**1,077**	1,323
			1,213	1,459
13.	**OTHER RECEIVABLES**			
	Sugar export subsidy		**2,991**	2,991
	Export refinance charges		**0**	5,960
	Gas infrastructure development cess paid under protest - refundable	**25.3**	**3,018**	3,018
	Others		**1,209**	1,338
			7,218	13,307

14. INCOME TAX REFUNDABLE, ADVANCE TAX AND TAX DEDUCTED AT SOURCE

The movement in this account during the year was as follows:

	Rupees
Balance as at September 30, 2015	**41,369**
Add:	
- taxes deducted at source during the year	**8,433**
- refunds, which were not accounted for in prior years	**12,584**
Less: refunds of prior years received from the Tax Department	**(42,450)**
Balance as at September 30, 2016	**19,936**

15. BANK BALANCES

Cash at banks on:			
- PLS accounts	**15.1**	**2,096**	6,596
- current accounts		**11,533**	7,660
- deposit accounts	**15.3**	**7,513**	7,513
- deposits with a non-banking finance company - unsecured	**15.4**	**39,000**	39,000
- dividend accounts		**245**	245
		60,387	61,014
Less: provision for doubtful bank balance	**15.5**	**5,000**	5,000
		55,387	56,014

15.1 These include Rs.399 thousand (2015: Rs.405 thousand) in security deposit account.

15.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 4% to 8.10% (2015: 5% to 11.71%) per annum.

15.3 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.

15.4 **(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.

15.5 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 Limited 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.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016	2015		**2016**	2015
(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

16.1 Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2016 and September 30, 2015.

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

17.1 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.

17.2 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:

	2016	2015
	Rupees in thousand	
Opening balance	**830,169**	904,897
Less: transferred to accumulated loss on account of incremental depreciation for the year	**(67,668)**	(74,728)
	762,501	830,169
Less: deferred tax on:		
- opening balance of surplus	**265,654**	298,616
- incremental depreciation for the year	**(20,977)**	(23,913)
	244,677	274,703
- resultant adjustment due to reduction in tax rate	**(8,302)**	(9,049)
	236,375	265,654
Closing balance	**526,126**	564,515

18. LONG TERM FINANCES - Secured

	2016	2015
Balance as at September 30,	**200,000**	200,000
Less: current portion grouped under current assets	**66,667**	0
	133,333	200,000

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 7.06% to 8.05% (2015: 8.05% to 11.21%) 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.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	**2016**			2015		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	-------------------------Rupees in thousand-------------------------					
Minimum lease payments	**3,612**	**5,086**	**8,698**	2,796	5,081	7,877
Less: finance cost allocated to future periods	**437**	**286**	**723**	547	360	907
	3,175	**4,800**	**7,975**	2,249	4,721	6,970
Less: security deposits adjustable on expiry of lease terms	**101**	**1,557**	**1,658**	0	1,337	1,337
Present value of minimum lease payments	**3,074**	**3,243**	**6,317**	2,249	3,384	5,633

19.1 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 August, 2019. 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 8.29% to 8.87% (2015: 9.01% to 12.21%) per annum.

20. DEFERRED TAXATION

	Note	2016	2015
		Rupees in thousand	
This is comprised of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**17,512**	20,921
- surplus on revaluation of property, plant and equipment		**236,375**	265,654
- lease finances		**704**	378
		254,591	286,953
Deductible temporary differences arising in respect of:			
- available unused tax losses	**20.1**	**(213,882)**	(200,983)
- staff retirement benefits - gratuity		**(4,386)**	(4,405)
- provision for doubtful bank balance		**(1,550)**	(1,600)
- minimum tax recoverable against normal tax charge in future years		**(34,773)**	(19,835)
- tax credit for investment in plant and machinery		**0**	(2,150)
		(254,591)	(228,973)
		0	57,980

20.1 Deferred tax asset recognised in these financial statements has been restricted to Rs.213.882 million as taxable profits in the foreseeable future will not probably be available against which the temporary differences can be utilised. Unrecognised deferred tax asset as at September 30, 2016 amounts to Rs.40.505 million.

21. 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	**2016**	2015
- discount rate - per annum	**7.25%**	9.00%
- expected rate of growth per annum in future salaries	**6.25%**	8.00%
- mortality rates	**SLIC 2001-2005**	SLIC 2001-2005
	Setback 1 year	
- withdrawal rates	**Age-based**	Age-based
- retirement assumption	**Age 60**	Age 60
- average expected remaining working life time of employees	**06 years**	06 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:

	2016	2015
	Rupees in thousand	
Opening balance	**13,764**	9,175
Current service cost	**815**	418
Past service cost	**161**	3,490
Interest cost	**1,194**	1,019
Benefits payable to outgoing Members - grouped under current liabilities	**(553)**	(307)
Benefits paid	**(450)**	(322)
Remeasurements:		
-experience adjustments	**(751)**	291
-changes in financial assumptions	**(32)**	0
Closing balance	**14,148**	13,764
Expense recognised in profit and loss account		
Current service cost	**815**	418
Past service cost	**161**	3,490
Interest cost	**1,194**	1,019
Charge for the year	**2,170**	4,927
Remeasurement recognised in other comprehensive income		
Experience adjustments	**(783)**	291

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

	2016	2015	2014	2013	2012
	--------------- Rupees in thousand ---------------				
Present value of defined benefit obligation	**14,148**	13,764	9,175	12,060	29,889
Experience adjustment on obligation	**(783)**	291	(1,638)	(741)	589

Year-end Sensitivity Analysis:

		Impact on defined benefit obligation	
	Change in assumption	**Increase**	**Decrease**
Discount rate	**1%**	**13,307**	**15,105**
Salary growth rate	**1%**	**15,115**	**13,282**

21.1 The expected contribution to defined benefit obligation for the year ending September 30, 2017 is Rs.1.703 million.

22. TRADE AND OTHER PAYABLES

	Note	2016	2015
		Rupees in thousand	
Due to an Associated Company		**0**	3,000
Creditors		**14,854**	20,965
Accrued expenses		**21,741**	11,658
Security deposits	**22.1**	**1,780**	2,549
Advances from customers		**402**	402
Income tax deducted at source		**240**	164
Sales tax payable		**383**	35
Gratuity payable to ex-employees		**2,944**	2,391
Unclaimed dividends		**7,733**	6,980
Workers' (profit) participation fund		**0**	345
Others		**72**	105
		50,149	48,594

22.1 Security deposits include Rs.399 thousand (2015: Rs.404 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.

23. ACCRUED MARK-UP

	2016	2015
Mark-up accrued on:		
- long term finances	**3,549**	4,058
- short term borrowings	**6,752**	14,584
- liabilities against assets subject to finance lease	**13**	0
	10,314	18,642

24. SHORT TERM BORROWINGS

	Note	2016	2015
Secured	**24.1**	**375,000**	668,000
Un-secured - temporary bank overdrafts	**24.3**	**4,670**	0
		379,670	668,000

24.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.1,250 million (2015: Rs.1,250 million). These facilities are secured against pledge of stock of refined sugar and charge over present and future current assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 7.05% to 8.10% (2015: 8.01% to 14%) per annum and are expiring on various dates by March 31, 2017.

24.2 Facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2015: Rs.125 million). Out of the available facilities, facilities aggregating Rs.115 million (2015: Rs.115 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts and shipping documents.

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

25. CONTINGENCIES AND COMMITMENTS

25.1 No commitments were outstanding as at September 30, 2016 and September 30, 2015.

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

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

25.3 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a writ petition before the PHC against the Federation, Oil & Gas Regulatory Authority and Sui Northern Gas Pipelines Ltd.(SNGPL) under article 199 of the Constitution of Pakistan. The PHC has admitted the writ petition for regular hearing and restrained the Respondents to demand GIDC on the basis of GIDC Act, 2015. The Company is also negotiating with SNGPL for refund of GIDC aggregating Rs.9.073 million paid under protest during the period from December, 2011 to June, 2014.

25.4 The Company, by filing a writ petition before the PHC, has challenged the Notification issued by the Government of Khyber Pakhtunkhwa (KPK) dated August 12, 2015 to the extent of its retrospective application with effect from July 01, 2014. The Government of KPK, through the said Notification, has fixed minimum wages for unskilled workers working in the industrial and commercial establishments in the Province at Rs.12,000/- per month. An adverse judgment by the PHC will create additional wage liabilities aggregating Rs.2.359 million approximately. The petition is pending adjudication.

25.5 A sales tax appeal is pending before the Commissioner Inland Revenue (Appeals) [CIR(A)], Peshawar against assessment order dated June 28, 2016 passed by the Deputy Commissioner Inland Revenue [DCIR], Peshawar regarding the alleged stock taking to the tune of Rs.5.592 million recoverable under section 14 of the Federal Excise Act, 2005.

25.6 A sales tax appeal is also pending before the CIR(A), Peshawar against assessment order dated June 23, 2016 passed by the DCIR, Peshawar in violation of SRO 488(I)/2004 dated June 12, 2014; the Company claimed input tax to the tune of Rs.41.672 million against the supplies to unregistered persons.

25.7 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at September 30, 2015 was for Rs.10 million (2015: Rs.10 million). The guarantee is valid upto May 26, 2017.

26. SALES - Net

	Note	2016	2015
		Rupees in thousand	
Turnover:			
Local		**1,583,017**	239,223
Less: sales tax		**112,340**	13,744
		1,470,677	225,479

27. COST OF SALES

	Note	2016	2015
Raw materials consumed		**894,215**	327,630
Chemicals and stores consumed		**29,247**	11,005
Salaries, wages and benefits	**27.1**	**113,722**	107,740
Power and fuel		**36,402**	21,509
Insurance		**5,122**	3,409
Repair and maintenance		**36,232**	29,416
Depreciation	**5.3**	**89,187**	97,703
		1,204,127	598,412
Adjustment of sugar-in-process:			
Opening		**2,711**	3,779
Closing	**10**	**(2,588)**	(2,711)
		123	1,068
Cost of goods manufactured		**1,204,250**	599,480
Adjustment of finished goods:			
Opening stock		**580,010**	172,915
Closing stock	**10**	**(169,624)**	(580,010)
		410,386	(407,095)
		1,614,636	192,385

27.1 These include Rs.1.700 million (2015: Rs.1.745 million) and Rs.1.671 million (2015: Rs.3.794 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

28. DISTRIBUTION COST

	Note	2016	2015
		Rupees in thousand	
Commission		**586**	180
Salaries, wages and amenities		**539**	389
Stacking and loading		**4,999**	244
Freight and packing charges for delivering sugar in small packets to a customer		**13,986**	0
Others		**228**	28
		20,338	841

29. ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries and amenities	**29.1**	**30,797**	27,087
Travelling, vehicles' running and maintenance		**3,006**	1,641
Utilities		**1,300**	1,146
Directors' travelling		**1,175**	116
Rent, rates and taxes		**2,101**	1,111
Insurance		**963**	931
Repair and maintenance		**3,362**	4,621
Printing and stationery		**2,108**	1,822
Communication		**1,656**	1,582
Legal and professional charges (other than Auditors)		**4,275**	1,404
Subscription		**956**	767
Auditors' remuneration	**29.2**	**1,240**	1,216
Depreciation on:			
- operating fixed assets	**5.3**	**5,917**	6,715
- investment property	**6**	**1,246**	1,361
General office expenses		**2,277**	2,450
		62,379	53,970

29.1 These include Rs.0.802 million (2015: Rs.0.758 million) and Rs.0.499 million (2015: Rs.1.133 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

29.2 Auditors' remuneration

	Note	2016	2015
		Rupees in thousand	
Statutory Auditors:			
ShineWing Hameed Chaudhri & Co.			
- statutory audit fee		**575**	575
- half yearly review fee		**100**	100
- consultancy, tax services and certification charges		**446**	428
- out-of-pocket expenses		**60**	60
		1,181	1,163
Other Auditors:			
- cost audit fee (Munawar Associates)		**45**	40
- audit fee of workers' (profit) participation fund (Usman Azeem & Co.)		**7**	7
- out-of-pocket expenses		**7**	6
		59	53
		1,240	1,216

30. OTHER EXPENSES

		2016	2015
Uncollectible receivable balances written-off		**70**	29
Workers' (profit) participation fund		**0**	345
		70	374

31. OTHER INCOME

	Note	2016	2015
Income from financial assets:			
Mark-up on loan to Subsidiary Company		**21,965**	28,494
Mark-up / interest / profit on bank deposits / saving accounts and certificates		**491**	599
Dividends		**34,760**	0
Income from other than financial assets:			
Gain on disposal of vehicles	**5.2**	**1,074**	246
Rent	**31.1**	**6,474**	14,134
Sale of scrap	**31.2**	**9,642**	4,872
Unclaimed payable balances written-back		**413**	381
Sale of agricultural produce - net of expenses aggregating Rs. 4.194 million (2015: 5.637 million)		**13,326**	66,150
Profit from fertilizer sales	**31.3**	**4,160**	1,690
Miscellaneous - net of sales tax amounting Rs.293 thousand (2015: Rs.190 thousand)		**1,775**	1,061
		94,080	117,627

31.1 **(a)** As per the agreement entered into between the Company and Premier Board Mills Ltd. (PBM - an Associated Company) on June 23, 2015, the Company has leased-out a portion of its second floor situated at Head Office to PBM against consideration of Rs.2.100 million per annum. PBM had also paid to the Company rent arrears aggregating Rs.10.500 million not paid since July 01, 2009 to June 30, 2014.

(b) The Company, during the preceding year, has also leased-out its agricultural land located at Saro Shah, Tehsil Takht-i-Bhai to PBM against consideration of Rs.6.750 million for the period from July 01, 2015 to June 30, 2016.

31.2 This includes sales to Chashma Sugar Mills Ltd. (a Subsidiary Company) amounting Rs.8.950 million (2015: Rs.4.860 million).

31.3 Profit from fertilizer sales

	Note	**2016**	2015
		Rupees in thousand	
Sales		**23,758**	23,760
Less: cost of sales			
opening stock		**1,983**	5,908
purchases		**29,276**	18,145
closing stock		**(11,661)**	(1,983)
		19,598	22,070
		4,160	1,690

32. FINANCE COST

		2016	2015
Mark-up on:			
- long term finances		**15,076**	20,227
- short term borrowings		**45,877**	66,728
Lease finance charges		**772**	709
Bank charges		**1,139**	1,309
		62,864	88,973

33. TAXATION

	Note	**2016**	2015
Current [net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 amounting Rs.3.110 million; (2015: Rs.6.046 million)]	**33.2**	**16,768**	0
Deferred:			
- resultant adjustment due to reduction in tax rate	**17**	**8,302**	9,049
- on account of temporary differences		**(58,223)**	(18,508)
		(49,921)	(9,459)
Prior years' tax refunds accounted for	**14**	**(12,584)**	0
		(45,737)	(9,459)

33.1 The returns for the Tax Years 2010 to 2016 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.

33.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under sections 5 (Tax on dividends), 15 (Income from property) and 113 (Minimum tax on the income of certain persons) of the Ordinance; (2015: no numeric tax rate reconciliation was presented in the financial statements as the Company was mainly liable to pay tax due under sections 15 (Income from property) and 113 (Minimum tax on the income of certain persons) of the Ordinance aggregating Rs.6.046 million. The required provision for the preceding year was fully adjusted against the balance tax credit for investment in plant & machinery amounting Rs.8.187 million available under section 65B of the Ordinance pertaining to the financial year ended September 30, 2014).

33.3 The Company has filed a writ petition before the Peshawar High Court (PHC) against selection for audit under sections 177 and 214C of the Ordinance; the PHC has stayed the Income Tax Department from finalising the proceedings. The petition is pending adjudication.

34. (LOSS) / EARNINGS PER SHARE

	2016	2015
	Rupees in thousand	
(Loss) / profit after taxation attributable to ordinary shareholders	**(149,793)**	16,022
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	--------- Rupees ---------	
(Loss) / earnings per share	**(39.94)**	4.27

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, 2016 and September 30, 2015, which would have any effect on the (loss) / earnings per share of the Company if the option to convert is exercised.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 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.

35.2 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 import of stores & spares mainly denominated in U.S. $. The Company is not exposed to foreign currency risk as at September 30, 2016 and September 30, 2015 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:

	2016	2015	**2016**	2015
	Effective rate		**Carrying amount Rupees in thousand**	
Fixed rate instruments				
Deposits with a non-banking finance company	**5%**	5%	**39,000**	39,000
Bank balances	**4% to 8.10%**	5% to 11.71%	**9,609**	14,109
Variable rate instruments				
Long term loan to Subsidiary Company	**7.45% to 8.10%**	8.51% to 11.71%	**279,500**	279,500
Long term finances	**7.62% to 8.05%**	8.05% to 11.21%	**200,000**	200,000
Short term borrowings	**7.05% to 8.10%**	8.01% to 14.00%	**375,000**	668,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit 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, 2016, 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 higher / lower by Rs.8.545 million; (2015: profit after taxation for the year would have been lower / higher by Rs.11.475 million) 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.

35.3 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-banking 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, 2016 along with comparative is tabulated below:

	2016	2015
	Rupees in thousand	
Security deposits	**1,258**	1,030
Trade debts	**28,855**	27,396
Trade deposits	**136**	136
Accrued profit on bank deposits	**25**	32
Other receivables	**7,218**	13,307
Deposits with a non-banking finance company	**39,000**	39,000
Bank balances	**16,387**	17,014
	92,879	97,915

- The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-banking finance company as detailed in note 15.4.
- 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:

Not past due	**28,364**	27,101
Past due 30 days	**196**	0
Past due 1 year	**295**	295
	28,855	27,396

No impairment loss allowance is necessary in respect of trade debts as major balance of trade debts has 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
2016	------------- Rupees in thousand -------------			
Long term finances	**200,000**	**224,421**	**12,463**	**211,958**
Lease finances	**6,317**	**7,040**	**3,511**	**3,529**
Trade and other payables	**49,124**	**49,124**	**49,124**	**0**
Accrued mark-up	**10,314**	**10,314**	**10,314**	**0**
Short term borrowings	**379,670**	**388,879**	**388,879**	**0**
	645,425	**679,778**	**464,291**	**215,487**
2015				
Long term finances	200,000	243,757	16,188	227,569
Lease finances	5,633	6,540	2,796	3,744
Trade and other payables	44,648	44,648	44,648	0
Accrued mark-up	18,642	18,642	18,642	0
Short term borrowings	668,000	680,560	680,560	0
	936,923	994,147	762,834	231,313

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.

35.4 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, 2016, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

36. 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.

37. TRANSACTIONS WITH RELATED PARTIES

37.1 Except for long term loan to Subsidiary Company, no amount was due from Subsidiary and Associated Companies at any month-end during the current and preceding years.

37.2 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:

	2016	2015
Subsidiary Companies	**Rupees in thousand**	
- purchase of goods	**4,054**	3,590
- sale of goods	**10,549**	6,133
- sale of molasses	**71,478**	0
- dividend received	**34,377**	0
- mark-up earned on long term loan	**21,965**	28,494
Associated Companies		
- purchase of goods	**1,521**	0
- sale of sugar cane crop	**0**	6,750
- rent received	**6,463**	14,125
- dividend received	**383**	0

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2016	2015	**2016**	2015	**2016**	2015
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration	**1,400**	1,200	**8,914**	8,427	**4,524**	4,640
Medical expenses reimbursed	**0**	0	**0**	116	**0**	0
	1,400	1,200	**8,914**	8,543	**4,524**	4,640
No. of persons	**1**	1	**2**	2	**2**	2

38.1 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.

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

39. CAPACITY AND PRODUCTION

		2016	2015
SUGAR CANE PLANT			
Rated crushing capacity per day	M.Tonnes	**3,810**	3,810
Cane crushed	M.Tonnes	**178,273**	95,526
Sugar produced	M.Tonnes	**17,677**	9,019
Days worked	Nos.	**144**	141
Sugar recovery	%	**9.94**	9.49
SUGAR BEET PLANT			
Rated slicing capacity per day	M.Tonnes	**2,500**	2,500
DISTILLERY			
Rated capacity per day	Gallons	**10,000**	10,000

- The normal season days are 150 days for Sugar Cane crushing.

- Production was restricted to the availability of raw materials to the Company.

- The operations of distillery were closed during the preceding year due to low prices of ethanol.

40. 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 for the year ended September 30, 2016 and audited financial statements of the provident fund for the year ended September 30, 2015:

	2016	2015
	(Rupees in thousand)	
Size of the fund - total assets	**44,982**	43,305
Cost of investments made	**44,818**	43,160
Percentage of investments made	**99.64%**	99.67%
Fair value of investments made	**44,818**	43,160

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

	2016	2015		
	-------- %	**--------**		
Term deposit receipt	**91.48%**	95.00%	**41,000**	41,000
Saving account in a scheduled bank	**8.52%**	5.00%	**3,818**	2,160
	100.00%	100.00%	**44,818**	43,160

40.2 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.

41. OPERATING SEGMENT

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

41.1 Sugar sales represent 95% (2015: 73%) of the total gross sales of the Company.

41.2 All sales have been made to customers in Pakistan.

41.3 All non-current assets of the Company as at September 30, 2016 are located in Pakistan.

41.4 Two (2015: one) of the Company's customers contributed towards 94.91% (2015: 71.98%) of the sugar sales during the year aggregating Rs.1,396 million (2015: Rs.163 million).

42. NUMBER OF EMPLOYEES

	2016	2015
Number of permanent employees as at September 30,	**442**	470
Average number of employees during the year,	**445**	467

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on December 29, 2016 by the board of directors of the Company.

44. 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.

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

annual report

2016

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

Khan Aziz Sarfaraz Khan - Chief Executive
Mr. Abbas Sarfaraz Khan - Chairman
Begum Laila Sarfaraz
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

Head of Internal Audit

Syed Naveed Ali

Auditors/Tax Consultants

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

Cost Auditors

M/s. Munawar Associates
Chartered Accountants

Legal Advisor

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

Shares Registrar

Messers Hameed Majeed Associates (Pvt.) Limited,
H.M. House, 7-Bank Square, Lahore.
Phone No. : 042-37235081 Fax No. : 042-37235083

Bankers

Bank Al-Habib Limited	Faysal Bank Limited
The Bank of Khyber	National Bank of Pakistan
MCB Bank Limited	Soneri Bank Limited
The Bank of Punjab	Askari Bank Limited
Bank Al-Falah Limited	United Bank Limited
Dubai Islamic Bank (Pakistan) Limited	Meezan Bank Limited
Al-Baraka Bank (Pakistan) Limited	Habib 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. Sher Ali Jafar Khan (Independent Director)	Chairman
Mr. Iskander M. Khan (Non-Executive Director)	Member
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

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

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

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

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

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

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

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

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

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

l) Determining of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration Committee

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

The Committee is responsible for:

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

ii) Succession and career development within the senior management.

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

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

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

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

MISSION STATEMENT

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

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

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

- We with professional and dedicated team, ensure continual improvement in quality and productivity through effective implementation of Quality Management System. Be a responsible employer and reward employees according to their ability and performance.

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

STRATEGIC GOALS

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

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

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

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

CORE VALUES

- Striving for continuous improvement and innovation with commitment and responsibility.

- Treating stakeholders with respect, courtesy and competence.

- Practicing highest personal and professional integrity.

- Maintaining teamwork, trust and support with open and candid communication; and.

- Ensuring cost consciousness in all decision and operations.

CHASHMA SUGAR MILLS LIMITED

Code of Conduct

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

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

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

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

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

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

General Principles

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

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

- All employees, without any distinction or exception whatsoever, respect the principles and contents of the Code in their actions and behaviors while performing their functions according to their responsibilities, because compliance with the Code is fundamental for the quality of their working and professional performance. Relationships among employees, at all levels, must be characterized by honesty, fairness, cooperation, loyalty and mutual respect.
- The belief that one is acting in favor or to the advantage of the Company can never, in any way, justify-not even in part any behavior that conflict with the principles and content of the Code.
- The Code of Conduct aims at guiding the “Chashma Sugar Mills Limited team” 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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
					(R U P E E S I N T H O U S A N D)					
Sales	11,206,209	7,559,896	5,831,752	6,673,731	5,848,891	5,882,738	6,362,700	3,968,673	2,579,812	1,638,595
Cost of sales	10,100,778	7,102,310	5,725,768	6,173,254	5,702,814	5,186,437	5,597,467	3,595,629	2,233,798	1,709,629
Operating profit/(Loss)	716,714	586,046	84,272	481,250	97,323	612,225	647,940	297,935	270,343	(128,111)
Profit/(Loss) before tax	215,151	125,969	(275,026)	56,728	(239,067)	165,491	347,799	(140,786)	(57,172)	(377,451)
Profit/(Loss) After tax	297,450	174,097	(128,619)	32,972	(218,971)	140,610	283,794	(217,910)	(63,163)	(358,007)
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	191,280
Shareholders' equity	4,075,359	2,621,405	2,423,137	2,524,899	1,397,464	1,645,127	423,572	66,712	203,438	128,232
Fixed assets - net	8,174,002	6,770,010	6,372,848	5,014,393	3,171,414	3,103,002	2,335,101	2,515,056	2,723,775	1,850,560
Total assets	10,072,321	10,265,039	9,303,424	7,485,951	5,835,443	5,647,181	2,975,098	3,535,462	4,509,239	3,460,459
Long term liabilities	3,370,510	2,890,982	3,223,672	2,270,940	1,451,512	1,357,532	1,059,164	1,229,686	1,464,166	949,167
Dividend										
Cash dividend	45%	25%	0	0	0	10%	10%	0	0	0
Ratios:										
Profitability (%)										
Operating profit	6.40	7.75	1.45	7.21	1.66	10.41	10.18	7.51	10.48	(4.34)
Profit/ (Loss) before tax	1.92	1.67	(4.72)	0.85	(4.09)	2.81	5.47	(3.55)	(2.22)	23.04
Profit/(Loss) after tax	2.65	2.30	(2.21)	0.49	(3.74)	2.39	4.46	(5.49)	(2.45)	21.85
Return to Shareholders										
ROE - Before tax	5.28	4.81	(11.35)	2.25	(17.11)	10.06	82.11	(211.04)	(28.10)	(294.35)
ROE - After tax	7.30	6.64	(5.31)	1.31	(15.67)	8.55	67.00	(326.64)	(31.05)	(279.19)
Return on Capital Employed	3.99	3.16	(2.28)	0.69	(7.69)	4.68	19.14	(16.81)	(3.79)	(33.23)
E. P. S. - After tax	10.37	6.07	(4.48)	1.15	(7.63)	4.90	9.89	(7.59)	(2.20)	(18.72)
Activity										
Income to total assets	1.11	0.74	0.63	0.89	1.00	1.04	2.14	1.12	0.57	0.47
Income to fixed assets	1.37	1.12	0.92	1.33	1.84	1.90	2.72	1.58	0.95	0.89
Liquidity/Leverage										
Current ratio	0.72	0.74	0.80	0.92	0.89	0.96	0.43	0.46	0.63	0.68
Break up value per share	142.04	91.36	84.45	88.00	48.71	57.34	14.76	2.33	7.09	6.70
Total Liabilities to equity (Times)	1.47	2.92	2.84	1.96	3.18	2.43	6.02	52.00	21.17	25.99

CHASHMA SUGAR MILLS LIMITED

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
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
2015	1,588,226	9.16	145,502
2016	1,689,633	9.20	155,443

PRODUCTION OF ETHANOL

YEAR	MOLASSES CONSUMED TONS	RECOVERY %	PRODUCTION (LITRES)
2014	19,590	18.56	4,540,945
2015	36,277	18.24	8,272,982
2016	111,385	18.58	25,870,308

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

Notice is hereby given that 29th Annual General Meeting of the shareholders of Chashma Sugar Mills Limited will be held on January 30, 2017 at 11:30 AM at the Registered Office of the Company at Nowshera Road, Mardan, for transacting the following business: -

(1) To confirm the minutes of the Extra Ordinary General Meeting held on March 31, 2016.

(2) To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended September 30, 2016.

(3) To consider and approve the payment of final cash dividend. The Board of Directors has recommended payment of final cash dividend of Rs. 4.50 per share (45%) for the year ended September 30, 2016.

(4) To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2017. The present auditors' M/s ShineWing Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from January 20, 2017 to January 30, 2017 (both days inclusive).

BY ORDER OF THE BOARD

Mardan:
December 29, 2016

(Mujahid Bashir)
Company Secretary

N.B:

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

2. Members are requested to notify the Shares Registrar of the Company of any change in their addresses immediately.

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

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

5. All members of the Company are hereby informed that pursuant to the provisions of Finance Act, 2016, effective July 01, 2016, reforms have been made with regards to deduction of income tax for cash dividend; the rates of deduction of income tax under section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

   1. Rate of tax deduction for filer of income tax returns 12.5 %
   2. Rate of tax deduction for non-filer of income tax returns 20.0 %

   In case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company by sending following detail on the registered address of the Company and the members who have deposited their shares into CDC are requested to send a copy of detail regarding tax payment status also the relevant member stock exchange and CDC if maintaining CDC investor account, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Total Shares	Folio / CDS ID/AC#	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

6. The accordance with the SECP's Circular No. 18 of 2012 dated June 2012, the shareholders have been given an opportunity to authorize the Company to make payment of cash dividend through direct credit to shareholder's bank account. To opt for the dividend mandate option as stated, the dividend mandate Form is available at Company's website i.e. www.chashmasugarmills.com needs to be duly filled and submitted to the Company on its registered address.

7. The CNIC number / NTN detail is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

8. Members are requested to provide attested photocopies of their CNIC to the Company on its registered address in order to meet the mandatory requirements of SRO 831(1) 2012 of 5 July 2012 which provides that the dividend warrant should bear the CNIC number of the registered member. In case your CNIC copy is not available your dividend warrant will be no be issue/dispatched to you.

9. The Directive of SECP contained in SRO 787(1) 2014 of September 08, 2014 whereby SECP has allowed companies to circulate annual balance sheet, profit and loss account, auditor's report and directors' report etc. along with notice of annual general meeting to its members through e-mail. Members are requested to provide their e-mail addresses on registered address of the Company.

10. Audited accounts of the Company for the year ended September 30, 2016 will be provided on the website www.chashmasugarmills.com at least 21 days before the date of Annual General Meeting.

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Board of Directors of Chashma Sugar Mills Limited is pleased to present Directors' Report of the Company together with the audited financial statements for the year ended September 30, 2016.

1. SUMMARISED FINANCIAL RESULTS

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

	2016	2015
	(Rupees in thousands)	
Profit / (Loss) before taxation	**215,151**	125,969
Taxation		
- Prior	**0**	0
- Deferred	**82,299**	48,128
	82,299	48,128
Profit / (Loss) after taxation	**297,450**	174,097
	---------- (Rupees) ----------	
Earnings / (Loss) per Share	**10.37**	6.07

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2015-16

The sugarcane crushing season 2015-16 commenced on the December 14, 2015 and continued till March 27, 2016. The Mills crushed 1,689,633 tons of sugarcane and produced 155,443 tons of sugar at an average recovery of 9.20%. The KPK Government fixed sugarcane price @ Rs. 180 /- per maund. The Company earned profits due to improved sugar prices.

2.2 CRUSHING SEASON 2016-2017

The sugarcane crushing season started on November 30, 2016 and the mills have crushed 500,898 tons of sugarcane, producing 42,165 tons of sugar average recovery of 8.60 % up to December 27, 2016. The Provincial Government of Punjab and KPK fixed sugarcane price @ Rs. 180/- per maund.

3. SUGAR PRICE

3.1 SUGAR SEASON 2015-16

The government allowed export of 650,000 MT of surplus sugar stock with Rs. 13/- per kg as subsidy to be shared equally by the Provincial and Federal Governments. However, the Khyber Pakhtunkhwa government refused to pay its share of the subsidy to the mills consequently the Company sold the sugar stocks locally and lost the international market.

3.2 SUGAR SEASON 2016-17

We are expecting overall increase of 5%~10% in the sugarcane yield in the country resulting in increased sugar production. PSMA has requested the GoP to allow export of 300,000 tons of sugar at the international rates. We foresee consistent sugar prices.

4. ETHANOL FUEL PLANT AT UNIT-II

The Ethanol Fuel Plant produced 20,696 MT of Ethanol during the year.

5. STAFF

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

6. PATTERN OF SHAREHOLDING

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

7. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of Chashma Sugar Mills Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no significant doubts upon Chashma Sugar Mills Limited's ability to continue as a 'going concern'.
- Key operating and financial data for the last ten years in a summarized form is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at September 30, 2016, 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. 48.2 million as at September 30, 2016.

- During the year six (06) 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	6
-	Begum Laila Sarfaraz	5
-	Mr. Abbas Sarfaraz Khan	5
-	Ms. Zarmine Sarfaraz	5
-	Ms. Najda Sarfaraz	5
-	Mr. Iskander M Khan	6
-	Mr. Baber Ali Khan	4
-	Mr. Abdul Qadar Khattak	3
-	Mr. Sher Ali Jafar Khan	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 Board has recommended payment of Final Cash Dividend for the year ended September 30, 2016 @ Rs. 4.50 per share (45%) to all the shareholders of the Company.

10. ELECTION OF DIRECTORS

The directors were 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 March 31, 2016. The Board has fixed the number of directors to be nine (9) including one independent director as required by the Code of Corporate Governance.

11. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended to re-appoint M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants, Lahore as External Auditors for the financial year 2016-2017. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

12. 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.

13. 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 September 30, 2016 have been duly complied with. A statement to this effect is annexed with the report.

14. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

Mardan
December 29, 2016

(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

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 Company's equity shares are listed on Lahore Karachi and Islamabad Stock Exchanges.

Listing Fees
The annual listing fee for the financial year 2016-17 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 January 20, 2017 to January 30 , 2017.

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, 2016

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
148	From	1	to	100	Shares	11,006
548	From	101	to	500	Shares	241,154
137	From	501	to	1,000	Shares	127,789
182	From	1,001	to	5,000	Shares	478,887
37	From	5,001	to	10,000	Shares	274,900
34	From	10,001	to	20,000	Shares	506,906
7	From	20,001	to	25,000	Shares	155,700
5	From	25,001	to	30,000	Shares	141,500
3	From	30,001	to	35,001	Shares	102,000
5	From	35,001	to	40,000	Shares	148,400
10	From	40,001	to	60,000	Shares	445,147
3	From	60,001	to	70,000	Shares	268,089
5	From	70,001	to	80,000	Shares	382,500
1	From	80,001	to	85,000	Shares	85,000
5	From	85,001	to	125,000	Shares	86,142
4	From	105,001	to	200,000	Shares	839,000
3	From	200,001	to	310,000	Shares	872,000
3	From	310,001	to	450,000	Shares	1,450,219
5	From	625,001	to	2,000,000	Shares	4,734,186
2	From	2,000,001	to	above	Shares	17,341,475
1,147						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines	4	19,111,834	66.61
NIT and ICP			
Directors & Relatives	12	4,001,719	13.95
Executive			
Public Sector Companies & Corporation	8	1,185,421	4.13
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and	7	35,600	0.12
Individuals	1,114	4,062,426	14.16
Charitable Trusts	2	295,000	1.03
	1,147	**28,692,000**	**100.00**

Categories of Shareholders	Numbers		Shares Held		Percentage of Paid-up Capital
Associated Companies, Undertakings and Related Parties	**4**		**19,111,834**		**66.61**
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	
Directors & Relatives	**12**		**4,001,719**		**13.95**
Public Sector Companies and Corporations	**7**		**35,600**		**0.12**
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	
S.H Bukhari Securities Fabrics		400		0.00	
Fikree's (SMC) (Pvt) Limited		3,000		0.01	
Banks, Development Finance Instituions, Non Banking Financial Instituitions, Insurance Companies, Modarabas and Mutual Funds	**8**		**1,185,421**		**4.14**
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	
Habib Bank AG Zurich Switerland		226,500		0.79	
Hanib Bank AG Zurich Deira Dubai		13,500		0.05	
Trustee National Investment (unit) Trust		852,227		2.97	
IDBP (ICP) Unit		3,200		0.01	
State life Insurance Co. of Pakistan		300		0.00	
Individuals	**1,114**		**4,062,426**		**14.15**
Charitable Trusts	**2**		**295,000**		**1.03**
Sarfaraz District Hospital Charity Fund		290,000		1.01	
Trustees Moosa Lawari Foundation		5,000		0.02	
	1,147		**28,692,000**		**100.00**

Shareholders holding 10% or more voting Intesrest in the Company

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

Chashma Sugar Mills Limited - Year ended September 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No.5.19 of the Rule Book of Pakistan Stock Exchange (PSX) 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 CCG 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.

   The independent director meets the criteria of Independence under clause 5.19.1 (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed Companies including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or 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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

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

9. 8 out of 9 Directors of the Company are exempted from the requirement of Director's Training Program (DTP) by virtue of minimum of 14 years of education and 15 years of experience as director of a listed company. Remaining one director has completed his training during the current year.

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 CCG 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 CCG.

15. The Board has formed an Audit Committee. It comprises of four members, of whom three are non-executive directors whereas the chairman of the committee is an independent director.

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

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

18. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

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

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

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

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

For and on behalf of the Board

(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE

Islamabad
December 29, 2016

CHASHMA SUGAR MILLS LIMITED

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **CHASHMA SUGAR MILLS LIMITED** (the Company) for the year ended September 30, 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad Stock Exchanges have merged), 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 of 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 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, 2016.

ShineWing Hameed Chaudhri & Co.

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

LAHORE;
December 30, 2016

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, 2016 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, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and

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

ShineWing Hameed Chaudhri & Co.

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

LAHORE;
December 30, 2016

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2016

	Note	2016	2015
ASSETS	**Note**	**(Rupees in thousand)**	
Non-current assets			
Property, plant and equipment	5	8,169,406	6,764,869
Intangible assets	6	433	983
Security deposits		4,163	4,158
		8,174,002	6,770,010
Current assets			
Stores and spares	7	295,498	267,775
Stock-in-trade	8	571,183	2,044,696
Trade debts	9	143,410	341,109
Loans and advances	10	280,408	213,904
Prepayments and other receivables	11	259,676	282,100
Tax refunds due from the Government	12	310,633	265,502
Bank balances	13	37,511	79,943
		1,898,319	3,495,029
TOTAL ASSETS		10,072,321	10,265,039
EQUITY AND LIABILITIES			
Equity			
Authorised capital			
50,000,000 (2015: 50,000,000) ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up capital			
28,692,000 (2015: 28,692,000) ordinary shares of Rs.10 each	14	286,920	286,920
General reserve		327,000	327,000
Unappropriated profit		696,075	320,253
Shareholders' equity		1,309,995	934,173
Surplus on revaluation of property, plant and equipment	15	2,765,364	1,687,232
Non-current liabilities			
Long term finances	16	2,237,608	1,765,383
Loans from related parties	17	312,143	437,000
Liabilities against assets subject to finance lease	18	31,600	18,688
Deferred taxation	19	789,159	669,911
		3,370,510	2,890,982
Current liabilities			
Trade and other payables	20	809,603	339,295
Accrued mark-up	21	108,820	183,281
Short term borrowings	22	1,037,045	3,816,799
Current maturity of non-current liabilities	23	670,984	413,277
		2,626,452	4,752,652
Total liabilities		5,996,962	7,643,634
TOTAL EQUITY AND LIABILITIES		10,072,321	10,265,039
Contingencies and commitments	24		

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, 2016

	Note	2016	2015
		(Rupees in thousand)	
Sales - net	25	**11,206,209**	7,559,896
Cost of Sales	26	**(10,100,778)**	(7,102,310)
Gross Profit		**1,105,431**	457,586
Distribution Cost	27	**(236,375)**	(56,533)
Administrative Expenses	28	**(274,130)**	(210,731)
Other Income	29	**132,760**	402,584
Other Expenses	30	**(10,972)**	(6,860)
Profit from Operations		**716,714**	586,046
Finance Cost	31	**(501,563)**	(460,077)
Profit before Taxation		**215,151**	125,969
Taxation	32	**82,299**	48,128
Profit after Taxation		**297,450**	174,097
Other Comprehensive Income		**0**	0
Total Comprehensive Income		**297,450**	174,097
		------- Rupees -------	
Earnings per Share	33	**10.37**	6.07

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, 2016

	2016	2015
Cash flow from operating activities	**(Rupees in thousand)**	
Profit for the year - before taxation	**215,151**	125,969
Adjustments for non-cash charges and other items:		
Depreciation	**519,015**	400,852
Amortisation of intangible assets	**550**	550
Profit on deposit accounts	**(3,574)**	(7,281)
Gain on sale of operating fixed assets	**(3,208)**	(904)
Finance cost	**495,315**	456,492
Profit before working capital changes	**1,223,249**	975,678
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets		
Stores and spares	**(27,723)**	26,614
Stock-in-trade	**1,473,513**	(341,507)
Trade debts	**197,699**	(163,253)
Loans and advances	**(66,504)**	(28,716)
Prepayments and other receivables	**22,424**	(130,012)
Advance sales tax and sales tax refundable - net	**(109,589)**	81,693
Increase / (decrease) in trade and other payables	**469,041**	(28,078)
	1,958,861	(583,259)
Cash generated from operations	**3,182,110**	392,419
Income tax refunds received / (taxes paid) - net	**64,458**	(51,619)
Security deposits	**(5)**	(30)
Net cash generated from operating activities	**3,246,563**	340,770
Cash flow from investing activities		
Purchase of property, plant and equipment	**(501,047)**	(797,380)
Intangible assets acquired	**0**	(1,300)
Sale proceeds of operating fixed assets	**10,484**	1,050
Profit on bank deposits received	**3,574**	7,281
Net cash used in investing activities	**(486,989)**	(790,349)
Cash flow from financing activities		
Long term finances - net	**597,454**	(4,517)
Lease finances - net	**20,533**	2,406
Short term borrowings - net	**(2,772,797)**	867,948
Dividend paid	**(70,463)**	0
Finance cost paid	**(569,776)**	(476,733)
Net cash (used in) / generated from financing activities	**(2,795,049)**	389,104
Net decrease in cash and cash equivalents	**(35,475)**	(60,475)
Cash and cash equivalents - at beginning of the year	**53,441**	113,916
Cash and cash equivalents - at end of the year	**17,966**	53,441
Cash and cash equivalents comprised of:		
Bank balances	**37,511**	79,943
Temporary bank overdrafts	**(19,545)**	(26,502)
	17,966	53,441

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2016

	Share capital	General reserve	(Accumulated loss) / unappropriated profit	Total
	---------------- Rupees in thousand ----------------			
Balance as at September 30, 2014	286,920	327,000	(18,206)	595,714
Total comprehensive income for the year ended September 30, 2015	0	0	174,097	174,097
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	164,362	164,362
Balance as at September 30, 2015	286,920	327,000	320,253	934,173
Transaction with owners: Cash dividend for the year ended September 30, 2015 at the rate of Rs. 2.50 per share	0	0	(71,730)	(71,730)
Total comprehensive income for the year ended September 30, 2016	0	0	297,450	297,450
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	150,102	150,102
Balance as at September 30, 2016	**286,920**	**327,000**	**696,075**	**1,309,995**

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, 2016

1. LEGAL 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 and spirit. The Company's shares are quoted on Pakistan Stock Exchange (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have been merged). 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), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

(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 published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on October 01, 2015 and are considered to be relevant to the Company's operations:

(a) IFRS 12 ‘Disclosures of interests in other entities’. The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company's accounting policy is in line with the requirements of this standard.

(b) IFRS 13 ‘Fair value measurement’. The standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial instruments: Disclosures. As a result, the Company has included additional disclosures in this regard in note 36 to these financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosure. Notwithstanding the above, the change had no impact on the measurements of the Company's assets and liabilities.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on October 01, 2015 are considered not to be relevant or to have any significant effect on the Company’s financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on October 01, 2015 and have not been early adopted by the Company:

(a) IFRS 9 ‘Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, which replaces the guidance in IAS 39. The final version includes the requirements on classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan. The Company has yet to assess the impact of these changes on its financial statements.

(b) IFRS 15, ‘Revenue from contracts with customers’ is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue. The Company shall apply this standard from October 01, 2017 and does not expect to have a material impact on its financial statements.

(c) IAS 27 ‘Separate financial statements’ is applicable on accounting periods beginning on or after January 01, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any impact on the Company's financial statements.

(d) IAS 34 'Interim financial reporting' is applicable on accounting periods beginning on or after July 01, 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Company's interim financial information.

(e) Annual improvements 2014 applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits' and IAS 34,'Interim financial reporting'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.

(f) Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Company shall apply these amendments from October 01, 2016 and does not expect to have a material impact on its financial statements.

(g) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable on annual periods beginning on or after January 01, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The Company has yet to assess the impact of these amendments on its financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company's financial reporting and operations 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 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.

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 indication exists, 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.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Finance cost, other income, other expenses and taxation are managed at the Company level. Unallocated assets include security deposits, prepayments & other receivables and bank balances whereas unallocated liabilities include loans from related parties, deferred taxation, accrued mark-up and short term borrowings.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2016	2015
		(Rupees in thousand)	
Operating fixed assets - tangible	**5.1**	**8,130,966**	5,213,269
Capital work-in-progress	**5.6**	**37,410**	1,550,570
Stores held for capital expenditure		**1,030**	1,030
		8,169,406	6,764,869

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, 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 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
Year ended September 30, 2015:											
Additions	0	281,904	1,422,877	0	127,065	6,502	0	1,229	947	8,641	1,849,165
Disposals											
- cost	0	0	0	0	0	0	0	0	(2,238)	0	(2,238)
- depreciation	0	0	0	0	0	0	0	0	2,092	0	2,092
Depreciation charge for the year	0	(62,211)	(311,991)	(1,396)	(10,278)	(2,398)	(61)	(1,052)	(3,475)	(7,990)	(400,852)
Book value as at September 30, 2015	279,764	771,325	3,875,078	12,562	187,726	24,932	546	9,957	14,410	36,969	5,213,269
Year ended September 30, 2016:											
Additions	0	374,376	1,467,022	0	112,467	9,970	36	3,609	1,098	45,629	2,014,207
Revaluation adjustments:											
- cost / revaluation	709,454	0	0	0	0	0	0	0	0	0	709,454
- depreciation	0	109,015	606,987	4,325	0	0	0	0	0	0	720,327
Disposals											
- cost	0	0	0	0	0	0	(51)	0	(19,102)	0	(19,153)
- depreciation	0	0	0	0	0	0	22	0	11,855	0	11,877
Transfers from leased to owned											
- cost	0	0	0	0	0	0	0	0	17,873	(17,873)	0
- depreciation	0	0	0	0	0	0	0	0	(10,295)	10,295	0
Depreciation charge for the year	0	(80,323)	(399,718)	(1,256)	(19,752)	(3,008)	(52)	(1,151)	(3,108)	(10,647)	(519,015)
Book value as at September 30, 2016	989,218	1,174,393	5,549,369	15,631	280,441	31,894	501	12,415	12,731	64,373	8,130,966
As at September 30, 2015											
Cost / revaluation	279,764	1,084,939	4,948,335	18,071	296,334	43,488	962	23,615	48,231	57,675	6,801,414
Accumulated depreciation	0	(313,614)	(1,073,257)	(5,509)	(108,608)	(18,556)	(416)	(13,658)	(33,821)	(20,706)	(1,588,145)
Book value	279,764	771,325	3,875,078	12,562	187,726	24,932	546	9,957	14,410	36,969	5,213,269
As at September 30, 2016											
Cost / revaluation	989,218	1,459,315	6,415,357	18,071	408,801	53,458	947	27,224	48,100	85,431	9,505,922
Accumulated depreciation	0	(284,922)	(865,988)	(2,440)	(128,360)	(21,564)	(446)	(14,809)	(35,369)	(21,058)	(1,374,956)
Book value	989,218	1,174,393	5,549,369	15,631	280,441	31,894	501	12,415	12,731	64,373	8,130,966
Depreciation rate (%)	0	10	10	10	10	10	10	10	20	20	
2015	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0	0

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

Particulars	Freehold land	Buildings & roads	Plant & machinery	Gener-ators	Total
	------------- Rupees in thousand -------------				
Cost / revaluation as at September 30, 2016	279,764	1,459,315	6,415,357	18,071	8,172,507
Accumulated depreciation to September 30, 2016	0	393,937	1,472,975	6,765	1,873,677
Book value before revaluation adjustments as at September 30, 2016	279,764	1,065,378	4,942,382	11,306	6,298,830
Revalued amount	989,218	1,174,393	5,549,369	15,631	7,728,611
Revaluation surplus	**709,454**	**109,015**	**606,987**	**4,325**	**1,429,781**

5.3 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:

	2016	2015
	(Rupees in thousand)	
- freehold land	**71,796**	71,796
- buildings & roads	**762,886**	435,223
- plant & machinery	**3,288,895**	2,037,870
- generators	**9,438**	10,487
	4,133,015	2,555,376

5.4 **Depreciation for the year has been allocated as follows:**

Cost of sales	**501,101**	385,937
Administrative expenses	**17,914**	14,915
	519,015	400,852

5.5 Disposal of operating fixed assets

Particulars	Cost	Accumu-lated deprec-iation	Book value	Sale proc-eeds	Gain / (loss)	Particulars of purchaser / employee
	------------- Rupees in thousand -------------					
Farm equipment						
To third party through negotiation						
Stubble shaver	51	22	29	90	61	Ghulam Hassan Khan, D.I. Khan
Owned vehicles						
To third parties through negotiation						
Suzuki Bolan	158	148	10	178	168	Mr. Ghazi Muhammad, D.I. Khan.
Honda City	762	606	156	655	499	Mr. Arslan Fareed, Rawalpindi.
Suzuki Alto	768	484	284	382	98	Mr. Wisal Muhammad Khan, Mardan.
Toyota Corolla	1,719	1,132	587	1,310	723	Mr. Aqeel Abbas, Bhakkar.
Honda City	850	677	173	635	462	Ch. Bashir Ahmed, Sargodha.
Toyota Corolla	1,581	953	628	791	163	Muhammad Shakeel Ahmed, Islamabad.
Toyota Corolla	1,433	894	539	716	177	Mr. Amjad Hussain Gondal, Rawalpindi.
Suzuki Cultus	993	606	387	497	110	Mr. Afzal Shah, Islamabad.
Toyota Prius	2,717	1,297	1,420	1,250	(170)	Mr. Abid Rafeeq, Islamabad.
Toyota Corolla	1,430	902	528	672	144	Mr. Zahid Mehmood Malik, Attock.
To employees as per the Company's policy						
Honda motorcycle	57	43	14	15	1	Mr. Altaf Hussain, Bhakkar.
Toyota Corolla	1,373	938	435	686	251	Muhammad Yasin, Tandu Muhammad Khan.
Mazda Coach	426	418	8	200	192	Mr. Ajab Khan, D.I. Khan.
Honda Civic	2,194	1,235	959	1,097	138	Mr. Hameed Ur Rehman Khan, Islamabad.
Toyota Corolla	1,673	941	732	826	94	Mr. Tahir Mehmood, Bannu.
Suzuki Cultus	968	581	387	484	97	Mr. Wajahat Qamar Butt, Islamabad.
	19,102	11,855	7,247	10,394	3,147	
2016	**19,153**	**11,877**	**7,276**	**10,484**	**3,208**	
2015	2,238	2,092	146	1,050	904	

5.6 Capital work-in-progress

	Note	2016	2015
		(Rupees in thousand)	
Buildings on freehold land		**0**	255,453
Plant and machinery	5.7	**0**	1,068,246
Electric installations		**0**	90,742
Vehicles - leased		**6,721**	8,212
Advance payments:			
- freehold land		**30,513**	13,131
- buildings on freehold land		**47**	11,957
- plant and machinery		**129**	102,829
		30,689	127,917
		37,410	1,550,570

5.7 No mark-up has been capitalised during the current year; (plant and machinery additions for the preceding year included mark-up on long term finances aggregating Rs.156.985 million at the rates of mark-up disclosed in note 16).

5.8 The installation of Bio Gas Plant and Waste Water Treatment Plant has been completed during the current year; (the installation of Ethanol Fuel Plant of 125,000 litres per day was completed during the preceding year; trial run operations of this Plant continued till June 30, 2015. Unallocated capital expenditure aggregating Rs.119.037 million (net) on the said date were allocated to buildings, plant & machinery and electric installations).

6. INTANGIBLE ASSETS - Computer softwares

	2016	2015
Cost at beginning of the year	**8,242**	6,942
Additions during the year	**0**	1,300
Cost at end of the year	**8,242**	8,242
Less: amortisation:		
- at beginning of the year	**7,259**	6,709
- charge for the year	**550**	550
-at end of the year	**7,809**	7,259
Book value as at September 30,	**433**	983

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

7. STORES AND SPARES

	2016	2015
Stores including in-transit inventory valuing Rs.1.958 million (2015: nil)	**263,935**	239,373
Spares	**31,563**	28,402
	295,498	267,775

8. STOCK-IN-TRADE

	Note	2016	2015
		(Rupees in thousand)	
Finished goods			
- sugar		**184,230**	1,627,189
- molasses		**247,596**	389,576
- spirit		**131,492**	17,694
		563,318	2,034,459
Sugar-in-process		**7,865**	10,237
		571,183	2,044,696

9. TRADE DEBTS - Unsecured, considered good

9.1 Year-end balance of trade debts includes a debt amounting Rs.19.450 million (2015: Rs.22.300 million); 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. The debtor, during the current year, has paid amounts aggregating Rs.2.850 million (2015: Rs.10 million) to the Company.

9.2 The year-end balance of trade debts includes debtors aggregating Rs.26.588 million (2015: Rs.79.097 million) relating to spirit customers.

10. LOANS AND ADVANCES

	Note	2016	2015
Advance payments to:			
- employees		**7,465**	5,223
- suppliers and contractors	**10.1**	**272,235**	211,099
Due from an Associated Company	**10.2**	**0**	19
Letters of credit		**3,145**	0
		282,845	216,341
Less: provision for doubtful advances		**2,437**	2,437
		280,408	213,904

10.1 These are unsecured and considered good except for Rs.2.437 million (2015: Rs.2.437 million), which have been fully provided for in the books of account.

10.2 This represented 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:

	Note	2016	2015
		(Rupees in thousand)	
The Holding Company			
- sale of goods		**2,252**	3,538
- purchase of goods		**71,478**	0
- sale of stores		**2,554**	179
- purchase of stores		**8,946**	6,295
- mark-up expensed		**21,965**	28,494
- dividend paid		**34,377**	0
Associated Companies			
- purchase of goods		**74,947**	73,638
- mark-up expensed		**12,082**	15,204
- services received		**17,178**	9,439
- dividends paid		**13,402**	0

(b) Maximum aggregate debit balance of the Holding Company and Associated Companies at any month-end during the year was Rs.71.741 million (2015: Rs.1.766 million).

11. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016	2015
Prepayments		**4,491**	3,935
Sugar export subsidy receivable	**11.1**	**254,935**	275,335
Others		**250**	2,830
		259,676	282,100

11.1 **(a)** The Company, during the current year, has not accrued any further subsidy due to nil sugar exports. Amounts aggregating Rs.20.400 million have been received under this head during the current year. Balance as at September 30, 2016 represents subsidy portion receivable from the Government of Khyber Pakhtunkhwa (KPK). Subsidy portion receivable from the Federal Government has been fully received.

(b) The Company, during the year, has filed a writ petition before the Peshawar High Court, Peshawar regarding Notification dated December 24, 2014 wherein the Federal Government and the Government of KPK had pledged to pay the sugar mills subsidy on exports at the rate of Rs.10 per Kg. The petition is pending adjudication.

12. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2016	2015
		(Rupees in thousand)	
Income tax refundable, advance tax and tax deducted at source		**90,296**	154,754
Advance sales tax and sales tax refundable		**220,337**	110,748
		310,633	265,502

13. BANK BALANCES

	Note	2016	2015
Cash at banks on:			
- current accounts	13.1	**36,130**	69,734
- PLS accounts	13.2	**1,231**	9,984
- deposit accounts	13.2	**150**	225
		37,511	79,943

13.1 These include dividend account balance of Rs.1.722 million (2015: Rs.1.722 million).

13.2 These carry profit at the rate of 3.75% (2015: at the rates ranging from 3.76% to 4.94%) per annum.

14. SHARE CAPITAL

	2016	2015
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 and September 30, 2013 had revalued the aforementioned fixed assets of its both Units, which resulted in revaluation surplus aggregating Rs.880.755 million and Rs.1.594 billion respectively. 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, 2016 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., Shahnawaz Plaza, G-11 Markaz, Islamabad. Freehold land has been revalued on the basis of current market value whereas buildings & roads, plant & machinery and generators have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.1.430 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:

	Note	**2016**	2015
		(Rupees in thousand)	
Opening balance		**2,383,355**	2,625,064
Add: surplus arisen on revaluation carried-out during the year	**5.2**	**1,429,781**	0
Less: transferred to (accumulated loss) / unappropriated profit on account of incremental depreciation for the year		**(217,539)**	(241,709)
		3,595,597	2,383,355
Less: deferred tax on:			
- opening balance of surplus		**696,123**	797,641
- surplus arisen during the year		**223,301**	0
- incremental depreciation for the year		**(67,437)**	(77,347)
		851,987	720,294
		2,743,610	1,663,061
Resultant adjustment due to reduction in tax rate		**21,754**	24,171
Closing balance		**2,765,364**	1,687,232

16. LONG TERM FINANCES - Secured

(From banking companies)

	Note	2016	2015
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance	**16.1**	**150,000**	200,000
Bank Al-Habib Limited: (BAH)			
- Fixed loan	**16.2**	**79,243**	101,884
- Long term finance [(LTFF) - SBP]	**16.2**	**320,057**	362,067
		399,300	463,951
Faysal Bank Limited: (FBL)			
- Term finance	**16.3**	**416,637**	499,964
Soneri Bank Limited: (SBL)			
- Term finance	**16.4**	**112,911**	141,139
- LTFF (ERF)	**16.4**	**325,165**	345,581
		438,076	486,720
The Bank of Khyber: (BoK)			
- Demand finance	**16.5**	**13,779**	68,896
The Bank of Punjab: (BoP)			
- Demand finance	**16.6**	**73,978**	92,472
- LTFF	**16.6**	**298,612**	355,856
		372,590	448,328
Syndicated Islamic finance facility	**16.7**	**974,931**	0
		2,765,313	2,167,859
Less: current maturity grouped under current liabilities including an overdue instalment amounting Rs.25 million (2015: Rs.25 million)		**527,705**	402,476
		2,237,608	1,765,383

16.1 This term finance 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 8.06% to 9.05% (2015: 9.05% to 12.18%) 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 Fixed loan and LTFF (SBP) finance facilities aggregate Rs.500 million and have been utilised for establishment of ethanol plant. Fixed loan is repayable in 10 equal half-yearly instalments commenced from August, 2015 whereas LTFF is repayable in 10 equal half-yearly instalments commenced from April, 2016. The finance facilities 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 7.59% to 8.50% (2015: 8.50% to 11.67%) per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2015: 11.40%) per annum.

16.3 Term finance facility available from FBL amounts to Rs.500 million and has been obtained for setting-up Ethanol Fuel Plant. The finance facility is repayable in 6 half-yearly instalments commenced from April, 2016 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 7.86% to 10.50% (2015: 9.50% to 11.69%) per annum.

16.4 Term finance and LTFF (ERF) facilities available from SBL aggregate Rs.500 million and have been obtained to finance plant and machinery. These finance facilities are repayable in 10 equal half-yearly instalments commenced from February, 2016 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 8.06% to 8.80% (2015: 8.80% to 11.93%) 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% (2015: 9% to 11.40%) per annum.

16.5 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 8.06% to 9.05% (2015: 9.05% to 12.18%) 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.

16.6 Demand finance and LTFF finance facilities available from BoP aggregate Rs.500 million and have been obtained to finance distillery / ethanol plant established by the Company. These finance facilities are repayable in 10 equal half-yearly instalments commenced from November, 2015 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 7.36% to 8.35% (2015: 8.35% to 11.48%) per annum. LTFF carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2015: 11.40%) per annum.

16.7 The Company, during the year, has obtained a Syndicated Islamic finance facility of Rs.1,000 million at the rate of KIBOR + 2% per annum; the effective mark-up rates during the year ranged from 8.35% to 8.53% per annum.

The finance facility's tenor is 7 years with 2 years grace period; the bank-wise outstanding amount against the facility as at September 30, 2016 is as follows:

	Outstanding amount (Rupees in thousand)
- Dubai Islamic Bank Pakistan Ltd. (Investment agent and security trustee)	**474,931**
- Soneri Bank Ltd.	**300,000**
- National Bank of Pakistan	**200,000**
	974,931

The finance facility is secured against first joint pari passu charge over present and future moveable fixed assets of the Company and first joint pari passu charge by way of equitable mortgage on all present and future immoveable fixed assets of the Company to the tune of Rs.1.333 billion.

17. LOANS FROM RELATED PARTIES - Secured

	Note	2016	2015
		(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
Less: current maturity grouped under current liabilities		**124,857**	0
		312,143	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; effective mark-up rates charged by PSM during the year ranged from 7.45% to 8.10% (2015: 8.51% to 11.71%) per annum. As per the previous loan agreement, the loan was repayable in eight 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; effective mark-up rates charged by PBM during the year ranged from 7.45% to 7.82% (2015: 8.24% to 11.62%) per annum. As per the previous loan agreement, the loan was repayable in eight 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; effective mark-up rates charged by AIIL during the year ranged from 7.45% to 7.82% (2015: 8.24% to 11.62%) per annum. As per the previous loan agreement, the loan was repayable in eight 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	**2016**			2015		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	-------------------- Rupees in thousand --------------------					
Minimum lease payments	**22,453**	**45,925**	**68,378**	14,797	27,896	42,693
Less: finance cost allocated to future periods	**3,428**	**3,516**	**6,944**	2,540	2,413	4,953
	19,025	**42,409**	**61,434**	12,257	25,483	37,740
Less: security deposits adjustable on expiry of lease terms	**603**	**10,809**	**11,412**	1,456	6,795	8,251
Present value of minimum lease payments	**18,422**	**31,600**	**50,022**	10,801	18,688	29,489

18.1 The Company has entered into lease agreements with Bank Al-Habib Ltd. and Faysal Bank Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by August, 2020 and are subject to finance cost at the rates ranging from 4.57% to 9.00% (2015: 5.71% to 10.18%) 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	2016	2015
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**277,670**	366,876
- surplus on revaluation of property, plant and equipment		**830,233**	696,123
- lease finances		**912**	0
		1,108,815	1,062,999
Deductible temporary differences arising in respect of:			
- provision for doubtful advances		**(755)**	(780)
- unused tax losses	**19.1**	**0**	(81,022)
- minimum tax recoverable against normal tax charge in future years	**19.1**	**(277,826)**	(284,828)
- tax credit for investment in plant and machinery		**(41,075)**	(26,212)
- lease finances		**0**	(246)
		(319,656)	(393,088)
		789,159	669,911

19.1 As at September 30, 2016, deferred tax asset amounting Rs.456.240 million on unused tax losses and Rs.44.638 million on minimum tax recoverable against normal tax charge in future years has not been recognised in the financial statements on the ground of prudence; (2015: deferred tax asset amounting Rs.197.944 million on unused tax losses was not recognised). The management intends to re-assess the recognition of deferred tax asset as at September 30, 2017.

Deferred taxation as at September 30, 2016 and September 30, 2015 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.

20. TRADE AND OTHER PAYABLES

	Note	2016	2015
		(Rupees in thousand)	
Creditors		**169,052**	214,452
Due to related parties	**20.1**	**24,160**	9,615
Accrued expenses		**63,148**	59,620
Retention money		**21,077**	26,196
Security deposits - interest free repayable on demand		**1,378**	778
Advance payments from customers		**489,411**	3,549
Income tax deducted at source		**2,182**	2,097
Workers' (profit) participation fund	**20.2**	**23,214**	10,490
Unclaimed dividends		**4,541**	3,274
Due to employees		**11,440**	9,224
		809,603	339,295

20.1 This represents amounts due to the following Associated Companies:

	2016	2015
- Phipson & Co. Pakistan (Pvt.) Ltd.	**3**	0
- Syntronics Ltd.	**2,349**	0
- Syntron Ltd.	**8,200**	0
- Azlak Enterprises (Pvt.) Ltd.	**13,608**	9,439
- Arpak International Investments Ltd.	**0**	176
	24,160	9,615

20.2 Workers' (profit) participation fund

	2016	2015
Opening balance	**10,490**	3,439
Add: interest on funds utilised in the Company's business	**1,967**	421
	12,457	3,860
Add: allocation for the year	**10,757**	6,630
Closing balance	**23,214**	10,490

21. ACCRUED MARK-UP

	Note	2016	2015
		(Rupees in thousand)	
Mark-up accrued on:			
- long term finances		**81,251**	62,043
- loans from related parties		**11,401**	34,022
- short term borrowings		**16,168**	87,216
		108,820	183,281

22. SHORT TERM BORROWINGS

	Note	2016	2015
Secured	**22.1**	**1,017,500**	3,790,297
Un-secured	**22.2**	**19,545**	26,502
		1,037,045	3,816,799

22.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.7,650 million (2015: Rs.6,750 million) and, during the year, carried mark-up at the rates ranging from 4.50% to 14.00% (2015: 4.50% to 14.00%) per annum. Facilities available for opening letters of credit aggregate Rs.400 million (2015: Rs.352 million). These facilities are secured against charge over the Company's current assets, plant & machinery, tools & equipment, lien over export documents, pledge of white refined sugar stocks and banks' lien over import documents. These facilities are expiring on various dates by September 30, 2017.

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	2016	2015
Long term finances	**16**	**527,705**	402,476
Loans from related parties	**17**	**124,857**	0
Liabilities against assets subject to finance lease	**18**	**18,422**	10,801
		670,984	413,277

24. CONTINGENCIES AND COMMITMENTS

Contingencies

24.1 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 Inland Revenue (DCIR), who had rejected the application. The Company had filed an appeal before the Commissioner Inland Revenue - Appeals [CIR(A)] against the impugned order. The CIR(A), during the financial year ended September 30, 2013, had upheld the order of DCIR. The Company, thereafter, has filed an appeal before the Appellate Tribunal Inland Revenue (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.

24.2 The ATIR, during the year, has accepted the Company's appeal and the impugned order has been set aside. The Company had filed an appeal before the ATIR against order passed by the CIR(A), who had upheld the assessment order dated April 24, 2014 in show cause notice dated February 02, 2014 for claiming input tax adjustment of Rs.20.678 million in violation of SRO 490(I)/2002.

24.3 The ATIR, during the year, has accepted the Company's appeal and the impugned order has been set aside. The Company had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had reduced the assessed amount from Rs.36.842 million to Rs.28.063 million vide order dated December 02, 2014.

24.4 The ATIR, during the year, has accepted the Company's appeal and the impugned order has been set aside. The Company had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had upheld the assessment order passed by the DCIR dated September 10, 2014 and the Company was directed to pay Rs.30.021 million.

24.5 The ATIR, during the year, has accepted the Company's appeal and the impugned order has been set aside. The Company had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had upheld the assessment order passed by the Officer Inland Revenue dated November 26, 2014 for claiming input tax adjustment of Rs.0.880 million.

24.6 The ATIR, during the year, has accepted the Company's appeal and the impugned order has been set aside. The Company had filed a sales tax appeal before the ATIR against order passed by the CIR(A) on May 26, 2015 under section 37A(4) of the Sales Tax Act, 1990.

24.7 The Company, by filing a writ petition before the Peshawar High Court (the PHC), has challenged the Notification issued by the Government of Khyber Pakhtunkhwa (KPK) dated August 12, 2015 to the extent of its retrospective application with effect from July 01, 2014. The Government of KPK, through the said Notification, has fixed minimum wages for unskilled workers working in the industrial and commercial establishments in the Province at Rs.12,000/- per month. An adverse judgment by PHC will create additional wage liabilities aggregating Rs.9.682 million approximately. The petition is pending adjudication.

24.8 A sales tax appeal of the Company is pending before the CIR(A), Peshawar against assessment order dated June 28, 2016 passed by the DCIR regarding alleged stock taking to the tune of Rs.8.602 million payable under section 14 of the Federal Excise Act, 2005.

24.9 A sales tax appeal of the Company is also pending before CIR(A), Peshawar against assessment order dated June 21, 2016 passed by the DCIR. It has been alleged that the Company has violated SRO 488(I) 2004 dated June 12, 2014 and claimed input tax to the tune of Rs.135.764 million along with default surcharge and penalty against supplies to unregistered persons.

24.10 Also refer contents of notes detailed in notes 11.1(b) and 32.

Commitments	**Note**	**2016**	2015
		(Rupees in thousand)	
24.11 Commitments in respect of :			
- foreign letters of credit for purchase of plant & machinery		**11,377**	133,890
- capital expenditure other than for letters of credit		**2,505**	61,792

25. SALES - Net

Turnover:			
Local		**10,957,817**	6,348,673
Export		**1,079,641**	1,424,986
		12,037,458	7,773,659
Less: sales tax		**831,249**	213,763
		11,206,209	7,559,896

26. COST OF SALES

	Note	2016	2015
		(Rupees in thousand)	
Raw materials consumed		**7,370,974**	6,454,720
Chemicals and stores consumed		**206,746**	173,204
Salaries, wages and benefits	**26.1**	**366,861**	297,867
Power and fuel		**28,264**	35,912
Repair and maintenance		**139,069**	84,894
Insurance		**14,250**	11,283
Depreciation	**5.4**	**501,101**	385,937
		8,627,265	7,443,817
Adjustment of sugar-in-process:			
Opening		**10,237**	12,241
Closing	**8**	**(7,865)**	(10,237)
		2,372	2,004
Cost of goods manufactured		**8,629,637**	7,445,821
Adjustment of finished goods:			
Opening stock		**2,034,459**	1,690,948
Closing stock	**8**	**(563,318)**	(2,034,459)
		1,471,141	(343,511)
		10,100,778	7,102,310

26.1 These include Rs.4.084 million (2015: Rs.3.553 million) in respect of contribution to staff provident fund.

27. DISTRIBUTION COST

	Note	2016	2015
Salaries and benefits	**27.1**	**7,709**	5,289
Commission		**70,425**	7,674
Loading and stacking		**23,654**	16,724
Export development surcharge		**2,827**	3,111
Freight expenses on export of ethanol (2015: sugar)		**105,834**	11,035
Other expenses on export		**25,926**	12,700
		236,375	56,533

27.1 These include Rs.73 thousand (2015: Rs.49 thousand) in respect of contribution to staff provident fund.

28. ADMINISTRATIVE EXPENSES

	Note	2016	2015
		(Rupees in thousand)	
Salaries and benefits	**28.1**	**186,850**	141,156
Travelling and conveyance:			
- directors'		**14,529**	12,761
- others		**6,846**	6,501
Vehicles' running and maintenance		**9,657**	9,911
Rent, rates and taxes		**2,863**	729
Communication		**7,547**	5,205
Printing and stationery		**5,688**	4,977
Insurance		**1,319**	835
Repair and maintenance		**13,061**	7,765
Fees and subscription		**1,945**	1,739
Depreciation	**5.4**	**17,914**	14,915
Amortisation of intangible assets	**6**	**550**	550
Auditors' remuneration	**28.2**	**1,940**	1,564
Legal and professional charges (other than Auditors')		**1,709**	1,721
General		**1,712**	402
		274,130	210,731

28.1 These include Rs.2.057 million (2015: Rs.1.691 million) in respect of contribution to staff provident fund.

28.2	Auditors' remuneration:	Note	2016	2015
			(Rupees in thousand)	
	ShineWing Hameed Chaudhri & Co.			
	- statutory audit		**1,415**	1,110
	- half yearly review		**263**	200
	- consultancy and certification charges		**123**	89
	- out-of-pocket expenses		**66**	105
			1,867	1,504
	Other Auditors			
	- cost audit fee		**45**	40
	- provident fund's audit fee		**9**	9
	- workers' (profit) participation fund's audit fee		**8**	0
	- out-of-pocket expenses		**11**	11
			73	60
			1,940	1,564

29.	OTHER INCOME	Note	2016	2015
	Income from financial assets			
	Profit on deposit accounts		**3,574**	7,281
	Exchange fluctuation gain		**51**	0
	Income from other than financial assets			
	Sale of press mud - net of sales tax amounting Rs.485 thousand (2015: Rs.415 thousand)		**2,556**	2,443
	Sale of fusel oil - net of sales tax amounting Rs.137 thousand		**808**	0
	Gain on sale of operating fixed assets	**5.5**	**3,208**	904
	Seed sales net of expenses		**122,563**	164,233
	Sugar export subsidy	**11.1**	**0**	216,090
	Workers' welfare fund liabilities - reversed	**32.9**	**0**	11,633
			132,760	402,584

30.	OTHER EXPENSES	Note	2016	2015
	Donations (without directors' interest)		**215**	230
	Workers' (profit) participation fund	**20.2**	**10,757**	6,630
			10,972	6,860

31. FINANCE COST

	Note	2016	2015
		(Rupees in thousand)	
Mark-up on:			
- long term finances		**267,728**	81,673
- loans from related parties		**34,047**	43,698
- short term borrowings		**188,106**	327,729
Lease finance charges		**3,467**	2,971
Interest on workers' (profit) participation fund	**20.2**	**1,967**	421
Bank charges		**6,248**	3,585
		501,563	460,077

32. TAXATION

	Note	2016	2015
Current	**32.2**	**0**	0
Deferred:			
- resultant adjustment due to reduction in tax rate	**15.2**	**21,754**	24,171
- on account of temporary differences		**(104,053)**	(72,299)
		(82,299)	(48,128)
		(82,299)	(48,128)

32.1 Returns filed by the Company upto the tax year 2016, 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).

32.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under sections 113 (Minimum tax on the income of certain persons) and 154 (Tax on export proceeds) of the Ordinance aggregating Rs.113.941 million. The required provision for the current year has been fully adjusted against current and preceding years' tax credits for investment in plant & machinery aggregating Rs.155.016 million available under section 65B of the Ordinance.

32.3 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.

32.4 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)].

32.5 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).

32.6 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.

32.7 The Department has filed an appeal before the Supreme Court of Pakistan against judgment of the PHC dated June 18, 2014. The said writ petition was filed before the PHC against selection for audit under section 177 of the Ordinance, which was succeeded and the Department was restrained from audit for the tax year 2009.

32.8 The Company has filed a writ petition before the PHC against selection for audit under sections 177 and 214C of the Ordinance by the Department for the tax year 2011. The PHC has stayed the Department from finalising the proceedings.

32.9 The Department has filed an appeal before the Supreme Court of Pakistan against order passed by the PHC in the tax reference for the tax year 2009. The said tax reference was filed by the Department against the Company challenging decision of the Appellate Tribunal dated August 29, 2012. The workers' welfare fund levy was initially assessed by the Assessing Officer, which was later on annulled by the Commissioner Appeals. Appeal of the Department before the Appellate Tribunal was also dismissed. The Company, during the preceding year, had written-back the workers' welfare fund liabilities aggregating Rs.11.633 million appearing in its books of account.

32.10 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.

32.11 The Department has filed a petition before the Supreme Court of Pakistan against the judgment passed by the PHC in a tax reference. The said tax reference was filed by the Department challenging the ATIR's judgment dated February 16, 2015. The amount of workers' welfare fund revenue involved in the tax reference was Rs.3.310 million.

32.12 The Company had been served a show cause notice dated December 12, 2015 issued under section 122 of the Ordinance regarding claim of tax credit to the tune of Rs.129.056 million under section 65B of the Ordinance. The Department, vide order dated June 30, 2016, has allowed the tax credit and withdrawn the aforementioned notice.

33. EARNINGS PER SHARE

	2016	2015
	(Rupees in thousand)	
Profit after taxation attributable to ordinary shareholders	**297,450**	174,097
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
Earnings per share	**10.37**	6.07

33.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2016 and September 30, 2015, which would have any effect on the earnings per share of the Company if the option to convert is exercised.

34. SEGMENT INFORMATION

Segment analysis

Year ended September 30, 2016	**Sugar**	**Ethanol**	**Total**
		------- Rupees in thousand -------	
Revenue	**9,957,171**	**1,249,038**	**11,206,209**
Segment results	**709,536**	**(114,610)**	**594,926**
Year ended September 30, 2015			
Revenue	7,125,152	434,744	7,559,896
Segment results	201,371	(11,049)	190,322

Reconciliation of segment results with profit from operations	**2016**	2015
	(Rupees in thousand)	
Total results of the reportable segments	**594,926**	190,322
Other income	**132,760**	402,584
Other expenses	**(10,972)**	(6,860)
Finance cost	**(501,563)**	(460,077)
Profit before taxation	**215,151**	125,969

Information on assets and liabilities by segment is as follows:	**Sugar**	**Ethanol**	**Total**
		------- Rupees in thousand -------	
As at September 30, 2016			
Segment assets	**6,694,048**	**3,076,869**	**9,770,917**
Segment liabilities	**959,501**	**2,745,994**	**3,705,495**
As at September 30, 2015			
Segment assets	7,400,960	2,497,878	9,898,838
Segment liabilities	555,075	644,612	1,199,687

Reconciliation of segments assets and liabilities with totals in balance sheet is as follows:

	As at September 30, 2016		As at 30 September, 2015	
	Assets	**Liabilities**	Assets	Liabilities
	---------- Rupees in thousand ----------			
Total for reportable segments	**9,770,917**	**3,705,495**	9,898,838	1,199,687
Unallocated assets / liabilities	**301,404**	**2,291,467**	366,201	6,443,947
Total as per balance sheet	**10,072,321**	**5,996,962**	10,265,039	7,643,634

- Sales to domestic customers in Pakistan are 90.37% (2015: 81.15%) and to customers outside Pakistan are 9.63% (2015: 18.85%) of the revenues during the year.
- The Company sells sugar to commission agents. Sugar sales to five (2015: four) of the Company's customers during the year aggregated Rs.9,507 million (2015: 6,072 million) constituting 95.48% (2015: 85.69%) of the total sugar sales. Four (2015: three) of the Company's customers individually exceeded 10% of the sugar sales.
- All non-current assets of the Company as at September 30, 2016 are located in Pakistan.

Geographical Segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities in Pakistan.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 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.

35.2 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 import of plant & machinery, stores & spares and export of goods mainly denominated in U.S. $, U.K Pound (GBP) and Euro. The Company's exposure to foreign currency risk at year-end is as follows:

	2016	2015
	(Rupees in thousand)	
Trade debts U.S. $ 254,309 (2015: U.S. $ 757,829)	**26,588**	79,097
Outstanding letters of credit Euro 79,043 and GBP 15,390 (2015: Euro 70,680 and U.S. $ 1,202,888)	**11,377**	133,890

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2016	2015	**2016**	2015
U.S. $ to Rupee	**104.38**	104.40	**104.55**	104.20
Euro to Rupee	**117.52**	117.55	**117.49**	117.55
GBP to Rupee	**147.08**	162.63	**135.85**	158.31

Sensitivity analysis

At September 30, 2016, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of foreign currency financial assets.

Effect on profit for the year:

U.S. $ to Rupee	**2,659**	7,910

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on profit after taxation.

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

(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:

	2016	2015	**2016**	2015
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Fixed rate instruments				
Financial assets				
Bank balances	**3.75**	3.76 to 4.94	**1,381**	10,209
Variable rate instruments				
Financial liabilities				
Long term finances	**7.36 to 11.40**	8.35 to 12.18	**2,765,313**	2,167,859
Loans from related parties	**7.45 to 8.10**	8.24 to 11.71	**437,000**	437,000
Liabilities against assets subject to finance lease	**4.57 to 9.00**	5.71 to 10.18	**50,022**	29,489
Short term borrowings	**4.50 to 14.00**	4.50 to 14.00	**1,017,500**	3,790,297

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, 2016, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs.42.698 million (2015: Rs.64.246 million); 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 as at September 30, 2016.

35.3 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, 2016 along with comparative is tabulated below:

	2016	2015
	(Rupees in thousand)	
Security deposits	**4,163**	4,158
Trade debts	**143,410**	341,109
Loans and advances	**269,798**	208,681
Other receivables	**255,185**	278,165
Bank balances	**37,511**	79,943
	710,067	912,056

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

Trade debts exposure by geographic region is as follows:

Domestic	**116,822**	262,012
Export	**26,588**	79,097
	143,410	341,109

- Export debts of the Company are situated in Asia.
- The ageing of trade debts at the year-end was as follows:

Not past due	**120,523**	308,539
Past due less than 3 months	**90**	75
Past due less than 6 months	**0**	1,064
Past due more than 6 months	**22,797**	31,431
	143,410	341,109

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.117.211 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.

35.4 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
2016	-----------------------Rupees in thousand				-----------------------
Long term finances	**2,765,313**	**3,412,155**	**762,163**	**2,331,846**	**318,146**
Loans from related parties	**437,000**	**495,733**	**153,294**	**342,439**	**0**
Liabilities against assets subject to finance lease	**50,022**	**50,022**	**18,422**	**31,600**	**0**
Trade and other payables	**283,356**	**283,356**	**283,356**	**0**	**0**
Accrued mark-up	**108,820**	**108,820**	**108,820**	**0**	**0**
Short term borrowings	**1,037,045**	**1,060,693**	**1,060,693**	**0**	**0**
	4,681,556	**5,410,779**	**2,386,748**	**2,705,885**	**318,146**
2015					
Long term finances	2,167,859	2,720,298	524,872	2,083,580	111,846
Loans from related parties	437,000	540,076	36,864	503,212	0
Liabilities against assets subject to finance lease	29,489	29,489	10,801	18,688	0
Trade and other payables	313,935	313,935	313,935	0	0
Accrued mark-up	183,281	183,281	183,281	0	0
Short term borrowings	3,816,799	3,897,998	3,897,998	0	0
	6,948,363	7,685,077	4,967,751	2,605,480	111,846

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. MEASUREMENT OF FAIR VALUES

The management, during the year, has engaged an independent external Valuer to carry out valuation of its freehold land, buildings & roads, plant & machinery and generators. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. When measuring the fair value of an asset, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Financial assets not measured at fair value	**2016 Carrying amount (Rupees in thousand)**
Trade debts	**143,410**
Bank balances	**37,511**
	180,921
Financial liabilities not measured at fair value	
Creditors	**169,052**

Management has assessed that the fair values of trade debts, bank balances and creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

Assets measured at fair value

Following details provide the fair value measurement hierarchy of the Company's assets measured at fair value:

Assets measured at fair value	Freehold land, buildings & roads, plant & machinery and generators.
Date of valuation	September 30, 2016
Valuation approach and inputs used	The factors taken and critically evaluated by the Valuer for determining the current market value of freehold land and depreciated market values of buildings & roads, plant & machinery and generators include the following:

- prevailing market conditions;
- Government future development measures in the vicinity;
- threats and opportunities of real estate industry;
- physical condition of buildings and civil structure;
- design and utility of buildings and civil structure;
- state of infrastructure in the vicinity;
- type of construction and age;
- availability of utilities connections;
- existence, condition, level of maintenance, year of acquisition of plant & machinery and generators;
- obsolescence due to technological advancement;
- inquiries from the market to obtain prevalent market values of similar local and imported plant & machinery items and generators; and
- determination of current market cost of plant & machinery and generators adjusted for depreciation factor.

Inter-relationship between significant unobservable inputs and fair value measurement	The fair values are subject to change owing to change in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

The fair value of freehold land, buildings & roads, plant & machinery and generators is a Level 3 recurring fair value measurement. A reconciliation of opening and closing fair value is given below:

	2016 (Rupees in thousand)
Opening book value	**4,938,729**
Additions during the year	**1,841,398**
Revaluation during the year	**1,429,781**
Depreciation for the year	**(481,297)**
Closing book value	**7,728,611**

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	
	2016	2015	**2016**	2015	**2016**	2015
	------ Rupees in thousand ------					
Managerial remuneration including bonus	**1,200**	1,200	**1,200**	1,200	**34,415**	26,650
Allowances and utilities	**0**	0	**0**	0	**22,653**	17,034
Contribution to provident fund	**0**	0	**0**	0	**1,514**	1,355
Medical expenses reimbursed	**392**	630	**192**	323	**0**	0
	1,592	1,830	**1,392**	1,523	**58,582**	45,039
No. of persons	**1**	1	**4**	4	**25**	22

38.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Eighteen (2015: Fourteen) 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).

39. CAPACITY AND PRODUCTION

	2016	2015
Sugar Cane Plants	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,689,633**	1,588,226
Sugar produced	**155,443**	145,502
Ethanol Fuel Plant	--------- Litres ---------	
Rated capacity per day	**125,000**	125,000
Actual production	**25,870,308**	8,272,982
Days worked	--------- Number ---------	
Sugar - Unit I	**105**	117
Sugar - Unit II	**104**	125
Ethanol Fuel Plant	**221**	150

39.1 The Government of Khyber Pakhtunkhwa, on April 14, 2016, has renewed the Company's D-2 license to manufacture rectified spirit, denatured spirit, B-grade spirit, CO_2, fusel oil, fuel ethanol and all distillery products at Ramak for a further period of one year subject to completion of relevant conditions.

40. NUMBER OF EMPLOYEES

	--------- Number ---------	
Number of persons employed as at September 30,		
- permanent	**865**	864
- contractual	**816**	755
Average number of employees during the year		
- permanent	**868**	859
- contractual	**1,123**	1,123

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, 2016 and audited financial statements of the provident fund for the year ended September 30, 2015:

	2016	2015
	(Rupees in thousand)	
Size of the fund - total assets	**76,553**	66,446
Cost of investments made	**54,718**	48,203
Fair value of investments made	**75,451**	65,536
	----------- % -----------	
Percentage of investments made	**71.48**	72.54

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

	2016	2015	2016	2015
	----------- % -----------		(Rupees in thousand)	
Saving account in a scheduled bank	**1.75**	14.96	**1,318**	9,803
Deposit certificates	**70.77**	58.59	**53,400**	38,400
Accrued profit	**27.48**	26.45	**20,733**	17,333
	100.00	100.00	**75,451**	65,536

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 December 29, 2016 by the board of directors of the Company.

43. EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on December 29, 2016 has proposed a final cash dividend of Rs.4.50 per share (2015: Rs.2.50 per share) for the year ended September 30, 2016. The financial statements for the year ended September 30, 2016 do not include the effect of proposed dividend amounting Rs.129.114 million (2015: Rs.71.730 million), which will be accounted for in the financial statements for the year ending September 30, 2017 after approval by the members in the annual general meeting to be held on January 30, 2017. The proposed dividend duly meets the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001 as inserted through the Finance Act, 2015.

44. 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

2016

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
Head of Internal Audit	Syed Naveed Ali
AUDITORS	M/s. ShineWing Hameed Chaudhri & Co., CHARTERED ACCOUNTANTS
TAX CONSULTANTS	SHAUKAT AMIN SHAH, CHARTERED ACCOUNTANTS.
LEGAL ADVISOR	MR. ISAAC ALI QAZI ADVOCATE
BANKERS	MCB BANK LIMITED THE BANK OF KHYBER BANK AL-FALAH LIMITED NATIONAL BANK OF PAKISTAN INNOVATIVE INVESTMENT 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 79th Annual General Meeting of the shareholders of **THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED** will be held on January 30, 2017 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 Annual General Meeting held on January 30, 2016.

(2) To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended September 30, 2016.

(3) To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2017. The present auditors' M/s ShineWing Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from January 20, 2017 to January 30, 2017 (both days inclusive).

BY ORDER OF THE BOARD

Mardan:
December 29, 2016

(Mujahid Bashir)
Company Secretary

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

2. Members are requested to notify the Shares Registrar of the Company of any change in their addresses immediately.

3. In case of proxy 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 FRONTIER SUGAR MILLS & DISTILLERY LIMITED

DIRECTORS' REPORT

The Board of Directors of The Frontier Sugar Mills & Distillery Limited, is pleased to present Directors' Report of the Company together with the audited financial statements for the year ended September 30, 2016.

1. SUMMARISED FINANCIAL RESULTS

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

	2016	2015
	(Rupees in thousand)	
Loss before taxation	**(14,206)**	(10,178)
Taxation		
- Current	**110**	107
- Prior	**0**	0
-Deferred	**(0)**	(0)
	(110)	(107)
Loss after taxation	**(14,316)**	(10,285)
	----- Rupees -----	
Loss per Share	**(10.60)**	(7.62)

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

2. GENERAL

2.1 REVIVAL OF THE CRUSHING

The Company closed operations in 2008 due to the non-availability of sugar cane. We are hopeful for the availability of sugarcane once the project of “Bai Zai Irrigation Scheme” that will irrigate 20,000 acres in Mardan District and 5,000 acres in Malakand Agency is complete. Currently, the construction of water distributaries has been delayed due to the shortage of funds, however, the machinery of the plant is obsolete and the revival will require material investment.

3. **REPLY TO AUDITORS OBSERVATIONS**

Note 7.1
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” there will be excessive availability of sugarcane to justify the new investment. The Company cannot operate with existing machinery, therefore, the management has decided to dispose off the obsolete machinery.

Note 10.2
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.

Fresh Revaluation
The items of Property, Plant and Equipment has insignificant changes in fair value, we therefore, plan to comply in the next year's financial statements

4. **EXTERNAL AUDITORS**

The present auditors Messrs Shinewing Hameed Chaudhri & Co., Chartered Accountants, Lahore retire and being eligible for re-appointment offers themselves for the financial year ending September 30, 2017.

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

Mardan:
December 29, 2016

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of T**HE FRONTIER SUGAR MILLS & DISTILLERY LIMITED** (the Company) as at September 30, 2016 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;
- **(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-banking finance company due to pending Court case as well as non-receipt of year-end balance confirmation certificate (note 10.2), the contents of note 7.1 and the fact that the fresh revaluation of property, plant & equipment has not been carried-out 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, 2016 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).

ShineWing Hameed Chaudhri & Co.

LAHORE;
December 30, 2016

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

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2016

		2016	2015
ASSETS	**Note**	**Rupees in thousand**	
Non-current Assets			
Property, plant and equipment	5	**94,121**	95,867
Long term investments	6	**25,051**	24,584
Security deposits		**92**	92
		119,264	120,543
Current Assets			
Stores and spares	7	**32,581**	32,581
Advances to employees		**797**	96
Short term prepayments		**12**	17
Sales tax refundable		**923**	878
Tax refundable and tax deducted at source	8	**1,919**	5,931
Short term investments	9	**9,727**	0
Bank balances	10	**41,478**	63,467
		87,437	102,970
TOTAL ASSETS		**206,701**	223,513
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorised capital	11	**20,000**	20,000
Issued, subscribed and paid-up capital	11	**14,000**	14,000
General reserve		**134,000**	134,000
Fair value reserve on available-for-sale investments	6	**19,371**	18,904
Accumulated loss		**(60,007)**	(47,158)
Shareholders' Equity		**107,364**	119,746
Surplus on Revaluation of Property, Plant and Equipment	12	**90,170**	91,292
Liabilities			
Non-current Liabilities			
Staff retirement benefits - gratuity	13	**2,171**	2,339
Current Liabilities			
Trade and other payables	14	**6,886**	10,029
Taxation	20.3	**110**	107
		6,996	10,136
Total Liabilities		**9,167**	12,475
TOTAL EQUITY AND LIABILITIES		**206,701**	223,513
Contingencies and Commitments	15		

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, 2016

	Note	2016	2015
		Rupees in thousand	
Other Income	16	**1,173**	4,959
Fixed Production Overheads	17	**4,867**	5,148
Administrative Expenses	18	**10,410**	9,986
Other Expenses	19	**100**	0
		(15,377)	(15,134)
Loss from Operations		**(14,204)**	(10,175)
Bank Charges		**2**	3
Loss before Taxation		**(14,206)**	(10,178)
Taxation	20.3	**110**	107
Loss after Taxation		**(14,316)**	(10,285)
Other Comprehensive Income / (Loss)			
Fair value gain / (loss) on available-for-sale investments	6	**467**	(625)
Gain on remeasurement of staff retirement benefit obligation	13	**345**	0
		812	(625)
Total Comprehensive Loss		**(13,504)**	(10,910)
		------ Rupees ------	
Loss per Share	21	**(10.60)**	(7.62)

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, 2016

	2016	2015
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(14,206)**	(10,178)
Adjustments for non-cash charges and other items:		
Depreciation	**1,746**	1,942
Staff retirement benefits - gratuity (net)	**177**	18
Profit on bank deposits	**(245)**	(1,415)
Gain on sale of vehicle	**0**	(465)
Loss on redemption of short term investments	**100**	0
Unclaimed payable balances written-back	**0**	(112)
Gain on redemption / re-measurement of short term investments to fair value	**(827)**	(2,317)
Loss before working capital changes	**(13,255)**	(12,527)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Advances to employees	**(701)**	79
Short term prepayments	**5**	4
Sales tax refundable - net	**(45)**	(59)
Increase / (decrease) in current liabilities		
Advances against sale of land	**0**	(30,881)
Trade and other payables	**(3,143)**	8,909
	(3,884)	(21,948)
Cash used in operations	**(17,139)**	(34,475)
Tax refunds received / (taxes paid) - net	**3,905**	(393)
Net cash used in operating activities	**(13,234)**	(34,868)
Cash flow from investing activities		
Sale proceeds of vehicles	**0**	480
Profit on bank deposits received	**245**	1,415
Short term investments - made	**(20,000)**	(26,000)
- redeemed	**11,000**	55,804
Net cash (used in) / generated from investing activities	**(8,755)**	31,699
Net decrease in cash and cash equivalents	**(21,989)**	(3,169)
Cash and cash equivalents - at beginning of the year	**63,467**	66,636
Cash and cash equivalents - at end of the year	**41,478**	63,467

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, 2016

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Accumulated loss	Total
	------------------ Rupees in thousand				------------------
Balance as at September 30, 2014	14,000	134,000	19,529	(38,101)	129,428
Total comprehensive loss for the year ended September 30, 2015					
- loss for the year	0	0	0	(10,285)	(10,285)
- other comprehensive loss	0	0	(625)	0	(625)
	0	0	(625)	(10,285)	(10,910)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,228	1,228
Balance as at September 30, 2015	14,000	134,000	18,904	(47,158)	119,746
Total comprehensive loss for the year ended September 30, 2016					
- loss for the year	0	0	0	(14,316)	(14,316)
- other comprehensive income	0	0	467	345	812
	0	0	467	(13,971)	(13,504)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,122	1,122
Balance as at September 30, 2016	**14,000**	**134,000**	**19,371**	**(60,007)**	**107,364**

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, 2015

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

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

(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 13.

(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 published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on October 01, 2015 and are considered to be relevant to the Company's operations:

(a) IFRS 12 'Disclosures of interests in other entities'. The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company's accounting policy is in line with the requirements of this standard.

(b) IFRS 13 'Fair value measurement'. The standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial instruments: Disclosures. The change had no impact on the measurements of the Company's assets and liabilities.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on October 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on October 01, 2015 and have not been early adopted by the Company:

(a) IFRS 9 'Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, which replaces the guidance in IAS 39. The final version includes the requirements on classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan. The Company has yet to assess the impact of these changes on its financial statements.

(b) IFRS 15, 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue. The Company shall apply this standard from October 01, 2017 and does not expect to have a material impact on its financial statements.

(c) IAS 27 'Separate financial statements' is applicable on accounting periods beginning on or after January 01, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any impact on the Company's financial statements.

(d) IAS 34 'Interim financial reporting' is applicable on accounting periods beginning on or after July 01, 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Company's interim financial information.

(e) Annual improvements 2014 applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits' and IAS 34,'Interim financial reporting'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.

(f) Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Company shall apply these amendments from October 01, 2016 and does not expect to have a material impact on its financial statements.

(g) Amendments to IAS 1, ‘Presentation of financial statements’ on the disclosure initiative are applicable on annual periods beginning on or after January 01, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The Company has yet to assess the impact of these amendments on its financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company's financial reporting and operations 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 5. 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.

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, 2016 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 indication exists, 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 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.

4.14 Financial instruments

Financial instruments include investments, 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. 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, 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
Year ended September 30, 2015:													
Disposal													
- cost	0	0	0	0	0	0	0	0	0	(881)	0	0	(881)
- depreciation	0	0	0	0	0	0	0	0	0	866	0	0	866
Depreciation charge	0	422	1,506	0	5	0	2	0	4	2	0	1	1,942
Book value as at September 30, 2015	78,419	3,800	13,550	2	31	0	13	4	36	3	1	8	95,867
Year ended September 30, 2016:													
Depreciation charge	0	380	1,355	0	5	0	1	0	4	0	0	1	1,746
Book value as at September 30, 2016	78,419	3,420	12,195	2	26	0	12	4	32	3	1	7	94,121
As at September 30, 2015													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	108	59	54	193,329
Accumulated depreciation	0	10,505	83,054	912	500	206	1,022	116	938	105	58	46	97,462
Book value	78,419	3,800	13,550	2	31	0	13	4	36	3	1	8	95,867
As at September 30, 2016													
Cost / revaluation	78,419	14,305	96,604	914	531	206	1,035	120	974	108	59	54	193,329
Accumulated depreciation	0	10,885	84,409	912	505	206	1,023	116	942	105	58	47	99,208
Book value	78,419	3,420	12,195	2	26	0	12	4	32	3	1	7	94,121
Depreciation rate (%)	0	10	10	15	15	15	10	10	10	20	10	10	

5.1 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:

	2016	2015
	Rupees in thousand	
- freehold land	**325**	325
- buildings on freehold land	**57**	63
- plant & machinery	**932**	1,035
	1,314	1,423

	2016	2015
	Rupees in thousand	
5.2 Depreciation for the year has been apportioned as under:		
- fixed production overheads	**1,617**	1,798
- administrative expenses	**129**	144
	1,746	1,942

6. LONG TERM INVESTMENTS - Available-for-sale (Quoted)

	2016	2015
Ibrahim Fibres Limited 405,670 (2015: 405,670) ordinary shares of Rs.10 each	**5,680**	5,680
Add: adjustment arising from re-measurement to fair value	**19,371**	18,904
	25,051	24,584

7. STORES AND SPARES

	2016	2015
Stores	**22,650**	22,650
Spares	**9,931**	9,931
	32,581	32,581

7.1 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.

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

8. TAX REFUNDABLE AND TAX DEDUCTED AT SOURCE	**2016**
The movement in this account during the year was as follows:	**Rupees in thousand**
Opening balance	**5,931**
Add: taxes deducted at source during the year	**140**
Less: - adjustments made against completed assessments	**(107)**
- refunds of prior years received from the Tax Department	**(4,045)**
Closing balance	**1,919**

9. SHORT TERM INVESTMENTS

- At fair value through profit or loss	Note	2016	2015
		Rupees in thousand	
First Habib Cash Fund (2015: MCB Cash Management Optimizer)			
Opening balance - Nil Units (2015: 269,230 Units)		**0**	27,487
Investments made during the year - 194,861 Units (2015: 246,593 Units)		**20,000**	26,000
Loss on redemption / gain on re-measurement to fair value - net		**727**	2,317
Bonus received during the year - 8,977 Units (2015: Nil Units)		**0**	0
Units redeemed during the year - 108,152 Units (2015: 515,823 Units)		**(11,000)**	(55,804)
Closing balance - 95,686 Units (2015: Nil Units)		**9,727**	0

10. BANK BALANCES

Cash at banks on:	Note	2016	2015
- current accounts		**74**	50
- saving accounts	**10.1**	**2,404**	24,417
- deposits with a non-banking finance company - unsecured	**10.2**	**39,000**	39,000
		41,478	63,467

10.1 Saving accounts during the year carried profit at the rates ranging from 4% to 8.10% (2015: 5% to 7%) per annum.

10.2 **(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.

11. SHARE CAPITAL

11.1 Authorised capital

2016	2015		2016	2015
(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

11.2 Issued, subscribed and paid-up capital

2016	2015		2016	2015
(No. of shares)			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

11.3 The Premier Sugar Mills & Distillery Company Limited (the Holding Company) holds 1,113,637 (2015: 1,113,637) ordinary shares and 42,984 (2015: 42,984) 7% irredeemable preference shares as at September 30, 2016.

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

12.1 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.

12.2 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	**91,292**	92,520
Less: transferred to accumulated loss on account of incremental depreciation for the year	**1,122**	1,228
Closing balance	**90,170**	91,292

13. STAFF RETIREMENT BENEFITS - Gratuity

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

	2016	2015
- discount rate - per annum	**7.25%**	13.5%
- expected rate of growth per annum in future salaries	**6.25%**	12.5%
- average expected remaining working life time of employees	**05 years**	05 years
- mortality rates	**SLIC 2001-2005**	SLIC 2001-2005 Setback 1 year
- withdrawal rates	**Age-based**	Age-based
- retirement assumption	**Age 60**	Age 60

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:	**Rupees in thousand**	
Opening balance	**2,339**	2,321
Current service cost	**43**	55
Interest cost	**304**	313
Benefits paid	**(170)**	(350)
Remeasurements: experience adjustments	**(345)**	0
Closing balance	**2,171**	2,339

Expense recognised in profit and loss account		
Current service cost	**43**	55
Interest cost	**304**	313
	347	368

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

	2016	2015	2014	2013	2012
	Rupees in thousand				
Present value of defined benefit obligation	**2,171**	2,339	2,321	2,336	2,434
Experience adjustments on obligation	**(345)**	0	(332)	0	(1,073)

Year-end Sensitivity Analysis:

	Change in assumption	Increase	Decrease
		Impact on defined benefit obligation	
		Rupees in thousand	
Discount rate	**1%**	**2,149**	**2,197**
Salary growth rate	**1%**	**2,172**	**2,170**

13.1 The expected contribution to defined benefit obligation for the year ending September 30, 2017 is Rs.204 thousand.

14. TRADE AND OTHER PAYABLES

	Note	2016	2015
		Rupees in thousand	
Accrued expenses		**856**	429
Interest free deposits		**21**	21
Income tax deducted at source		**2**	3
Unclaimed dividends		**572**	572
Advance received against sale of scrap	**14.1**	**5,432**	9,000
Others		**3**	4
		6,886	10,029

14.1 The Company, during the current year, has received further advances aggregating Rs.5.682 million and refunded advances aggregating Rs.9.250 million under this head.

15. CONTINGENCIES AND COMMITMENTS

15.1 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.

15.2 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.

15.3 The Company, by filing a writ petition before the Peshawar High Court (PHC), has challenged the Notification issued by the Government of Khyber Pakhtunkhwa (KPK) dated August 12, 2015 to the extent of its retrospective application with effect from July 01, 2014. The Government of KPK, through the said Notification, has fixed minimum wages for unskilled workers working in the industrial and commercial establishments in the Province at Rs.12,000/- per month. An adverse judgment by the PHC will create additional wage liabilities aggregating Rs.1.148 million approximately. The petition is pending adjudication.

15.4 No commitments were outstanding as at September 30, 2016 and September 30, 2015.

16. OTHER INCOME	**Note**	**2016**	2015
		Rupees in thousand	
Income from financial assets:			
Profit on saving accounts		**245**	1,415
Gain on redemption of short term investments		**0**	2,317
Fair value gain on re-measurement of short term investments		**827**	0
Income from other than financial assets:			
Sale of trees, wheat, etc. - net		**101**	650
Gain on sale of vehicle		**0**	465
Unclaimed payable balances written-back		**0**	112
		1,173	4,959
17. FIXED PRODUCTION OVERHEADS			
Salaries and benefits	**17.1**	**1,375**	1,725
Power and fuel		**1,813**	1,564
Depreciation	**5.2**	**1,617**	1,798
Insurance		**62**	61
		4,867	5,148

17.1 These include Rs.7 thousand (2015: Rs.12 thousand) and Rs.312 thousand (2015:Rs.332 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

		Note	2016	2015
18.	**ADMINISTRATIVE EXPENSES**	**Note**	**Rupees in thousand**	
	Salaries and benefits	**18.1**	**9,192**	8,455
	Travelling and vehicles' running		**198**	242
	Rent, rates and taxes		**122**	122
	Communication		**54**	80
	Printing and stationery		**66**	66
	Insurance		**141**	141
	Repair and maintenance		**107**	89
	Subscription		**10**	20
	Auditors' remuneration	**18.2**	**221**	221
	Legal and professional charges (other than Auditors)		**59**	258
	General		` **111**	` 148
	Depreciation	**5.2**	**129**	144
			10,410	9,986

18.1 These include Rs.86 thousand (2015: Rs.92 thousand) and Rs.35 thousand (2015: Rs.37 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

18.2 Auditors' remuneration:

	2016	2015
ShineWing Hameed Chaudhri & Co.		
- statutory audit	**125**	125
- half-yearly review	**60**	60
- out-of-pocket expenses	**36**	36
	221	221

19. OTHER EXPENSES

	2016	2015
Loss on redemption of short term investments	**100**	0

20. TAXATION

20.1 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).

20.2 The returns upto tax year 2016 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.

20.3 No numeric tax rate reconciliation is given in these financial statements as provision made during the current year represents tax payable under section 37A (Capital gain on disposal of securities) and 151 (Profit on debt) of the Ordinance.

20.4 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.

21. LOSS PER SHARE

	2016	2015
	Rupees in thousand	
Loss after taxation attributable to ordinary shareholders	**(14,316)**	(10,285)
	No. of shares	
Weighted average number of ordinary shares outstanding during the year	**1,350,000**	1,350,000
	------- Rupees -------	
Loss per share	**(10.60)**	(7.62)

21.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2016 and September 30, 2015, which would have any effect on the loss per share of the Company if the option to convert is exercised.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

22.1 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.

22.2 Market risk

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

(a) Currency risk

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

	2016	2015	**2016**	2015
	Effective rate		**Carrying amount**	
	Percentage		**Rupees in thousand**	
Fixed rate instruments				
Deposits with a non - banking finance company	**5%**	5%	**39,000**	39,000
Bank balances	**4% to 8.10%**	5% to 7%	**2,404**	24,417

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, 2016 and September 30, 2015.

(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. As at September 30, 2016, price risk arose 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.

As at September 30, 2016, a 10% increase / decrease in redemption value of Units of the Mutual Fund would have decreased / increased loss before taxation for the current year by Rs.973 thousand (2015: Rs.Nil).

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

22.3 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-banking 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, 2016 along with comparative is tabulated below:

	2016	2015
	Rupees in thousand	
Long term investments	**25,051**	24,584
Security deposits	**92**	92
Short term investments	**9,727**	0
Deposits with a non-banking finance company	**39,000**	39,000
Bank balances	**2,478**	24,467
	76,348	88,143

The management does not expect any loss from non-performance by these counter parties except for deposits lying with a non-banking finance company as detailed in note 10.2.

Credit quality of the Company's investments at respective year-ends:

	Fund stability rating assigned by JCR-VIS (2015: PACRA)
September 30, 2016 - First Habib Cash Fund	**AA**
September 30, 2015 - MCB Cash Management Optimizer	AA

22.4 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
2016	----------------- Rupees in thousand		-------------
Trade and other payables	**1,452**	**1,452**	**1,452**
2015			
Trade and other payables	1,026	1,026	1,026

22.5 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, 2016, 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.

As at September 30, 2016, the Company's investments in a Mutual Fund were measured at fair value using year-end Net Assets Value as computed by the Assets Management Company. Fair value of these investments fell within level 2 of fair value hierarchy as mentioned above.

23. 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.

24. TRANSACTIONS WITH RELATED PARTIES

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

25. REMUNERATION OF DIRECTORS

25.1 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's maintained cars.

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

26. CAPACITY AND PRODUCTION

		2016	2015
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

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

27. 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, 2016 and audited financial statements of the provident fund for the year ended September 30, 2015:

	Rupees in thousand	
Size of the fund - total assets	**9,792**	11,147
Cost of investments made	**9,261**	10,000
Fair value of investments made	**9,261**	10,000
	-------- % --------	
Percentage of investments made	**94.58**	89.71

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

	2016	2015	**2016**	2015
	-------- % --------		Rupees in thousand	
Term deposit receipt	**97.18**	90.00	**9,000**	9,000
Saving account in a scheduled bank	**2.82**	10.00	**261**	1,000
	100.00	100.00	**9,261**	10,000

27.2 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.

28. NUMBER OF EMPLOYEES

Number of permanent employees as at September 30, 2016 was 9 (2015: 19) and average number of employees during the year was 12 (2015: 20).

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on December 29, 2016 by the board of directors of the Company.

30. CORRESPONDING 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.

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, 2016

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		SHARES HELD		TOTAL SHARES HELD
	FROM	TO	PREFERENCE	ORDINARY	
570	1	100	1,458	10,619	12,077
110	101	500	3,558	25,008	28,566
29	501	1,000	2,000	19,466	21,466
31	1,001	5,000	0	73,318	73,318
3	5,001	10,000	0	32,528	32,528
4	10,001	20,000	0	51,447	51,447
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
749			**50,000**	**1,350,000**	**1,400,000**

S.No.	Categories of shareholders	No of shares held	Preference	TOTAL	Percentage
1.	**Directors and Chief Executive Officer**				
	Khan Aziz Sarfaraz Khan	23,977		23,977	1.71
	Begum Laila Sarfaraz	500		500	0.04
	Mr. Abbas Sarfaraz Khan	1,342		1,342	0.10
	Ms. Zarmine Sarfaraz	500		500	0.04
	Ms. Najda Sarfaraz	500		500	0.04
	Mr. Iskander M. Khan	500		500	0.04
	Mr. Babar Ali Khan	1,903	210	2,113	0.15
	Mr. Abdul Qadar Khattak	100		100	0.01
2.	**Company Secretary/Chief Financial Officer**				
	Mr. Mujahid Bashir	2		2	0.00
3.	**Associated Companies**				
	The Premier Sugar Mills & Distillery Co. Limited	1,113,637	42,984	1,156,621	82.62
4.	**Financial Institutions, Investment & Securities Companies**				
	The Frontier Cooperative Bank Limited	5,501	-	5,501	0.36
	Investment Corporation of Pakistan	3	300	303	0.02
	District Council Mardan	72	1,000	1,072	0.08
	Municipal Committee Mardan	73	1,000	1,073	0.08
5.	**Shares held by General Public**				
	Held by General Public	201,390	4,506	205,896	14.71
		1,350,000	**50,000**	**1,400,000**	100.00
6.	**Shareholders holding 10% or more voting Interest in the Company**				
	The Premier Sugar Mills & Distillery Co., Limited (Holding Company)	1,113,637	42,984	1,156,621	

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

Mardan.

PROXY FORM

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

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

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

or failing him...of...

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

be held on 30 January, 2017 and at any adjournment thereof.

As witness my hand this ....day of 2017

Signed by the said
in the presence of

Revenue Stamp (Rs. 5.00)

Address..

....

....

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.

annual
report
2016

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

Page **CONTENTS**

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 September 30, 2016.

1. GENERAL REVIEW

Chashma Sugar Mills Limited earned profit of Rs. 297.450 million and The Frontier Sugar Mills & Distillery Limited suffered loss of Rs. 13.504 million for the year due to the closure of operations.

2. SUMMARISED FINANCIAL OVERVIEW

Following are the consolidated financial results for the year-ended September 30, 2016 with the preceding year comparatives:

	2016	2015
	(Rupees in thousand)	
- Profit / (Loss) before taxation	**142,610**	144,784
- **Taxation**		
- Current year	**16,878**	107
- Prior	**(12,584)**	0
- Deferred	**(132,220)**	(58,334)
- Associated Companies	**1,467**	3,262
	(126,459)	(54,965)
- Profit / (Loss) after taxation	**108,564**	199,749
- Other comprehensive Income for the year	**1,267**	(801)
- Total comprehensive Income/ (Loss) for the year	**109,831**	196,774
	------------Rupees------------	
- Combined Earnings /(Loss) per share	**(10.06)**	30.52

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 2016-2017

The sugarcane crushing season in The Premier Sugar Mills & Distillery Company Limited started on November 7, 2016 and the mills have crushed 96,115.57 tons of sugarcane producing 8,065 tons of sugar up to December 27, 2016.

5. **SUGAR PRICE**

We are expecting overall increase of 5%~10% in the sugarcane yield in the country resulting in increased sugar production. PSMA has requested the GoP to allow export of 300,000 tons of sugar at the international rates. We foresee consistent sugar prices.

6. **DIVIDEND**

The Board of Directors of the Holding Company has not recommended any dividend due to losses suffered by the Company and the Board of Directors of Chashma Sugar Mills Limited has proposed a final cash dividend of Rs. 4.50 per share (45%), for the year ended September 30, 2016.

7. **REPLY TO AUDITORS' OBSERVATIONS**

Note 10.1
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” there will be excessive availability of sugarcane to justify the new investment. The Company cannot operate with existing machinery, therefore, the management has decided to dispose off the obsolete machinery.

Note 17.4
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.

Fresh Revaluation
The items of Property, Plant and Equipment of FSM has insignificant changes in fair value, we therefore, plan to comply in the next year's financial statements.

8. **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.

9. **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:
December 29, 2016

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **The Premier Sugar Mills & Distillery Company Limited** (the Holding Company) and its Subsidiary Companies (Chashma Sugar Mills Limited and The Frontier Sugar Mills & Distillery Limited) as at September 30, 2016 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 consolidated financial statements based on our audit.

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

> The Frontier Sugar Mills & Distillery Limited (Subsidiary Company) has been unable to carry-out manufacturing operations during the current and prior years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of raw materials. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Subsidiary Company's ability to continue as a going concern; however, the financial statements of the Subsidiary Company have been prepared on the going concern basis. These consolidated financial statements 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-banking finance company due to pending court cases (note 17.4), contents of note 10.1 and the fact that fresh revaluation of property, plant & equipment of The Frontier Sugar Mills & Distillery Limited has not been carried-out 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, 2016 and the results of their operations for the year then ended.

ShineWing Hameed Chaudhri & Co.

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

LAHORE;
December 30, 2016

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER, 2016

Assets		**2016**	2015
Non-current Assets	**Note**	**Rupees in thousand**	
Property, plant and equipment	**6**	**9,190,992**	7,876,324
Intangible assets	**7**	**433**	983
Investment property	**8**	**29,795**	31,041
Long term investments	**9**	**111,717**	101,256
Security deposits		**5,513**	5,280
		9,338,450	8,014,884
Current Assets			
Stores and spares	**10**	**438,405**	410,209
Stock-in-trade	**11**	**743,395**	2,627,417
Trade debts	**12**	**172,265**	368,505
Loans and advances	**13**	**332,472**	245,827
Trade deposits, short term prepayments and other receivables	**14**	**268,119**	296,883
Accrued profit on bank deposits		**25**	32
Tax refunds due from the Government	**15**	**333,411**	317,468
Advance sales tax		**27,000**	0
Short term investments	**16**	**9,727**	0
Bank balances	**17**	**134,376**	199,424
		2,459,195	4,465,765
TOTAL ASSETS		**11,797,645**	12,480,649
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 5,750,000 (2015: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500
Issued, subscribed and paid-up capital	**18**	**37,500**	37,500
Reserves		**1,026,369**	1,026,044
Unappropriated profit		**270,635**	191,746
Equity Attributable to Equity Holders of the Holding Company		**1,334,504**	1,255,290
Non-Controlling Interest		**677,486**	493,098
		2,011,990	1,748,388
Surplus on Revaluation of Property, Plant and Equipment	**19**	**3,381,660**	2,343,039
Non-current Liabilities			
Long term finances	**20**	**2,370,941**	1,965,383
Loans from Associated Companies	**21**	**112,500**	157,500
Liabilities against assets subject to finance lease	**22**	**34,843**	22,072
Deferred taxation	**23**	**789,159**	727,891
Staff retirement benefits - gratuity	**24**	**16,319**	16,103
		3,323,762	2,888,949
Trade and other payables	**25**	**861,525**	394,072
Accrued mark-up	**26**	**119,134**	201,923
Short term borrowings	**27**	**1,416,715**	4,484,799
Current portion of non-current liabilities	**28**	**660,868**	415,526
Dividends payable to non-controlling interest		**5,113**	3,846
Taxation	**29**	**16,878**	107
		3,080,233	5,500,273
TOTAL LIABILITIES		**6,403,995**	8,389,222
TOTAL EQUITY AND LIABILITIES		**11,797,645**	12,480,649

Contingencies and Commitments **30**

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, 2016

	Note	2016	2015
		Rupees in thousand	
Sales - net	31	**12,601,354**	7,781,837
Cost of Sales	32	**11,635,799**	7,291,445
Gross Profit		**965,555**	490,392
Distribution Cost	33	**256,713**	57,374
Administrative Expenses	34	**346,919**	274,687
Other Expenses	35	**11,142**	7,234
		614,774	339,295
		350,781	151,097
Other Income	36	**162,721**	491,817
Profit from Operations		**513,502**	642,914
Finance Cost	37	**542,464**	520,559
		(28,962)	122,355
Share of Profit from Associated Companies	9.3	**11,067**	22,429
(Loss) / Profit before Taxation		**(17,895)**	144,784
Taxation			
Group	38	**(127,926)**	(58,227)
Associated Companies	9.3	**1,467**	3,262
		(126,459)	(54,965)
Profit after Taxation		**108,564**	199,749
Other Comprehensive Income / (Loss)			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain / (loss) on available-for-sale investments	9	**467**	(625)
Share of other comprehensive (loss) / income from Associated Companies	9.3	**(85)**	21
Item that will not be reclassified to profit or loss:			
- Gain / (loss) on remeasurement of staff retirement benefit obligations (net of deferred tax)	24	**885**	(197)
		1,267	(801)
Total Comprehensive Income		**109,831**	198,948
Attributable to:			
- Equity holders of the Holding Company		**(36,618)**	113,757
- Non-controlling interest		**146,449**	85,191
		109,831	198,948
		------ Rupees-----	
Combined (Loss) / Earnings per Share	39	**(10.06)**	30.52

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, 2016

	2016	2015
Cash flow from operating activities	**Rupees in thousand**	
(Loss) / profit for the year - before taxation	**(17,895)**	144,784
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**615,865**	507,212
Depreciation on investment property	**1,246**	1,361
Amortisation of intangible assets	**550**	550
Profit from Associated Companies - net	**(11,067)**	(22,429)
Interest / profit on bank deposits and saving accounts	**(4,310)**	(9,295)
Staff retirement benefits - gratuity (net)	**1,897**	4,660
Un-claimed payable balances written-back	**(413)**	(381)
Gain on disposal of operating fixed assets	**(4,282)**	(1,615)
Gain on re-measurement of short term investments to fair value	**(827)**	0
Uncollectible receivable balances written-off	**70**	29
Dividend income	**(383)**	0
Finance cost	**535,075**	515,662
Profit before working capital changes	**1,115,526**	1,140,538
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(28,196)**	37,343
Stock-in-trade	**1,884,022**	(747,534)
Trade debts	**196,240**	(156,803)
Loans and advances	**(86,715)**	(23,812)
Trade deposits, short term prepayments and other receivables	**28,764**	(128,553)
Sales tax refundable - net	**(105,846)**	85,243
Advance sales tax	**(27,000)**	0
Increase / (decrease) in current liabilities		
Trade and other payables	**466,790**	(31,972)
Advances against sale of land	**0**	(30,881)
	2,328,059	(996,969)
Cash generated from operations	**3,443,585**	143,569
Income tax paid	**102,380**	(54,855)
Security deposits	**(233)**	(30)
Net cash generated from operating activities	**3,545,732**	88,684
Cash flow from investing activities		
Additions to property, plant and equipment	**(508,839)**	(800,495)
Sale proceeds of operating fixed assets	**12,369**	2,812
Intangible assets acquired	**0**	(1,300)
Interest / profit on bank deposits and saving accounts	**4,317**	9,313
Short term investments - net	**(8,900)**	27,487
Dividend received	**383**	0
Net cash used in investing activities	**(500,670)**	(762,183)
Cash flow from financing activities		
Long term finances - net	**597,454**	(4,517)
Lease finances - net	**21,217**	1,782
Short term borrowings - net	**(3,068,084)**	1,148,105
Finance cost paid	**(617,864)**	(519,090)
Dividends paid	**(42,833)**	0
Net cash (used in) / generated from financing activities	**(3,110,110)**	626,280
Net decrease in cash and cash equivalents	**(65,048)**	(47,219)
Cash and cash equivalents - at beginning of the year	**199,424**	246,643
Cash and cash equivalents - at end of the year	**134,376**	199,424

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, 2016

	------- Attributable to equity holders of the Holding Company------								
		Reserves							
		Capital	Revenue						
	Share capital	Share redem-ption	General	Fair value reserve on available-for-sale investments	Sub-total	(Accumu-lated loss) / unappro-priated profit	Total	Non-controlling interest	Total equity
	--- Rupees in thousand ---								
Balance as at September 30, 2014	37,500	1	1,010,537	16,022	1,026,560	(53,792)	1,010,268	325,462	1,335,730
Total comprehensive income / (loss) for the year ended September 30, 2015									
Profit after taxation	0	0	0	0	0	114,449	114,449	85,300	199,749
Other comprehensive loss	0	0	0	(516)	(516)	(176)	(692)	(109)	(801)
	0	0	0	(516)	(516)	114,273	113,757	85,191	198,948
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	(1,948)	(1,948)	0	(1,948)
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	133,213	133,213	82,445	215,658
Balance as at September 30, 2015	37,500	1	1,010,537	15,506	1,026,044	191,746	1,255,290	493,098	1,748,388
Transaction with owners:									
Cash dividend at the rate of Rs.2 per ordinary share	0	0	0	0	0	(7,500)	(7,500)	(37,353)	(44,853)
Total comprehensive income / (loss) for the year ended September 30, 2016									
Loss after taxation	0	0	0	0	0	(37,743)	(37,743)	146,307	108,564
Other comprehensive income	0	0	0	325	325	800	1,125	142	1,267
	0	0	0	325	325	(36,943)	(36,618)	146,449	109,831
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	709	709	0	709
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	122,623	122,623	75,292	197,915
Balance as at September 30, 2016	37,500	1	1,010,537	15,831	1,026,369	270,635	1,334,504	677,486	2,011,990

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, 2016

1. THE GROUP AND ITS OPERATIONS

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

The Holding Company was incorporated on July 24, 1944 as a Public Company and its shares are quoted on Pakistan Stock Exchange (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have been merged). The Holding Company is principally engaged in manufacture and sale of white sugar and spirit. The Holding 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 and spirit. Its shares are quoted on Pakistan Stock Exchange. 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 Holding 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 the 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 Holding 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 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, 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 Pak Rupee, which is the Group's functional and presentation currency. All financial information presented in Pak 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 Group'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 Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Property, plant and equipment

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

(b) Stores & spares and stock-in-trade

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

(c) Provision for impairment of trade debts

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

(d) Staff retirement benefits - gratuity

The 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 24.

(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 Holding Company and its Subsidiary Companies (CSM and FSM) as at September 30, 2016. The Holding Company's direct interest, as at September 30, 2016, in CSM was 47.93% (2015: 47.93%) and in FSM was 82.49% (2015: 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 published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on October 01, 2015 and are considered to be relevant to the Group's operations:

(a) IFRS 12 'Disclosures of interests in other entities'. The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group's accounting policy is in line with the requirements of this standard.

(b) IFRS 13 'Fair value measurement'. The standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial instruments: Disclosures. As a result, the Group has included additional disclosures in this regard in note 41 to these consolidated financial statements. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosure. Notwithstanding the above, the change had no impact on the measurements of the Group's assets and liabilities.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on October 01, 2015 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on October 01, 2015 and have not been early adopted by the Group:

(a) IFRS 9 'Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, which replaces the guidance in IAS 39. The final version includes the requirements on classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan. The Group has yet to assess the impact of these changes on its consolidated financial statements.

(b) IFRS 15, 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue. The Group shall apply this standard from October 01, 2017 and does not expect to have a material impact on its consolidated financial statements.

(c) IAS 27 'Separate financial statements' is applicable on accounting periods beginning on or after January 01, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any significant impact on the Group's consolidated financial statements.

(d) IAS 34 'Interim financial reporting' is applicable on accounting periods beginning on or after July 01, 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Group's interim consolidated financial information.

(e) Annual improvements 2014 applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits' and IAS 34,'Interim financial reporting'. The Group does not expect to have a material impact on its consolidated financial statements due to application of these amendments.

(f) Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Group shall apply these amendments from October 01, 2016 and does not expect to have a material impact on its consolidated financial statements.

(g) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable on annual periods beginning on or after January 01, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The Group has yet to assess the impact of these amendments on its consolidated financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Group's financial reporting and operations 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 Holding Company and capital work-in-progress, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Freehold land of the Holding Company and capital work-in-progress are stated at cost.

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

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 terms.

Depreciation on assets subject to finance lease is charged to income at the rates stated in note 6.1 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 asset 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 7.1.

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 8. Depreciation on additions is charged from the month in which the asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to profit and loss account.

5.4 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

The Holding Company

(a) Stock of manufactured products is valued at the lower of cost and net realisable value. Stock of molasses-in-hand and component of molasses included in the distillery products were taken at nil value upto September 30, 2015. Effective from current year, the Holding Company has changed this policy and now molasses inventory is valued at net realisable value. The change in policy has no significant effect on the current and preceding years' consolidated financial statements.

(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.

CSM

Basis of valuation are as follows:

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

- Cost in relation to finished goods and sugar-in-process represents the annual average manufacturing cost, which consists of prime cost and appropriate production overheads.
- Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

5.7 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 Holding 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, 2016 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 indication exists, 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, deposits with a non-banking finance company, 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.

5.22 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. Group management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure, the Group has been organised into two operating segments i.e. sugar and spirit.

Group management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Finance cost, other income, other expenses and taxation are managed at the Group level. Unallocated assets include security deposits, prepayments & other receivables and bank balances whereas unallocated liabilities include loans from related parties, deferred taxation, accrued mark-up and short term borrowings.

6. PROPERTY, PLANT AND EQUIPMENT	Note	2016	2015
		Rupees in thousand	
Operating fixed assets - tangible	6.1	9,152,552	6,324,120
Capital work-in-progress	6.7	37,410	1,551,174
Stores held for capital expenditure		1,030	1,030
		9,190,992	7,876,324

6.1 Operating fixed assets - tangible

Particulars	Leasehold land	Owned														Leased		Total
		Freehold land	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Genera-tors	Tools	Beet water line	Electric and gas equipment	Laboratory equipment	Furniture, fittings & office equipment	Farm equipment	Railway rolling stock and vehicles	Tube well	Arms	Vehicles	Genera-tors	
	Rupees in thousand																	
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
Year ended September 30, 2015:																		
Additions	0	0	281,904	0	1,422,977	0	0	0	127,065	0	8,171	0	1,227	0	0	10,332	0	1,851,676
Disposals:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	0	(5,702)	0	0	0	0	(5,702)
- depreciation	0	0	0	0	0	0	0	0	0	0	0	0	4,505	0	0	0	0	4,505
Depreciation charge	28	0	75,975	13,182	383,433	1,396	0	0	10,280	0	8,948	61	4,751	0	1	8,630	527	507,212
Book value as at September 30, 2015	2,336	370,139	945,145	157,501	4,516,512	12,562	1	1	187,739	4	67,068	546	19,437	1	8	40,374	4,746	6,324,120
Year ended September 30, 2016:																		
Additions	0	0	374,376	0	1,468,522	0	0	0	112,467	0	15,359	36	1,136	0	0	50,707	0	2,022,603
Revaluation adjustments:																		
- cost	0	709,454	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	709,454
- depreciation	0	0	109,015	0	606,987	4,325	0	0	0	0	0	0	0	0	0	0	0	720,327
Disposals:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	(51)	(23,300)	0	0	0	0	(23,351)
- depreciation	0	0	0	0	0	0	0	0	0	0	0	22	15,242	0	0	0	0	15,264
Transfers from leased to owned:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	0	19,714	0	0	(19,714)	0	0
- depreciation	0	0	0	0	0	0	0	0	0	0	0	0	(11,052)	0	0	11,052	0	0
Depreciation charge	28	0	92,934	12,085	464,120	1,256	0	0	19,753	0	8,976	52	4,113	0	1	12,072	475	615,865
Book value as at September 30, 2016	2,308	1,079,593	1,335,602	145,416	6,127,901	15,631	1	1	280,453	4	73,451	501	17,064	1	7	70,347	4,271	9,152,552
As at September 30, 2015																		
Cost / revaluation	2,835	370,139	1,287,276	175,295	5,792,079	18,071	914	206	297,369	120	125,245	962	69,594	59	54	62,267	5,700	8,208,185
Accumulated depreciation	499	0	342,131	17,794	1,275,567	5,509	913	205	109,630	116	58,177	416	50,157	58	46	21,893	954	1,884,065
Book value	2,336	370,139	945,145	157,501	4,516,512	12,562	1	1	187,739	4	67,068	546	19,437	1	8	40,374	4,746	6,324,120
As at September 30, 2016																		
Cost / revaluation	2,835	1,079,593	1,661,652	175,295	7,260,601	18,071	914	206	409,836	120	140,604	947	67,144	59	54	93,260	5,700	10,916,891
Accumulated depreciation	527	0	326,050	29,879	1,132,700	2,440	913	205	129,383	116	67,153	446	50,080	58	47	22,913	1,429	1,764,339
Book value	2,308	1,079,593	1,335,602	145,416	6,127,901	15,631	1	1	280,453	4	73,451	501	17,064	1	7	70,347	4,271	9,152,552
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	

6.2 In case of CSM, revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 19.7 has been determined as follows:

Particulars	Freehold land	Buildings & roads	Plant & machinery	Gener-ators	Total
	------------------ Rupees in thousand ------------------				
Cost / revaluation as at September 30, 2016	**279,764**	**1,459,315**	**6,415,357**	**18,071**	**8,172,507**
Accumulated depreciation to September 30, 2016	**0**	**393,937**	**1,472,975**	**6,765**	**1,873,677**
Book value before revaluation adjustments as at September 30, 2016	**279,764**	**1,065,378**	**4,942,382**	**11,306**	**6,298,830**
Revalued amount	**989,218**	**1,174,393**	**5,549,369**	**15,631**	**7,728,611**
Revaluation surplus	**709,454**	**109,015**	**606,987**	**4,325**	**1,429,781**

6.3 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:

	2016	2015
	Rupees in thousand	
- freehold land	**72,121**	71,795
- buildings on freehold land and roads	**781,791**	455,201
- buildings on leasehold land	**4,255**	5,114
- plant & machinery	**3,452,407**	2,218,080
- generators	**9,438**	10,487
	4,320,012	2,760,677

6.4 The Holding Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009, 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 was incorporated in the books of account.

Clause 6 of the lease agreement dated July 09, 1947, which was for a period of 60 years, empowers the Holding Company to renew the lease. On August 10, 2007, the Holding 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.

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.

The arbitration proceedings have been finalised during the current year and the Arbitrator (a Senior Advocate of the Supreme Court of Pakistan) has announced the award by extending the lease term for a further period of 60 years. The same has been filed before the Senior Civil Judge, Mardan to make it 'Rule of the Court'.

6.5 Depreciation for the year has been allocated as follows:

	2016	2015
	Rupees in thousand	
Cost of sales	**591,905**	485,438
Administrative expenses	**23,960**	21,774
	615,865	507,212

6.6 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Particulars of purchaser / employee
	------- Rupees in thousand -------					
Farm equipment						
To third party through negotiation						
Stubble shaver	51	22	29	90	61	Ghulam Hassan Khan, D.I. Khan.
Owned vehicles						
To third parties through negotiation						
Suzuki Bolan	158	148	10	178	168	Mr. Ghazi Muhammad, D.I. Khan.
Honda City	762	606	156	655	499	Mr. Arslan Fareed, Rawalpindi.
Suzuki Alto	768	484	284	382	98	Mr. Wisal Muhammad Khan, Mardan.
Toyota Corolla	1,719	1,132	587	1,310	723	Mr. Aqeel Abbas, Bhakkar.
Honda City	850	677	173	635	462	Ch. Bashir Ahmed, Sargodha.
Toyota Corolla	1,581	953	628	791	163	Muhammad Shakeel Ahmed, Islamabad.
Toyota Corolla	1,433	894	539	716	177	Mr. Amjad Hussain Gondal, Rawalpindi.
Suzuki Cultus	993	606	387	497	110	Mr. Afzal Shah, Islamabad.
Toyota Prius	2,717	1,297	1,420	1,250	(170)	Mr. Abid Rafeeq, Islamabad.
Toyota Corolla	1,430	902	528	672	144	Mr. Zahid Mehmood Malik, Attock.
Suzuki Cultus	619	475	144	410	266	Muhammad Shahid, Mardan.
Honda City	1,319	1,194	125	130	5	Mr. Shahbaz Khattak, Islamabad.
To employees as per the Company's policy						
Motor cycle	57	43	14	15	1	Mr. Altaf Hussain, Bhakkar.
Toyota Corolla	1,373	938	435	686	251	Muhammad Yasin, Tandu Muhammad Khan.
Mazda Coach	426	418	8	200	192	Mr. Ajab Khan, D.I. Khan.
Honda Civic	2,194	1,235	959	1,097	138	Mr. Hameed Ur Rehman Khan, Islamabad.
Toyota Corolla	1,673	941	732	826	94	Mr. Tahir Mehmood, Bannu.
Suzuki Cultus	968	581	387	484	97	Mr. Wajahat Qamar Butt, Islamabad.
Suzuki Car	608	464	144	325	181	Mr. Naveed Ahmad.
Suzuki Cultus	819	427	392	530	138	Mr. Zubair Hussain.
Toyota Corolla	792	786	6	470	464	---------do---------
Motorcycle	41	41	0	20	20	Mr. Akil Taj.
	23,300	15,242	8,058	12,279	4,221	
2016	**23,351**	**15,264**	**8,087**	**12,369**	**4,282**	
2015	5,702	4,505	1,197	2,812	1,615	

6.7 Capital work-in-progress

	Note	2016	2015
		Rupees in thousand	
Buildings on freehold land		**0**	255,453
Plant and machinery	**6.8**	**0**	1,068,246
Electric installations		**0**	90,742
Vehicles - leased		**6,721**	8,816
Advance payments:			
-freehold land		**30,513**	13,131
-buildings on freehold land		**47**	11,957
-plant and machinery		**129**	102,829
		30,689	127,917
		37,410	1,551,174

6.8 In case of CSM, no mark-up has been capitalised during the current year; (plant and machinery additions for the preceding year included mark-up on long term finances aggregating Rs.156.985 million at the rates of mark-up disclosed in note 20).

6.9 In case of CSM, the installation of Bio Gas Plant and Waste Water Treatment Plant has been completed during the current year; (the installation of Ethanol Fuel Plant of 125,000 litres per day was completed during the preceding year; trial run operations of this Plant continued till June 30, 2015. Unallocated capital expenditure aggregating Rs.119.037 million (net) on the said date were allocated to buildings, plant & machinery and electric installations).

7. INTANGIBLE ASSETS - Computer softwares

	2016	2015
Cost at beginning of the year	**8,242**	6,942
Additions during the year	**0**	1,300
Cost at end of the year	**8,242**	8,242
Less: amortisation:		
- at beginning of the year	**7,259**	6,709
- charge for the year	**550**	550
-at end of the year	**7,809**	7,259
Book value as at September 30 ,	**433**	983

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

8. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------- Rupees in thousand -------------		
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
Year ended September 30, 2015:			
Depreciation charge	0	1,361	1,361
Book value	14,544	16,497	31,041
Year ended September 30, 2016:			
Depreciation charge	0	1,246	1,246
Book value	**14,544**	**15,251**	**29,795**
As at September 30, 2015			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	47,211	47,211
Book value	14,544	16,497	31,041
As at September 30, 2016			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	48,457	48,457
Book value	**14,544**	**15,251**	**29,795**
Depreciation rate (%)	0	5-10	

8.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2016 was Rs.260 million (2015: Rs.260 million).

9. LONG TERM INVESTMENTS

	2016	2015	2016	2015
	Equity held (%)		Rupees in thousand	
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd. (AIIL)				
229,900 (2015: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**17,784**	16,630
Market value Rs.5.518 million (2015: Rs.11.575 million)				
UN-QUOTED:				
National Computers (Pvt.) Ltd. (NCPL)				
14,450 (2015: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	0
Premier Board Mills Ltd. (PBML)				
47,002 (2015: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**4,424**	4,207
Azlak Enterprises (Pvt.) Ltd. (AEPL)				
200,000 (2015: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**64,458**	55,835
			86,666	76,672
OTHERS - QUOTED (Available-for-sale)				
Ibrahim Fibres Ltd.				
405,670 (2015: 405,670) ordinary shares of Rs.10 each			**5,680**	5,680
Add: adjustment arising from re-measurement to fair value			**19,371**	18,904
			25,051	24,584
			111,717	101,256

9.1 The Holding 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.

9.2 NCPL has no known assets and liabilities as at June 30, 2016 and June 30, 2015 and has also seized its operations. NCPL, on January 15, 2015, has filed an application with the Joint Registrar, Securities and Exchange Commission of Pakistan for striking-off its name from the Register of Companies under the Companies (Easy Exit) Regulations, 2014.

9.3 Investments in equity instruments of Associated Companies

	2016	2015
	Rupees in thousand	
Opening balance - cost	**5,638**	5,638
Add: post acquisition profit brought forward	**71,034**	53,794
	76,672	59,432
Add: share for the year:		
- profit - net	**11,067**	22,429
- other comprehensive (loss) / income	**(85)**	21
- items directly credited in equity	**709**	(1,948)
- dividend	**(230)**	0
Less: taxation - net	**(1,467)**	(3,262)
	9,994	17,240
Balance as at 30 September,	**86,666**	76,672

9.4 AIIL was incorporated in Pakistan on July 26, 1977 as a Public Company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in investment business of various forms.

The summary of financial information of AIIL based on its audited financial statements for the year ended June 30, 2016 is as follows:

Summarised Balance Sheet

Non-current assets	**238,295**	226,192
Current assets	**75,209**	66,354
	313,504	292,546
Non-current liabilities	**190**	179
Current liabilities	**4,032**	3,142
	4,222	3,321
Net assets	**309,282**	289,225

Reconciliation to carrying amount	**2016**	2015
	(Rupees in thousand)	
Opening net assets	**289,225**	263,225
Profit for the year	**12,227**	11,651
Effects of items directly credited in equity by Associated Companies	**12,027**	14,300
Other comprehensive (loss) / income for the year	**(197)**	49
Dividend	**(4,000)**	0
Closing net assets	**309,282**	289,225
The Holding Company's share percentage 5.75% (2015: 5.75%)		
The Holding Company's share	**17,784**	16,630
Summarised Profit and Loss Account		
Income	**10,904**	13,636
Profit before taxation	**13,483**	12,731
Profit after taxation	**12,227**	11,651

9.5 PBML was incorporated in Pakistan on May 12, 1980 as a Public Company and it is evaluating certain proposals for setting-up some Industrial Unit.

The summary of financial information of PBML based on its audited financial statements for the year ended June 30, 2016 is as follows:

	2016	2015
	(Rupees in thousand)	
Summarised Balance Sheet		
Non-current assets	**364,244**	373,442
Current assets	**172,510**	149,373
	536,754	522,815
Current liabilities	**3,738**	15,989
Net assets	**533,016**	506,826
Reconciliation to carrying amount		
Opening net assets	**506,826**	469,186
Profit for the year	**31,070**	33,585
Effects of items directly credited in equity by Associated Companies	**2,122**	2,323
Other comprehensive (loss) / income for the year	**(7,002)**	1,732
Closing net assets	**533,016**	506,826
The Holding Company's share percentage 0.83% (2015: 0.83%)		
The Holding Company's share	**4,424**	4,207
Summarised Profit and Loss Account		
Income	**12,837**	21,002
Profit before taxation	**32,069**	32,365
Profit after taxation	**31,070**	33,585

9.6 AEPL was incorporated in Pakistan on May 16, 1968 as a Private Limited Company and it is engaged in providing bulk storage facilities for industrial alcohol and other liquid chemical products.

The summary of financial information of AEPL based on its audited financial statements for the year ended June 30, 2016 is as follows:

Summarised Balance Sheet	**2016**	2015
	(Rupees in thousand)	
Non-current assets	**113,558**	87,707
Current assets	**108,201**	103,972
	221,759	191,679
Non-current liabilities	**16,770**	12,642
Current liabilities	**43,843**	39,450
	60,613	52,092
Net assets	**161,146**	139,587
Reconciliation to carrying amount		
Opening net assets	**139,587**	104,238
Profit for the year	**21,600**	40,906
Transfer of surplus on disposal of available for sale investments	**0**	(5,567)
Other comprehensive (loss) / income for the year	**(41)**	10
Closing net assets	**161,146**	139,587
The Holding Company's share percentage 40% (2015: 40%)		
The Holding Company's share	**64,458**	55,835
Summarised Profit and Loss Account		
Storage and handling income	**44,751**	51,623
Profit before taxation	**25,066**	48,931
Profit after taxation	**21,600**	40,906

10. STORES AND SPARES

Stores including in-transit inventory valuing Rs.1.958 million (2015: Rs. nil)	**329,779**	306,726
Spares	**108,626**	103,483
	438,405	410,209

10.1 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 (2015: Rs.32.581 million) have not been adjusted for any potential impairment loss.

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

11. STOCK-IN-TRADE

	Note	2016	2015
		(Rupees in thousand)	
Sugar-in-process		**10,453**	12,948
Finished goods:			
- sugar	11.1	**353,854**	2,204,853
- molasses		**247,596**	389,576
- spirit		**131,492**	20,040
		732,942	2,614,469
		743,395	2,627,417

11.1 In case of the Holding Company, sugar inventory as at September 30, 2016 has been stated at net realisable value; the amount charged to profit and loss account in respect of inventory write-down to net realisable value worked-out to Rs.2.781 million approximately.

12. TRADE DEBTS - Unsecured, considered good

In case of CSM, year-end balance of trade debts includes a debt amounting Rs.19.450 million (2015: Rs.22.300 million); 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. The debtor, during the current year, has paid amounts aggregating Rs.2.850 million (2015: Rs.10 million) to CSM.

12.1 In case of CSM, the year-end balance of trade debts includes debtors aggregating Rs.26.588 million (2015: Rs.79.097 million) relating to spirit customers.

13. LOANS AND ADVANCES

	Note	2016	2015
Advances to:			
- suppliers and contractors - considered good	13.1	**320,850**	241,088
- employees - considered good		**10,914**	7,157
Due from an Associated Company	13.2	**0**	19
Letters of credit		**3,145**	0
		334,909	248,264
Less: provision for doubtful advances		**2,437**	2,437
		332,472	245,827

13.1 These are unsecured and considered good except for Rs.2.437 million (2015: Rs.2.437 million), which have been fully provided for in the books of account of CSM.

13.2 This represented due from Syntron Limited in respect of current account transactions.

13.3 No amount was due from the Group's executives during the current and preceding years.

14. TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016	2015
		(Rupees in thousand)	
Sugar export subsidy receivable	**14.1**	**257,926**	278,326
Prepayments		**5,580**	5,275
Excise duty deposits		**136**	136
Export refinance charges refundable		**0**	5,960
Gas infrastructure development cess paid under protest - refundable		**3,018**	3,018
Other receivables		**1,459**	4,168
		268,119	296,883

14.1 **(a)** CSM, during the current year, has not accrued any further subsidy due to nil sugar exports. Amounts aggregating Rs.20.400 million have been received under this head during the current year. Balance as at September 30, 2016 represents subsidy portion receivable from the Government of Khyber Pakhtunkhwa (KPK). Subsidy portion receivable from the Federal Government has been fully received.

(b) CSM, during the year, has filed a writ petition before the Peshawar High Court, Peshawar regarding Notification dated December 24, 2014 wherein the Federal Government and the Government of KPK had pledged to pay the sugar mills subsidy on exports at the rate of Rs.10 per Kg. The petition is pending adjudication.

15. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2016	2015
Income tax refundable, advance tax and tax deducted at source	**15.1**	**112,151**	202,054
Sales tax refundable		**221,260**	115,414
		333,411	317,468

	Note	2016	2015
		(Rupees in thousand)	

15.1 Income tax refundable, advance tax and tax deducted at source

The consolidated movement in this account during the year was as follows:

Balance as at September 30, 2015	**202,054**	
Add:		
- taxes deducted at source during the year	**45,502**	
- refunds, which were not accounted for in prior years	**12,584**	
Less: -		
- refunds of prior years received from the Tax Department	**(147,882)**	
- adjustments made against completed assessments	**(107)**	
Balance as at September 30, 2016	**112,151**	

16. SHORT TERM INVESTMENTS

- At fair value through profit or loss

	2016	2015
First Habib Cash Fund (2015: MCB Cash Management Optimizer)		
Opening balance - Nil Units (2015: 269,230 Units)	**0**	27,487
Investments made during the year - 194,861 Units (2015: 246,593 Units)	**20,000**	26,000
Loss on redemption / gain on re-measurement to fair value - net	**727**	2,317
Bonus received during the year - 8,977 Units (2015: Nil Units)	**0**	0
Units redeemed during the year - 108,152 Units (2015: 515,823 Units)	**(11,000)**	(55,804)
Closing balance - 95,686 Units (2015: Nil Units)	**9,727**	0

17. BANK BALANCES

	Note	2016	2015
		(Rupees in thousand)	
Cash at banks on:			
- PLS accounts	17.1 & 17.2	3,327	16,580
- saving accounts	17.2	2,404	24,417
- deposit accounts	17.2 & 17.3	7,663	7,738
- current accounts		46,015	75,722
- deposits with a non-banking finance company - unsecured	17.4	78,000	78,000
- dividend accounts		1,967	1,967
		139,376	204,424
Less: provision for doubtful bank balance	17.5	5,000	5,000
		134,376	199,424

17.1 These include Rs.399 thousand (2015: Rs.405 thousand) in security deposit account.

17.2 PLS, saving and deposit accounts during the year carried profit / mark-up at the rates ranging from 3.75% to 8.10% (2015: 3.76% to 11.71%) per annum.

17.3 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 Holding Company.

17.4 **(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.

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

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

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016	2015		**2016**	2015
(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

18.1 Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2016 and September 30, 2015.

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

19.1 The Holding 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.

19.2 The Holding 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).

19.3 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.

19.4 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.

19.5 CSM 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. CSM as at September 30, 2011 and September 30, 2013 had revalued the aforementioned fixed assets of its both Units, which resulted in revaluation surplus aggregating Rs.880.755 million and Rs.1.594 billion respectively. These fixed assets were revalued by independent Valuers on the basis of replacement value / depreciated market values.

19.6 CSM, as at September 30, 2016 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., Shahnawaz Plaza, G-11 Markaz, Islamabad. Freehold land has been revalued on the basis of current market value whereas buildings & roads, plant & machinery and generators have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.1.430 billion has been credited to this account to comply with the requirements of section 235 of the Ordinance.

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

	Note	2016	2015
		Rupees in thousand	
Opening balance		**3,304,816**	3,622,481
Add: surplus arisen on revaluation carried-out during the year	**6.2**	**1,429,781**	0
Less: transferred to unappropriated profit / (accumulated loss) on account of incremental depreciation for the year		**(286,329)**	(317,665)
		4,448,268	3,304,816
Less: deferred tax on:			
- opening balance of surplus		**961,777**	1,096,257
- surplus arisen during the year		**223,301**	0
- incremental depreciation for the year		**(88,414)**	(102,007)
		1,096,664	994,250
		3,351,604	2,310,566
Resultant adjustment due to reduction in tax rate		**30,056**	32,473
Closing balance		**3,381,660**	2,343,039

20.	**LONG TERM FINANCES** - Secured		**2016**	2015
	From banking companies	**Note**	**Rupees in thousand**	
	The Holding Company			
	Soneri Bank Limited: (SBL)			
	- Term finance	**20.1**	**200,000**	200,000
	CSM			
	Bank Alfalah Limited: (BAL)			
	- Term finance	**20.2**	**150,000**	200,000
	Bank Al-Habib Limited: (BAH)			
	- Fixed loan	**20.3**	**79,243**	101,884
	- Long term finance [(LTFF) - SBP]	**20.3**	**320,057**	362,067
			399,300	463,951
	Faysal Bank Limited: (FBL)			
	- Term finance	**20.4**	**416,637**	499,964
	Soneri Bank Limited: (SBL)			
	- Term finance	**20.5**	**112,911**	141,139
	- LTFF (ERF)	**20.5**	**325,165**	345,581
			438,076	486,720
	The Bank of Khyber: (BoK)			
	- Demand finance	**20.6**	**13,779**	68,896
	The Bank of Punjab: (BoP)			
	- Demand finance	**20.7**	**73,978**	92,472
	- LTFF	**20.7**	**298,612**	355,856
			372,590	448,328
	Syndicated Islamic finance facility	**20.8**	**974,931**	0
			2,965,313	2,367,859
	Less: current maturity grouped under current liabilities including an overdue instalment amounting Rs.25 million (2015: Rs.25 million)		**594,372**	402,476
			2,370,941	1,965,383

20.1 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 7.06% to 8.05% (2015: 8.05% to 11.21%) per annum. The finance facility is secured against first pari passu charge of Rs.267 million over plant and machinery of the Holding Company and is repayable in six equal half-yearly instalments of Rs.33.333 million commencing March, 2017.

20.2 This term finance 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 8.06% to 9.05% (2015: 9.05% to 12.18%) 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.

20.3 Fixed loan and LTFF (SBP) finance facilities aggregate Rs.500 million and have been utilised for establishment of ethanol plant. Fixed loan is repayable in 10 equal half-yearly instalments commenced from August, 2015 whereas LTFF is repayable in 10 equal half-yearly instalments commenced from April, 2016. The finance facilities 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 7.59% to 8.50% (2015: 8.50% to 11.67%) per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2015: 11.40%) per annum.

20.4 Term finance facility available from FBL amounts to Rs.500 million and has been obtained for setting-up ethanol fuel plant. The finance facility is repayable in 6 half-yearly instalments commenced from April, 2016 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 7.86% to 10.50% (2015: 9.50% to 11.69%) per annum.

20.5 Term finance and LTFF (ERF) facilities available from SBL aggregate Rs.500 million and have been obtained to finance plant and machinery. These finance facilities are repayable in 10 equal half-yearly instalments commenced from February, 2016 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 8.06% to 8.80% (2015: 8.80% to 11.93%) 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% (2015: 9% to 11.40%) per annum.

20.6 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 8.06% to 9.05% (2015: 9.05% to 12.18%) 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.

20.7 Demand finance and LTFF finance facilities available from BoP aggregate Rs.500 million and have been obtained to finance distillery / ethanol plant established by CSM. These finance facilities are repayable in 10 equal half-yearly instalments commenced from November, 2015 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 7.36% to 8.35% (2015: 8.35% to 11.48%) per annum. LTFF carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2015: 11.40%) per annum.

20.8 CSM, during the year, has obtained a Syndicated Islamic finance facility of Rs.1,000 million at the rate of KIBOR + 2% per annum; the effective mark-up rates during the year ranged from 8.35% to 8.53% per annum.

The finance facility's tenor is 7 years with 2 years grace period; the bank-wise outstanding amount against the facility as at September 30, 2016 is as follows:

	Outstanding amount (Rupees in thousand)
- Dubai Islamic Bank Pakistan Ltd. (Investment agent and security trustee)	**474,931**
- Soneri Bank Ltd.	**300,000**
- National Bank of Pakistan	**200,000**
	974,931

The finance facility is secured against first joint pari passu charge over present and future moveable fixed assets of CSM and first joint pari passu charge by way of equitable mortgage on all present and future immoveable fixed assets of CSM to the tune of Rs.1.333 billion.

21. LOANS FROM ASSOCIATED COMPANIES - Secured

	Note	2016	2015
		Rupees in thousand	
Premier Board Mills Ltd. (PBM)	**21.1**	**113,750**	113,750
Arpak International Investments Ltd. (AIIL)	**21.2**	**43,750**	43,750
		157,500	157,500
Less: current maturity grouped under current liabilities		**45,000**	0
		112,500	157,500

21.1 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; effective mark-up rates charged by PBM during the year ranged from 7.45% to 7.82% (2015: 8.24% to 11.62%) per annum. As per the previous loan agreement, the loan was repayable in eight 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.

21.2 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; effective mark-up rates charged by AIIL during the year ranged from 7.45% to 7.82% (2015: 8.24% to 11.62%) per annum. As per the previous loan agreement, the loan was repayable in eight 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.

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2016			2015		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	-------------------- Rupees in thousand --------------------					
Minimum lease payments	**26,065**	**51,011**	**77,076**	17,593	32,977	50,570
Less: finance cost allocated to future periods	**3,865**	**3,802**	**7,667**	3,087	2,773	5,860
	22,200	**47,209**	**69,409**	14,506	30,204	44,710
Less: security deposits adjustable on expiry of lease terms	**704**	**12,366**	**13,070**	1,456	8,132	9,588
Present value of minimum lease payments	**21,496**	**34,843**	**56,339**	13,050	22,072	35,122

22.1 The Holding 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 August, 2019. The Holding 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 8.29% to 8.87% (2015: 9.01% to 12.21%) per annum.

22.2 CSM has entered into lease agreements with Bank Al-Habib Ltd. and Faysal Bank Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by August, 2020 and are subject to finance cost at the rates ranging from 4.57% to 9.00% (2015: 5.71% to 10.18%) 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.

23. **DEFERRED TAXATION** - Net

	2016	2015
	Rupees in thousand	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**295,182**	387,797
- surplus on revaluation of property, plant & equipment	**1,066,608**	961,777
- lease finances	**1,616**	132
	1,363,406	1,349,706
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(4,386)**	(4,405)
- provision for doubtful bank balance	**(1,550)**	(1,600)
- provision for doubtful advances	**(755)**	(780)
- unused tax losses	**(213,882)**	(282,005)
- minimum tax recoverable against normal tax charge in future years	**(312,599)**	(304,663)
- tax credit for investment in plant and machinery	**(41,075)**	(28,362)
	(574,247)	(621,815)
	789,159	727,891

23.1 Deferred tax asset recognised in the financial statements of the Holding Company has been restricted to Rs.213.882 million as taxable profits in the foreseeable future will not probably be available against which the temporary differences can be utilised. Unrecognised deferred tax asset as at September 30, 2016 amounts to Rs.40.505 million.

23.2 In case of CSM, as at September 30, 2016, deferred tax asset amounting Rs.456.240 million on unused tax losses and Rs.44.638 million on minimum tax recoverable against normal tax charge in future years has not been recognised in the financial statements on the ground of prudence; (2015: deferred tax asset amounting Rs.197.944 million on unused tax losses was not recognised). The management of CSM intends to re-assess the recognition of deferred tax asset as at September 30, 2017.

Deferred taxation as at September 30, 2016 and September 30, 2015 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.

24. 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	**2016**	2015
- discount rate - per annum	**7.25%**	9% to 13.50%
- expected rate of growth per annum in future salaries	**6.25%**	8% to 12.50%
- mortality rates	**SLIC 2001-2005**	SLIC 2001-2005 Setback 1 year
- withdrawal rates	**Age-based**	Age-based
- retirement assumption	**Age 60**	Age 60
- average expected remaining working life time of employees	**5 to 6 years**	5 to 6 years

Amounts recognised in the balance sheets are the present value of defined benefit obligations at the reporting date.

The movement in the present value of defined benefit obligations is as follows:		
Opening balance	**16,103**	11,496
Current service cost	**858**	473
Past service cost	**161**	3,490
Interest cost	**1,498**	1,332
Benefits payable to outgoing members - grouped under current liabilities	**(553)**	(307)
Benefits paid	**(620)**	(672)
Remeasurements:		
-experience adjustments	**(1,096)**	291
-changes in financial assumptions	**(32)**	0
Closing balance	**16,319**	16,103
Expense recognised in profit and loss accounts		
Current service cost	**858**	473
Past service cost	**161**	3,490
Interest cost	**1,498**	1,332
Charge for the year	**2,517**	5,295
Remeasurement recognised in other comprehensive income		
Experience adjustments - net of deferred tax	**(885)**	197

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

	2016	2015	2014	2013	2012
	---------------- Rupees in thousand ----------------				
Present value of defined benefit obligations	**16,319**	16,103	11,496	14,396	32,323
Experience adjustment on obligations	**(1,128)**	291	(1,970)	(741)	(1,662)

Year-end sensitivity analysis:

	Impact on defined benefit obligations		
	Change in assumption	Increase	Decrease
Discount rate	**1%**	**15,456**	**17,302**
Salary growth rate	**1%**	**17,287**	**15,452**

24.1 The expected contribution to defined benefit obligations of the Group for the year ending September 30, 2017 is Rs.1.907 million.

25. TRADE AND OTHER PAYABLES

	Note	2016	2015
		Rupees in thousand	
Creditors		**183,906**	235,417
Due to Associated Companies	**25.1**	**24,160**	12,615
Accrued expenses		**85,745**	71,707
Retention money		**21,077**	26,196
Security deposits - interest free repayable on demand	**25.2**	**3,179**	3,348
Advances from customers		**489,813**	3,951
Income tax deducted at source		**2,424**	2,264
Sales tax payable		**383**	35
Gratuity payable to ex-employees		**2,944**	2,391
Advance received against sale of scrap	**25.3**	**5,432**	9,000
Workers' (profit) participation fund	**25.4**	**23,214**	10,835
Unclaimed dividends		**7,733**	6,980
Due to employees		**11,440**	9,224
Others		**75**	109
		861,525	394,072

25.1 This represents amounts due to:

	Note	2016	2015
		Rupees in thousand	
- Azlak Enterprises (Pvt.) Ltd.		**13,608**	9,439
- Phipson & Co. Pakistan (Pvt.) Ltd.		**3**	0
- Syntronics Ltd.		**2,349**	0
- Syntron Ltd.		**8,200**	0
- Arpak International Investments Ltd.		**0**	176
- Premier Board Mills Ltd.		**0**	3,000
		24,160	12,615

25.2 Security deposits include Rs.399 thousand (2015: Rs.404 thousand) representing mark-up bearing deposits. The Holding Company will pay mark-up at the same rate at which it will receive from the bank as these deposits have been kept in a PLS bank account.

25.3 FSM, during the current year, has received further advances aggregating Rs.5.682 million and refunded advances aggregating Rs.9.250 million under this head.

25.4 Workers' (profit) participation fund

	2016	2015
Opening balance	**10,835**	3,439
Add: 3		
- interest on funds utilised in the Group's business	**1,967**	421
- allocation for the year	**10,757**	6,975
	12,724	7,396
	23,559	10,835
Less: payments made during the year	**345**	0
Closing balance	**23,214**	10,835

26. ACCRUED MARK-UP

Mark-up accrued on:

	2016	2015
- long term finances	**84,800**	66,101
- loans from Associated Companies	**11,401**	34,022
- short term borrowings	**22,920**	101,800
- liabilities against assets subject to finance lease	**13**	0
	119,134	201,923

27. SHORT TERM BORROWINGS

	Note	2016	2015
Secured	27.1 & 27.2	**1,392,500**	4,458,297
Un-secured	27.3	**24,215**	26,502
		1,416,715	4,484,799

27.1 In case of the Holding Company, short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.1,250 million (2015: Rs.1,250 million). These facilities are secured against pledge of stock of refined sugar and charge over present and future current assets of the Holding Company. These facilities, during the year, carried mark-up at the rates ranging from 7.05% to 8.10% (2015: 8.01% to 14%) per annum and are expiring on various dates by March 31, 2017.

Facilities available to the Holding Company for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2015: Rs.125 million). Out of the available facilities, facilities aggregating Rs.115 million (2015: Rs.115 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts and shipping documents.

27.2 In case of CSM, short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.7,650 million (2015: Rs.6,750 million) and, during the year, carried mark-up at the rates ranging from 4.50% to 14.00% (2015: 4.50% to 14.00%) per annum. Facilities available for opening letters of credit aggregate Rs.400 million (2015: Rs.352 million). These facilities are secured against charge over CSM's current assets, plant & machinery, tools & equipment, lien over export documents, pledge of white refined sugar stocks and banks' lien over import documents. These facilities are expiring on various dates by September 30, 2017.

27.3 These temporary bank overdrafts have arisen due to issuance of cheques for amounts in excess of balances in the bank accounts of the Holding Company and CSM.

28. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2016	2015
		Rupees in thousand	
Long term finances	**20**	**594,372**	402,476
Loans from related parties	**21**	**45,000**	0
Liabilities against assets subject to finance lease	**22**	**21,496**	13,050
		660,868	415,526

29. TAXATION - Net

		2016	2015
Opening balance		**107**	0
Add: provision made during the year - current	**29.2 & 29.18**	**16,878**	107
		16,985	107
Less: adjustments made against completed assessments		**107**	0
Closing balance		**16,878**	107

The Holding Company

29.1 Returns upto the tax years 2016 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.

29.2 No numeric tax rate reconciliation is presented in these consolidated financial statements as the Holding Company is mainly liable to pay tax due under sections 5 (Tax on dividends), 15 (Income from property) and 113 (Minimum tax on the income of certain persons) of the Ordinance; (2015: the Holding Company was mainly liable to pay tax due under sections 15 and 113 of the Ordinance aggregating Rs.6.046 million. The required provision for the preceding year was fully adjusted against the balance tax credit for investment in plant & machinery amounting Rs.8.187 million available under section 65B of the Ordinance pertaining to the financial year ended September 30, 2014).

29.3 The Holding Company has filed a writ petition before the Peshawar High Court (PHC) against selection for audit under sections 177 and 214C of the Ordinance; the PHC has stayed the Income Tax Department (the Department) from finalising the proceedings. The petition is pending adjudication.

CSM

29.4 Returns filed by CSM upto the tax year 2016, except for tax years 2011 and 2012, have been assessed under the self assessment scheme envisaged in section 120 of the Ordinance.

29.5 CSM is mainly liable to pay tax due under sections 113 and 154 (Tax on export proceeds) of the Ordinance aggregating Rs.113.941 million. The required provision for the current year has been fully adjusted against current and preceding years' tax credits for investment in plant & machinery aggregating Rs.155.016 million available under section 65B of the Ordinance.

29.6 A tax reference for the assessment year 1999-2000, filed by the Department, is pending before the PHC; the issue involved is taxation of accumulated profit under section 12(9A) of the repealed Income Tax Ordinance, 1979.

29.7 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)].

29.8 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).

29.9 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.

29.10 The Department has filed an appeal before the Supreme Court of Pakistan against judgment of the PHC dated June 18, 2014. The said writ petition was filed before the PHC against selection for audit under section 177 of the Ordinance, which was succeeded and the Department was restrained from audit for the tax year 2009.

29.11 CSM has filed a writ petition before the PHC against selection for audit under sections 177 and 214C of the Ordinance by the Department for the tax year 2011. The PHC has stayed the Department from finalising the proceedings.

29.12 The Department has filed an appeal before the Supreme Court of Pakistan against order passed by the PHC in the tax reference for the tax year 2009. The said tax reference was filed by the Department against CSM challenging decision of the Appellate Tribunal dated August 29, 2012. The workers' welfare fund levy was initially assessed by the Assessing Officer, which was later on annulled by the Commissioner Appeals. Appeal of the Department before the Appellate Tribunal was also dismissed. CSM, during the preceding year, had written-back the workers' welfare fund liabilities aggregating Rs.11.633 million appearing in its books of account.

29.13 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.

29.14 The Department has filed a petition before the Supreme Court of Pakistan against the judgment passed by the PHC in a tax reference. The said tax reference was filed by the Department challenging the ATIR's judgment dated February 16, 2015. The amount of workers' welfare fund revenue involved in the tax reference was Rs.3.310 million.

29.15 CSM had been served a show cause notice dated December 12, 2015 issued under section 122 of the Ordinance regarding claim of tax credit to the tune of Rs.129.056 million under section 65B of the Ordinance. The Department, vide order dated June 30, 2016, has allowed the tax credit and withdrawn the aforementioned notice.

FSM

29.16 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 CIR(A)'s action of annulment of amendment of assessment orders passed by the Additional Commissioner (Audit) under section 122(5A) of the Ordinance.

29.17 The returns upto tax year 2016 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.

29.18 Provision made during the current year represents tax payable under section 37A (Capital gain on disposal of securities) and 151 (Profit on debt) of the Ordinance.

29.19 Deferred tax asset arising on unused tax losses has not been recognised by FSM due to uncertainty about the availability of taxable profits in the foreseeable future.

30. CONTINGENCIES AND COMMITMENTS

The Holding Company

30.1 No commitments were outstanding as at September 30, 2016 and September 30, 2015.

30.2 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 Holding Company claimed input tax on the whole value of supplies made during that year which included taxable as well as exempt supplies, in contravention of section 8(2) read with S.R.O. 698(1)/96 dated August 22, 1996. Further, the Holding Company had either not charged or charged lesser sales tax on these supplies. The Holding Company had not accepted the said demands and filed an appeal with the Customs, Sales Tax & Central Excise Appellate Tribunal, which vide its judgment dated August 12, 2003 had partially allowed the appeal.

The Holding Company, during the financial year ended September 30, 2005, had filed an appeal before the Peshawar High Court (PHC) against the order of the Tribunal, which is pending adjudication. The Holding 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.

30.3 The Holding Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a writ petition before the PHC against the Federation, Oil & Gas Regulatory Authority and Sui Northern Gas Pipelines Ltd.(SNGPL) under article 199 of the Constitution of Pakistan. The PHC has admitted the writ petition for regular hearing and restrained the Respondents to demand GIDC on the basis of GIDC Act, 2015. The Holding Company is also negotiating with SNGPL for refund of GIDC aggregating Rs.9.073 million paid under protest during the period from December, 2011 to June, 2014.

30.4 The Holding Company, by filing a writ petition before the PHC, has challenged the Notification issued by the Government of Khyber Pakhtunkhwa (KPK) dated August 12, 2015 to the extent of its retrospective application with effect from July 01, 2014. The Government of KPK, through the said Notification, has fixed minimum wages for unskilled workers working in the industrial and commercial establishments in the Province at Rs.12,000/- per month. An adverse judgment by the PHC will create additional wage liabilities aggregating Rs.2.359 million approximately. The petition is pending adjudication.

30.5 A sales tax appeal is pending before the Commissioner Inland Revenue (Appeals) [CIR(A)], Peshawar against assessment order dated June 28, 2016 passed by the Deputy Commissioner Inland Revenue [DCIR], Peshawar regarding the alleged stock taking to the tune of Rs.5.592 million recoverable under section 14 of the Federal Excise Act, 2005.

30.6 A sales tax appeal is also pending before the CIR(A), Peshawar against assessment order dated June 23, 2016 passed by the DCIR, Peshawar in violation of SRO 488(I)/2004 dated June 12, 2014; the Holding Company claimed input tax to the tune of Rs.41.672 million against the supplies to unregistered persons.

30.7 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Holding Company outstanding as at September 30, 2015 was for Rs.10 million (2015: Rs.10 million). The guarantee is valid upto May 26, 2017.

CSM

30.8 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 Inland Revenue (DCIR), who had rejected the application. CSM had filed an appeal before the Commissioner Inland Revenue - Appeals [CIR(A)] against the impugned order. The CIR(A), during the financial year ended September 30, 2013, had upheld the order of DCIR. CSM, thereafter, has filed an appeal before the Appellate Tribunal Inland Revenue (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.

30.9 The ATIR, during the year, has accepted CSM's appeal and the impugned order has been set aside. CSM had filed an appeal before the ATIR against order passed by the CIR(A), who had upheld the assessment order dated April 24, 2014 in show cause notice dated February 02, 2014 for claiming input tax adjustment of Rs.20.678 million in violation of SRO 490(I)/2002.

30.10 The ATIR, during the year, has accepted CSM's appeal and the impugned order has been set aside. CSM had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had reduced the assessed amount from Rs.36.842 million to Rs.28.063 million vide order dated December 02, 2014.

30.11 The ATIR, during the year, has accepted CSM's appeal and the impugned order has been set aside. CSM had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had upheld the assessment order passed by the DCIR dated September 10, 2014 and CSM was directed to pay Rs.30.021 million.

30.12 The ATIR, during the year, has accepted CSM's appeal and the impugned order has been set aside. CSM had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had upheld the assessment order passed by the Officer Inland Revenue dated November 26, 2014 for claiming input tax adjustment of Rs.0.880 million.

30.13 The ATIR, during the year, has accepted CSM's appeal and the impugned order has been set aside. CSM had filed a sales tax appeal before the ATIR against order passed by the CIR(A) on May 26, 2015 under section 37A(4) of the Sales Tax Act, 1990.

30.14 CSM, by filing a writ petition before the PHC, has challenged the Notification issued by the Government of KPK dated August 12, 2015 to the extent of its retrospective application with effect from July 01, 2014. The Government of KPK, through the said Notification, has fixed minimum wages for unskilled workers working in the industrial and commercial establishments in the Province at Rs.12,000/- per month. An adverse judgment by PHC will create additional wage liabilities aggregating Rs.9.682 million approximately. The petition is pending adjudication.

30.15 A sales tax appeal of CSM is pending before the CIR(A), Peshawar against assessment order dated June 28, 2016 passed by the DCIR regarding alleged stock taking to the tune of Rs.8.602 million payable under section 14 of the Federal Excise Act, 2005.

30.16 A sales tax appeal of CSM is also pending before CIR(A), Peshawar against assessment order dated June 21, 2016 passed by the DCIR. It has been alleged that CSM has violated SRO 488(I) 2004 dated June 12, 2014 and claimed input tax to the tune of Rs.135.764 million along with default surcharge and penalty against supplies to unregistered persons.

	2016	2015
30.17 In case of CSM, commitments in respect of :	**(Rupees in thousand)**	
- foreign letters of credit for purchase of plant and machinery	**11,377**	133,890
- capital expenditure other than for letters of credit	**2,505**	61,792

30.18 Also refer contents of taxation notes detailed in note 29.

FSM

30.19 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.

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

30.21 FSM, by filing a writ petition before the PHC, has challenged the Notification issued by the Government of KPK dated August 12, 2015 to the extent of its retrospective application with effect from July 01, 2014. The Government of KPK, through the said Notification, has fixed minimum wages for unskilled workers working in the industrial and commercial establishments in the Province at Rs.12,000/- per month. An adverse judgment by the PHC will create additional wage liabilities aggregating Rs.1.148 million approximately. The petition is pending adjudication.

30.22 No commitments were outstanding as at September 30, 2016 and September 30, 2015.

31. SALES - Net

	Note	**2016**	2015
		Rupees in thousand	
Turnover - local		**12,465,302**	6,584,358
Turnover - export		**1,079,641**	1,424,986
		13,544,943	8,009,344
Less: sales tax		**943,589**	227,507
		12,601,354	7,781,837

		2016	2015
32. COST OF SALES	**Note**	**Rupees in thousand**	
Raw materials consumed		**8,193,711**	6,782,350
Chemicals and stores consumed		**222,989**	179,349
Salaries, wages and benefits	**32.1**	**481,958**	407,332
Power and fuel		**66,479**	55,447
Insurance		**19,434**	14,753
Repair and maintenance		**175,301**	114,310
Depreciation	**6.5**	**591,905**	485,438
		9,751,777	8,038,979
Adjustment of sugar-in-process:			
Opening		**12,948**	16,020
Closing	**11**	**(10,453)**	(12,948)
		2,495	3,072
Cost of goods manufactured		**9,754,272**	8,042,051
Adjustment of finished goods:			
Opening stock		**2,614,469**	1,863,863
Closing stock	**11**	**(732,942)**	(2,614,469)
		1,881,527	(750,606)
		11,635,799	7,291,445

32.1 These include Rs.5.791 million (2015: Rs.5.310 million) and Rs.1.983 million (2015: Rs.4.126 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

33. DISTRIBUTION COST			
Commission		**71,011**	7,854
Salaries, wages and amenities	**33.1**	**8,248**	5,678
Stacking and loading		**28,653**	16,968
Export development surcharge		**2,827**	3,111
Freight expenses on export of ethanol (2015: sugar)		**105,834**	11,035
Other expenses on export		**25,926**	12,700
Freight and packing charges for delivering sugar in small packets to a customer		**13,986**	0
Others		**228**	28
		256,713	57,374

33.1 These include Rs.73 thousand (2015: Rs.49 thousand) in respect of contributions to staff provident funds.

34. ADMINISTRATIVE EXPENSES

	Note	2016	2015
		Rupees in thousand	
Salaries and benefits	**34.1**	**226,839**	176,698
Travelling:			
- directors		**15,704**	12,877
- others		**7,044**	8,384
Utilities		**1,300**	1,146
Vehicles' running and maintenance		**12,663**	9,911
Rent, rates and taxes		**5,086**	1,962
Insurance		**2,423**	1,907
Repair and maintenance		**16,530**	12,475
Printing and stationery		**7,862**	6,865
Communication		**9,257**	6,867
Fees and subscription		**2,911**	2,526
Auditors' remuneration	**34.2**	**3,401**	3,001
Legal and professional charges (other than Auditors)		**6,043**	3,383
Depreciation on:			
- operating fixed assets	**6.5**	**23,960**	21,774
- investment property	**8**	**1,246**	1,361
Amortisation of intangible assets	**7**	**550**	550
General		**4,100**	3,000
		346,919	274,687

34.1 These include Rs.2.945 million (2015: Rs.2.541 million) and Rs.0.534 million (2015 Rs.1.170 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

		Note	2016	2015
34.2	**Auditors' remuneration**			
	ShineWing Hameed Chaudhri & Co.	**Note**	**Rupees in thousand**	
	- statutory audits		**2,115**	1,810
	- half-yearly reviews		**423**	360
	- consultancy, tax services and certification charges		**569**	517
	- out-of-pocket expenses		**162**	201
			3,269	2,888
	Other Auditors			
	- cost audits		**90**	80
	- employees' provident fund's audit fee		**9**	9
	- workers' (profit) participation funds' audit fees		**15**	7
	- out-of-pocket expenses		**18**	17
			132	113
			3,401	3,001
35.	**OTHER EXPENSES**			
	Donations (without directors' interest)		**215**	230
	Uncollectible receivable balances written-off		**70**	29
	Workers' (profit) participation fund	**25.4**	**10,757**	6,975
	Loss on redemption of short term investments		**100**	0
			11,142	7,234
36.	**OTHER INCOME**			
	Income from financial assets:			
	Interest / profit on bank deposits and saving accounts		**4,310**	9,295
	Gain on redemption of short term investments		**0**	2,317
	Fair value gain on re-measurement of short term investments		**827**	0
	Dividend		**383**	0
	Exchange fluctuation gain		**51**	0
	Income from other than financial assets:			
	Rent	**36.1**	**6,474**	14,134
	Sale of scrap - net		**692**	12
	Sale of press mud - net		**2,556**	2,443
	Unclaimed payable balances written-back		**413**	381
	Gain on sale of operating fixed assets - net	**6.6**	**4,282**	1,615
	Sugar export subsidy		**0**	216,090
	Sale of agricultural produce - net of expenses aggregating Rs.4.194 million (2015:Rs.5.637 million)		**13,427**	66,800
	Profit from fertilizer sales	**36.2**	**4,160**	1,690
	Seed sales net of expenses		**122,563**	164,233
	Sale of fusel oil - net of sales tax amounting Rs.137 thousand		**808**	0
	Workers' welfare fund liabilities - reversed	**29.12**	**0**	11,633
	Miscellaneous - net of sales tax amounting Rs.293 thousand (2015:Rs.190 thousand)		**1,775**	1,174
			162,721	491,817

36.1 **(a)** As per the agreement entered into between the Holding Company and Premier Board Mills Ltd. (PBM - an Associated Company) on June 23, 2015, the Holding Company has leased-out a portion of its second floor situated at Head Office to PBM against consideration of Rs.2.100 million per annum. PBM had also paid to the Holding Company rent arrears aggregating Rs.10.500 million not paid since July 01, 2009 to June 30, 2014.

(b) The Holding Company, during the preceding year, has also leased-out its agricultural land located at Saro Shah, Tehsil Takht-i-Bhai to PBM against consideration of Rs.6.750 million for the period from July 01, 2015 to June 30, 2016.

36.2 Profit from fertilizer sales

	2016	2015
	Rupees in thousand	
Sales	**23,758**	23,760
Less: cost of sales		
opening stock	**1,983**	5,908
purchases	**29,276**	18,145
closing stock	**(11,661)**	(1,983)
	19,598	22,070
	4,160	1,690

37. FINANCE COST

	Note	**2016**	2015
Mark-up on:			
- long term finances		**282,804**	101,900
- loans from Associated Companies		**12,082**	15,204
- short term borrowings		**233,983**	394,457
Interest on workers' (profit) participation fund	**25.4**	**1,967**	421
Lease finance charges		**4,239**	3,680
Bank charges		**7,389**	4,897
		542,464	520,559

38. TAXATION

	Note	2016	2015
		Rupees in thousand	
Current [net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 amounting Rs.3.110 million; (2015: Rs.6.046 million)]	29	16,878	107
Deferred:			
- resultant adjustment due to reduction in tax rate	19	30,056	32,473
- on account of temporary differences		(162,276)	(90,807)
		(132,220)	(58,334)
Prior years' tax refunds accounted for	15.1	(12,584)	0
		(127,926)	(58,227)

39. COMBINED (LOSS) / EARNINGS PER SHARE

	2016	2015
(Loss) / profit attributable to equity holders of the Holding Company	(37,743)	114,449
	No. of shares	
Weighted average number of shares outstanding during the year	3,750,000	3,750,000
	Rupees	
39.1 Combined (loss) / earnings per share	(10.06)	30.52

Diluted (loss) / earnings per share has not been presented as there are no convertible instruments in issue as at September 30, 2016 and September 30, 2015, which would have any effect on the combined (loss) / earnings per share if the option to convert is exercised.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial Risk Factors

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

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

40.2 Market risk

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

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Group is exposed to currency risk on import of plant & machinery, stores & spares and export of goods mainly denominated in U.S. $, U.K Pound (GBP) and Euro. The Group's exposure to foreign currency risk at the year-end is as follows:

	2016	2015
	(Rupees in thousand)	
Trade debts U.S. $ 254,309 (2015: U.S. $ 757,829)	**26,588**	79,097
Outstanding letters of credit Euro 79,043 and GBP 15,390 (2015: Euro 70,680 and U.S. $ 1,202,888)	**11,377**	133,890

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2016	2015	**2016**	2015
U.S. $ to Rupee	**104.38**	104.40	**104.55**	104.20
Euro to Rupee	**117.52**	117.55	**117.49**	117.55
GBP to Rupee	**147.08**	162.63	**135.85**	158.31

Sensitivity analysis

At September 30, 2016, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of foreign currency financial assets.

Effect on profit for the year:

	2016	2015
U.S. $ to Rupee	**2,659**	7,910

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

(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:

	2016	2015	**2016**	2015
	Effective rate		**Carrying amount**	
	%	**%**	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Deposit with a non-banking finance Company	**5.00**	5.00	**78,000**	78,000
Bank balances	**3.75% to 8.10%**	3.76 to 11.71	**13,394**	48,735
Variable rate instruments				
Financial liabilities				
Long term finances	**7.06% to 11.40%**	8.05 to 12.18	**2,965,313**	2,367,859
Loans from Associated Companies	**7.45% to 7.82%**	8.24 to 12.21	**157,500**	157,500
Liabilities against assets subject to finance lease	**4.57% to 9.00%**	5.71 to 10.18	**56,339**	35,122
Short term borrowings	**4.50% to 14.00%**	4.50 to 14.00	**1,392,500**	4,458,297

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, 2016, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs.44.803 million; (2015: Rs.68.920 million) 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. As at September 30, 2016, price risk arose 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 its price risk, the Group diversifies its portfolio and continuously monitors developments in the market. In addition, the Group's management actively monitors the key factors that affect price movement.

As at September 30, 2016, a 10% increase / decrease in redemption value of Units of the Mutual Fund would have increased / decreased profit before taxation for the year by Rs.973 thousand (2015:Rs.nil)

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

40.3 Credit risk exposure and concentration of credit risk

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

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

Credit risk primarily arises from investments, trade debts, loans & advances, other receivables, deposits with a non-banking 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 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, 2016 along with comparative is tabulated below:

	2016	2015
	Rupees in thousand	
Long term investments	**25,051**	24,584
Security deposits	**5,513**	5,280
Trade debts	**172,265**	368,505
Loans and advances	**321,558**	238,670
Trade deposits and other receivables	**259,521**	288,590
Accrued profit on bank deposits	**25**	32
Short term investments	**9,727**	0
Deposits with a non-banking finance company	**78,000**	78,000
Bank balances	**56,376**	121,424
	928,036	1,125,085

The Group management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-banking finance company as detailed in note 17.4.

Trade debts exposure by geographic region is as follows:	**2016**	2015
	Rupees in thousand	
Domestic	**145,677**	289,408
Export	**26,588**	79,097
	172,265	368,505

- Export debts of the Group are situated in Asia.

- The ageing of trade debts at the year-end was as follows:

Not past due	**148,887**	308,539
Past due less than 3 months	**286**	27,176
Past due less than 6 months	**0**	1,064
Past due more than 6 months	**23,092**	31,726
	172,265	368,505

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.146.066 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 at respective year-ends:

	Fund stability rating assigned by JCR-VIS (2015: PACRA)
September 30, 2016 - First Habib Cash Fund	**AA**
September 30, 2015 - MCB Cash Management Optimizer	AA

40.4 Liquidity risk

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

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

2016	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	---------------- Rupees in thousand ----------------				
Long term finances	**2,965,313**	**3,636,576**	**774,626**	**2,543,804**	**318,146**
Loans from Associated Companies	**157,500**	**176,772**	**54,707**	**122,065**	**0**
Lease finances	**56,339**	**56,339**	**21,496**	**34,843**	**0**
Trade and other payables	**333,932**	**333,932**	**333,932**	**0**	**0**
Accrued mark-up	**119,134**	**119,134**	**119,134**	**0**	**0**
Short term borrowings	**1,416,715**	**1,449,572**	**1,449,572**	**0**	**0**
	5,048,933	**5,772,325**	**2,753,467**	**2,700,712**	**318,146**
2015					
Long term finances	2,367,859	2,964,055	541,060	2,311,149	111,846
Loans from Associated Companies	157,500	191,771	13,013	178,758	0
Lease finances	35,122	36,029	13,597	22,432	0
Trade and other payables	376,987	376,987	376,987	0	0
Accrued mark-up	201,923	201,923	201,923	0	0
Short term borrowings	4,484,799	4,578,558	4,578,558	0	0
	7,624,190	8,349,323	5,725,138	2,512,339	111,846

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. MEASUREMENT OF FAIR VALUES

In case of CSM, the management, during the year, has engaged an independent external Valuer to carry out valuation of its freehold land, buildings & roads, plant & machinery and generators. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. When measuring the fair value of an asset, the Group management uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Financial assets not measured at fair value	**2016 Carrying amount**
	(Rupees in thousand)
Trade debts	**172,265**
Bank balances	**139,376**
	311,641
Financial liabilities not measured at fair value	
Creditors	**183,906**

Management has assessed that the fair values of trade debts, bank balances and creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

Assets measured at fair value

Following details provide the fair value measurement hierarchy of CSM's assets measured at fair value:

Assets measured at fair value	Freehold land, buildings & roads, plant & machinery and generators.
Date of valuation	September 30, 2016
Valuation approach and inputs used	The factors taken and critically evaluated by the Valuer for determining the current market value of freehold land and depreciated market values of buildings & roads, plant & machinery and generators include the following: - prevailing market conditions; - Government future development measures in the vicinity;

	- threats and opportunities of real estate industry; - physical condition of buildings and civil structure; - design and utility of buildings and civil structure; - state of infrastructure in the vicinity; - type of construction and age; - availability of utilities connections; - existence, condition, level of maintenance, year of acquisition of plant & machinery and generators; - obsolescence due to technological advancement; - inquiries from the market to obtain prevalent market values of similar local and imported plant & machinery items and generators; and - determination of current market cost of plant & machinery and generators adjusted for depreciation factor.
Inter-relationship between significant unobservable inputs and fair value measurement	The fair values are subject to change owing to change in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

The fair value of freehold land, buildings & roads, plant & machinery and generators is a Level 3 recurring fair value measurement. A reconciliation of opening and closing fair value is given below:

	2016 (Rupees in thousand)
Opening book value	**4,938,729**
Additions during the year	**1,841,398**
Revaluation during the year	**1,429,781**
Depreciation for the year	**(481,297)**
Closing book value	**7,728,611**

Group'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.

As at September 30, 2016, Group's investments in a Mutual Fund were measured at fair value using year-end Net Assets Value as computed by the Assets Management Company. Fair value of these investments fell 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 Holding 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 Holding 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 Holding Company and Subsidiary Companies may adjust the amounts 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.19 thousand (2015: Rs.195 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:

	2016	2015
	Rupees in thousand	
- purchase of goods	**76,468**	73,638
- sale of sugar cane crop	**0**	6,750
- services received	**17,178**	9,439
- mark-up expensed	**12,082**	15,204
- rent received	**6,463**	14,125
- dividend received	**383**	0
- dividend paid	**13,402**	0

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	
	2016	2015	**2016**	2015	**2016**	2015
	------------------- Rupees in thousand -------------------					
Managerial remuneration including bonus	**1,400**	1,200	**11,314**	10,827	**38,939**	31,290
Allowances and utilities	**0**	0	**0**	0	**22,653**	17,034
Retirement benefits	**0**	0	**0**	0	**1,514**	1,355
Medical expenses reimbursed	**0**	0	**584**	1,069	**0**	0
	1,400	1,200	**11,898**	11,896	**63,106**	49,679
Number of persons	**1**	1	**7**	6	**27**	24

44.1 In case of the Holding Company, the Chief Executive, one director and the executives residing in the factory are provided free housing (with the Holding Company's generated electricity in the residential colony within the factory compound). The Chief Executive, one director and executives are also provided with the Holding Company 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. Eighteen (2015: fourteen) of the 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

		2016	2015
The Holding Company			
Sugar Cane Plant			
Rated crushing capacity per day	**M.Tonnes**	**3,810**	3,810
Cane crushed	**M.Tonnes**	**178,273**	95,526
Sugar produced	**M.Tonnes**	**17,677**	9,019
Days worked	**Nos.**	**144**	141
Sugar recovery	**%**	**9.94**	9.49
Sugar Beet Plant			
Rated slicing capacity per day	**M.Tonnes**	**2,500**	2,500
Distillery			
Rated capacity per day	**Gallons**	**10,000**	10,000

- The normal season days are 150 days for Sugar Cane crushing.

- Production was restricted to the availability of raw materials to the Company.

- The operations of distillery were closed during the preceding year due to low prices of ethanol.

CSM		**2016**	2015
Sugar Cane Plants			
Rated crushing capacity (based on 150 working days)	**M.Tonnes**	**2,700,000**	2,700,000
Cane crushed	**M.Tonnes**	**1,689,633**	1,588,226
Sugar produced	**M.Tonnes**	**155,443**	145,502
Ethanol Fuel Plant			
Rated capacity per day	**Litres**	**125,000**	125,000
Actual production	**Litres**	**25,870,308**	8,272,982
Days worked:			
Unit - I	**Nos.**	**105**	117
Unit - II	**Nos.**	**104**	125
Ethanol Fuel Plant	**Nos.**	**221**	150

The Government of Khyber Pakhtunkhwa, on April 14, 2016, has renewed the CSM's D-2 license to manufacture rectified spirit, denatured spirit, B-grade spirit, CO_2, fusel oil, fuel ethanol and all distillery products at Ramak for a further period of one year subject to completion of relevant conditions.

FSM		**2016**	2015
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

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

46. SEGMENT INFORMATION

46.1 The Holding Company

(a) Sugar sales represent 95% (2015: 73%) of the total gross sales of the Holding Company.

(b) All sales have been made to customers in Pakistan.

(c) All non-current assets of the Holding Company as at September 30, 2016 are located in Pakistan.

(d) Two (2015: one) of the Holding Company's customers contributed towards 94.91% (2015: 71.98%) of the sugar sales during the year aggregating Rs.1,396 million (2015: Rs.163 million).

46.2 **CSM**

Segment analysis

Year ended September 30, 2016	**Sugar**	**Ethanol**	**Total**
	-------Rupees in thousand-------		
Revenue	**9,957,171**	**1,249,038**	**11,206,209**
Segment results	**709,536**	**(114,610)**	**594,926**
Year ended September 30, 2015			
Revenue	7,125,152	434,744	7,559,896
Segment results	201,371	(11,049)	190,322

Information on assets and liabilities by segment is as follows:

As at September 30, 2016	**Sugar**	**Ethanol**	**Total**
	-------Rupees in thousand-------		
Segment assets	**6,694,048**	**3,076,869**	**9,770,917**
Segment liabilities	**959,501**	**2,745,994**	**3,705,495**
As at September 30, 2015			
Segment assets	7,400,960	2,497,878	9,898,838
Segment liabilities	555,075	644,612	1,199,687

	As at September 30, 2016		As at 30 September, 2015	
	Assets	**Liabilities**	Assets	Liabilities
	--------------------- Rupees in thousand ---------------------			
Total for reportable segments	**9,770,917**	**3,705,495**	9,898,838	1,199,687
Unallocated assets / liabilities	**301,404**	**2,291,467**	366,201	6,443,947
Total as per balance sheet	**10,072,321**	**5,996,962**	10,265,039	7,643,634

- CSM's sales to domestic customers in Pakistan are 90.37% (2015: 81.15%) and to customers outside Pakistan are 9.63% (2015: 18.85%) of the revenues during the year.
- CSM sells sugar to commission agents. Sugar sales to five (2015: four) of customers during the year aggregated Rs.9,507 million (2015: 6,072 million) constituting 95.48% (2015: 85.69%) of the total sugar sales. Four (2015: three) of the customers individually exceeded 10% of CSM's sugar sales.
- All non-current assets of CSM as at September 30, 2016 are located in Pakistan.

Geographical Segments

All segments of CSM are managed on nation-wide basis and operate manufacturing facilities in Pakistan.

47. NUMBER OF EMPLOYEES

	2016	2015
	------ Number ------	
Number of persons employed as at September 30,		
- permanent	**1,316**	1,353
- contractual	**816**	755
Average number of employees during the year		
- permanent	**1,325**	1,346
- contractual	**1,123**	1,123

48. PROVIDENT FUNDS 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, 2016 and audited financial statements of the provident funds for the year ended September 30, 2015:

	2016	2015
	(Rupees in thousand)	
Size of the funds - total assets	**131,327**	120,898
Cost of investments made	**108,797**	101,363
Fair value of investments made	**129,530**	118,696
	-------- % --------	
Percentage of investments made	**82.84**	83.84

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

	2016	2015	2016	2015
	----- % -----		(Rupees in thousand)	
Term deposit receipts	**38.60**	42.13	**50,000**	50,000
Saving accounts in scheduled banks	**4.17**	10.92	**5,397**	12,963
Deposit certificates	**41.23**	32.35	**53,400**	38,400
Accrued profit	**16.00**	14.60	**20,733**	17,333
	100.00	100.00	**129,530**	118,696

49. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on December 29, 2016 by the board of directors of the Holding Company.

50. EVENT AFTER THE REPORTING PERIOD

The Holding Company

The Board of Directors of the Holding Company in its meeting held on December 29, 2016 has proposed a nil cash dividend (2015: Rs.2.00 per share) for the year ended September 30, 2016. The financial statements for the year ended September 30, 2015 did not include the effect of proposed dividend amounting Rs.7.500 million, which was accounted for in the financial statements for the year ended September 30, 2016 after approval by the members in the annual general meeting held on January 30, 2016. The proposed dividend for the year ended September 30, 2015 duly met the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001 as inserted through the Finance Act, 2015.

CSM

The Board of Directors of CSM in its meeting held on December 29, 2016 has proposed a final cash dividend of Rs.4.50 per share (2015: Rs.2.50 per share) for the year ended September 30, 2016. The financial statements for the year ended September 30, 2016 do not include the effect of proposed dividend amounting Rs.129.114 million (2015: Rs.71.730 million), which will be accounted for in the financial statements for the year ending September 30, 2017 after approval by the members in the annual general meeting to be held on January 30, 2017. The proposed dividend duly meets the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001 as inserted through the Finance Act, 2015.

51. FIGURES

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
Nowshera Road, Mardan.

PROXY FORM

71st Annual General Meeting

I/We... of ....being a member of **The Premier Sugar Mills & Distillery Company Limited** and holding ....ordinary shares as per share register Folio/CDC Account No.. hereby appoint Mr./Mrs ....of .... another member of the Company having Folio / CDC Account No .... CNIC No .... or Passport No................................ or failing him / her Mr. / Mrs .... of .... Folio / CDC Accounts No .... CNIC No................................ Or Passport No .... Who is also a member of the Company, as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on January 30, 2017 and at any adjournment thereof.

Revenue Stamp Signature(Rs. 5.00)

____
Signature of Shareholder
(The signature should agree with the specimen registered with the Company)

Dated this .... day of .... 2017.

Signature of Proxy __________________

1. **Witness:**
   Name: ___________________________
   Signature: ________________________
   Address: _________________________
   CNIC No: ________________________

2. **Witness:**
   Name: ___________________________
   Signature: ________________________
   Address: _________________________
   CNIC No: ________________________

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.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.