annual report 2012

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS		
CHAIRMAN	KHAN AZIZ SARFARAZ KHAN	
CHIEF EXECUTIVE	MR. ABBAS SARFARAZ KHAN	
DIRECTORS	BEGUM LAILA SARFARAZ	
	MS. ZARMINE SARFARAZ	
	MS. NAJDA SARFARAZ	
	MS. MAHNAZ SAIGOL	
	MR. ISKANDER M. KHAN	
	MR. BABER ALI KHAN	
	MR. ABDUL QADAR KHATTAK	
BOARD AUDIT COMMITTEE	KHAN AZIZ SARFARAZ KHAN	CHAIRMAN
	MS. NAJDA SARFARAZ	MEMBER
	MR. BABER ALI KHAN	MEMBER
COMPANY SECRETARY	MR. MUJAHID BASHIR	
CHIEF FINANCIAL OFFICER	MR. RIZWAN ULLAH KHAN	
AUDITORS	MESSRS HAMEED CHAUDHRI & CO.,	
	CHARTERED ACCOUNTANTS	
COST AUDITORS	MESSRS MUNAWAR ASSOCIATES,	
	CHARTERED ACCOUNTANTS.	
TAX CONSULTANTS	MESSRS HAMEED CHAUDHRI & CO.,	
	CHARTERED ACCOUNTANTS	
LEGAL ADVISORS	MR. QAZI MUHAMMAD ANWAR	ADVOCATE
SHARES REGISTRAR	MESSRS HAMEED MAJEED ASSOCIATES, (PVT.) LIMITED,	
	H.M HOUSE, 7-BANK SQUARE, LAHORE	
BANKERS	NATIONAL BANK OF PAKISTAN	
	HABIB BANK LMITED	
	MCB BANK LIMITED	
	UNITED BANK LIMITED	
	ALLIED BANK LIMITED	
	THE BANK OF KHYBER	
	PICIC COMMERCIAL BANK LIMITED	
	INNOVATIVE INVESTMENT BANK LIMITED	
	THE BANK OF PUNJAB	
	BANK ALFALAH LIMITED	
	FAYSAL BANK LIMITED	
REGISTERED OFFICE	MARDAN (KHYBER PAKHTOONKHAWA)	
	PHONES: (0937) 862051-862052	
	FAX: (0937) 862989	
FACTORY	MARDAN	

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 67th Annual General Meeting of the shareholders of The Premier Sugar Mills & Distillery Company Limited will be held on 31 January, 2013 at 11:30 a.m, at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2012.

(2) To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended 30 September, 2012.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2013. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2013 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
04 January, 2013

(Mujahid Bashir)
Company Secretary

N.B:

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

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

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

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

DIRECTORS' REPORT

The Directors of The Premier Sugar Mills & Distillery Company Limited, are pleased to present Directors' Report of the Company together with the audited financial statements for the year ended 30 September, 2012.

1. SUMMARISED FINANCIAL RESULTS

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

	2012	2011
	Rupees in thousand	
Loss before taxation	**(244,535)**	(327,986)
Taxation		
- Current	**3,351**	1,709
- Prior	**(1,549)**	(2,675)
- Deferred	**(86,791)**	(134,454)
	(84,989)	(135,420)
Loss after taxation	**(159,546)**	(192,566)
	---------- Rupees ----------	
Loss per share	**(42.55)**	(51.35)

2. REVIEW OF OPERATIONS

2.1 SUGARCANE SEASON 2011-2012

The sugarcane crushing season 2011-12 commenced on 20 November, 2011 and continued till 31 March, 2012. The Mills crushed 249,062 tons (2010-11: 133,655 tons) of sugarcane and produced 24,290 tons (2010-11: 11,509 tons) of sugar at an average recovery of 9.76 % (2010-11: 8.65 %). The Company suffered losses due to low prices of sugar, as Trading Corporation of Pakistan (TCP) offloaded its buffer stock in the market, instead of holding sugar stocks to meet the shortages in the country, if any.

2.2 SUGARBEET SEASON 2012

The sugar beet slicing season started on 21 May, 2012 and ended on 21 June, 2012. The mills sliced 43,125 tons (2011: 50,509 tons) of sugar beet and produced 4,539 tons (2011: 4,467 tons) of sugar at an average recovery of 10.65 % (2011: 8.93 %). The depressed sugar prices coupled with the recent hike in gas prices turned the profitability of beet sugar into loss.

3. CURRENT SEASON 2012-2013

The sugarcane crushing season started on 12 November, 2012 and the Mills have crushed 71,631 tons of sugarcane, producing 6,103 tons of sugar at average recovery of 8.52% up to 25 December, 2012. We foresee improved results during 2012-2013, as the Government has allowed the export of surplus stock of sugar.

4. SUGARBEET SEASON 2013

The sugar beet seed distribution started during the month of October 2012. The growers are showing great interest in the mono-germ variety. We are expecting improved sugar recovery as well as increase in beet slicing but all depends on the weather conditions

5. DISTILLERY

660,010 gallons of Industrial Alcohol (2011: 172,302 gallons) was produced during the year ended 30 September, 2012.

6. SUGAR PRICE

The sugar prices have remained depressed throughout the year and the prevailing sugar price does not cover the sugar production cost.

7. STAFF

The Management and Labour relations remained cordial during the year.

8. PATTERN OF SHAREHOLDING

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

9. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- Proper books of account have been maintained.

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

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

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

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

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

- Key operating and financial data for the last six years in a summarized form is annexed.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2012, except for those disclosed in the financial statements.

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

- The value of investments of staff provident fund, based on audited accounts, was Rs. 50.01 million as at 30 September, 2011.

- During the year six (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	3
Ms. Zarmine Sarfaraz	5
Ms. Najda Sarfaraz	4
Ms. Mehnaz Sehgal	6
Mr. Iskandar M. Khan	6
Mr. Baber Ali Khan	4
Mr. Abdul Qadar Khattak	2

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

10. ROLE OF SHAREHOLDERS

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of 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.

11. DIVIDEND

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

12. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended to re-appoint M/s Hameed Chaudhri & Co. Chartered Accountants, Lahore as External Auditors for the financial year 2012-2013. The Board has recommended to approve the minimum audit fee as per ATR-14 (Revised) issued by the ICAP.

13. REPLY TO AUDITORS' OBSERVATION

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

14. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Islamabad Stock Exchanges in their Listing Rules, relevant for the year ended 30 September, 2012 have been duly complied with. A statement to this effect is annexed with the report.

15. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

Mardan:
04 January, 2013

(ABBAS SARFARAZ KHAN)
Chief Executive

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

FORM - 34

PATTERN OF SHAREHOLDINGS OF THE SHARES HELD BY THE SHARE HOLDERS AS ON 30 SEPTEMBER, 2012

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
492	1	100	18,985
435	101	500	106,863
181	501	1,000	132,386
208	1,001	5,000	440,489
34	5,001	10,000	237,302
12	10,001	20,000	144,932
6	20,001	50,000	148,831
2	50,001	150,000	162,222
1	150,001	310,000	307,370
1	310,001	400,000	400,000
1	400,001	600,000	530,000
1	600,001	1,125,000	1,120,620
1374			**3,750,000**

S.No.	Categories of shareholders	Numbers of Shareholders	No of shares held		Percentage of paid up capital
1.	**Directors and Chief Executive Officer**	**9**		**2,000,978**	
	Khan Aziz Sarfaraz Khan		1,120,620		29.88
	Begum Laila Sarfaraz		307,370		8.20
	Mr. Abbas Sarfaraz Khan		530,000		14.13
	Ms. Zarmine Sarfaraz		2,925		0.08
	Ms. Mehnaz Saigol		500		0.01
	Ms. Najda Sarfaraz		2,274		0.06
	Mr. Iskander M. Khan		500		0.01
	Mr. Babar Ali Khan		3,084		0.08
	Mr. Abdul Qadar Khattak		33,705		0.90
2.	**Company Secretary/Chief Financial Officer**	**1**		**7**	
	Mr. Mujahid Bashir		7		
3.	**Shares held by relatives**	-	-	-	-
4.	**Associated Companies**	**2**		**413,451**	
	Arpak International Investments Ltd.		400,000		10.67
	Azlak Enterprises (Pvt) Ltd.		13,451		0.36
5.	**Public Sector Companies and Corporation**	**19**		**38,169**	
	Securities & Exchange Commission of Pakistan		1		0.00
	Deputy Administrator Abandoned Properties		87		0.00
	The Society for Rehabilitation of crippled children		174		0.00
	Chief Administrator of Auqaf		3,798		0.10
	The Ida Rieu Poor Welfare Association		349		0.01
	BCGA (Punjab) Limited		5,268		0.14
	Bibojee Services Limited		10,396		0.28
	Robberts Cotton Association Limited		4,444		0.12
	Madrasa Haqania Akora Khattak		52		0.00
	N.H Holdings (Pvt.) Limited		1,900		0.05
	Pyramid Investments (Pvt.) Limited		500		0.01
	Secretary Municipal Committee Mardan.		226		0.01
	Frontier Co-operative Bank Limited		8,452		0.23
	Freedom Enterprises (Pvt.) Limited		1,000		0.03
	Y S Securities Limited		2		0.00
	Ismail Abdul Shakoor Securities (Pvt) Limited		1,000		0.03
	Mohammad Ahmed Nadeem Securities (SMC-Pvt) Limited		520		0.01
6.	**Banks, Development Finance Institutions, Non Banking Financial Instituations, Insurance Companies, Modarabas and Mutual Funds**	**5**		**70,971**	
	National Bank of Pakistan, Trustee Department		65,818		1.76
	United Bank Limited		37		0.00
	Investment Corporation of Pakistan		116		0.00
	State Life Insurance Corporation of Pakistan		5,000		0.13
7.	**Shares held by General Public**				
	Held by General Public	**1338**		**1,226,424**	32.70
		1374		**3,750,000**	**100.00**

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

Khan Aziz Sarfaraz Khan	1,120,620	29.88
Mr. Abbas Sarfaraz Khan	530,000	14.13
M/s. Arpak International Investments Limited	400,000	10.67

9. Auditors

M/s. Hameed Chaudhri & Co. Chartered Accountants	Auditors	Nil	Nil

10. Cost Auditors

M/s. Munawar Associates	Cost Auditors	Nil	Nil

11. Legal Advisor

Qazi Muhammad Anwar	Legal Advisor	Nil	Nil

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

TEN YEARS' REVIEW

YEAR	CANE		BEET	
	CANE CRUSHED	SUGAR PRODUCED	BEET SLICED	SUGAR PRODUCED
	M. Tons	M. Tons	M. Tons	M. Tons
2003	239,818.622	21,105.00	104,568.12	10,457.00
2004	388,057.446	34,615.00	113,968.62	10,485.00
2005	209,744.959	19,225.00	68,745.00	5,843.00
2006	45,367.358	3,240.00	53,172.50	4,839.00
2007	28,596.745	2,253.00	83,579.52	7,556.00
2008	197,313.428	16,772.00	64,095.18	5,640.00
2009	88,612.756	8,006.00	NOT OPERATED	
2010	3,863.968	50.00	33,026.44	2,510.00
2011	133,655.000	11,509.00	50,509.00	4,467.00
2012	249,061.555	249,061.56	43,124.74	4,539.00

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY GLNS PER MND	PRODUCTION IN GALLONS
2003	18,710.00	2.484	753,144.00
2004	22,060.00	2.464	895,258.00
2005	14,700.58	2.027	725,413.00
2006	5,570.28	1.846	276,522.00
2007	4,255.70	1.763	201,043.00
2008	7,300.00	1.799	351,801.00
2009	3,728.00	1.897	189,526.00
2010	35.46	2.402	2,129.00
2011	3,431.77	2.008	172,302.00
2012	13,348.13	1.978	660,010.00

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

SIX YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2012	2011	2010	2009	2008	2007
			(R U P E E S	I N	T H O U S A N D)	
Turnover	1,490,368	395,059	297,209	531,398	375,052	219,177
Operating profit/(Loss)	(253,031)	(395,554)	(153,703)	1,389	(109,131)	(111,998)
Profit/(Loss) before tax	(244,535)	(327,986)	20,424	46,716	7,935	(68,771)
Profit/(Loss) After tax	(159,546)	(192,566)	38,527	55,205	33,643	(64,733)
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,144,337	1,303,833	1,428,054	1,389,527	991,637	957,994
Non-current assets	1,148,938	1,203,934	1,158,556	1,143,636	714,667	507,494
Total assets	2,210,022	2,277,333	1,670,583	1,670,931	1,249,166	1,069,162
Non current liabilities	31,345	114,601	207,256	223,597	59,437	83,135
Current assets	1,061,084	1,073,399	512,027	527,295	565,699	561,668
Current liabilities	1,034,340	858,849	35,273	57,807	198,092	28,033
Dividend						
Cash dividend	0	0	10%	30%	0	0
Ratios:						
Profitability (%)						
Operating profit	(16.98)	(100.13)	(51.72)	0.26	(29.10)	(51.10)
Profit/ (Loss) before tax	(16.41)	(83.02)	6.87	8.79	2.12	(31.38)
Profit/(Loss) after tax	(10.71)	(48.74)	12.96	10.39	8.97	(29.53)
Return to Shareholders						
ROE - Before tax	(21.37)	(25.16)	1.43	3.36	0.80	(7.18)
ROE - After tax	(13.94)	(14.77)	2.70	3.97	3.39	(6.76)
Return on Capital Employed	(13.57)	(13.58)	2.36	3.42	3.20	(6.22)
E. P. S. - After tax	(42.55)	(51.35)	10.27	14.72	8.97	(17.26)
Activity						
Total assets turnover	0.66	0.20	0.18	0.36	0.32	0.19
Non-current assets turnover	1.27	0.33	0.26	0.57	0.61	0.42
Liquidity/Leverage						
Current ratio	1.03	1.25	14.52	9.12	2.86	20.04
Break up value per share	30.52	34.77	38.08	37.05	26.44	25.55
Total Liabilities to equity (Times)	(0.33)	(0.75)	(0.17)	(0.20)	(0.26)	(0.12)

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 shareholders as per their expectations.

MISSION STATEMENT

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

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

Commitment to building Safe, Healthy and Environment friendly atmosphere.

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

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

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

STRATEGIC GOALS

- Providing Customer Satisfaction by serving with superior quality production of white sugar at lowest cost.
- Ensuring Security and Accountability by creating an environment of security and accountability for employees, production facilities and products.
- Expanding Customer Base by exploring new national and international markets and undertaking product research and development in sugar industry.
- Ensuring Efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all our strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

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

On behalf of the Board of Directors

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

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

On behalf of the Board of Directors

Mardan:
04 January, 2013

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation of The Karachi Stock Exchange and Chapter XI of the listing regulations of the Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors; at present the Board includes one independent non-executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed Companies including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or being a member of a stock exchange has not been declared as a defaulter by such stock exchange.

4. No casual vacancies were occurred in the Board during the year

5. The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the directors and employees of the Company.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

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

9. The Board arranged and orientation course for its directors during the year to apprise them of their duties and responsibilities.

10. There were no new appointments of CFO, Company Secretary or Head of Internal Audit Department during the year.

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

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

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

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

15. The Board has formed an Audit Committee, which comprises of three members, of whom one is non-executive director.

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

17. The Company has set-up an effective internal audit function.

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

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with requirements of listing regulation of the Karachi Stock Exchange (Guarantee) Limited.

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

On behalf of the Board of Directors

Mardan:
04 January, 2013

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED (the Company) to comply with the Listing Regulations of the Karachi and Islamabad Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried-out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 September, 2012.

LAHORE;
05 January, 2013

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) as at 30 September, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, except for the fact that provision against deposits with a non-bank finance company has not been made in these financial statements as the matter is pending adjudication before the Court as fully detailed in note 26.4 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 30 September, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

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

LAHORE;
05 January, 2013

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2012

	Note	2012	2011
		Rupees in thousand	
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 5,750,000 ordinary shares of Rs.10 each		57,500	57,500
Issued, subscribed and paid-up capital	7	37,500	37,500
Reserves		900,001	900,001
Accumulated loss		(150,672)	(22,501)
		786,829	915,000
Surplus on Revaluation of property, plant and equipment	8	357,508	388,883
Non-current Liabilities			
Deferred taxation	9	4,569	91,360
Staff retirement benefits - gratuity	10	26,776	23,241
		31,345	114,601
Current Liabilities			
Trade and other payables	11	189,630	31,118
Accrued mark-up on short term borrowings		26,975	30,267
Short term borrowings	12	815,754	797,126
Taxation	13	1,981	338
		1,034,340	858,849
Contingencies and Commitments	14		
		2,210,022	2,277,333

	Note	2012	2011
		Rupees in thousand	
Assets			
Non-current Assets			
Property, plant and equipment	15	640,566	673,845
Investment property	16	35,298	37,066
Investments	17	170,006	170,006
Long term loan to Subsidiary Company	18	302,500	322,500
Security deposits		568	517
		1,148,938	1,203,934
Current Assets			
Stores and spares	19	117,978	104,531
Stock-in-trade	20	614,293	668,598
Trade debts	21	108,951	24,472
Loans and advances	22	15,594	10,945
Trade deposits and short term prepayments	23	1,784	2,072
Accrued profit on bank deposits		70	100
Other receivables	24	6,478	479
Sales tax refundable		8,594	18,540
Income tax refundable, advance income tax and tax deducted at source		38,593	15,965
Short term investments	25	65,749	178,416
Bank balances	26	83,000	49,281
		1,061,084	1,073,399
		2,210,022	2,277,333

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, 2012

	Note	2012	2011
		Rupees in thousand	
Sales - Net	27	**1,490,368**	395,059
Cost of Sales	28	**1,651,096**	732,500
Gross Loss		**(160,728)**	(337,441)
Distribution Cost	29	**19,132**	1,846
Administrative Expenses	30	**72,937**	56,262
Other Operating Expenses	31	**234**	5
		92,303	58,113
		(253,031)	(395,554)
Other Operating Income	32	**99,202**	136,238
Loss from Operations		**(153,829)**	(259,316)
Finance Cost	33	**90,706**	68,670
Loss before Taxation		**(244,535)**	(327,986)
Taxation			
- Current	13	**3,351**	1,709
- Prior years'	13	**(1,549)**	(2,675)
- Deferred	9	**(86,791)**	(134,454)
		(84,989)	(135,420)
Loss after Taxation		**(159,546)**	(192,566)
Other Comprehensive Income		**0**	0
Total Comprehensive Loss for the Year		**(159,546)**	(192,566)
		------- Rupees -------	
Loss per Share	34	**(42.55)**	(51.35)

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, 2012

	2012	2011
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(244,535)**	(327,986)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**62,897**	57,657
Depreciation on investment property	**1,768**	1,936
Reversal of impairment loss on long term investments	**0**	(5,163)
Mark-up on loan to Subsidiary Company and profit / mark-up on bank deposits	**(45,919)**	(51,376)
Staff retirement benefits-gratuity (net)	**3,428**	2,952
Unclaimed payable balances written-back	**(311)**	0
Loss on disposal of vehicle	**120**	0
Gain on re-measurement of short term investments to fair value	**(6,592)**	(15,662)
Dividend income	**(13,751)**	(13,751)
Uncollectible receivable balances written-off	**114**	0
Finance cost	**88,380**	67,671
Loss before working capital changes	**(154,401)**	(283,722)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(13,447)**	(20,837)
Stock-in-trade	**54,305**	(547,801)
Trade debts	**(84,479)**	5,083
Loans and advances	**(4,763)**	(8,321)
Trade deposits and short term prepayments	**288**	(504)
Other receivables	**(5,999)**	(240)
Sales tax refundable	**9,946**	(16,683)
Increase / (decrease) in trade and other payables	**158,951**	(520)
	114,802	(589,823)
Cash used in operations	**(39,599)**	(873,545)
Income tax paid	**(22,787)**	(5,244)
Security deposits	**(51)**	(15)
Net cash used in operating activities	**(62,437)**	(878,804)
Cash flow from investing activities		
Additions to property, plant and equipment	**(29,891)**	(246)
Sale proceeds of vehicle	**153**	0
Balance of long term loan received-back from Subsidiary Company	**20,000**	0
Mark-up / profit received on loan to Subsidiary Company and bank deposits	**45,949**	64,376
Dividend received	**13,751**	13,751
Acquisition of Subsidiary Company's shares	**0**	(4,155)
Short term investments	**119,259**	29,098
Net cash generated from investing activities	**169,221**	102,824
Cash flow from financing activities		
Short term borrowings - net	**18,628**	797,126
Finance cost paid	**(91,672)**	(39,584)
Dividend paid	**(21)**	(3,525)
Net cash (used in) / generated from financing activities	**(73,065)**	754,017
Net increase / (decrease) in cash and cash equivalents	**33,719**	(21,963)
Cash and cash equivalents - at beginning of the year	**49,281**	55,644
Deposits with a Non-Bank Finance Company grouped under current assets during the year	**0**	15,600
	49,281	71,244
Cash and cash equivalents - at end of the year	**83,000**	49,281

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, 2012

	Share capital	Reserves			Unappropriated profit / (Accumulated loss)	Total
		Capital	Revenue	Sub-total		
		Share redemption	General			
	---------------------- Rupees in thousand ----------------------					
Balance as at 30 September, 2010	37,500	1	900,000	900,001	141,750	1,079,251
Transactions with owners:						
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	0	0	(3,750)	(3,750)
Total comprehensive loss for the year	0	0	0	0	(192,566)	(192,566)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	32,065	32,065
Balance as at 30 September, 2011	37,500	1	900,000	900,001	(22,501)	915,000
Total comprehensive loss for the year	0	0	0	0	(159,546)	(159,546)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	31,375	31,375
Balance as at 30 September, 2012	**37,500**	**1**	**900,000**	**900,001**	**(150,672)**	**786,829**

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, 2012

1. CORPORATE INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

- recognition of employee retirement benefits at present value;
- modification of foreign currency translation adjustments;
- measurement of certain operating fixed assets at revalued amounts; and
- measurement of short term investments at fair value.

3.2 Functional and presentation currency

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

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

4.1 Amended standards that are effective in the current year and are relevant to the Company

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after 01 October, 2011 and are relevant to the Company:

(a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment has only resulted in additional disclosures with respect to financial instruments, which have been duly incorporated in these financial statements.

(b) IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of the revised standard has no impact on the Company's financial statements.

(c) IAS 24 (Revised), 'Related Party Disclosures', issued in November, 2009 supersedes IAS 24 'Related Party Disclosures' issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of the revised standard has no material impact on the Company's financial statements.

(d) IAS 34 (Amendment), 'Interim Financial Reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment pertains to interim reporting and was duly incorporated in the Company's condensed interim financial information for the period of six months ended 31 March, 2012.

4.2 New accounting standards, amendments to approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

There are other new standards, amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after 01 October, 2011; however, these are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore have not been detailed in these financial statements.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October, 2012 and have not been early adopted by the Company:

(a) IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2013). The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is only expected to result in additional disclosures and will not impact the Company's financial results.

(b) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after 01 January, 2015). This is the first standard issued as part of a wider project to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (i) amortised cost and (ii) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(c) IFRS 13, 'Fair Value Measurement' (effective for the periods beginning on or after 01 January, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It is unlikely that this standard will have a significant affect on the Company's financial statements.

(d) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 July, 2012).The main change resulting from these amendments is a requirement for the entities to group items presented in other comprehensive income (OCI) on the basis of whether they can be potentially reclassified to profit or loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of OCI, the amendments are not expected to have an affect on the Company's financial statements.

(e) IAS 19 (Amendments), 'Employee Benefits' (effective for the periods beginning on or after 01 January, 2013). The amendments (i) eliminate the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (ii) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (iii) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Company is yet to assess the full impact of these amendments.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are not yet effective; however, they are currently not considered to be relevant to the Company and therefore have not been detailed in these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Borrowings

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

5.2 Staff retirement benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 September, 2012 on the basis of the projected unit credit method by an independent Actuary.

5.3 Trade and other payables

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

5.4 Taxation

(a) Current and prior year

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

(b) Deferred

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

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

5.5 Dividend and appropriation to reserves

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

5.6 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 15.1. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

5.7 Investment property

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

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

5.8 Investments

Investments in associates and subsidiaries are carried at cost less impairment loss, if any. Gain / loss on sale of investments is included in profit and loss account. Bonus shares are accounted for by increase in number of shares without any change in value.

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

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

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

5.9 Stores and spares

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

5.10 Stock-in-trade

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

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

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

5.11 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.

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

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in income.

5.13 Cash and cash equivalents

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

5.14 Impairment loss

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

5.15 Revenue recognition

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

(a) Sales are recorded on despatch of goods.

(b) Dividend income is accounted for when the right of receipt is established.

(c) Income on long term deposit accounts is accounted for on 'accrual basis'.

5.16 Development expenditure

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

5.17 Borrowing costs

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

5.18 Provisions

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

5.19 Foreign currency translations

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

5.20 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

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

5.21 Off-setting of financial assets and liabilities

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

6. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Staff retirement benefits - gratuity

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 September, 2012 on the basis of the projected unit credit method by an independent Actuary.

b) Taxation

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

c) Property, plant and equipment

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

d) 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.

e) Provision for impairment of trade debts

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

f) Contingencies

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

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
(No. of shares)			Rupees in thousand	
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash	**14,763**	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares	**22,737**	22,737
3,750,000	3,750,000		**37,500**	37,500

7.1 Arpak International Investments Ltd. and Azlak Enterprises (Pvt.) Ltd. (Associated Companies) hold 400,000 and 13,451 ordinary shares respectively as at 30 September, 2012 and 30 September, 2011.

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

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

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

	2012	2011
Opening balance	**598,283**	536,621
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	110,992
Less: transferred to unappropriated profit / accumulated loss on account of incremental depreciation for the year	**(48,270)**	(49,330)
	550,013	598,283
Less: deferred tax on:		
- opening balance of surplus	**209,400**	187,818
- surplus on revaluation carried-out during the preceding year	**0**	38,847
- incremental depreciation for the year	**(16,895)**	(17,265)
	192,505	209,400
Closing balance	**357,508**	388,883

9. DEFERRED TAXATION

	2012	2011
	Rupees in thousand	
This is comprised of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**17,084**	21,232
- surplus on revaluation of property, plant and equipment	**192,505**	209,400
- gain on re-measurement of short term investments to fair value	**560**	1,175
	210,149	231,807
Deductible temporary differences arising in respect of:		
- available unused tax losses	**(194,345)**	(130,450)
- staff retirement benefits - gratuity	**(9,372)**	(8,134)
- impairment loss against investments	**(113)**	(113)
- provision for doubtful bank balance	**(1,750)**	(1,750)
	(205,580)	(140,447)
	4,569	91,360

10. STAFF RETIREMENT BENEFITS - Gratuity

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

	2012	2011
- discount rate - per annum	**11.50%**	12.50%
- expected rate of growth per annum in future salaries	**10.50%**	11.50%
- average expected remaining working life time of employees	**07 years**	06 years
The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	**29,889**	27,141
Unrecognised actuarial loss	**(3,113)**	(3,900)
Net liability at end of the year	**26,776**	23,241
Net liability at beginning of the year	**23,241**	20,289
Charge to profit and loss account	**4,562**	4,335
Payments made during the year	**(946)**	(1,039)
Benefits payable to outgoing members- grouped under current liabilities	**(81)**	(344)
Net liability at end of the year	**26,776**	23,241

	Note	2012	2011
		Rupees in thousand	
Opening balance		**27,141**	24,480
Current service cost		**972**	984
Interest cost		**3,392**	3,060
Benefits payable to outgoing members - grouped under current liabilities		**(81)**	(344)
Benefits paid		**(946)**	(1,039)
Actuarial gain		**(589)**	0
Closing balance		**29,889**	27,141
Current service cost		**972**	984
Interest cost		**3,392**	3,060
Actuarial loss recognised		**198**	291
		4,562	4,335

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

	2012	2011	2010	2009	2008
		Rupees in thousand			
Present value of defined benefit obligation	29,889	27,141	24,480	23,936	27,275
Experience adjustment on obligation	**(589)**	0	(1,593)	0	5,090

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

11. TRADE AND OTHER PAYABLES

	Note	2012	2011
Creditors		**21,165**	5,814
Accrued expenses		**6,793**	8,564
Security deposits	**11.1**	**1,693**	585
Advance from customers		**151,123**	6,131
Income tax deducted at source		**377**	144
Gratuity payable to ex-employees		**1,382**	1,489
Workers' (profit) participation fund	**11.2**	**0**	145
Workers' welfare fund	**32.2**	**0**	581
Unclaimed dividends		**7,011**	7,032
Others		**86**	633
		189,630	31,118

11.1 Security deposits include Rs.335 thousand (2011: Rs.447 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.

	Note	2012	2011
		Rupees in thousand	
11.2 Workers' (profit) participation fund			
Opening balance		**145**	1,546
Add: interest earned on term deposit receipt purchased		**0**	82
		145	1,628
Less: payments made during the year		**145**	1,483
Closing balance		**0**	145

12. SHORT TERM BORROWINGS

	Note	2012	2011
Secured	**12.1**	**812,277**	777,525
Un-secured	**12.2**	**3,477**	19,601
		815,754	797,126

12.1 **(a)** Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs. 1,000 million (2011: Rs. 950 million). These facilities are secured against pledge of stock of refined sugar, charge over present and future current assets of the Company and first registered charge for Rs. 200 million over all present and future fixed assets (excluding land and buildings) of the Company. These facilities, during the year, carried mark-up at the rates ranging from 11.00% to 15.96% (2011: 15.07% to 15.54%) per annum and are expiring on various dates by 30 September, 2013.

(b) Facilities available for opening letters of guarantee and credit from various commercial banks aggregate Rs.154.300 million (2011: facility available for opening letters of guarantee amounted Rs.45 million). Out of the available facilities, facilities aggregating Rs.115.003 million (2011: Rs.35 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts, shipping documents and cash margin deposits.

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

13. **TAXATION** - Net	Note	**2012**	2011
		Rupees in thousand	
Opening balance		**338**	1,680
Add: provision / (reversal) made during the year:			
- current	**13.2**	**3,351**	1,709
- prior years' - net		**(1,549)**	(2,675)
		1,802	(966)
Less: adjustments made during the year against completed assessments		**159**	376
		1,981	338

13.1 The returns for the Tax Years 2008 to 2012 have been filed after complying with all the provisions of the Income Tax Ordinance, 2001 (the Ordinance). Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.

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

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

14. CONTINGENCIES AND COMMITMENTS

14.1 No commitments were outstanding as at 30 September, 2012 and 30 September, 2011.

14.2 The Additional Collector of Customs, Sales Tax and Central Excise (Adjudication), Peshawar, during the financial year ended 30 September, 2001, had raised sales tax demands aggregating Rs.4.336 million along with additional tax on the grounds that the Company claimed input tax on the whole value of supplies made during that year which included taxable as well as exempt supplies, in contravention of section 8(2) read with S.R.O. 698(1)/96 dated 22 August, 1996. Further, the Company 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 12 August, 2003 had partially allowed the appeal.

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

14.3 The Collectorate of Customs, Sales Tax and Federal Excise (Appeals), Rawalpindi, vide its judgment dated 21 October, 2008, had rejected the Company's appeal and upheld the order of the Assistant Collector wherein the Company was directed to deposit 1% special federal excise duty amounting Rs.63 thousand and disallowed the input tax adjustment to the tune of Rs.694 thousand. The Company had filed an appeal with the Appellate Tribunal Inland Revenue, Peshawar, which deleted the excise duty amounting Rs. 63 thousand, the consequential penalty and additional surcharge as well as allowed input tax adjustment amounting Rs. 694 thousand.

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

14.5 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at 30 September, 2012 was for Rs.10 million (2011: Rs.10 million). The guarantee is valid upto 26 May, 2013.

14.6 Also refer contents of note 15.5.

15. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		Rupees in thousand	
Operating fixed assets	**15.1**	**619,135**	673,845
Capital work-in-progress			
Plant & machinery - cost and expenses		**21,431**	0
		640,566	673,845

15.1 Operating fixed assets - tangible

Particulars	Leasehold land	Owned						Total
		Freehold land	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	
	---------- Rupees in thousand ----------							
COST / REVALUATION								
Balance as at 30 September, 2010	2,725	5,082	139,694	138,024	610,533	20,802	17,767	934,627
Additions during the year	0	0	0	0	0	0	246	246
Balance as at 30 September, 2011	2,725	5,082	139,694	138,024	610,533	20,802	18,013	934,873
Balance as at 30 September, 2011	2,725	5,082	139,694	138,024	610,533	20,802	18,013	934,873
Additions during the year	0	6,986	0	0	0	720	754	8,460
Disposal during the year	0	0	0	0	0	0	(402)	(402)
Balance as at 30 September, 2012	2,725	12,068	139,694	138,024	610,533	21,522	18,365	942,931
DEPRECIATION								
Balance as at 30 September, 2010	360	0	24,990	24,692	237,794	16,431	10,096	314,363
Charge for the year	28	0	9,150	9,040	37,290	580	1,569	57,657
Elimination of accumulated depreciation upon revaluation	0	0	(17,585)	(17,376)	(76,031)	0	0	(110,992)
Balance as at 30 September, 2011	388	0	16,555	16,356	199,053	17,011	11,665	261,028
Balance as at 30 September, 2011	388	0	16,555	16,356	199,053	17,011	11,665	261,028
Charge for the year	28	0	10,001	9,882	41,167	530	1,289	62,897
Charge on disposal	0	0	0	0	0	0	(129)	(129)
Balance as at 30 September, 2012	416	0	26,556	26,238	240,220	17,541	12,825	323,796
BOOK VALUE AS AT 30 SEPTEMBER, 2011	2,337	5,082	123,139	121,668	411,480	3,791	6,348	673,845
BOOK VALUE AS AT 30 SEPTEMBER, 2012	2,309	12,068	113,138	111,786	370,313	3,981	5,540	619,135
Annual depreciation rate (%)	1.01	0	5-10	5-10	10-12	10-15	10-20	

15.2 Disposal of a vehicle

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Loss	Sold through negotiation to:
	---------- Rupees in thousand ----------					
Honda Accord	402	129	273	153	(120)	Mr. Shahid Iqbal, Mohalla V.I.P., Post Office Mardan.

15.3 Depreciation for the year has been allocated as follows:

	2012	2011
	Rupees in thousand	
Cost of sales	**60,892**	55,294
Administrative expenses	**2,005**	2,363
	62,897	57,657

15.4 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	**7,036**	7,557
- buildings on leasehold land	**6,955**	7,470
- plant & machinery	**105,599**	117,342
	119,590	132,369

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

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

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

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

16. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------- Rupees in thousand -------------		
As at 30 September, 2010			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	39,035	39,035
Book value	14,544	24,458	39,002
Year ended 30 September, 2011:			
Depreciation charge	0	1,936	1,936
Book value as at 30 September, 2011	14,544	22,522	37,066
Year ended 30 September, 2012:			
Depreciation charge	0	1,768	1,768
Book value as at 30 September, 2012	**14,544**	**20,754**	**35,298**
As at 30 September, 2011			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	40,971	40,971
Book value	14,544	22,522	37,066
As at 30 September, 2012			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	42,739	42,739
Book value	**14,544**	**20,754**	**35,298**
Depreciation rate (%)	0	5-10	

16.1 Fair value of the investment property, based on the management's estimation, as at 30 September, 2012 was Rs.260 million (2011: Rs.260 million).

17. INVESTMENTS - in Related Parties

	2012	2011	2012	2011
	Share-holding %		Rupees in thousand	
SUBSIDIARY COMPANIES				
QUOTED:				
Chashma Sugar Mills Ltd.				
13,751,000 (2011: 13,751,000) ordinary shares of Rs.10 each **(note 17.1)**	**47.93**	47.93	**137,584**	137,584
- Market value Rs.107.258 million (2011: Rs.120.871 million)				
- Value of investments based on net assets shown in the audited financial statements for the year ended 30 September, 2012 Rs. 203.652 million (2011: Rs. 277.082 million)				
UN-QUOTED:				
The Frontier Sugar Mills & Distillery Ltd.				
1,113,637 (2011: 1,113,637) ordinary shares of Rs.10 each	**82.49**	82.49	**26,509**	26,509
42,984 (2011: 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 30 September, 2012 Rs. 196.521 million (2011: Rs. 197.247 million)				
			27,106	27,106
			164,690	164,690
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2011: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Market value Rs.3.449 million (2011: Rs.3.219 million)				

UN-QUOTED:			2012	2011
		Note	Rupees in thousand	
National Computers (Pvt.) Ltd.				
14,450 (2011: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**322**	322
Less: impairment loss			**322**	322
- Value of investments based on net assets shown in the audited financial statements for the year ended 30 June, 2011 - Rs. Nil			**0**	0
Premier Board Mills Ltd.				
47,002 (2011: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**470**	470
- Value of investments based on net assets shown in the audited financial statements for the year ended 30 June, 2012 Rs.3.645 million (2011: Rs.3.461 million)				
Azlak Enterprises (Pvt.) Ltd.				
200,000 (2011: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**2,000**	2,000
- Value of investments based on net assets shown in the un-audited financial statements for the year ended 30 June, 2012 Rs.32.779 million				
			170,006	170,006

17.1 The Company directly and indirectly controls / beneficially owns more than fifty percent of Chashma Sugar Mills Ltd.'s (CSM) paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary of the Company with effect from the financial year ended 30 September, 2010.

18. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured

The Company and Chashma Sugar Mills Ltd. (CSM) have entered into a loan agreement on 20 May, 2008, whereby the Company advanced amounts aggregating Rs.322.500 million to CSM. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by the Company during the year ranged from 13.42% to 15.17% (2011:15.07% to 15.54%) per annum. The loan is receivable in 8 equal half-yearly instalments commencing August, 2013; however, CSM has made premature repayment amounting Rs. 20 million during September, 2012. The loan is secured against a promissory note of Rs.397.810 million.

19. STORES AND SPARES

	Note	2012	2011
		Rupees in thousand	
Stores including in-transit inventory valuing Rs.Nil (2011: Rs. 3.780 million)		**63,585**	63,097
Spares		**54,393**	41,434
		117,978	104,531

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

20. STOCK-IN-TRADE

	Note	2012	2011
Sugar-in-process		**11,615**	10,850
Finished goods:			
- Sugar	**20.1**	**598,589**	647,235
- Spirit		**4,089**	10,513
		602,678	657,748
		614,293	668,598

20.1 Year-end finished sugar inventory includes inventory costing Rs. 658.062 million (2011: Rs. 1,046.751 million), which has been stated at net realisable value. The amount charged to profit and loss account in respect of inventory write-down to net realisable value amounted Rs. 59.473 million (2011: Rs. 399.516 million).

20.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 2,538.221 metric tonnes (2011: 5,518.109 metric tonnes) valued at Rs. Nil.

21. TRADE DEBTS

	2012	2011
Export - secured	**107,000**	24,177
Local - unsecured, considered good	**1,951**	295
	108,951	24,472

22. LOANS AND ADVANCES

	2012	2011
Advances to:		
- suppliers and contractors - considered good	**13,433**	10,305
- employees - considered good	**2,161**	640
	15,594	10,945

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

23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2012	2011
		Rupees in thousand	
Excise duty deposit		**136**	136
Short term prepayments		**1,648**	1,936
		1,784	2,072

24. OTHER RECEIVABLES - Unsecured

The Bank of Khyber (BoK), during the current financial year, has recovered export refinance non-shipment fine aggregating Rs. 10.791 million as levied by State Bank of Pakistan (SBP). The Company has received-back amounts aggregating Rs. 4.732 million from BoK as refunded-back by SBP. The management is hopeful that the remaining balance of Rs. 6.059 million, grouped with other receivables at year-end, will also be refunded-back by SBP shortly.

25. SHORT TERM INVESTMENTS

- At fair value through profit or loss

		2012	2011
Askari Sovereign Cash Fund 607,527 Units (2011: 655,456 Units)		**54,887**	59,000
Alfalah GHP Cash Fund - Nil Units (2011: 33,257 Units)		**0**	14,882
MCB Cash Management Optimizer 44,135 Units (2011: 566,368 Units)		**3,982**	53,872
Pakistan Cash Management Fund 6,352 Units (2011: 779,791 Units)		**288**	35,000
		59,157	162,754
Add: adjustment on re-measurement to fair value		**6,592**	15,662

26. BANK BALANCES

	Note	2012	2011
Cash at banks on:			
- PLS accounts	**26.1**	**5,425**	1,655
- current accounts		**6,522**	5,870
- deposit accounts	**26.3**	**36,808**	7,511
- deposits with a non-bank finance company - unsecured	**26.4**	**39,000**	39,000
- dividend accounts		**245**	245
		88,000	54,281
Less: provision for doubtful bank balance	**26.5**	**5,000**	5,000
		83,000	49,281

26.1 These include Rs.335 thousand (2011: Rs.447 thousand) in security deposit account.

26.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 5.00% to 12.85% (2011: 5.00% to 12.85%) per annum.

26.3 As at 30 September, 2012, deposits aggregating Rs. 29.297 million are under bank's lien as detailed in note 14.4.

26.4 **(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**
	Rupees in thousand
29 July, 2009	**7,800**
29 July, 2010	**7,800**
29 July, 2011	**7,800**
29 July, 2012	**15,600**
	39,000

(b) The realisibility of these deposits is doubtful of recovery as these could not be encashed on their respective maturity dates. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from 28 January, 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.

26.5 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 25 September, 1993 vide TDR No.007902, which was to mature on 25 March, 1994. The aforesaid TDR could not be encashed because of the crisis of Mehran Bank's affairs which were being administered by the State Bank of Pakistan (SBP). Mehran Bank was eventually merged into National Bank of Pakistan (NBP).

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

27. SALES - Net

	2012	2011
	Rupees in thousand	
Turnover:		
Local	**1,397,493**	387,716
Export	**197,430**	24,177
	1,594,923	411,893
Less:		
Sales tax	**104,555**	15,211
Federal excise duty	**0**	1,623
	104,555	16,834
	1,490,368	395,059

28. COST OF SALES

	Note	2012	2011
		Rupees in thousand	
Raw materials consumed		**1,176,691**	1,006,786
Chemicals and stores consumed		**25,586**	10,046
Salaries, wages and benefits	28.1	**94,984**	71,697
Power and fuel		**200,263**	109,525
Insurance		**2,256**	1,530
Repair and maintenance		**36,119**	25,423
Depreciation		**60,892**	55,294
		1,596,791	1,280,301
Adjustment of sugar-in-process:			
Opening		**10,850**	13,487
Closing		**(11,615)**	(10,850)
		(765)	2,637
Cost of goods manufactured		**1,596,026**	1,282,938
Adjustment of finished goods:			
Opening stock		**657,748**	107,310
Closing stock		**(602,678)**	(657,748)
		55,070	(550,438)
		1,651,096	732,500

28.1 These include Rs.1.313 million (2011: Rs.1.174 million) and Rs.3.513 million (2011: Rs.3.338 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

29. DISTRIBUTION COST

	2012	2011
Commission	**1,665**	321
Salaries, wages and amenities	**315**	281
Stacking and loading	**1,059**	422
Spirit export expenses	**14,912**	465
Others	**1,181**	357
	19,132	1,846

30. ADMINISTRATIVE EXPENSES

	Note	2012	2011
		Rupees in thousand	
Salaries and amenities	30.1	**32,801**	24,297
Travelling, vehicles' running and maintenance		**8,185**	6,094
Utilities		**1,606**	1,027
Directors' travelling		**3,477**	717
Rent, rates and taxes		**1,144**	1,721
Insurance		**926**	901
Repair and maintenance		**7,782**	8,705
Printing and stationery		**1,802**	968
Communication		**1,577**	1,482
Legal and professional charges (other than Auditors)		**5,766**	2,192
Subscription		**934**	208
Auditors' remuneration	30.2	**1,084**	867
Depreciation on:			
- operating fixed assets		**2,005**	2,363
- investment property		**1,768**	1,936
General office expenses		**2,080**	2,784
		72,937	56,262

30.1 These include Rs.0.573 million (2011: Rs.0.459 million) and Rs.1.049 million (2011: Rs.0.997 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

30.2 Auditors' remuneration

	2012	2011
Hameed Chaudhri & Co.		
- statutory audit	**500**	250
- half yearly review	**75**	60
- consultancy, tax services and certification charges	**395**	462
- out-of-pocket expenses	**55**	42
	1,025	814
Munawar Associates		
- cost audit fee	**35**	39
- audit fee of workers' (profit) participation fund	**14**	14
- out-of-pocket expenses	**10**	0
	59	53
	1,084	867

31. OTHER OPERATING EXPENSES

	Note	2012	2011
		Rupees in thousand	
Loss on disposal of vehicle		**120**	0
Uncollectible receivable balances written-off		**114**	0
Donations		**0**	5
		234	5

32. OTHER OPERATING INCOME

	Note	2012	2011
Income from financial assets:			
Mark-up on loan to Subsidiary Company		**45,195**	49,655
Reversal of impairment loss on long term investments		**0**	5,163
Mark-up / interest / profit on bank deposits / saving accounts and certificates		**724**	1,721
Gain on redemption of short term investments		**2,006**	12,919
Fair value gain on re-measurement of short term investments	**25**	**6,592**	15,662
Dividend Income		**13,751**	13,751
Income from other than financial assets:			
Rent		**7**	1,066
Sale of scrap (2011: net of sales tax amounting Rs.2.211 million)		**2**	13,811
Unclaimed payable balances written-back		**311** **0**	0
Profit from petrol pump and fertilizer sales	**32.1**	**5,384**	946
Sale of agricultural produce		**17,633**	15,148
Sale of beet pulp		**5,000**	5,000
Workers' welfare fund - written back	**32.2**	**581**	0
Miscellaneous - net of sales tax amounting Rs. 321 thousand (2011: Rs.224 thousand)		**2,016**	1,396
		99,202	136,238

32.1 Profit from petrol pump and fertilizer sales

	2012	2011
	Rupees in thousand	
Sales	**25,593**	7,059
Less: cost of sales		
opening stock	**10,194**	1,092
purchases	**12,650**	15,215
closing stock	**(2,635)**	(10,194)
	20,209	6,113
	5,384	946

32.2 Workers' welfare fund provisions made during prior years have been written-back as the amendments introduced in Finance Acts 2006 and 2008 have been declared unconstitutional and unlawful by the Lahore High Court, Lahore.

33. FINANCE COST

Mark-up on short term borrowings	**88,380**	67,671
Bank charges	**2,326**	999
	90,706	68,670

34. LOSS PER SHARE

Loss after taxation attributable to ordinary shareholders	**(159,546)**	(192,566)
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	Rupees	
Loss per share	**(42.55)**	(51.35)

34.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2012 and 30 September, 2011, which would have any effect on the loss 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 export of spirit and import of stores & spares mainly denominated in U.S. $ and Euro respectively. The Company's exposure to foreign currency risk at the year-end is as follows:

	2012	2011
	Rupees in thousand	
Trade debts	**107,000**	24,177

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2012	2011	**2012**	2011
U.S. $ to Rupee	**94.40**	86.93	**94.50**	87.20

(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:

	2012	2011	**2012**	2011
	Effective rate Percentage		**Carrying amount Rupees in thousand**	
Fixed rate instruments				
Deposits with a non-bank finance company	**5%**	5%	**39,000**	39,000
Bank balances	**5.00% to 12.85%**	5.00% to 12.85%	**42,233**	9,166
Variable rate instruments				
Long term loan to Subsidiary Company	**13.42% to 15.17%**	15.07% to 15.54%	**302,500**	322,500
Short term borrowings	**11.00% to 15.96%**	15.07% to 15.54%	**812,277**	777,525

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 30 September, 2012, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.5,098 thousand (2011: Rs.4,550 thousand) higher / lower, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. Price risk arises from the Company's investments in Units of Mutual Funds classified as short term investments at fair value through profit or loss. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in the market. In addition, the Company's management actively monitors the key factors that affect price movement.

A 10% increase / decrease in redemption value of Units of Mutual Funds would decrease / increase loss before taxation for the year by Rs.6,575 thousand (2011:Rs.17,842 thousand).

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

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, short term investments, deposits with a non-bank finance company and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

In respect of other counter parties, due to the 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 30 September, 2012 along with comparative is tabulated below:

	2012	2011
	Rupees in thousand	
Security deposits	**568**	517
Trade debts	**108,951**	24,472
Trade deposits	**136**	136
Accrued profit / mark-up on bank deposits	**70**	100
Other receivables	**6,478**	479
Short term investments	**65,749**	178,416
Deposits with a non-bank finance company	**39,000**	39,000
Bank balances	**44,000**	10,281
	264,952	253,401

The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-bank finance company as detailed in note 26.4.

Trade debts exposure by geographic region is as follows:	**2012**	2011
	Rupees in thousand	
Domestic	**1,951**	295
Export	**107,000**	24,177
	108,951	24,472

The only export debtor of the Company is situated in Australia.

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

Not past due	**107,059**	24,453
Past due 30 days	**1,605**	0
Past due 180 days	**157**	10
Past due 1 year	**130**	9
	108,951	24,472

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.108.244 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

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

	Fund stability rating assigned by PACRA
- MCB Cash Management Optimizer	**AA**
- Pakistan Cash Management Fund	**AAA**
- Askari Sovereign Cash Fund	**AA+**

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:

	2012		
	Carrying amount	**Contractual cash flows**	**Less than 1 year**
	------ Rupees in thousand ------		
Trade and other payables	**38,130**	**38,130**	**38,130**
Accrued mark-up	**26,975**	**26,975**	**26,975**
Short term borrowings	**815,754**	**897,822**	**897,822**
	880,859	**962,927**	**962,927**

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

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.

35.5 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 30 September, 2012, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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

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

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

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

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

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 ratio under the financing agreements.

37. TRANSACTIONS WITH RELATED PARTIES

37.1 No amount was due from Subsidiary and Associated Companies at any month-end during the year (2011: maximum aggregate balance due from the Subsidiary and Associated Companies, on account of normal trading transactions, at any month-end amounted Rs.85 thousand).

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:

	2012	2011
Subsidiary Companies	**Rupees in thousand**	
- dividend received	**13,751**	13,751
- purchase of goods	**6,401**	10,951
- sale of goods and services	**0**	365
- mark-up earned on long term loan	**45,195**	49,655
Associated Companies		
- dividend paid	**0**	413
- purchase of goods	**19,626**	4,677

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2012	2011	**2012**	2011	**2012**	2011
	----------------------- Rupees in thousand -----------------------					
Managerial remuneration	**1,200**	1,200	**7,560**	7,123	**3,306**	5,265
Medical expenses reimbursed	**0**	0	**52**	0	**0**	22
	1,200	1,200	**7,612**	7,123	**3,306**	5,287
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

		2012	2011
SUGAR CANE PLANT			
Rated crushing capacity per day	**M.Tonnes**	**3,810**	3,810
Cane crushed	**M.Tonnes**	**249,062**	133,655
Sugar produced	**M.Tonnes**	**24,290**	11,509
Days worked	**Nos.**	**133**	117
Sugar recovery	**%**	**9.76**	8.65
SUGAR BEET PLANT			
Rated slicing capacity per day	**M.Tonnes**	**2,500**	2,500
Beet sliced	**M.Tonnes**	**43,125**	50,509
Sugar produced	**M.Tonnes**	**4,539**	4,467
Days worked	**Nos.**	**32**	22
Sugar recovery	**%**	**10.65**	8.93
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**660,010**	172,302
Days worked	**Nos.**	**131**	63

- The normal season days are 150 days for Sugar Cane crushing and 50 days for Beet slicing.

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

40. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 04 January, 2013 by the board of directors of the Company.

41. FIGURES

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

annual report

2012

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRMAN/CHIEF EXECUTIVE	KHAN AZIZ SARFARAZ KHAN
DIRECTORS	BEGUM LAILA SARFARAZ MR. ABBAS SARFARAZ KHAN MS. ZARMINE SARFARAZ MS. NAJDA SARFARAZ MR. ISKANDER M KHAN MR. BABER ALI KHAN MR. ABDUL QADAR KHATTAK
BOARD AUDIT COMMITTEE	MS. NAJDA SARFARAZ MR. ISKANDER M KHAN MR. BABER ALI KHAN
COMPANY SECRETARY	MR. MUJAHID BASHIR
CHIEF FINANCIAL OFFICER	MR. RIZWAN ULLAH KHAN
AUDITORS	MESSRS HAMEED CHAUDHRI & CO. CHARTERED ACCOUNTANTS
COST AUDITORS	MESSRS MUNAWAR ASSOCIATES CHARTERED ACCOUNTANTS
TAX CONSULTANTS	MESSRS HAMEED CHAUDHRI & CO. CHARTERED ACCOUNTANTS
LEGAL ADVISORS	MR. TARIQ MEHMOOD KHOKHAR Barrister -at-Law, Advocate
SHARES REGISTRAR	MESSRS HAMEED MAJEED ASSOCIATES, (PVT.) LIMITED, H.M HOUSE, 7-BANK SQUARE, LAHORE
BANKERS	NATIONAL BANK OF PAKISTAN HABIB BANK LIMITED MCB BANK LIMITED THE BANK OF KHYBER BANK AL-FALAH LIMITED BANK AL-HABIB LIMITED SILK BANK LIMITED THE BANK OF PUNJAB FAYSAL BANK LIMITED DUBAI ISLAMIC BANK PAKISTAN LIMITED
REGISTERED OFFICE	NOWSHERA ROAD, MARDAN
HEAD OFFICE	KING'S ARCADE 20-A, MARKAZ F-7, ISLAMABAD PHONE: 051-2650805-7 FAX: 051-2651285-6
FACTORY	DERA ISMAIL KHAN (KHYBER PAKHTOONKHAWA) PHONE: 0966-750090, 750091 FAX: 0966-750092

CHASHMA SUGAR MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 25th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2013 at 11.00 AM at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2012.

(2) To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended 30 September, 2012.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2013. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2013 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
04 January, 2013

(Mujahid Bashir)
Company Secretary

N.B:

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited are pleased to present Directors' Report of the Company together with the Audited Financial Statements for the year ended 30 September, 2012.

SUMMARISED FINANCIAL RESULTS

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

	2012	2011
	(Rupees in thousands)	
(Loss) / Profit before taxation	(239,067)	165,491
Taxation		
Current	30,688	58,844
Prior	98	(10,947)
Deferred	(50,882)	(23,016)
	(20,096)	24,881
(Loss) / Profit after taxation	(218,971)	140,610
	---------- (Rupees) ----------	
(Loss) / Earnings per share	(7.63)	4.90

GENERAL

1. SUGARCANE SEASON 2011-2012

The sugarcane crushing season commenced on 30 November, 2011, and continued till 21 March, 2012. The mills crushed 1,196,202 tons (2010-11: 1,353,553 tons) of sugarcane and produced 103,478 tons (2011: 117,474) of sugar at an average recovery of 8.65 % (2010-11: 8.69 %). The Company suffered losses due to low prices of sugar, as Trading Corporation of Pakistan (TCP) offloaded its buffer stock in the market, instead of holding sugar stocks to meet the shortages in the country, if any.

2. CURRENT SEASON 2012-2013

The sugarcane crushing season started on 30 November, 2012 and the mills crushed 378,112 tons of sugarcane producing 32,060 tons of sugar with an average recovery of 8.5% up to 25 December, 2012. The Government has increased the sugarcane support price from Rs.150/- to Rs.170/- per 40 kg.

3. SUGAR PRICE

The sugar prices have remained depressed throughout the year and the prevailing sugar price does not cover the sugar production cost. The Government allowed export of surplus stock of sugar and because of this, we are expecting reasonable sugar prices for the current season.

4. STAFF

The Management and Labour relations remained cordial during the year.

5. PATTERN OF SHAREHOLDING

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

6. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of Chashma Sugar Mills Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of 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'.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the last six years in a summarized form is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2012, 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.31.400 million as at 30 September, 2011.
- During the year six (6) meetings of the Board of Directors were held.

- Attendance by each Director is as follow:-

	Name of Directors	No. of Meetings Attended
-	Khan Aziz Sarfaraz Khan	6
-	Begum Laila Sarfaraz	5
-	Mr. Abbas Sarfaraz Khan	3
-	Ms. Zarmine Sarfaraz	5
-	Ms. Najda Sarfaraz	4
-	Mr. Iskander M Khan	6
-	Mr. Baber Ali Khan	4
-	Mr. Abdul Qadar Khattak	2

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

7. ROLE OF SHAREHOLDERS

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

8 DIVIDEND

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

9. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended to re-appoint M/s Hameed Chaudhri & Co. Chartered Accountants, Lahore as External Auditors of the Company for the financial year 2012-13. The Board has recommended to approve the minimum audit fee as per ATR-14 (Revised) issued by the ICAP.

10. STATUS OF THE COMPANY

In the light of the directions of the Securities and Exchange Commission of Pakistan, the Company has been treated a subsidiary of The Premier Sugar Mills & Distillery Company Limited with effect from the financial year 2010.

11. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules, relevant for the year ended 30 September, 2012 have been duly complied with. A statement to this effect is annexed with the report.

12. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

Mardan
04 January, 2013

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

To ensure attractive returns to business associates and shareholders as per their expectations.

MISSION STATEMENT

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

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

Commitment to building Safe, Healthy and Environment friendly atmosphere.

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

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

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

STRATEGIC GOALS

- Providing Customer Satisfaction by serving with superior quality production of white sugar at lowest cost.
- Ensuring Security and Accountability by creating an environment of security and accountability for employees, production facilities and products.
- Expanding Customer Base by exploring new national and international markets and undertaking product research and development in sugar industry.
- Ensuring Efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all our strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2012

NUMBER OF SHAREHOLDERS	SHAREHOLDING					TOTAL SHARES HELD
132	FROM	1	to	100	Shares	10,969
559	FROM	101	to	500	Shares	250,596
135	FROM	501	to	1,000	Shares	126,600
179	FROM	1,001	to	5,000	Shares	471,683
45	FROM	5,001	to	10,000	Shares	351,023
11	FROM	10,001	to	15,000	Shares	138,746
9	FROM	15,001	to	20,000	Shares	160,400
10	FROM	20,001	to	25,000	Shares	231,463
4	FROM	25,001	to	30,000	Shares	105,506
4	FROM	30,001	to	35,000	Shares	130,881
4	FROM	35,001	to	40,000	Shares	148,400
3	FROM	40,001	to	50,000	Shares	146,462
2	FROM	50,001	to	60,000	Shares	115,801
1	FROM	60,001	to	65,000	Shares	65,000
2	FROM	65,001	to	75,000	Shares	141,000
1	FROM	75,001	to	80,000	Shares	76,500
1	FROM	80,001	to	85,000	Shares	81,800
1	FROM	85,001	to	95,000	Shares	94,005
1	FROM	95,001	to	130,000	Shares	129,500
1	FROM	130,001	to	135,000	Shares	131,000
2	FROM	135,001	to	160,000	Shares	300,000
1	FROM	160,001	to	165,000	Shares	162,917
3	FROM	165,001	to	320,000	Shares	878,300
1	FROM	320,001	to	325,000	Shares	323,000
1	FROM	325,001	to	370,000	Shares	334,650
1	FROM	370,001	to	465,000	Shares	394,589
1	FROM	465,001	to	470,000	Shares	469,823
2	FROM	470,001	to	805,000	Shares	1,276,975
1	FROM	805,001	to	945,000	Shares	942,227
2	FROM	945,001	to	2,000,000	Shares	3,160,709
2	FROM	2,000,001	to	above	Shares	17,341,475
1122						28,692,000

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Companies	4	19,111,834	66.61
NIT and ICP	1	24,264	0.09
Directors & Relatives	11	4,175,219	14.56
Executives			
Public Sector Companies & Corporations	13	640,034	2.23
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance			-
Companies,Modarabas and Mutal Funds	4	1,117,144	3.89
Individuals	1087	3,328,505	11.59
Charitable Trusts	2	295,000	1.03
	1122	28,692,000	100.00

Categories of Shareholders	Numbers	Shares Held		Percentage of Paid- Up Capital
Associated Companies, Undertakings and Related Parties	**4**		**19,111,834**	**66.61**
The Premier Sugar Mills & Distillery Co. Limited		13,751,000		
Syntronics Limited.		3,590,475		
Azlak Enterprises (Pvt) Limited		1,462,859		
Phipson & Co. Pakistan (Pvt.) Limited		307,500		
NIT and ICP	**1**		**24,264**	**0.09**
Directors & Relatives	**11**		**4,175,219**	**14.56**
Public Sector Companies and Corporations	**13**		**640,034**	**2.23**
Asif Mushtaq & Company		1,500		
Neelum Textile Mills (Pvt) Limited		12,400		
Shakil Express (Pvt) Limited		17,700		
Saphire Agencies (Pvt) Limited		35,000		
Mehran Sugar Mills Ltd		469,934		
Ameer Cotton Mills (Pvt) Limited		59,800		
S.H Bukhari Securities (Pvt) Limited		400		
Muhammad Ahmed Naeem Securities (Pvt) Ltd		300		
ZHV securities (Pvt) Limited		3,000		
Mazhar Hussain Securities (Pvt) Limited		2,500		
CMA Securities Limited		30,000		
AWJ Ssecurities (Pvt) Limited		2,500		
Mohammad Salim Kasmani Securities		5,000		
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	**4**		**1,117,144**	**3.89**
National Bank of Pakistan		89,717		
National Bank of Pakistan-Trustee Depart		942,227		
IDBP (ICP Unit)		3,400		
StateLife Insurance Corporation of Pakistan		81,800		
Individulals	**1087**		**3,328,505**	**11.59**
Charitable Trusts	**2**		**295,000**	**1.03**
Sarfaraz District Hospital		290,000		
Trustees Moosa Lawani Foundation		5,000		
	1122		**28,692,000**	**100.00**

Shareholders holding 10% or more voting intesrest in the Company

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

CHASHMA SUGAR MILLS LIMITED

TEN YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(R U P E E S		I N		T H O U S A N D)					
Sales	5,848,891	5,882,738	6,362,700	3,968,673	2,579,812	1,638,595	1,187,913	1,250,551	1,453,370	576,598
Cost of sales	5,702,814	5,186,437	5,597,467	3,595,629	2,233,798	1,709,629	1,132,589	1,023,674	1,369,614	577,039
Operating profit/(Loss)	97,323	612,225	647,940	297,935	270,343	(128,111)	12,327	180,256	48,878	(29,261)
Profit/(Loss) before tax	(239,067)	165,491	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086	33,246	(42,646)
Profit/(Loss) After tax	(218,971)	140,610	283,794	(217,910)	(63,163)	(358,007)	(32,338)	80,472	21,144	(43,348)
Share capital	286,920	286,920	286,920	286,920	286,920	191,280	191,280	191,280	191,280	191,280
Shareholders' equity	1,397,464	1,645,127	423,572	66,712	203,438	128,232	486,239	537,705	457,355	436,211
Fixed assets - net	3,171,414	3,103,002	2,335,101	2,515,056	2,723,775	1,850,560	893,731	934,125	322,811	355,405
Total assets	5,835,443	5,647,181	2,975,098	3,535,462	4,509,239	3,460,459	2,422,106	1,444,253	996,908	1,014,280
Long term liabilities	1,451,512	1,357,532	1,059,164	1,229,686	1,464,166	949,167	1,245,000	370,833	263,868	-
Dividend										
Cash dividend	0	10%	10%	0	0	0	0	10%	-	-
Ratios:										
Profitability (%)										
Operating profit	1.66	10.41	10.18	7.51	10.48	(4.34)	4.66	18.14	3.36	(5.07)
Profit/ (Loss) before tax	(4.09)	2.81	5.47	(3.55)	(2.22)	23.04	(4.90)	11.04	2.29	(7.40)
Profit/(Loss) after tax	(3.74)	2.39	4.46	(5.49)	(2.45)	21.85	(2.72)	6.43	1.45	(7.52)
Return to Shareholders										
ROE - Before tax	(17.11)	10.06	82.11	(211.04)	(28.10)	(294.35)	(11.99)	25.68	7.27	(9.78)
ROE - After tax	(15.67)	8.55	67.00	(326.64)	(31.05)	(279.19)	(6.65)	14.96	4.62	(9.94)
Return on Capital Employed	(6.21)	4.68	15.03	(14.23)	(3.79)	(187.16)	(0.16)	8.85	2.93	(9.93)
E. P. S. - After tax	(7.63)	4.90	9.89	(7.59)	(2.20)	(18.72)	(1.69)	4.2	1.11	(2.27)
Activity										
Income to total assets	1.00	1.36	2.14	1.12	0.57	10.34	(0.01)	0.86	1.46	0.57
Income to fixed assets	1.84	2.16	2.72	1.58	0.95	18.79	(0.02)	1.34	4.50	1.62
Liquidity/Leverage										
Current ratio	0.87	0.96	0.87	0.92	0.93	1.53	1.07	1.1	1.06	1.10
Break up value per share	48.71	5.73	14.76	2.33	7.09	0.67	25.42	28.11	23.91	22.80
Total Liabilities to equity (Times)	6.02	2.43	6.02	20.06	21.17	25.66	3.98	1.69	1.18	1.31

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2003	889,074	7.28	64,698
2004	908,130	8.03	72,918
2005	695,884	8.03	55,888
2006	579,512	7.64	44,295
2007	1,277,817	8.09	102,496
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234
2010	1,046,061	8.42	88,086
2011	1,353,553	8.69	117,474
2012	1,196,202	8.65	103,478

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF COMPLAINCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors; at present the Board includes one independent non-executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed Companies including this Company.

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

4. No casual vacancies were occurred in the Board during the year.

5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.

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

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

8. The meetings of the Board were presided over by the Chairman when he was present, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated among the directors.

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

10. There was no new appointment of CFO and no new appointment of Company Secretary during the year.

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

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

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

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

15. The Board has formed an Audit Committee, which comprises of three members, of whom one is non-executive director.

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

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

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

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with requirements of listing regulations of the Karachi Stock Exchange (Guarantee) Limited.

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

For and on behalf of the Board

Mardan
04 January, 2013

(KHAN AZIZ SARFARAZ KAHN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried-out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 September, 2012.

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

LAHORE;
05 January, 2013

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** (the Company) as at 30 September, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

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

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

LAHORE;
05 January, 2013

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2012

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 50,000,000 ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up capital 28,692,000 ordinary shares of Rs.10 each fully paid in cash	7	286,920	286,920
General reserve		327,000	327,000
Accumulated loss		(188,853)	(35,687)
		425,067	578,233
Surplus on Revaluation of Property, Plant and Equipment	8	972,397	1,066,894
Non-current Liabilities			
Long term financing	9	544,578	340,000
Loans from related parties	10	439,687	502,500
Liabilities against assets subject to finance lease	11	9,304	6,207
Deferred taxation	12	457,943	508,825
		1,451,512	1,357,532
Current Liabilities			
Trade and other payables	13	819,694	269,997
Accrued mark-up	14	98,838	125,448
Short term borrowings	15	1,710,005	1,905,100
Current portion of non-current liabilities	16	323,453	248,366
Sales tax and federal excise duty payable		3,789	16,017
Taxation	17	30,688	79,594
		2,986,467	2,644,522
Contingencies and Commitments	18		
		5,835,443	5,647,181

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Assets			
Non-current Assets			
Property, plant and equipment	19	3,167,380	3,099,093
Intangible assets	20	100	200
Security deposits		3,934	3,709
		3,171,414	3,103,002
Current Assets			
Stores and spares	21	177,166	169,366
Stock-in-trade	22	1,347,663	1,969,291
Trade debts	23	681,660	38,732
Loans and advances	24	124,787	75,210
Prepayments and other receivables	25	3,321	1,924
Investments	26	202,154	179,040
Income tax refundable, advance tax and tax deducted at source		58,605	45,489
Bank balances	27	68,673	65,127
		2,664,029	2,544,179
		5,835,443	5,647,181

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, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	28	**5,848,891**	5,882,738
Cost of Sales	29	**5,702,814**	5,186,437
Gross Profit		**146,077**	696,301
Distribution Cost	30	**15,586**	13,154
Administrative Expenses	31	**118,728**	98,492
Other Operating Expenses	32	**275**	12,591
Other Operating Income	33	**(85,835)**	(40,161)
		48,754	84,076
Profit from Operations		**97,323**	612,225
Finance Cost	34	**336,390**	446,734
(Loss) / Profit before Taxation		**(239,067)**	165,491
Taxation			
Current	17	**30,688**	58,844
Prior years'	17	**98**	(10,947)
Deferred	8	**(50,882)**	(23,016)
		(20,096)	24,881
(Loss) / Profit after Taxation		**(218,971)**	140,610
Other Comprehensive Income		**0**	0
Total Comprehensive (Loss) / Income		**(218,971)**	140,610
		------- Rupees -------	
(Loss) / Earnings per Share	35	**(7.63)**	4.90

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, 2012

	2012	2011
Cash flow from operating activities	**(Rupees in thousand)**	
(Loss) / profit for the year - before taxation	**(239,067)**	165,491
Adjustments for non-cash charges and other items:		
Depreciation	**287,673**	219,657
Amortisation of intangible assets	**100**	353
Profit on deposit accounts	**(4,936)**	(1,613)
Fair value gain on re-measurement of investments	**(11,501)**	(14,448)
Gain on redemption of investments	**(32,262)**	(11,245)
Gain on disposal of vehicles	**(548)**	(356)
Finance cost	**333,783**	444,709
Profit before working capital changes	**333,242**	802,548
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	**(7,800)**	(24,751)
Stock-in-trade	**621,628**	(1,712,633)
Trade debts	**(642,928)**	40,802
Loans and advances	**(49,577)**	(19,747)
Prepayments and other receivables	**(1,397)**	(83)
Increase / (decrease) in current liabilities:		
Trade and other payables	**549,332**	(47,442)
Sales tax and federal excise duty payable	**(12,228)**	(10,814)
	457,030	(1,774,668)
Cash generated from / (used in) operations	**790,272**	(972,120)
Income tax paid	**(92,808)**	(51,925)
Security deposits	**(225)**	(25)
Net cash generated from / (used in) operating activities	**697,239**	(1,024,070)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(356,312)**	(103,058)
Insurance claim / sale proceeds of vehicles	**900**	520
Purchase of intangible assets	**0**	(300)
Investments made	**20,649**	(126,739)
Profit on bank deposits received	**4,936**	1,626
Net cash used in investing activities	**(329,827)**	(227,951)
Cash flow from financing activities		
Long term finances - net	**234,789**	(203,334)
Loan from a related party repaid	**(20,000)**	0
Lease finances - net	**5,160**	7,909
Short term borrowings - net	**(195,095)**	1,905,100
Dividend paid	**(28,327)**	(28,270)
Finance cost paid	**(360,393)**	(410,054)
Net cash (used in) / generated from financing activities	**(363,866)**	1,271,351
Net increase in cash and cash equivalents	**3,546**	19,330
Cash and cash equivalents - at beginning of the year	**65,127**	45,797
Cash and cash equivalents - at end of the year	**68,673**	65,127

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, 2012

	Share capital	General reserve	Accumulated loss	Total
	------------------ Rupees in thousand ------------------			
Balance as at 30 September, 2010	286,920	327,000	(190,348)	423,572
Transaction with owners:				
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	(28,692)	(28,692)
Total comprehensive income for the year	0	0	140,610	140,610
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	42,743	42,743
Balance as at 30 September, 2011	286,920	327,000	(35,687)	578,233
Transaction with owners:				
Final cash dividend for the year ended 30 September, 2011 at the rate of Re.1 per share	0	0	(28,692)	(28,692)
Total comprehensive loss for the year	0	0	(218,971)	(218,971)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	94,497	94,497
Balance as at 30 September, 2012	**286,920**	**327,000**	**(188,853)**	**425,067**

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, 2012

1. CORPORATE INFORMATION

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

1.2 The Premier Sugar Mills & Distillery Company Limited (PSM) directly and indirectly controls / beneficially owns more than fifty percent of the Company's paid-up capital and also has the power to elect and appoint more than fifty percent of the Company's directors; accordingly, the Company has been treated a Subsidiary of PSM with effect from the financial year ended 30 September, 2010.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Functional and presentation currency

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

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

4.1 Amended standards that are effective in the current year and are relevant to the Company

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after 01 October, 2011 and are relevant to the Company:

(a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment has only resulted in additional disclosures with respect to financial instruments, which have been duly incorporated in these financial statements.

(b) IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of the revised standard has no material impact on the Company's financial statements.

(c) IAS 24 (Revised), 'Related Party Disclosures', issued in November, 2009 supersedes IAS 24 'Related Party Disclosures' issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of the revised standard has no material impact on the Company's financial statements.

(d) IAS 34 (Amendment), 'Interim Financial Reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment pertains to interim reporting and was duly incorporated in the Company's condensed interim financial information for the period of six months ended 31 March, 2012.

4.2 New accounting standards, amendments to approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

There are other new standards, amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after 01 October, 2011; however, these are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore have not been detailed in these financial statements.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October, 2012 and have not been early adopted by the Company:

(a) IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2013). The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is only expected to result in additional disclosures and will not impact the Company's financial results.

(b) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after 01 January, 2015). This is the first standard issued as part of a wider project to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (i) amortised cost and (ii) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(c) IFRS 13, 'Fair Value Measurement' (effective for the periods beginning on or after 01 January, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It is unlikely that this standard will have a significant affect on the Company's financial statements.

(d) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 July, 2012).The main change resulting from these amendments is a requirement for the entities to group items presented in other comprehensive income (OCI) on the basis of whether they can be potentially reclassified to profit or loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of OCI, the amendments are not expected to have an affect on the Company's financial statements.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are not yet effective; however, they are currently not considered to be relevant to the Company and therefore have not been detailed in these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Borrowings

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

5.2 **Staff retirement benefits** (defined contribution plan)

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

5.3 Trade and other payables

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

5.4 Taxation

(a) Current and prior year

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

(b) Deferred

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

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

5.5 Dividend and appropriation to reserves

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

5.6 Property, plant and equipment and depreciation

Owned assets

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

Depreciation is charged to income applying reducing balance method to write-off the cost and capitalised exchange fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 19.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month of disposal. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

Assets subject to finance lease

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

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

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

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 19.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

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

5.7 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 20.1.

5.8 Stores and spares

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

5.9 Stock-in-trade

Basis of valuation are as follows:

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

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

5.10 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.

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

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in income.

5.12 Cash and cash equivalents

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

5.13 Impairment loss

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

5.14 Development expenditure

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

5.15 Provisions

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

5.16 Foreign currency translations

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

5.17 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

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

5.18 Off-setting of financial assets and liabilities

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

5.19 Revenue recognition

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

(a) Sales are recorded on dispatch of goods.

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

5.20 Borrowing costs

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

6. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Taxation

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

b) Property, plant and equipment

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

c) 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.

d) Provision for impairment of trade debts

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

e) Contingencies

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

7. SHARE CAPITAL

	2012	2011
	(Number of shares)	
Ordinary shares held by the related parties at the year-end are as follows:		
Holding Company		
- The Premier Sugar Mills & Distillery Co. Ltd.	**13,751,000**	13,751,000
Associated Companies		
- Azlak Enterprises (Pvt.) Ltd.	**1,462,859**	1,462,859
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,111,834	19,111,834

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

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

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

	2012	2011
	(Rupees in thousand)	
Opening balance	**1,575,719**	760,723
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	880,755
Less: transferred to accumulated loss on account of incremental depreciation for the year	**(145,379)**	(65,759)
	1,430,340	1,575,719
Less: deferred tax on:		
- opening balance of surplus	**508,825**	230,157
- surplus on revaluation carried-out during the preceding year	**0**	301,684
- incremental depreciation for the year	**(50,882)**	(23,016)
	457,943	508,825
Closing balance	**972,397**	1,066,894

9. LONG TERM FINANCING - Secured

From banking companies	Note	2012	2011
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance - I	9.1	0	16,664
- Term finance - II	9.1	80,000	120,000
- Term finance - III	9.2	242,939	0
		322,939	136,664
Bank Al-Habib Limited: (BAH)			
- Term finance - I	9.3	120,000	180,000
- Term finance - II	9.4	140,000	210,000
		260,000	390,000
Silkbank Limited: (SBL)			
- Term finance	9.5	30,000	60,000
The Bank of Khyber: (BoK)			
- Demand finances	9.6	208,514	0
		821,453	586,664
Less: current portion grouped under current liabilities including an overdue instalment of Rs.30 million (2011: Rs.30 million), which has been repaid on 10 October, 2012 (2011: 12 October, 2011)		276,875	246,664
		544,578	340,000

9.1 Term finance facilities utilised from BAL aggregated Rs.400 million. The outstanding balance of term finance-I was fully repaid during October, 2011 and during the year it carried mark-up at the rate of 15.80% (2011: at the rates ranging from14.35% to 15.80%) per annum. Term finance-II carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 13.95% to 15.80% (2011: 14.35% to 15.80%) per annum. Term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. Term finance-II and term finance-III are secured against first registered joint pari passu charge on present and future fixed assets of the Company for Rs.533.334 million.

9.2 These finances have been obtained against a term finance facility of Rs.250 million for purchase of plant & machinery and are repayable in 10 equal half-yearly instalments commencing January, 2015. These are secured against the securities as detailed in note 9.1.

9.3 Term finance facility utilised from BAH aggregated Rs.300 million; the facility has been obtained for establishment of Unit- 2 and is secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.866.667 million. This finance facility, during the year, has carried mark-up at the rates ranging from 13.81% to 15.59% (2011: 14.17% to 15.59%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from February, 2010.

9.4 Term finance facility utilised from BAH aggregated Rs.350 million; the facility has also been obtained for establishment of Unit-2 and is secured against the securities as stated in note 9.3. This finance facility, during the year, has carried mark-up at the rates ranging from 14.01% to 15.79% (2011: 14.37% to 15.79%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from May, 2010.

9.5 Term finance facility utilised from SBL aggregated Rs.150 million; the facility has been obtained to finance the acquisition of plant and machinery for Unit-2 and is secured against joint pari passu charge over fixed assets of the Company for Rs.200 million. This finance facility carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.02% to 15.78% (2011: 14.37% to 15.78%) per annum. The year-end outstanding balance of this finance facility is repayable in 2 equal half-yearly instalments ending April, 2013.

9.6 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 200 bps with no floor and no cap; the effective mark-up rate during the year ranged from 13.95% to 14.01% per annum. The finance facility is repayable in 16 equal quarterly instalments commencing 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.

10. LOANS FROM RELATED PARTIES - Secured

	Note	2012	2011
Holding Company		**(Rupees in thousand)**	
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**10.1**	**302,500**	322,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	**10.2**	**130,000**	130,000
Arpak International Investments Ltd. **(AIIL)**	**10.3**	**50,000**	50,000
		482,500	502,500
Less: current portion grouped under current liabilities		**42,813**	0
		439,687	502,500

10.1 The Company and PSM have entered into a loan agreement on 20 May, 2008 whereby PSM has advanced amounts aggregating Rs.322.500 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PSM during the year ranged from 13.42% to 15.17% (2011: 15.07% to 15.54%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing August, 2013; however, the Company has made premature repayment amounting Rs.20 million during September, 2012. The loan is secured against a promissory note of Rs.397.810 million.

10.2 The Company and PBM have entered into a loan agreement on 20 May, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PBM during the year ranged from 11.72% to 14.69% (2011: 13.92% to 14.87%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing May, 2013 and is secured against a promissory note of Rs.268.031 million.

10.3 The Company and AIIL have entered into a loan agreement on 20 May, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by AIIL during the year ranged from 11.72% to 14.69% (2011: 13.92% to 14.87%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing May, 2013 and is secured against a promissory note of Rs.55.615 million.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	**2012**			2011		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	Rupees in thousand					
Minimum lease payments	**5,291**	**12,752**	**18,043**	2,756	8,705	11,461
Less: finance cost allocated to future periods	**1,526**	**1,652**	**3,178**	1,054	1,589	2,643
	3,765	**11,100**	**14,865**	1,702	7,116	8,818
Less: security deposits adjustable on expiry of lease terms	**0**	**1,796**	**1,796**	0	909	909
Present value of minimum lease payments	**3,765**	**9,304**	**13,069**	1,702	6,207	7,909

11.1 The Company has entered into lease agreements with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by April, 2016 and are subject to finance cost at the rates ranging from 11.43% to 11.76% (2011: 15.23% to 15.75%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessor and demand promissory notes.

12. DEFERRED TAXATION - Net

	Note	2012	2011
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**254,610**	273,674
- surplus on revaluation of property, plant and equipment		**457,943**	508,825
- gain on re-measurement of investments to fair value		**1,438**	1,156
- lease finances		**891**	0
		714,882	783,655
Deductible temporary differences arising in respect of:			
- lease finances		**0**	(653)
- provision for doubtful advances		**(853)**	(853)
- unused tax losses		**(76,359)**	(122,592)
- minimum tax recoverable against normal tax charge in future years		**(179,727)**	(150,732)
		(256,939)	(274,830)
		457,943	508,825

12.1 As at 30 September, 2012, deferred tax asset amounting Rs.137.605 million (2011: Rs.47.358 million) on unused tax losses has not been recognised in the financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at 30 September, 2013.

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

13. TRADE AND OTHER PAYABLES

	Note	2012	2011
Due to Associated Companies	13.1	**15,121**	10,572
Creditors		**121,122**	85,007
Bills payable		**0**	5,730
Accrued expenses		**30,043**	32,605
Retention money		**4,948**	4,024
Security deposits - interest free repayable on demand		**763**	713
Advance payments		**630,577**	108,517
Income tax deducted at source		**414**	497
Workers' (profit) participation fund	13.2	**2,023**	8,888
Workers' welfare fund		**10,475**	10,475
Unclaimed dividends		**3,283**	2,918
Due to employees		**925**	51
		819,694	269,997

	2012	2011
13.1 The balance represents amounts due to:	**(Rupees in thousand)**	
- Syntronics Ltd.	**12,591**	0
- Syntron Ltd.	**2,530**	10,290
- Phipson & Co. Pakistan (Pvt.) Ltd.	**0**	18
- Azlak Enterprises (Pvt.) Ltd.	**0**	264
	15,121	10,572
13.2 Workers' (profit) participation fund		
Opening balance	**8,888**	18,679
Add: interest on funds utilised in the Company's business	**752**	1,739
	9,640	20,418
Less: payments made during the year	**7,617**	20,418
	2,023	0
Add: allocation for the year	**0**	8,888
Closing balance	**2,023**	8,888

14. ACCRUED MARK-UP

Mark-up accrued on:		
- long term financing	**27,503**	23,551
- loans from related parties	**12,272**	30,274
- short term borrowings	**59,063**	71,623
	98,838	125,448

15. SHORT TERM BORROWINGS - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.3.850 billion (2011: Rs.3.400 billion) and, during the year, carried mark-up at the rates ranging from 11.39% to 15.17% (2011: 14.50% to 16.03%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2011: Rs.25 million). These facilities are secured against hypothecation charge over the Company's present and future fixed and current assets, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by 30 April, 2013.

16. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2012	2011
		(Rupees in thousand)	
Long term financing	**9**	**276,875**	246,664
Loans from related parties	**10**	**42,813**	0
Liabilities against assets subject to finance lease	**11**	**3,765**	1,702
		323,453	248,366

17. TAXATION - Net

	Note	2012	2011
Opening balance		**79,594**	63,664
Add: provision / (reversal) made during the year for:			
- current year	**17.7**	**30,688**	58,844
- prior years		**98**	(10,947)
		30,786	47,897
		110,380	111,561
Less: payments / adjustments made against completed assessments		**79,692**	31,967
		30,688	79,594

17.1 Returns filed by the Company for Tax Years 2004 to 2012, except for Tax Year 2009, have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance). The Company has not received any notice from the Tax Department for selection of its cases for detailed scrutiny.

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

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

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

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

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

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

18. CONTINGENCIES AND COMMITMENTS

18.1 Commitments for irrevocable letters of credit outstanding at the year-end aggregated Rs.10.420 million (2011: Rs.nil).

18.2 The Bank of Khyber (BoK), on behalf of the Company, has issued guarantees aggregating Rs.73.520 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 31,310 metric tons of sugar. These guarantees will expire on various dates by 13 February, 2013. BoK has extended these guarantees by capping the cash finance limit available to the Company.

18.3 The Company, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue vide SRO. No. 564(I)/2006 dated 05 June, 2006. This resulted in excess payment of duty amounting to Rs.35.825 million. The refund application has been submitted to the Department, which was rejected. The Company, however, has filed an appeal before the Commissioner Inland Revenue (Appeals) against the impugned order; the appeal is pending adjudication.

18.4 Refer contents of taxation notes.

19. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		(Rupees in thousand)	
Operating fixed assets - tangible	19.1	**2,727,325**	2,993,020
Capital work-in-progress	19.5	**277,588**	76,218
Stores held for capital expenditure		**162,467**	29,855
		3,167,380	3,099,093

19.1 Operating fixed assets - tangible

	Owned								Leased	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles	Vehicles	Total
	Rupees in thousand									
Cost / Revaluation										
Balance as at 30 September, 2010	144,188	591,916	2,237,463	159,946	20,666	1,017	16,666	37,830	0	3,209,692
Additions during the year	0	0	2,257	2,533	3,575	0	745	2,769	6,310	18,189
Revaluation surplus	18,801	0	0	0	0	0	0	0	0	18,801
Disposals during the year	0	0	0	0	0	0	0	(1,111)	0	(1,111)
Balance as at 30 September, 2011	162,989	591,916	2,239,720	162,479	24,241	1,017	17,411	39,488	6,310	3,245,571
Balance as at 30 September, 2011	162,989	591,916	2,239,720	162,479	24,241	1,017	17,411	39,488	6,310	3,245,571
Additions during the year	330	0	0	1,210	2,849	0	1,364	4,262	12,315	22,330
Disposals during the year	0	0	0	0	0	0	0	(1,279)	0	(1,279)
Balance as at 30 September, 2012	163,319	591,916	2,239,720	163,689	27,090	1,017	18,775	42,471	18,625	3,266,622
Depreciation										
Balance as at 30 September, 2010	0	146,831	645,593	63,826	9,432	39	9,123	20,951	0	895,795
Charge for the year	0	44,509	159,335	9,774	1,327	98	798	3,547	269	219,657
Elimination of accumulated depreciation upon revaluation	0	(95,481)	(766,473)	0	0	0	0	0	0	(861,954)
Charge on disposals	0	0	0	0	0	0	0	(947)	0	(947)
Balance as at 30 September, 2011	0	95,859	38,455	73,600	10,759	137	9,921	23,551	269	252,551
Balance as at 30 September, 2011	0	95,859	38,455	73,600	10,759	137	9,921	23,551	269	252,551
Charge for the year	0	49,606	220,126	8,934	1,525	88	845	3,809	2,740	287,673
Charge on disposals	0	0	0	0	0	0	0	(927)	0	(927)
Balance as at 30 September, 2012	0	145,465	258,581	82,534	12,284	225	10,766	26,433	3,009	539,297
Book value as at 30 September, 2011	162,989	496,057	2,201,265	88,879	13,482	880	7,490	15,937	6,041	2,993,020
Book value as at 30 September, 2012	163,319	446,451	1,981,139	81,155	14,806	792	8,009	16,038	15,616	2,727,325
Depreciation rate (%)		10	10	10	10	10	10	20	20	

19.2 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:

	2012	2011
	(Rupees in thousand)	
- freehold land	**41,387**	41,057
- buildings and roads	**219,982**	244,424
- plant and machinery	**899,200**	999,112
	1,160,569	1,284,593

		2012	2011
19.3 Depreciation for the year has been allocated as follows:	**Note**	**(Rupees in thousand)**	
Cost of sales		**278,754**	213,716
Administrative expenses		**8,919**	5,941
		287,673	219,657

19.4 Disposal of vehicle

Particulars	Cost	Accumulated depreciation	Book value	Insurance claim	Gain	Insurance claim received from:
	------------ Rupees in thousand ------------					
Toyota Corolla	1,279	927	352	900	548	IGI Insurance Ltd.

	Note	2012	2011
19.5 Capital work-in-progress			
Freehold land - advance payments		**421**	421
Buildings on freehold land		**48,956**	14,988
Plant and machinery		**209,700**	56,803
Electric installations		**12,040**	1,088
Vehicles		**0**	2,918
Un-allocated capital expenditure	**19.6**	**6,471**	0
		277,588	76,218
19.6 Un-allocated capital expenditure			
Salaries and benefits		**861**	0
Fee for soil testing		**750**	0
Consultancy fee for Ethanol Fuel Plant and other charges		**4,651**	0
Others		**209**	0
		6,471	0

20. INTANGIBLE ASSETS - Computer softwares

	Note	2012	2011
		(Rupees in thousand)	
Cost at beginning of the year		**6,592**	6,292
Additions during the year		**0**	300
Cost at end of the year		**6,592**	6,592
Less: amortisation:			
- at beginning of the year		**6,392**	6,039
- charge for the year		**100**	353
-at end of the year		**6,492**	6,392
Book value as at 30 September,		**100**	200

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

21. STORES AND SPARES

	Note	2012	2011
Stores including in-transit inventory valuing Rs.40.002 million (2011: Rs.6.666 million)		**150,887**	148,646
Spares		**26,279**	20,720
		177,166	169,366

22. STOCK-IN-TRADE

	Note	2012	2011
Finished goods		**1,340,572**	1,960,662
Sugar-in-process		**7,091**	8,629
		1,347,663	1,969,291

23. TRADE DEBTS - Unsecured, considered good

Year-end balance of trade debts includes a debt amounting Rs.32.300 million, which was overdue as at 30 September, 2012 and 30 September, 2011. To secure this debt, the Company has executed a sale deed with him whereby commercial property owned by him will be transferred to the Company if he fails to meet his commitment.

24. LOANS AND ADVANCES

	Note	2012	2011
Advance payments to:			
- employees		**3,998**	2,006
- suppliers and contractors	**24.1**	**121,876**	72,607
Due from an Associated Company	**24.2**	**793**	856
Letters of credit		**557**	2,178
		127,224	77,647
Less: provision for doubtful advances		**2,437**	2,437
		124,787	75,210

24.1 These are unsecured and considered good except for Rs.2.437 million (2011: Rs.2.437 million), which have been fully provided for in the books of account.

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

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

	2012	2011
	(Rupees in thousand)	
The Holding Company		
- sale of goods	**4,832**	8,976
- sale of stores	**1,734**	1,975
- mark-up expensed	**45,195**	49,655
- dividend paid	**13,751**	13,751
Associated Companies		
- purchase of goods	**53,980**	60,802
- sale of a vehicle	**0**	150
- mark-up expensed	**23,933**	26,171
- dividend paid	**5,361**	5,361

(b) Maximum aggregate debit balance of the Holding Company and Associated Companies at any month-end during the year was Rs.7.547 million (2011: Rs.8.631 million).

25. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	**2,754**	1,674
Other receivables	**567**	250
	3,321	1,924

26. INVESTMENTS - At fair value through profit or loss

Pakistan Cash Management Fund - 2,347,097 (2011: 1,336,395) Units	**112,423**	60,000
Askari Sovereign Fund - 841,240 Units	**78,230**	0
ABL Cash Fund - Nil Units (2011: 6,199,485 Units)	**0**	55,592
UBL Liquidity Plus Fund - Nil Units (2011: 496,524 Units)	**0**	49,000
	190,653	164,592
Add: adjustment arising from re-measurement to fair value	**11,501**	14,448
	202,154	179,040

27. BANK BALANCES

	Note	2012	2011
		(Rupees in thousand)	
Cash at banks on:			
- current accounts	27.1	44,260	30,782
- PLS accounts	27.2	24,324	34,177
- deposit accounts	27.2	89	168
		68,673	65,127

27.1 These include dividend account balance of Rs.1,723 thousand (2011: Rs.915 thousand).

27.2 These carry profit at the rate of 6% (2011: 5%) per annum.

28. SALES - Net

	2012	2011
Turnover:		
Local	6,245,157	6,204,315
Export	51,361	0
	6,296,518	6,204,315
Less:		
Sales tax	447,627	300,186
Federal excise duty	0	21,391
	447,627	321,577
	5,848,891	5,882,738

29. COST OF SALES

	Note	2012	2011
Raw materials consumed		4,425,426	6,350,570
Chemicals and stores consumed		92,516	79,684
Salaries, wages and benefits	29.1	192,095	162,469
Power and fuel		21,113	21,278
Repair and maintenance		64,586	64,765
Insurance		5,982	6,588
Machinery lease rentals		714	0
Depreciation		278,754	213,716
		5,081,186	6,899,070
Adjustment of sugar-in-process:			
Opening		8,629	8,853
Closing		(7,091)	(8,629)
		1,538	224
Cost of goods manufactured		5,082,724	6,899,294
Adjustment of finished goods :			
Opening stock		1,960,662	247,805
Closing stock		(1,340,572)	(1,960,662)
		620,090	(1,712,857)
		5,702,814	5,186,437

29.1 These include Rs.2,370 thousand (2011: Rs.2,236 thousand) in respect of staff retirement benefits.

30. DISTRIBUTION COST

	Note	2012	2011
		(Rupees in thousand)	
Salaries and benefits	30.1	**2,875**	2,188
Commission		**6,333**	6,019
Loading and stacking		**6,250**	4,947
Export development surcharge		**128**	0
		15,586	13,154

30.1 These include Rs.46 thousand (2011: Rs.40 thousand) in respect of staff retirement benefits.

31. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries and benefits	31.1	**80,567**	67,319
Travelling and conveyance:			
- directors'		**3,267**	1,127
- others		**2,716**	1,603
Vehicles' running / maintenance and lease rentals		**6,012**	6,195
Rent, rates and taxes		**1,958**	1,222
Communication		**2,866**	3,193
Printing and stationery		**2,516**	3,155
Insurance		**1,022**	871
Repair and maintenance		**5,341**	4,410
Fees and subscription		**949**	1,058
Depreciation		**8,919**	5,941
Amortisation of intangible assets		**100**	353
Auditors' remuneration	31.2	**1,291**	1,220
Legal and professional charges (other than Auditors)		**984**	670
General		**220**	155
		118,728	98,492

31.1 These include Rs.1,019 thousand (2011: Rs.828 thousand) in respect of staff retirement benefits.

		Note	2012	2011
31.2	**Auditors' remuneration:**			
	Hameed Chaudhri & Co.		(Rupees in thousand)	
	- statutory audit		**1,000**	1,000
	- half yearly review		**150**	100
	- consultancy and certification charges		**67**	50
	- out-of-pocket expenses		**19**	19
			1,236	1,169
	Munawar Associates			
	- cost audit fee		**35**	35
	- provident fund's audit fee		**5**	5
	- workers' (profit) participation fund's audit fee		**5**	5
	- out-of-pocket expenses		**10**	6
			55	51
			1,291	1,220

32. OTHER OPERATING EXPENSES

Donations (without directors' interest)	**275**	326
Workers' (profit) participation fund	**0**	8,888
Workers' welfare fund	**0**	3,377
	275	12,591

33. OTHER OPERATING INCOME

	Note	2012	2011
Income from financial assets			
Profit on deposit accounts		**4,936**	1,613
Fair value gain on re-measurement of investments	**26**	**11,501**	14,448
Gain on redemption of investments		**32,262**	11,245
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.247 thousand (2011: Rs.263 thousand) and excise duty amounting Rs.nil (2011: Rs.17 thousand)		**1,547**	1,547
Sale of scrap (2011: net of sales tax amounting Rs.1,605 thousand)		**0**	9,997
Gain on disposal of vehicles		**548**	356
Seed sales net of expenses		**35,041**	955
		85,835	40,161

34. FINANCE COST

	2012	2011
Mark-up on:	(Rupees in thousand)	
- long term financing	**96,387**	102,465
- loans from related parties	**69,128**	75,826
- short term borrowings	**165,820**	264,476
Lease finance charges	**1,696**	203
Interest on workers' (profit) participation fund	**752**	1,739
Bank charges	**2,607**	2,025
	336,390	446,734

35. (LOSS) / EARNINGS PER SHARE

	2012	2011
(Loss) / profit after taxation attributable to ordinary shareholders	**(218,971)**	140,610
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
(Loss) / earnings per share	**(7.63)**	4.90

35.1 Diluted (loss) / earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2012 and 30 September, 2011, which would have any effect on the (loss) / earnings per share of the Company if the option to convert is exercised.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2012	2011	**2012**	2011	**2012**	2011
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**0**	0	**13,573**	9,584
Allowances and utilities	**0**	0	**0**	0	**12,651**	6,345
Contribution to provident fund	**0**	0	**0**	0	**707**	595
Medical expenses reimbursed	**174**	34	**154**	142	**0**	0
	1,374	1,234	**154**	142	**26,931**	16,524
No. of persons	**1**	1	**4**	5	**16**	11

36.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Thirteen (2011: seven) of the Executives have also been provided with free housing (with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 Financial Risk Factors

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

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

37.2 Market risk

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

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of stores & spares mainly denominated in Euro. The Company's exposure to foreign currency risk is as follows:

	2012	2011
	(Rupees in thousand)	
Bills payable	**0**	5,730
Outstanding letters of credit	**10,420**	0
Net exposure	**10,420**	5,730

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2012	2011	**2012**	2011
Euro to Rupee	**-**	120.22	**-**	122.30

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

(b) Interest rate risk

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

	2012	2011	**2012**	2011
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**6**	5	**24,413**	34,345
Variable rate instruments				
Financial liabilities				
Long term financing	**13.81 to 15.80**	14.17 to 15.80	**821,453**	586,664
Loans from related parties	**11.72 to 15.17**	13.92 to 15.54	**482,500**	502,500
Liabilities against assets subject to finance lease	**11.43 to 11.76**	15.23 to 15.75	**13,069**	7,909
Short term borrowings	**11.39 to 15.17**	14.50 to 16.03	**1,710,005**	1,905,100

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 30 September, 2012, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.30,270 thousand higher / lower mainly as a result of higher / lower interest expense on variable rate financial liabilities (2011: profit would have been lower / higher by Rs.30,022 thousand).

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. Price risk arises from the Company's investments in Units of Mutual Funds. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in the market. In addition, the Company actively monitors the key factors that affect price movements.

A 10% increase / decrease in redemption value of Units of Mutual Funds would decrease / increase loss before taxation for the year by Rs.20,215 thousand (2011: profit would have increased / decreased by Rs.17,904 thousand).

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

37.3 Credit risk exposure and concentration of credit risk

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

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

Credit risk primarily arises from trade debts, loans & advances, investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

In respect of other counter parties, due to the 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 30 September, 2012 along with comparative is tabulated below:

	2012	2011
	(Rupees in thousand)	
Security deposits	**3,934**	3,709
Trade debts	**681,660**	38,732
Loans and advances	**120,232**	71,026
Other receivables	**567**	250
Investments	**202,154**	179,040
Bank balances	**68,673**	65,127
	1,077,220	357,884

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

The ageing of trade debts, all of which are domestic parties, at the year-end was as follows:

Not past due	**646,807**	6,351
Past due	**34,853**	32,381
	681,660	38,732

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.357.261 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.

37.4 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:

	2012				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	Rupees in thousand				
Long term financing	**821,453**	**1,042,016**	**364,723**	**677,293**	**0**
Loans from related parties	**482,500**	**643,140**	**103,353**	**539,787**	**0**
Liabilities against assets subject to finance lease	**13,069**	**13,069**	**3,765**	**9,304**	**0**
Trade and other payables	**175,280**	**175,280**	**175,280**	**0**	**0**
Accrued mark-up	**98,838**	**98,838**	**98,838**	**0**	**0**
Short term borrowings	**1,710,005**	**1,742,688**	**1,742,688**	**0**	**0**
	3,301,145	**3,715,031**	**2,488,647**	**1,226,384**	**0**

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

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

37.5 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 30 September, 2012, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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

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

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

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

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

38. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

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

39. CAPACITY AND PRODUCTION

	2012	2011
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,196,202**	1,353,553
Sugar produced	**103,478**	117,474
	--------- Number ---------	
Days worked:		
Unit - I	**113**	122
Unit - II	**110**	124

40. OPERATING SEGMENTS

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

40.1 Sugar sales represent 94% (2011: 92%) of the total sales of the Company.

40.2 99.12% (2011: 100%) of the Company's sales relate to customers in Pakistan.

40.3 All non-current assets of the Company as at 30 September, 2012 are located in Pakistan.

40.4 The Company sells sugar to commission agents. Sugar sales to five (2011: five) of the Company's customers during the year aggregated Rs.4.577 billion (2011: Rs.5.397 billion) constituting 78.25% (2011: 99.74%) of the total sugar sales. Three (2011: three) of the Company's customers individually exceeded 10% of the sugar sales.

41. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 04 January, 2013 by the board of directors of the Company.

42. FIGURES

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

annual report

2012

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CONTENTS

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRPERSON /CHIEF EXECUTIVE	BEGUM LAILA SARFARAZ
DIRECTORS	KHAN AZIZ SARFARAZ KHAN MR. ABBAS SARFARAZ KHAN MS. ZARMINE SARFARAZ MS. NAJDA SARFARAZ MR. BABER ALI KHAN MR. ISKANDER M. KHAN MR. ABDUL QADAR KHATTAK
COMPANY SECRETARY	MR. MUJAHID BASHIR
CHIEF FINANCIAL OFFICER	MR. RIZWAN ULLAH KHAN
AUDITORS	MESSRS HAMEED CHAUDHRI & CO., CHARTERED ACCOUNTANTS
COST AUDITORS	MESSRS MUNAWAR ASSOCIATES, CHARTERED ACCOUNTANTS.
LEGAL ADVISOR	MR. QAZI MUHAMMAD ANWAR ADVOCATE
BANKERS	MCB BANK LIMITED HABIB BANK LMITED THE BANK OF KHYBER BANK AL-FALAH LIMITED
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 75th Annual General Meeting of the shareholders of **The Frontier Sugar Mills & Distillery Limited** will be held on 31 January, 2013 at 12.00 Noon at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business:

(1) To confirm the minutes of the last Extra Ordinary General Meeting held on 31 March, 2012.

(2) To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended 30 September, 2012.

(3) To appoint Auditors of the Company and fix their remunerations for the financial year ending 30 September, 2013.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2013 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
04 January, 2013

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

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

DIRECTORS' REPORT

The Directors of The Frontier Sugar Mills & Distillery Limited are pleased to present the Directors' report of the Company together with the audited financial statements for the year ended 30 September, 2012.

SUMMARISED FINANCIAL RESULTS

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

	2012	2011
	(Rupees in thousand)	
Gross (Loss)	**(6,119)**	(6,702)
Administrative & other expenses	**(8,674)**	(7,135)
Finance cost	**(9)**	(26)
Other operating Income	**7,737**	6,705
(Loss) before taxation	**(7,065)**	(7,158)
Taxation - Current	**131**	101
(Loss) after taxation	**(7,196)**	(7,259)
Other Comprehensive Income / (Loss) for the year	**5,956**	(1,622)
Total Comprehensive Loss for the year	**(1,240)**	(8,881)
	----- Rupees -----	
Loss per Share	**(5.33)**	(5.38)

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

GENERAL

1. **REVIVAL OF THE CRUSHING**

   The completion and inauguration of canal “Bai Zai Irrigation Scheme” is expected soon. The canal will irrigate and bring under cultivation an area of 25,000 Acres. As the Growers of this area prefer to cultivate sugarcane, therefore, we are hopeful that increased sugarcane crop will help us to commence operations.

2. REPLY TO AUDITORS OBSERVATIONS

Note 14.1 The Auditors have raised doubts regarding the Company's ability to continue business as a going concern due to the non availability of raw material. However, we are hopeful that after successful functioning of “Bai Zai Irrigation Scheme”, the Mill's operations will start again.

Note 18.2 We have filed a writ petition in the Lahore High Court, Lahore and are striving to recover the deposits. Furthermore, the balance confirmation letter has been circulated to the bank for direct confirmation to the auditors and the reply will be received by the auditors directly.

3. EXTERNAL AUDITORS

The present auditors Messrs Hameed Chaudhri & Co., Chartered Accountants, Lahore retire and being offer themselves for re-appointment for the financial year ending 30 September, 2013.

4. PATTERN OF SHAREHOLDING

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

5. ACKNOWLEDGEMENT

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

ON BEHALF OF THE BOARD

Mardan:
04 January, 2013

(BEGUM LAILA SARFARAZ)
Chairperson / Chief Executive

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED (the Company) as at 30 September, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) The Company has been unable to carry-out manufacturing operations during the current and prior years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of raw materials. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern; however, these financial statements have been prepared on the going concern basis. The financial statements and the annexed notes do not include any adjustments that might result from the outcome of this uncertainty.

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

(c) in our opinion

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

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

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

(d) except for the omission of information detailed in the aforementioned paragraph (a), non-provision against deposits with a non-bank finance company due to pending Court case as well as non-receipt of year-end balance confirmation certificate (note 18.2) and the contents of note 14.1 and the extent to which these may affect the annexed financial statements, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

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

LAHORE;
05 January, 2013

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

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2012

	Note	2012	2011
		Rupees in thousand	
Equity and Liabilities			
Capital and Reserves			
Authorised capital	7.1	20,000	20,000
Issued, subscribed and paid-up capital	7.2	14,000	14,000
General reserve		134,000	134,000
Fair value reserve on available-for-sale investments	13	14,247	8,291
Accumulated loss		(19,670)	(14,084)
		142,577	142,207
Surplus on Revaluation of property, plant and equipment	8	95,294	96,904
Non-current Liabilities			
Staff retirement benefits-gratuity	9	3,372	3,459
Current Liabilities			
Trade and other payables	10	1,879	3,629
Contingencies and Commitments	11		
		243,122	246,199

	Note	2012	2011
		Rupees in thousand	
Assets			
Non-current Assets			
Property, plant and equipment	12	102,393	105,065
Investments	13	19,927	14,426
Security deposits		92	92
		122,412	119,583
Current Assets			
Stores and spares	14	32,581	32,581
Loans and advances	15	199	669
Short term prepayments		22	27
Accrued profit on deposits with a non-bank finance company		973	973
Other receivables	16	705	755
Tax deducted at source		5,380	5,332
Short term investments	17	40,395	47,018
Bank balances	18	40,455	39,261
		120,710	126,616
		243,122	246,199

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER, 2012

	Note	2012	2011
		Rupees in thousand	
Other Operating Income	19	**7,737**	6,705
Fixed Production Overheads	20	**6,119**	6,702
Administrative Expenses	21	**8,050**	7,135
Other Operating Expenses	22	**624**	0
		(14,793)	(13,837)
Loss from Operations		**(7,056)**	(7,132)
Bank Charges		**9**	26
Loss before Taxation		**(7,065)**	(7,158)
Taxation - Current	23.3	**131**	101
Loss after Taxation		**(7,196)**	(7,259)
Other Comprehensive Income / (Loss) for the Year			
Fair value gain / (loss) on available-for-sale investments	13	**5,956**	(1,622)
Total Comprehensive Loss for the Year		**(1,240)**	(8,881)
		------ Rupees ------	
Loss per Share	24	**(5.33)**	(5.38)

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER, 2012

	2012	2011
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(7,065)**	(7,158)
Adjustments for non-cash charges and other items:		
Depreciation	**2,672**	2,970
Staff retirement benefits - gratuity (net)	**(87)**	(428)
Interest / profit on bank deposits	**(64)**	(31)
Unclaimed payable balances written-back	**(228)**	(233)
Gain on sale of investment in shares	**(1,364)**	0
Gain on re-measurement of short term investments to fair value	**(3,988)**	(5,013)
Dividend income	**(1,315)**	(877)
Loss before working capital changes	**(11,439)**	(10,770)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**0**	(121)
Loans and advances	**470**	730
Short term prepayments	**5**	12
Other receivables	**50**	(271)
(Decrease) / increase in trade and other payables	**(1,522)**	310
	(997)	660
Cash used in operations	**(12,436)**	(10,110)
Taxation - net	**(179)**	(172)
Net cash used in operating activities	**(12,615)**	(10,282)
Cash flow from investing activities		
Sale proceeds of long term investments	**1,819**	0
Profit on bank deposits received	**64**	31
Short term investments	**10,611**	8,199
Dividend received	**1,315**	877
Net cash generated from investing activities	**13,809**	9,107
Net increase / (decrease) in cash and cash equivalents	**1,194**	(1,175)
Cash and cash equivalents - at beginning of the year	**39,261**	24,836
Deposits with a non-bank finance company grouped under current assets during the year	**0**	15,600
	39,261	40,436
Cash and cash equivalents - at end of the year	**40,455**	39,261

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2012

	Share capital	General reserve	Fair value reserve on available-for-sale investments	Accumulated loss	Total
	------------------ Rupees in thousand ------------------				
Balance as at 30 September, 2011	14,000	134,000	9,913	(8,914)	148,999
Total comprehensive loss for the year	0	0	(1,622)	(7,259)	(8,881)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	2,089	2,089
Balance as at 30 September, 2011	14,000	134,000	8,291	(14,084)	142,207
Total comprehensive income / (loss) for the year	0	0	5,956	(7,196)	(1,240)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	0	1,610	1,610
Balance as at 30 September, 2012	**14,000**	**134,000**	**14,247**	**(19,670)**	**142,577**

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER, 2012

1. CORPORATE INFORMATION

1.1 The Frontier Sugar Mills & Distillery Limited (the Company) was incorporated on 31 March, 1938 as a Public Company and its shares were quoted on all the Stock Exchanges of Pakistan; the Company 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 30 January, 2010. The shareholders also passed a special resolution for purchase of 263,134 ordinary shares at a price of Rs.190.20 per share and 26,970 preference shares at a price of Rs.18.60 per share by the Holding Company in the extra ordinary general meeting held on 10 June, 2010.

The purchase agent of the Holding Company (Invest Capital Investment Bank Ltd.) had completed the buying of 36,209 ordinary shares and 150 preference shares within the initial period of 60 days and after the submission of an undertaking to the Stock Exchanges to purchase the remaining shares upto 26 August, 2011, the Company was de-listed from all the Stock Exchanges with effect from 25 October, 2010. The purchase agent, during the preceding year, had further purchased 19,884 ordinary shares and 20,014 preference shares.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

- recognition of employee retirement benefits at present value;
- modification of foreign currency translation adjustments;
- measurement of certain operating fixed assets at revalued amounts; and
- measurement of investments at fair value.

3.2 Functional and presentation currency

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

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

4.1 Amended standards that are effective in the current year and are relevant to the Company

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after 01 October, 2011 and are relevant to the Company:

(a) IFRS 7 (Amendment), ‘Financial Instruments: Disclosures’. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment has only resulted in additional disclosures with respect to financial instruments, which have been duly incorporated in these financial statements.

(b) IAS 1 (Amendment), ‘Presentation of Financial Statements’. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The effect of application of the revised standard has been duly incorporated in these financial statements.

(c) IAS 24 (Revised), ‘Related Party Disclosures’, issued in November, 2009 supersedes IAS 24 ‘Related Party Disclosures’ issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of the revised standard has no material impact on the Company's financial statements.

(d) IAS 34 (Amendment), 'Interim Financial Reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment pertains to interim reporting and was duly incorporated in the Company's condensed interim financial information for the period of six months ended 31 March, 2012.

4.2 New accounting standards, amendments to approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

There are other new standards, amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after 01 October, 2011; however, these are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore have not been detailed in these financial statements.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October, 2012 and have not been early adopted by the Company:

(a) IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2013). The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is only expected to result in additional disclosures and will not impact the Company's financial results.

(b) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after 01 January, 2015). This is the first standard issued as part of a wider project to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (i) amortised cost and (ii) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(c) IFRS 13, 'Fair Value Measurement' (effective for the periods beginning on or after 01 January, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It is unlikely that this standard will have a significant affect on the Company's financial statements.

(d) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 July, 2012).The main change resulting from these amendments is a requirement for the entities to group items presented in other comprehensive income on the basis of whether they can be potentially reclassified to profit or loss subsequently (reclassification adjustments). This amendment is only expected to result in additional disclosures and will not impact the Company's financial results.

(e) IAS 19 (Amendments), 'Employee Benefits' (effective for the periods beginning on or after 01 January, 2013). The amendments (i) eliminate the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (ii) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (iii) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Company is yet to assess the full impact of these amendments.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are not yet effective; however, they are currently not considered to be relevant to the Company and therefore have not been detailed in these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Staff retirement benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 September, 2012 on the basis of the projected unit credit method by an independent Actuary.

5.2 Trade and other payables

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

5.3 Taxation (current and prior year)

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

5.4 Dividend and appropriation to reserves

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

5.5 Property, plant and equipment

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

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

Depreciation on fixed assets is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 12. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

5.6 Investments (available-for-sale)

Investments available-for-sale represent investments which are not held for trading. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value of investments available-for-sale is recognised in other comprehensive income / (loss) as unrealised, unless sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in the equity is included in the profit and loss account for the year.

5.7 Stores and spares

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

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

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in income.

5.9 Cash and cash equivalents

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

5.10 Impairment loss

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

5.11 Revenue recognition

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

(a) Sales are recorded on dispatch of goods to customers.

(b) Dividend income is accounted for when the right of receipt is established.

(c) Return on bank deposits is accounted for on `accrual basis'.

(d) Rental income is accounted for on `accrual basis'.

5.12 Provisions

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

5.13 Foreign currency translations

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

5.14 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

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

5.15 Off-setting of financial assets and liabilities

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

6. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Staff retirement benefits - gratuity

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 September, 2012 on the basis of the projected unit credit method by an independent Actuary.

b) Taxation

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

c) Property, plant and equipment

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

d) Contingencies

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

7. SHARE CAPITAL

7.1 Authorised capital

2012 (No. of shares)	2011 (No. of shares)		2012 Rupees in thousand	2011 Rupees in thousand
50,000	50,000	7% irredeemable preference shares of Rs.10 each	**500**	500
1,950,000	1,950,000	ordinary shares of Rs.10 each	**19,500**	19,500
2,000,000	2,000,000		**20,000**	20,000

7.2 Issued, subscribed and paid-up capital

2012 (No. of shares)	2011 (No. of shares)		2012 Rupees in thousand	2011 Rupees in thousand
50,000	50,000	7% irredeemable preference shares of Rs.10 each issued for cash	**500**	500
1,037,500	1,037,500	ordinary shares of Rs.10 each fully paid in cash	**10,375**	10,375
1,087,500	1,087,500		**10,875**	10,875
312,500	312,500	ordinary shares of Rs.10 each issued as fully paid bonus shares	**3,125**	3,125
1,400,000	1,400,000		**14,000**	14,000

7.3 The Premier Sugar Mills & Distillery Company Limited (the Holding Company) holds 1,113,637 (2011: 1,113,637) ordinary shares and 42,984 (2011: 42,984) 7% irredeemable preference shares as at 30 September, 2012.

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

8.1 The Company, during the financial year ended 30 September, 2000, had revalued buildings on freehold land and plant & machinery. The revaluation exercise was carried-out on the basis of depreciated market values and it produced appraisal surplus aggregating Rs.55.414 million, which was credited to this account.

8.2 The Company, during the financial year ended 30 September, 2009, had again revalued its aforementioned fixed assets and freehold land. The 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:

	2012	2011
	Rupees in thousand	
Opening balance	**96,904**	98,993
Less: transferred to accumulated loss on account of incremental depreciation for the year	**1,610**	2,089
Closing balance	**95,294**	96,904

9. STAFF RETIREMENT BENEFITS - Gratuity

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

- discount rate - per annum	**11.5%**	12.5%
- expected rate of growth per annum in future salaries	**10.5%**	11.5%
- average expected remaining working life time of employees	**04 years**	03 years

The amount recognised in the balance sheet is as follows:	**2012**	2011
	Rupees in thousand	
Present value of defined benefit obligation	**2,434**	3,594
Unrecognised actuarial gain / (loss)	**938**	(135)
Net liability at end of the year	**3,372**	3,459
Net liability at beginning of the year	**3,459**	3,887
Charge to profit and loss account	**557**	785
Payments made during the year	**(644)**	(1,213)
Net liability at end of the year	**3,372**	3,459

The movement in the present value of defined benefit obligation is as follows:	2012	2011
	Rupees in thousand	
Opening balance	**3,594**	4,022
Current service cost	**108**	222
Interest cost	**449**	563
Benefits paid	**(644)**	(1,213)
Actuarial gain	**(1,073)**	0
Closing balance	**2,434**	3,594

Expense recognised in profit and loss account		
Current service cost	**108**	222
Interest cost	**449**	563
	557	785

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

	2012	2011	2010	2009	2008
	----------------	Rupees in	thousand	----------------	
Present value of defined benefit obligation	**2,434**	3,594	4,022	943	9,739
Experience adjustment on obligation	**(1,073)**	0	1,323	0	(880)

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

10. TRADE AND OTHER PAYABLES

Due to an Associated Company (Chashma Sugar Mills Ltd.)	**793**	856
Creditors	**0**	224
Accrued expenses	**487**	1,950
Interest free deposits	**21**	21
Income tax deducted at source	**0**	1
Workers' (profit) participation fund	**3**	3
Unclaimed dividends	**572**	572
Others	**3**	2
	1,879	3,629

11. CONTINGENCIES AND COMMITMENTS

11.1 No guarantee was outstanding as at 30 September, 2012 (guarantee given by a bank on behalf of the Company outstanding as at 30 September, 2011 was for Rs.1.143 million).

11.2 The Additional Collector of Sales Tax, Peshawar, had served a show cause notice raising sales tax demands aggregating Rs.1.528 million along with additional tax on the grounds that the Company under-valued the price of spirit during the financial years 1994-95 & 1995-96 and paid lesser sales tax. The Company paid Rs.0.248 million against the said demands and filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Peshawar Bench, which is pending adjudication.

11.3 Various ex-employees of the Company, retrenched on 30 June, 2008 due to non-availability of raw materials to the Company, have filed a petition in the Court of Payment and Wage Commissioner, Mardan despite the fact that the Company has paid all their terminal dues as per its rules and according to the entitlement of each ex-employee. The ex-employees, in their petition, have demanded gratuity at the rate of 50 days per completed year on gross salary. After dismissal of their case, the petitioners have appealed against the decision in the Labour Court, Mardan. After arguments, the Presiding Officer of the Court has remanded back the case to the Authority. Presently, the case is pending before the Authority for adjudication. The Company's management is confident that no loss is likely to occur as a result of this petition, and hence, no provision there against has been made in the financial statements.

11.4 No commitments were outstanding as at 30 September, 2012 and 30 September, 2011.

12. PROPERTY, PLANT AND EQUIPMENT

Particulars	Freehold land	Buildings on freehold land	Plant and machin-ery	Tools	Railway sidings and weigh bridges	Beet water line	Electric and gas equipment	Laborat--ory equipm-ent	Furnitu-re and fixtures	Vehic-les	Tube well	Arms	Total
	---------- Rupees in thousand ----------												
COST / REVALUATION													
Balance as at 30 September, 2011	78,419	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	194,653
Balance as at 30 September, 2012	78,419	14,305	96,604	914	531	206	1,035	120	974	1,432	59	54	194,653
DEPRECIATION													
Balance as at 30 September, 2010	0	7,867	73,655	912	463	206	1,012	116	914	1,374	58	41	86,618
Charge for the year	0	644	2,295	0	10	0	2	0	6	12	0	1	2,970
Balance as at 30 September, 2011	0	8,511	75,950	912	473	206	1,014	116	920	1,386	58	42	89,588
Balance as at 30 September, 2011	0	8,511	75,950	912	473	206	1,014	116	920	1,386	58	42	89,588
Charge for the year	0	580	2,066	0	9	0	2	0	5	9	0	1	2,672
Balance as at 30 September, 2012	0	9,091	78,016	912	482	206	1,016	116	925	1,395	58	43	92,260
BOOK VALUE AS AT 30 SEPTEMBER, 2011	78,419	5,794	20,654	2	58	0	21	4	54	46	1	12	105,065
BOOK VALUE AS AT 30 SEPTEMBER, 2012	78,419	5,214	18,588	2	49	0	19	4	49	37	1	11	102,393
Annual depreciation rate (%)	0	10	10	15	15	15	10	10	10	20	10	10	

12.1 Had the aforementioned operating fixed assets of the Company been recognised under the cost model, the carrying amounts of these assets would have been as follows:

	2012	2011
	Rupees in thousand	
- freehold land	**325**	325
- buildings on freehold land	**85**	96
- plant & machinery	**1,421**	1,579
	1,831	2,000

12.2 Depreciation for the year has been apportioned as under:

- fixed production overheads	**2,472**	2,747
- administrative expenses	**200**	223
	2,672	2,970

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

Ibrahim Fibres Limited 405,670 (2011: 438,250) ordinary shares of Rs.10 each	**5,680**	6,135
Add: adjustment arising from re-measurement to fair value	**14,247**	8,291
	19,927	14,426

14. STORES AND SPARES

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

14.1 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.

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

15. LOANS AND ADVANCES - Considered good

	Note	2012	2011
		Rupees in thousand	
Unsecured advances to:			
- employees		**196**	188
- suppliers / contractors		**3**	481
		199	669

16. OTHER RECEIVABLES

	Note	2012	2011
Excise duty deposit / refundable		**83**	83
Sales tax refundable	**16.1**	**612**	662
Others		**10**	10
		705	755

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

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

	Note	2012	2011
MCB Cash Management Optimizer 402,971 Units (2011: 470,008 Units)		**36,407**	42,005
Add: adjustment on re-measurement to fair value		**3,988**	5,013
		40,395	47,018

18. BANK BALANCES

	Note	2012	2011
Cash at banks on:			
- current accounts		**54**	104
- saving accounts	**18.1**	**1,401**	157
- deposits with a non-bank finance company - unsecured	**18.2**	**39,000**	39,000
		40,455	39,261

18.1 Saving accounts during the year carried profit at the rates ranging from 5% to 7% (2011: 5% to 7%) per annum.

18.2 **(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**
	Rupees in thousand
29 July, 2009	**7,800**
29 July, 2010	**7,800**
29 July, 2011	**7,800**
29 July, 2012	**15,600**
	39,000

(b) The realisibility of these deposits is doubtful of recovery as these could not be encashed on their respective maturity dates. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from 28 January, 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.

19. OTHER OPERATING INCOME

	Note	2012	2011
		Rupees in thousand	
Income from financial assets:			
Profit on saving accounts		**64**	31
Dividend		**1,315**	877
Gain on sale of investment in shares		**1,364**	0
Gain on redemption of short term investments		**639**	551
Fair value gain on re-measurement of short term investments	**17**	**3,988**	5,013
Income from other than financial assets:			
Unclaimed payable balances written-back		**228**	233
Sale of trees, wheat, etc.		**139**	0
		7,737	6,705

20. FIXED PRODUCTION OVERHEADS

	Note	2012	2011
Salaries and benefits	**20.1**	**1,384**	2,189
Power and fuel		**2,145**	1,619
Depreciation		**2,472**	2,747
Insurance		**118**	147
		6,119	6,702

20.1 These include Rs.25 thousand (2011: Rs.50 thousand) and Rs.501 thousand (2011: Rs.706 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

21. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries and benefits	**21.1**	**6,347**	5,532
Travelling and vehicles' running		**163**	130
Rent, rates and taxes		**141**	136
Communication		**25**	28
Printing and stationery		**52**	54
Insurance		**138**	138
Repair and maintenance		**105**	304
Subscription		**1**	10
Auditors' remuneration	**21.2**	**282**	255
Legal and professional charges (other than Auditors')		**437**	279
General		**159**	46
Depreciation		**200**	223
		8,050	7,135

21.1 These include Rs. 81 thousand (2011: Rs.67 thousand) and Rs.56 thousand (2011: Rs.79 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

21.2 Auditors' remuneration:

	2012	2011
Hameed Chaudhri & Co.	Rupees in thousand	
- statutory audit	**125**	125
- half-yearly review	**60**	60
- certification charges	**25**	13
- out-of-pocket expenses	**36**	21
	246	219
Munawar Associates		
- cost audit	**30**	30
- workers' (profit) participation fund's audit fee	**3**	3
- out-of-pocket expenses	**3**	3
	36	36
	282	255

22. OTHER OPERATING EXPENSES

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

23. TAXATION

23.1 The Tax Department against the judgment of the Peshawar High Court, Peshawar (PHC) dated 22 October, 2008 has filed an appeal before the Supreme Court of Pakistan. The PHC, vide its aforementioned judgment had rejected the departmental application and upheld the order of the Income Tax Appellate Tribunal (ITAT) dated 28 April, 2007. Earlier, the ITAT had upheld the Commissioner of Income Tax - Appeals' action of annulment of amendment of assessment orders passed by the Additional Commissioner (Audit) under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance).

23.2 The returns for Tax Years 2008 to 2012 have been filed after complying with all the provisions of the Ordinance. Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing out of deficiency by the Commissioner.

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

23.4 Deferred tax asset arising on unused tax losses has not been recognised in these financial statements due to uncertainty about the availability of taxable profits in the foreseeable future.

24. LOSS PER SHARE

	2012	2011
	Rupees in thousand	
Loss after taxation attributable to ordinary shareholders	**(7,196)**	(7,259)
	No. of shares	
Weighted average number of shares outstanding during the year	**1,350,000**	1,350,000
	Rupees	
Loss per share	**(5.33)**	(5.38)

24.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2012 and 30 September, 2011, which would have any effect on the loss per share of the Company if the option to convert is exercised.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

25.1 Financial Risk Factors

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

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

25.2 Market risk

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

(a) Currency risk

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

(b) Interest rate risk

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

	2012	2011	**2012**	2011
	Effective rate		**Carrying amount**	
	Percentage		**Rupees in thousand**	
Fixed rate instruments				
Deposits with a non - bank finance company	**5%**	5%	**39,000**	39,000
Bank balances	**5% to 7%**	5% to 7%	**1,401**	157

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 30 September, 2012 and 30 September, 2011.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. Price risk arises from the Company's investments in Units of a Mutual Fund classified as short term investments at fair value through profit or loss. To manage its price risk, the Company diversifies its portfolio and continuously monitors developments in the market. In addition, the Company's management actively monitors the key factors that affect price movement.

A 10% increase / decrease in redemption value of Units of the Mutual Fund would decrease / increase loss before taxation for the year by Rs.4,040 thousand (2011:Rs.4,702 thousand).

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

25.3 Credit risk exposure and concentration of credit risk

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

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

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

Exposure to credit risk

The maximum exposure to credit risk as at 30 September, 2012 along with comparative is tabulated below:

	2012	2011
	Rupees in thousand	
Investments	**19,927**	14,426
Security deposits	**92**	92
Accrued profit on deposits with a non-bank finance company	**973**	973
Short term investments	**40,395**	47,018
Deposits with a non-bank finance company	**39,000**	39,000
Bank balances	**1,455**	261
	101,842	101,770

The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-bank finance company as detailed in note 18.2.

Credit quality of the Company's investments :

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

25.4 Liquidity risk

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

Contractual maturity of financial liabilities:

	2012		
	Carrying amount	**Contractual cash flows**	**Less than 1 year**
	---------------- Rupees in thousand -------------		
Trade and other payables	**1,083**	**1,083**	**1,083**
		2011	
Trade and other payables	2,769	2,769	2,769

25.5 Fair values of financial instruments and hierarchy

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

At 30 September, 2012, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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

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

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

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

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

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

26. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

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

27. TRANSACTIONS WITH RELATED PARTIES

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

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

28. REMUNERATION OF DIRECTORS

28.1 No managerial remuneration was paid to chief executive and directors during the current and preceding years; however, they are provided with free use of the Company maintained cars.

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

29. CAPACITY AND PRODUCTION

		2012	2011
Sugar Cane Plant			
Rated crushing capacity per day	**M.Tonnes**	**880**	880
Sugar Beet Plant			
Rated slicing capacity per day	**M.Tonnes**	**1,000**	1,000

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

30. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 04 January, 2013 by the board of directors of the Company.

31. FIGURES

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

BEGUM LAILA SARFARAZ
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE FRONTIER SUGAR MILLS & DISTILLERY LIMITED MARDAN

FORM - 34

PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30 SEPTEMBER, 2012

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

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

annual report

2012

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have pleasure in presenting Directors' report on the Consolidated Audited Financial Statements for the year ended 30 September, 2012.

1. GENERAL REVIEW

Chashma Sugar Mills Limited suffered loss of Rs. 218.971 million due to low prices of sugar and Frontier Sugar Mills & Distillery Limited suffered loss of Rs.1.240 million for the year due to non-availability of sugarcane.

2. SUMMARISED FINANCIAL OVERVIEW

Following are the consolidated financial results for the year-ended 30 September, 2012 with the preceding year comparatives:

	2012	2011
	(Rupees in thousand)	
- Loss befor taxation	**(499,948)**	(178,650)
- **Taxation**		
- Current year	**34,170**	60,654
- Prior	**(1,451)**	(13,622)
- Deferred	**(137,672)**	(157,471)
- Associated Companies	**1,591**	1,423
	(103,362)	(109,016)
- Loss after taxation	**(396,586)**	(69,634)
- Other comprehensive income / (loss) for the year	**6,000**	(1,577)
- Total comprehensive loss for the year	**(390,586)**	(71,211)
	------------Rupees------------	
- Combined loss per share	**(76.21)**	(36.99)

3. REVIEW OF OPERATIONS

The Director's 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 2012-2013**

The current sugarcane crushing season in the Premier Sugar Mills & Distillery Company Limited started on 12 November, 2012 and crushed 71,631 tons of sugarcane producing 6,103 tons of sugar with an average recovery of 8.52% up to 25th December, 2012.

5. **REPLIES TO AUDITORS RESERVATION**

The Auditors have raised doubts regarding the Frontier Sugar Mills & Distillery Limited's ability to continue as a going concern due to non-availability of sugarcane. This is a joint problem of Peshawar valley sugar industry. We have taken-up the matter at various Provincial and Federal forums to provide us level playing field with the commercial gur trade.

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

6. **CUSTOMERS' SUPPORT AND STAFF RELATIONS**

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

7. **PATTERN OF SHAREHOLDING**

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

ON BEHALF OF THE BOARD

Mardan:
04 January, 2013

(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 of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Holding Company) and its Subsidiary Companies (Chashma Sugar Mills Limited and The Frontier Sugar Mills & Distillery Limited) - the Group - comprising consolidated balance sheet as at 30 September, 2012 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its Subsidiary Companies.

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

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

> The Frontier Sugar Mills & Distillery Limited (Subsidiary Company) has been unable to carry-out manufacturing operations during the current and prior years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of raw materials. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Subsidiary Company's ability to continue as a going concern; however, the financial statements of the Subsidiary Company have been prepared on the going concern basis. These consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Except for the omission of information detailed in the aforementioned paragraph, non-provision against deposits with a non-bank finance company due to pending court case (note 31.3) and the contents of note 25.1 and the extent to which these may affect the annexed consolidated financial statements, in our opinion the consolidated financial statements present fairly the consolidated financial position of the Group as at 30 September, 2012 and the consolidated results of its operations, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

LAHORE;
05 January, 2013

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER, 2012

	Note	2012	2011
		Rupees in thousand	
Equity and Liabilities			
Capital and Reserves			
Authorised capital 5,750,000 ordinary shares of Rs.10 each		57,500	57,500
Issued, subscribed and paid-up capital	8	37,500	37,500
Reserves		1,022,291	1,017,378
(Accumulated loss) / unappropriated profit		(67,444)	138,714
Equity Attributable to Equity Holders of the Parent		992,347	1,193,592
Non-controlling Interest		242,360	318,924
		1,234,707	1,512,516
Surplus on Revaluation of Property, Plant and Equipment	9	1,425,199	1,552,682
Non-current Liabilities			
Long term finances	10	544,578	340,000
Loans from Associated Companies	11	157,500	180,000
Liabilities against assets subject to finance lease	12	9,304	6,207
Deferred liabilities:			
- deferred taxation	13	462,512	600,184
- staff retirement benefits - gratuity	14	30,148	26,700
		1,204,042	1,153,091
Current Liabilities			
Trade and other payables	15	1,006,555	300,397
Accrued mark-up	16	125,813	155,715
Short term borrowings	17	2,525,759	2,702,226
Current portion of non-current liabilities	18	303,140	248,366
Dividends payable to non-controlling interest		3,855	3,490
Taxation	19	32,800	79,932
		3,997,922	3,490,126
Contingencies and Commitments	20		
		7,861,870	7,708,415

	Note	2012	2011
		Rupees in thousand	
Assets			
Non-current Assets			
Property, plant and equipment	21	3,909,986	3,877,650
Intangible assets	22	100	200
Investment property	23	35,298	37,066
Investments	24	70,275	61,616
Security deposits		4,594	4,318
		4,020,253	3,980,850
Current Assets			
Stores and spares	25	327,725	306,478
Stock-in-trade	26	1,961,956	2,637,889
Trade debts	27	790,611	63,204
Loans and advances	28	140,032	85,968
Trade deposits and short term prepayments	29	4,643	3,856
Accrued profit / mark-up on bank deposits		1,043	1,073
Other receivables		12,472	4,168
Income tax refundable, advance income tax and tax deducted at source		102,709	66,786
Short term investments	30	308,298	404,474
Bank balances	31	192,128	153,669
		3,841,617	3,727,565
		7,861,870	7,708,415

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, 2012

	Note	2012	2011
		Rupees in thousand	
Sales - Net	32	**7,334,559**	6,266,846
Cost of Sales	33	**7,355,329**	5,914,323
Gross (Loss) / Profit		**(20,770)**	352,523
Distribution Cost	34	**34,718**	15,000
Administrative Expenses	35	**199,715**	161,889
Other Operating Expenses	36	**1,013**	12,596
		235,446	189,485
		(256,216)	163,038
Other Operating Income	37	**133,708**	114,170
(Loss) / Profit from Operations		**(122,508)**	277,208
Finance Cost	38	**381,910**	465,775
		(504,418)	(188,567)
Share of Profit of Associated Companies	24.2	**4,470**	9,917
Loss before Taxation		**(499,948)**	(178,650)
Taxation			
Group			
- current	19	**34,170**	60,654
- prior years'	19	**(1,451)**	(13,622)
- deferred	13	**(137,672)**	(157,471)
		(104,953)	(110,439)
Associated Companies	24.2	**1,591**	1,423
		(103,362)	(109,016)
Loss after Taxation		**(396,586)**	(69,634)
Other Comprehensive Income / (Loss) for the Year			
Fair value gain / (loss) on available-for-sale investments	24	**5,956**	(1,622)
Share of other comprehensive income from Associated Companies	24.2	**44**	45
Total Comprehensive Loss for the Year		**(390,586)**	(71,211)
Attributable to:			
- Equity holders of the Parent		**(280,818)**	(140,003)
- Non-controlling interest		**(109,768)**	68,792
		(390,586)	(71,211)
		------ Rupees-----	
Combined Loss per Share	39	**(76.21)**	(36.99)

- The annexed notes form an integral part of these consolidated financial statements.
- Appropriations have been reflected in the statement of changes in equity.

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2012

	2012	2011
Cash flow from operating activities	**Rupees in thousand**	
Loss for the year - before taxation	**(499,948)**	(178,650)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**353,242**	280,284
Depreciation on investment property	**1,768**	1,936
Amortisation of intangible assets	**100**	353
Profit from Associated Companies - net	**(4,470)**	(9,917)
Interest / profit on bank deposits and saving accounts	**(5,724)**	(3,365)
Staff retirement benefits - gratuity (net)	**3,341**	2,868
Un-claimed payable balances written-back	**(539)**	(233)
Gain on disposal of vehicles - net	**(428)**	(356)
Gain on sale of investment in shares	**(1,364)**	0
Gain on re-measurement of short term investments to fair value	**(22,081)**	(35,123)
Uncollectible receivable balances written-off	**738**	0
Dividend income	**(1,315)**	(877)
Finance cost	**376,216**	460,986
Profit before working capital changes	**199,536**	517,906
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(21,247)**	(45,709)
Stock-in-trade	**675,933**	(2,260,434)
Trade debts	**(727,407)**	45,885
Loans and advances	**(54,802)**	(28,086)
Trade deposits and short term prepayments	**(787)**	(575)
Other receivables	**(8,304)**	(3,409)
Increase / (decrease) in current liabilities		
Trade and other payables	**706,825**	(47,017)
Sales tax and federal excise duty payable	**0**	(24,583)
	570,211	(2,363,928)
Cash generated from / (used in) operations	**769,747**	(1,846,022)
Income tax paid	**(115,774)**	(57,341)
Security deposits	**(276)**	(40)
Net cash generated from / (used in) operating activities	**653,697**	(1,903,403)
Cash flow from investing activities		
Additions to property, plant and equipment	**(386,203)**	(103,304)
Sale proceeds of vehicles	**1,053**	520
Intangible assets acquired	**0**	(300)
Sale proceeds of investments	**1,819**	0
Interest / profit on bank deposits and saving accounts	**5,754**	3,359
Acquisition of Subsidiary Company's shares	**0**	(4,155)
Short term investments - net	**118,257**	(100,687)
Dividend received	**1,315**	877
Net cash used in investing activities	**(258,005)**	(203,690)
Cash flow from financing activities		
Long term finances - net	**234,789**	(203,334)
Lease finance - net	**5,160**	7,909
Short term borrowings - net	**(176,467)**	2,702,226
Finance cost paid	**(406,118)**	(385,471)
Dividends paid	**(14,597)**	(18,045)
Net cash (used in) / generated from financing activities	**(357,233)**	2,103,285
Net increase / (decrease) in cash and cash equivalents	**38,459**	(3,808)
Cash and cash equivalents - at beginning of the year	**153,669**	126,277
Deposits with a Non-Bank Finance Company grouped under current assets during the year	**0**	31,200
	153,669	157,477
Cash and cash equivalents - at end of the year	**192,128**	153,669

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, 2012

	------------- Attributable to equity holders of the Parent -------------								
		Reserves							
		Capital	Revenue						
	Share capital	Share redem- ption	General	Fair value reserve on available- for-sale investments	Sub-total	Unappr- opriated profit / (accumul- ated loss)	Total	Non- controlling interest	Total equity
	--- Rupees in thousand ---								
Balance as at 30 September, 2010	37,500	1	1,008,567	8,032	1,016,600	230,499	1,284,599	244,853	1,529,452
Total comprehensive income / (loss) for the year ended 30 September, 2011									
(Loss) / profit after taxation	0	0	0	0	0	(138,710)	(138,710)	69,076	(69,634)
Other comprehensive (loss) / income	0	0	0	(1,338)	(1,338)	45	(1,293)	(284)	(1,577)
	0	0	0	(1,338)	(1,338)	(138,665)	(140,003)	68,792	(71,211)
Transactions with owners:									
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	0	0	0	(3,750)	(3,750)	(14,355)	(18,105)
Indirect share of Parent Company in dividend paid by CSM to Azlak Enterprises (Pvt.) Ltd.	0	0	0	0	0	(586)	(586)	0	(586)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	224	224	0	224
Adjustment due to further acquisition in FSM	0	0	1,970	146	2,116	(4,155)	(2,039)	(2,116)	(4,155)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	0	55,147	55,147	21,750	76,897
Balance as at 30 September, 2011	37,500	1	1,010,537	6,840	1,017,378	138,714	1,193,592	318,924	1,512,516
Total comprehensive income / (loss) for the year ended 30 September, 2012									
Loss after taxation	0	0	0	0	0	(285,775)	(285,775)	(110,811)	(396,586)
Other comprehensive income	0	0	0	4,913	4,913	44	4,957	1,043	6,000
	0	0	0	4,913	4,913	(285,731)	(280,818)	(109,768)	(390,586)
Transactions with owners:									
Final cash dividend for the year ended 30 September, 2011 at the rate of Re.1 per share	0	0	0	0	0	0	0	(14,355)	(14,355)
Indirect share of Parent Company in dividend paid by CSM to Azlak Enterprises (Pvt.) Ltd.	0	0	0	0	0	(586)	(586)	0	(586)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	235	235	0	235
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	0	0	0	79,924	79,924	47,559	127,483
Balance as at 30 September, 2012	37,500	1	1,010,537	11,753	1,022,291	(67,444)	992,347	242,360	1,234,707

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, 2012

1. THE GROUP AND ITS OPERATIONS

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

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

1.2 Subsidiary Companies

(a) Chashma Sugar Mills Ltd. (CSM)

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

(ii) The Parent Company directly and indirectly controls / beneficially owns more than fifty percent of the CSM's paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary with effect from the financial year ended 30 September, 2010.

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

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

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

(iii) Delisting of FSM

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

The purchase agent of the Parent Company (Invest Capital Investment Bank Ltd.) had completed the buying of 36,209 ordinary shares and 150 preference shares within the initial period of 60 days and after the submission of an undertaking to the Stock Exchanges to purchase the remaining shares upto 26 August, 2011, FSM was de-listed from all the Stock Exchanges with effect from 25 October, 2010. The purchase agent, during the preceding year, had further purchased 19,884 ordinary shares and 20,014 preference shares.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

- recognition of employee retirement benefits at present value;
- modification of foreign currency translation adjustments;
- measurement of certain operating fixed assets at revalued amounts; and
- measurement of investments at fair value.

3.2 Functional and presentation currency

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

4. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the financial statements of Parent Company and its Subsidiary Companies (CSM and FSM) as at 30 September, 2012. The Parent Company's direct interest, as at 30 September, 2012, in CSM was 47.93% (2011: 47.93%) and in FSM was 82.49% (2011: 82.49%).

All Intra-company balances and transactions have been eliminated.

Investments in Associated Companies, as defined in the Companies Ordinance, 1984, are accounted for by the equity method.

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

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

5.1 Amended standards that are effective in the current year and are relevant to the Group

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after 01 October, 2011 and are relevant to the Group:

(a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment has only resulted in additional disclosures with respect to financial instruments, which have been duly incorporated in these consolidated financial statements.

(b) IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The effect of application of the revised standard has been duly incorporated in these consolidated financial statements.

(c) IAS 24 (Revised), 'Related Party Disclosures', issued in November, 2009 supersedes IAS 24 'Related Party Disclosures' issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of the revised standard has no material impact on the consolidated financial statements.

(d) IAS 34 (Amendment), 'Interim Financial Reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment pertains to interim reporting and was duly incorporated in the Group's condensed interim financial information for the period of six months ended 31 March, 2012.

5.2 New accounting standards, amendments to approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Group

There are other new standards, amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after 01 October, 2011; however, these are currently not considered to be relevant to the Group or do not have any impact on the Group's financial statements and therefore have not been detailed in these consolidated financial statements.

5.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 October, 2012 and have not been early adopted by the Group:

(a) IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2013). The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is only expected to result in additional disclosures and will not impact the Group's financial results.

(b) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after 01 January, 2015). This is the first standard issued as part of a wider project to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (i) amortised cost and (ii) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Group is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Group's financial assets.

(c) IFRS 13, 'Fair Value Measurement' (effective for the periods beginning on or after 01 January, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It is unlikely that this standard will have a significant affect on the Group's financial statements.

(d) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 July, 2012).The main change resulting from these amendments is a requirement for the entities to group items presented in other comprehensive income on the basis of whether they can be potentially reclassified to profit or loss subsequently (reclassification adjustments). This amendment is only expected to result in additional disclosures and will not impact the Group's financial results.

(e) IAS 19 (Amendments), 'Employee Benefits' (effective for the periods beginning on or after 01 January, 2013). The amendments (i) eliminate the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (ii) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (iii) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Group is yet to assess the full impact of these amendments.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are not yet effective; however, they are currently not considered to be relevant to the Group and therefore have not been detailed in these consolidated financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Borrowings

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

6.2 Staff retirement benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

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

6.3 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group.

6.4 Taxation

(a) Current and prior year

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

(b) Deferred

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

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

6.5 Dividend and appropriation to reserves

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

6.6 Property, plant and equipment

Owned assets

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

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

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 21.1. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

Assets subject to finance lease

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

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

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

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 21.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

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

6.7 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 22.1.

6.8 Investment property

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

Depreciation on investment property is charged to income applying reducing balance method at the rates stated in note 23. Depreciation on additions is charged from the month in which the asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to profit and loss account.

6.9 Investments

Investments in equity instruments of Associated Companies are stated at the Group's share of their underlying net assets using the equity method.

Investments available-for-sale represent investments, which are not held for trading. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value of investments available-for-sale is recognised in other comprehensive income / (loss) as unrealised, unless sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in the equity is included in the profit and loss account for the year.

6.10 Stores and spares

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

6.11 Stock-in-trade

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

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

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

6.12 Trade debts and other receivables

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

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

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in income.

6.14 Cash and cash equivalents

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

6.15 Impairment loss

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

6.16 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 despatch of goods.

(b) Dividend income is accounted for when the right of receipt is established.

(c) Income on long term deposit accounts is accounted for on `accrual basis'.

6.17 Development expenditure

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

6.18 Borrowing costs

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

6.19 Provisions

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

6.20 Foreign currency translations

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

6.21 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

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

6.22 Off-setting of financial assets and liabilities

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

7. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Staff retirement benefits - gratuity

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

b) Taxation

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

c) **Property, plant and equipment**

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

d) **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.

e) **Provision for impairment of trade debts**

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

f) **Contingencies**

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

8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		**2012**	2011
(No. of shares)			**Rupees in thousand**	
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash	**14,763**	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares	**22,737**	22,737
3,750,000	3,750,000		**37,500**	37,500

8.1 Arpak International Investments Ltd. and Azlak Enterprises (Pvt.) Ltd. (Associated Companies) hold 400,000 and 13,451 ordinary shares respectively as at 30 September, 2012 and 30 September, 2011.

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

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

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

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

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

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

	Note	**2012**	2011
		Rupees in thousand	
Opening balance		**2,270,906**	1,396,337
Add: surplus arisen on revaluation carried-out during the preceding year		**0**	991,747
Less: transferred to unappropriated profit / accumulated loss on account of incremental depreciation for the year		**(195,259)**	(117,178)
		2,075,647	2,270,906
Less: deferred tax on:			
- opening balance of surplus		**718,224**	417,974
- surplus on revaluation carried-out during the preceding year		**0**	340,531
- incremental depreciation for the year		**(67,776)**	(40,281)
		650,448	718,224
Closing balance		**1,425,199**	1,552,682

10. LONG TERM FINANCES - Secured

From banking companies	Note	2012	2011
		Rupees in thousand	
Bank Alfalah Limited: (BAL)			
- Term finance - I	10.1	0	16,664
- Term finance - II	10.1	80,000	120,000
- Term finance - III	10.2	242,939	0
		322,939	136,664
Bank Al-Habib Limited: (BAH)			
- Term finance - I	10.3	120,000	180,000
- Term finance - II	10.4	140,000	210,000
		260,000	390,000
Silkbank Limited: (SBL)			
- Term finance	10.5	30,000	60,000
The Bank of Khyber: (BoK)			
- Demand finances	10.6	208,514	0
		821,453	586,664
Less: current portion grouped under current liabilities including an overdue instalment of Rs.30 million (2011: Rs.30 million), which has been repaid on 10 October, 2012 (2011: 12 October, 2011)		276,875	246,664
		544,578	340,000

10.1 Term finance facilities utilised from BAL aggregated Rs.400 million. The outstanding balance of term finance-I was fully repaid during October, 2011 and during the year it carried mark-up at the rate of 15.80% (2011: at the rates ranging from 14.35% to 15.80%) per annum. Term finance-II carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 13.95% to 15.80% (2011: 14.35% to 15.80%) per annum. Term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. Term finance-II and term finance-III are secured against first registered joint pari passu charge on present and future fixed assets of CSM for Rs.533.334 million.

10.2 These finances have been obtained against a term finance facility of Rs.250 million for purchase of plant & machinery and are repayable in 10 equal half-yearly instalments commencing January, 2015. These are secured against the securities as detailed in note 10.1.

10.3 Term finance facility utilised from BAH aggregated Rs.300 million; the facility has been obtained for establishment of Unit- 2 of CSM and is secured against joint pari passu charge over fixed assets of CSM; BAH's share amounts to Rs.866.667 million. This finance facility, during the year, has carried mark-up at the rates ranging from 13.81% to 15.59% (2011: 14.17% to 15.59%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from February, 2010.

10.4 Term finance facility utilised from BAH aggregated Rs.350 million; the facility has also been obtained for establishment of Unit-2 of CSM and is secured against the securities as stated in note 10.3. This finance facility, during the year, has carried mark-up at the rates ranging from 14.01% to 15.79% (2011: 14.37% to 15.79%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from May, 2010.

10.5 Term finance facility utilised from SBL aggregated Rs.150 million; the facility has been obtained to finance the acquisition of plant and machinery for Unit-2 of CSM and is secured against joint pari passu charge over fixed assets of CSM for Rs.200 million. This finance facility carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.02% to 15.78% (2011: 14.37% to 15.78%) per annum. The year-end outstanding balance of this finance facility is repayable in 2 equal half-yearly instalments ending April, 2013.

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

11. LOANS FROM ASSOCIATED COMPANIES - Secured

	Note	2012	2011
		Rupees in thousand	
Premier Board Mills Ltd. **(PBM)**	**11.1**	**130,000**	130,000
Arpak International Investments Ltd. **(AIIL)**	**11.2**	**50,000**	50,000
		180,000	180,000
Less: current portion grouped under current liabilities		**22,500**	0
		157,500	180,000

11.1 CSM and PBM have entered into a loan agreement on 20 May, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to CSM. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PBM during the year ranged from 11.72% to 14.69% (2011: 13.92% to 14.87%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing May, 2013 and is secured against a promissory note of Rs.268.031 million.

11.2 CSM and AIIL have entered into a loan agreement on 20 May, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to CSM. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by AIIL during the year ranged from 11.72% to 14.69% (2011: 13.92% to 14.87%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing May, 2013 and is secured against a promissory note of Rs.55.615 million.

12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2012			2011		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	------------------------- Rupees in thousand -------------------------					
Minimum lease payments	**5,291**	**12,752**	**18,043**	2,756	8,705	11,461
Less: finance cost allocated to future periods	**1,526**	**1,652**	**3,178**	1,054	1,589	2,643
	3,765	**11,100**	**14,865**	1,702	7,116	8,818
Less: security deposits adjustable on expiry of lease terms	**0**	**1,796**	**1,796**	0	909	909
Present value of minimum lease payments	**3,765**	**9,304**	**13,069**	1,702	6,207	7,909

12.1 CSM has entered into lease agreements with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by April, 2016 and are subject to finance cost at the rates ranging from 11.43% to 11.76% (2011: 15.23% to 15.75%) per annum. CSM intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessor and demand promissory notes.

13. DEFERRED TAXATION - Net

	2012	2011
	Rupees in thousand	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**271,694**	294,906
- surplus on revaluation of property, plant & equipment	**650,448**	718,224
- gain on re-measurement of investments to fair value	**1,998**	2,331
- lease finances	**891**	0
	925,031	1,015,461
Deductible temporary differences arising in respect of:		
- lease finances	**0**	(653)
- staff retirement benefits - gratuity	**(9,372)**	(8,134)
- impairment loss against investments	**(113)**	(113)
- provision for doubtful bank balance	**(1,750)**	(1,750)
- provision for doubtful advances	**(853)**	(853)
- unused tax losses	**(270,704)**	(253,042)
- minimum tax recoverable against normal tax charge in future years	**(179,727)**	(150,732)
	(462,519)	(415,277)
	462,512	600,184

13.1 In case of CSM, as at 30 September, 2012, deferred tax asset amounting Rs.137.605 million (2011: Rs.47.358 million) on unused tax losses has not been recognised in the financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at 30 September, 2013.

14. STAFF RETIREMENT BENEFITS - Gratuity

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

	2012	2011
- discount rate - per annum	**11.50%**	12.50%
- expected rate of growth per annum in future salaries	**10.50%**	11.50%
- average expected remaining working life time of employees	**4 to 7 years**	3 to 6 years

The amount recognised in the consolidated balance sheet is as follows:	**2012**	2011
	Rupees in thousand	
Present value of defined benefit obligation	**32,323**	30,735
Unrecognised actuarial loss - net	**(2,175)**	(4,035)
Net liability at end of the year	**30,148**	26,700
Net liability at beginning of the year	**26,700**	24,176
Charge to profit and loss account	**5,119**	5,120
Payments made during the year	**(1,590)**	(2,252)
Benefits payable to outgoing members - grouped under current liabilities	**(81)**	(344)
Net liability at end of the year	**30,148**	26,700
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**30,735**	28,502
Current service cost	**1,080**	1,206
Interest cost	**3,841**	3,623
Benefits payable to outgoing members - grouped under current liabilities	**(81)**	(344)
Benefits paid	**(1,590)**	(2,252)
Actuarial gain	**(1,662)**	0
Closing balance	**32,323**	30,735
Charge to profit and loss account		
Current service cost	**1,080**	1,206
Interest cost	**3,841**	3,623
Actuarial loss recognised	**198**	291
	5,119	5,120

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

	2012	2011	2010	2009	2008
	------------------ Rupees in thousand ------------------				
Present value of defined benefit obligation	**32,323**	30,735	28,502	24,879	37,014
Experience adjustment on obligation	**(1,662)**	0	(270)	0	4,210

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

15. TRADE AND OTHER PAYABLES

	Note	2012	2011
		Rupees in thousand	
Due to Associated Companies	**15.1**	**15,121**	10,572
Creditors		**142,287**	91,045
Bills payable		**0**	5,730
Accrued expenses		**37,323**	43,119
Retention money		**4,948**	4,024
Security deposits - interest free repayable on demand	**15.2**	**2,477**	1,319
Advance from customers		**781,700**	114,648
Income tax deducted at source		**791**	642
Gratuity payable to ex-employees		**1,382**	1,489
Workers' (profit) participation fund	**15.3**	**2,026**	9,036
Workers' welfare fund		**10,475**	11,056
Unclaimed dividends		**7,011**	7,032
Others		**1,014**	685
		1,006,555	300,397

15.1 The balance represents amounts due to:

	2012	2011
- Syntronics Ltd.	**12,591**	0
- Syntron Ltd.	**2,530**	10,290
- Phipson & Co. Pakistan (Pvt.) Ltd.	**0**	18
- Azlak Enterprises (Pvt.) Ltd.	**0**	264
	15,121	10,572

15.2 Security deposits include Rs.335 thousand (2011: Rs.447 thousand) representing mark-up bearing deposits. The Parent Company will pay mark-up at the same rate at which it will receive from the bank as these deposits have been kept in a PLS bank account.

15.3 Workers' (profit) participation fund

	Note	2012	2011
		Rupees in thousand	
Opening balance		**9,036**	20,228
Add:			
- interest on funds utilised in the Group's business		**752**	1,739
- interest earned on term deposit receipt purchased		**0**	82
- allocation for the year		**0**	8,888
		752	10,709
		9,788	30,937
Less: payments made during the year		**7,762**	21,901
Closing balance		**2,026**	9,036

16. ACCRUED MARK-UP

		2012	2011
Mark-up accrued on:			
- long term finances		**27,503**	23,551
- loans from Associated Companies		**12,272**	30,274
- short term borrowings		**86,038**	101,890
		125,813	155,715

17. SHORT TERM BORROWINGS

	Note	2012	2011
Secured	**17.1 & 17.2**	**2,522,282**	2,682,625
Un-secured	**17.3**	**3,477**	19,601
		2,525,759	2,702,226

17.1 Short term finance facilities available to Parent Company from various commercial banks under mark-up arrangements aggregate Rs. 1,000 million (2011: Rs. 950 million). These facilities are secured against pledge of stock of refined sugar, charge over present and future current assets of Parent Company and first registered charge for Rs. 200 million over all present and future fixed assets (excluding land and buildings) of Parent Company. These facilities, during the year, carried mark-up at the rates ranging from 11.00% to 15.96% (2011: 15.07% to 15.54%) per annum and are expiring on various dates by 30 September, 2013.

Facilities available to Parent Company for opening letters of guarantee and credit from various commercial banks aggregate Rs.154.300 million (2011: facility available for opening letters of guarantee amounted Rs.45 million). Out of the available facilities, facilities aggregating Rs.115.003 million (2011: Rs.35 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts, shipping documents and cash margin deposits.

17.2 Short term finance facilities available to CSM from various commercial banks under mark-up arrangements aggregate Rs.3.850 billion (2011: Rs.3.400 billion) and, during the year, carried mark-up at the rates ranging from 11.39% to 15.17% (2011: 14.50% to 16.03%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2011: Rs.25 million). These facilities are secured against hypothecation charge over the CSM's present and future fixed and current assets, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by 30 April, 2013.

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

18. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2012	2011
		Rupees in thousand	
Long term finances	10	**276,875**	246,664
Loans from Associated Companies	11	**22,500**	0
Liabilities against assets subject to finance lease	12	**3,765**	1,702
		303,140	248,366

19. TAXATION - Net

	2012	2011
Opening balance	**79,932**	65,344
Add: provision / (reversal) made during the year:		
- current	**34,170**	60,654
- prior years' - net	**(1,451)**	(13,622)
	32,719	47,032
Less: adjustments made during the year against completed assessments	**79,851**	32,444
Closing balance	**32,800**	79,932

Group

19.1 Returns of the Group for Tax Years 2008 to 2012, except for the return of CSM for Tax Year 2009, have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance). Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.

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

CSM

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

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

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

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

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

FSM

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

20. CONTINGENCIES AND COMMITMENTS

20.1 Commitments for irrevocable letters of credit outstanding at the year-end aggregated Rs.10.420 million (2011: Rs. Nil).

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

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

20.3 The Collectorate of Customs, Sales Tax and Federal Excise (Appeals), Rawalpindi, vide its judgment dated 21 October, 2008, had rejected the Parent Company's appeal and upheld the order of the Assistant Collector wherein the Parent Company was directed to deposit 1% special federal excise duty amounting Rs.63 thousand and disallowed the input tax adjustment to the tune of Rs.694 thousand. The Parent Company had filed an appeal with the Appellate Tribunal Inland Revenue, Peshawar, which deleted the excise duty amounting Rs. 63 thousand, the consequential penalty and additional surcharge as well as allowed input tax adjustment amounting Rs. 694 thousand.

20.4 The Additional Collector of Sales Tax, Peshawar, had served a show cause notice raising sales tax demands aggregating Rs.1.528 million along with additional tax on the grounds that FSM under-valued the price of spirit during the financial years 1994-95 & 1995-96 and paid lesser sales tax. FSM paid Rs.0.248 million against the said demands and filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Peshawar Bench, which is pending adjudication.

20.5 Various ex-employees of FSM, retrenched on 30 June, 2008 due to non-availability of raw materials to FSM, have filed a petition in the Court of Payment and Wage Commissioner, Mardan despite the fact that FSM has paid all their terminal dues as per its rules and according to the entitlement of each ex-employee. The ex-employees, in their petition, have demanded gratuity at the rate of 50 days per completed year on gross salary. After dismissal of their case, the petitioners have appealed against the decision in the Labour Court, Mardan. After arguments, the Presiding Officer of the Court has remanded back the case to the Authority. Presently, the case is pending before the Authority for adjudication. The management is confident that no loss is likely to occur as a result of this petition, and hence, no provision there against has been made in the financial statements.

20.6 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Parent Company outstanding as at 30 September, 2012 was for Rs.10 million (2011: Rs.10 million). The guarantee is valid upto 26 May, 2013.

20.7 The Bank of Khyber (BoK), on behalf of Parent Company and CSM, has issued guarantees aggregating Rs.102.817 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 44,010 metric tonnes of sugar. These guarantees will expire on various dates by 13 February, 2013. In case of CSM, BoK has extended the guarantees by capping the cash finance limit available to CSM.

20.8 In case of FSM, no guarantee was outstanding as at 30 September, 2012 (guarantee given by a bank on behalf of FSM outstanding as at 30 September, 2011 was for Rs.1.143 million).

20.9 CSM, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue (FBR) vide SRO. No. 564(I)/2006 dated 05 June, 2006. This resulted in excess payment of duty amounting Rs.35.825 million. The refund application was submitted to the Department, which was rejected. CSM, however, has filed an appeal before the Commissioner Inland Revenue (Appeals) against the impugned order; the appeal is pending adjudication.

20.10 Also refer contents of taxation notes and note 21.3.

21. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		Rupees in thousand	
Operating fixed assets - tangible	**21.1**	**3,448,500**	3,771,577
Capital work-in-progress	**21.6**	**299,019**	76,218
Stores held for capital expenditure		**162,467**	29,855
		3,909,986	3,877,650

21.1 Operating fixed assets - tangible

Particulars	Leasehold land	Owned													Leased	Total
		Freehold land	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Tools	Beet water line	Electric & gas equipment	Laboratory equipment	Furniture, fittings & office equipment	Farm equipment	Railway rolling stock and vehicles	Tubewell	Arms	Vehicles	
	------------------------- Rupees in thousand -------------------------															
COST / REVALUATION																
Balance as at 30 September, 2010	2,725	227,690	745,915	138,024	2,967,364	914	206	160,981	120	59,107	1,017	57,559	59	54	0	4,361,735
Additions during the year	0	0	0	0	2,257	0	0	2,533	0	4,320	0	3,015	0	0	6,310	18,435
Revaluation surplus	0	18,801	0	0	0	0	0	0	0	0	0	0	0	0	0	18,801
Disposals during the year	0	0	0	0	0	0	0	0	0	0	0	(1,111)	0	0	0	(1,111)
Balance as at 30 September, 2011	2,725	246,491	745,915	138,024	2,969,621	914	206	163,514	120	63,427	1,017	59,463	59	54	6,310	4,397,860
Balance as at 30 September, 2011	2,725	246,491	745,915	138,024	2,969,621	914	206	163,514	120	63,427	1,017	59,463	59	54	6,310	4,397,860
Additions during the year	0	7,316	0	0	0	0	0	1,210	0	4,933	0	5,016	0	0	12,315	30,790
Disposals during the year	0	0	0	0	0	0	0	0	0	0	0	(1,681)	0	0	0	(1,681)
Balance as at 30 September, 2012	2,725	253,807	745,915	138,024	2,969,621	914	206	164,724	120	68,360	1,017	62,798	59	54	18,625	4,426,969
DEPRECIATION																
Balance as at 30 September, 2010	359	0	179,688	24,691	980,159	913	205	64,838	116	35,901	39	32,884	58	41	0	1,319,892
Charge for the year	28	0	54,303	9,040	198,920	0	0	9,776	0	2,711	98	5,138	0	1	269	280,284
Elimination of accumulated depreciation upon revaluation	0	0	(113,066)	(17,376)	(842,504)	0	0	0	0	0	0	0	0	0	0	(972,946)
Charge on disposals	0	0	0	0	0	0	0	0	0	0	0	(947)	0	0	0	(947)
Balance as at 30 September, 2011	387	0	120,925	16,355	336,575	913	205	74,614	116	38,612	137	37,075	58	42	269	626,283
Balance as at 30 September, 2011	387	0	120,925	16,355	336,575	913	205	74,614	116	38,612	137	37,075	58	42	269	626,283
Charge for the year	28	0	60,187	9,882	263,359	0	0	8,936	0	2,905	88	5,116	0	1	2,740	353,242
Charge on disposals	0	0	0	0	0	0	0	0	0	0	0	(1,056)	0	0	0	(1,056)
Balance as at 30 September, 2012	415	0	181,112	26,237	599,934	913	205	83,550	116	41,517	225	41,135	58	43	3,009	978,469
BOOK VALUE AS AT 30 SEPTEMBER, 2011	2,338	246,491	624,990	121,669	2,633,046	1	1	88,900	4	24,815	880	22,388	1	12	6,041	3,771,577
BOOK VALUE AS AT 30 SEPTEMBER, 2012	2,310	253,807	564,803	111,787	2,369,687	1	1	81,174	4	26,843	792	21,663	1	11	15,616	3,448,500
Annual depreciation rate (%)	1.01	0	5-10	5-10	10-12	15	15	10	10	10-15	10	10-20	10	10	20	

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

	2012	2011
	Rupees in thousand	
- freehold land	**41,712**	41,382
- buildings on freehold land and roads	**227,103**	252,077
- buildings on leasehold land	**6,955**	7,470
- plant & machinery	**1,006,220**	1,118,033
	1,281,990	1,418,962

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

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

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

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

21.4 Depreciation for the year has been allocated as follows:

Cost of sales	**342,118**	271,757
Administrative expenses	**11,124**	8,527
	353,242	280,284

21.5 Disposal of vehicles

Particulars	Cost	Accumu-lated deprec-iation	Book value	Insurance claim / sale proceeds	Gain / (loss)	Insurance claim received from / sold through negotiation to:
	------------ Rupees in thousand ------------					
Toyota Corolla	1,279	927	352	900	548	IGI Insurance Ltd.
Honda Accord	402	129	273	153	(120)	Mr. Shahid Iqbal, Mohalla V.I.P., Post Office Mardan.
	1,681	**1,056**	**625**	**1,053**	**428**	

21.6 Capital work-in-progress

	2012	2011
	Rupees in thousand	
Freehold land - advance payments	**421**	421
Buildings on freehold land	**48,956**	14,988
Plant and machinery	**231,131**	56,803
Electric installations	**12,040**	1,088
Vehicles	**0**	2,918
Un-allocated capital expenditure	**6,471**	0
	299,019	76,218

22. INTANGIBLE ASSETS - Computer softwares

Cost at beginning of the year	**6,592**	6,292
Additions during the year	**0**	300
Cost at end of the year	**6,592**	6,592
Less: amortisation:		
- at beginning of the year	**6,392**	6,039
- charge for the year	**100**	353
- at end of the year	**6,492**	6,392
Book value as at 30 September,	**100**	200

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

23. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------- Rupees in thousand -------------		
As at 30 September, 2010			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	39,035	39,035
Book value	14,544	24,458	39,002
Year ended 30 September, 2011:			
Depreciation charge	0	1,936	1,936
Book value as at 30 September, 2011	14,544	22,522	37,066
Year ended 30 September, 2012:			
Depreciation charge	0	1,768	1,768
Book value as at 30 September, 2012	**14,544**	**20,754**	**35,298**
As at 30 September, 2011			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	40,971	40,971
Book value	14,544	22,522	37,066
As at 30 September, 2012			
Cost	14,544	63,493	78,037
Accumulated depreciation	0	42,739	42,739
Book value	**14,544**	**20,754**	**35,298**
Depreciation rate (%)	0	5-10	

23.1 Fair value of the investment property, based on the management's estimation, as at 30 September, 2012 was Rs.260 million (2011: Rs.260 million).

24. INVESTMENTS

	2012	2011	2012	2011
	Equity held (%)		Rupees in thousand	
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2011: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**13,937**	14,313
Market value Rs. 3.449 million (2011: Rs. 3.219 million)				
UN-QUOTED:				
National Computers (Pvt.) Ltd. *				
14,450 (2011: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	0
Premier Board Mills Ltd.				
47,002 (2011: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**3,632**	3,449
Azlak Enterprises (Pvt.) Ltd. **				
200,000 (2011: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**32,779**	29,428
			50,348	47,190
OTHERS - QUOTED (available-for-sale)				
Ibrahim Fibres Ltd.				
405,670 (2011: 438,250) ordinary shares of Rs.10 each			**5,680**	6,135
Add: adjustment arising from re-measurement to fair value			**14,247**	8,291
			19,927	14,426
			70,275	61,616

24.1 The Parent Company directly and indirectly controls / beneficially owns more than fifty percent of CSM's paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary with effect from the financial year ended 30 September, 2010.

24.2 Investments in equity instruments of Associated Companies	**2012**	2011
	Rupees in thousand	
Opening balance - cost	**5,638**	5,638
Add: post acquisition profit brought forward	**41,552**	32,789
	47,190	38,427
Add: share for the year:		
- profit - net	**4,470**	9,917
- other comprehensive income	**44**	45
- items directly credited in equity	**235**	224
Less: taxation - net	**(1,591)**	(1,423)
	3,158	8,763
Balance as at 30 September,	**50,348**	47,190

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

** Based on audited financial statements for the year ended 30 June, 2012.

24.3 Summarised financial information of the Associated Companies, based on the audited financial statements for the year ended 30 June, 2012, is as follows:

Name of the Associated Company	**Assets**	**Liabilities**	**Operating revenues**	**(Loss) / profit after tax**
	2012			
	------------------- Rupees in thousand -------------------			
Arpak International Investments Ltd.	**244,709**	**2,324**	**13,724**	**(10,867)**
Premier Board Mills Ltd.	**444,685**	**7,135**	**24,135**	**18,466**
Azlak Enterprises (Pvt.) Ltd.	**119,854**	**37,907**	**44,905**	**8,873**
	2011			
Arpak International Investments Ltd.	251,505	2,589	13,020	1,334
Premier Board Mills Ltd.	423,030	7,496	21,258	68,005
Azlak Enterprises (Pvt.) Ltd.	103,041	29,471	36,265	8,243
National Computers (Pvt.) Ltd.	60	638	0	0

25. STORES AND SPARES

Stores including in-transit inventory valuing Rs. 40.002 million (2011: Rs.10.446 million)	**237,122**	234,393
Spares	**90,603**	72,085
	327,725	306,478

25.1 FSM has not carried-out manufacturing operations during the current and prior years and in the absence of an exercise to identify obsolete / damaged stores and spares inventory, carrying values of the year-end stores and spares inventory valuing Rs.32.581 million have not been adjusted for any potential impairment loss.

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

26. STOCK-IN-TRADE

	Note	2012	2011
		Rupees in thousand	
Sugar-in-process		**18,706**	19,479
Finished goods:			
- Sugar	26.1	**1,939,161**	2,607,897
- Spirit	26.2	**4,089**	10,513
		1,943,250	2,618,410
		1,961,956	2,637,889

26.1 Year-end finished sugar inventory of the Parent Company includes inventory costing Rs. 658.062 million (2011: Rs. 1,046.751 million), which has been stated at net realisable value. The amount charged to profit and loss account in respect of inventory write-down to net realisable value amounted Rs. 59.473 million (2011: Rs. 399.516 million).

26.2 The year-end component of molasses used in distillery stock-in-hand and the actual molasses-in-hand aggregated 2,538.221 metric tonnes (2011: 5,518.109 metric tonnes) valued at Rs. Nil.

27. TRADE DEBTS

	Note	2012	2011
Export - secured		**107,000**	24,177
Local - unsecured, considered good	27.1	**683,611**	39,027
		790,611	63,204

27.1 In case of CSM, year-end balance of trade debts includes a debt amounting Rs.32.300 million, which was overdue as at 30 September, 2012 and 30 September, 2011. To secure this debt, CSM has executed a sale deed with him whereby commercial property owned by him will be transferred to CSM if he fails to meet his commitment.

28. LOANS AND ADVANCES

	Note	2012	2011
Advances to:			
- suppliers and contractors - considered good	28.1	**135,557**	83,393
- employees - considered good		**6,355**	2,834
Letter of credit		**557**	2,178
		142,469	88,405
Less: provision for doubtful advances		**2,437**	2,437
		140,032	85,968

28.1 These are unsecured and considered good except for Rs.2.437 million (2011: Rs.2.437 million), which have been fully provided for in the books of account.

29. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2012	2011
		Rupees in thousand	
Prepayments		**4,424**	3,637
Excise duty deposits		**219**	219
		4,643	3,856

30. SHORT TERM INVESTMENTS

- At fair value through profit or loss

	2012	2011
Askari Sovereign Cash Fund 1,448,767 Units (2011: 665,456 Units)	**133,117**	59,000
Pakistan Cash Management Fund 2,353,449 Units (2011: 2,116,186 Units)	**112,711**	95,000
MCB Cash Management Optimizer 447,106 Units (2011: 1,036,376 Units)	**40,389**	95,877
ABL Cash Fund Nil Units (2011: 6,199,485 Units)	**0**	55,592
UBL Liquidity Plus Fund Nil Units (2011: 496,524 Units)	**0**	49,000
Alfalah GHP Cash Fund Nil Units (2011: 33,257 Units)	**0**	14,882
	286,217	369,351
Add: adjustment on re-measurement to fair value	**22,081**	35,123
	308,298	404,474

31. BANK BALANCES

	Note	2012	2011
Cash at banks on:			
- PLS accounts	**31.1 & 31.2**	**29,749**	35,832
- saving accounts	**31.2**	**1,401**	77
- deposit accounts	**31.2**	**36,897**	7,759
- current accounts		**49,113**	35,841
- deposits with a non-bank finance company - unsecured	**31.3**	**78,000**	78,000
- dividend accounts		**1,968**	1,160
		197,128	158,669
Less: provision for doubtful bank balance	**31.4**	**5,000**	5,000
		192,128	153,669

31.1 These include Rs.335 thousand (2011: Rs.447 thousand) in security deposit account.

31.2 PLS, saving and deposit accounts during the year carried profit / mark-up at the rates ranging from 5.00% to 12.85% (2011: 5.00% to 12.85%) per annum.

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

Date of maturity	**Amount of deposit Rupees in thousand**
29 July, 2009	**15,600**
29 July, 2010	**15,600**
29 July, 2011	**15,600**
29 July, 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. 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 28 January, 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.

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

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

32. SALES - Net

	Note	2012	2011
		Rupees in thousand	
Turnover - Local		**7,637,950**	6,581,079
- Export		**248,791**	24,178
		7,886,741	6,605,257
Less:			
Sales tax		**552,182**	315,397
Special excise duty		**0**	23,014
		552,182	338,411
		7,334,559	6,266,846

33. COST OF SALES

	Note	2012	2011
Raw materials consumed		**5,602,117**	7,357,356
Chemicals and stores consumed		**118,102**	89,365
Salaries, wages and benefits	33.1	**288,463**	236,355
Power and fuel		**218,821**	121,471
Insurance		**8,356**	8,265
Repair and maintenance		**100,705**	90,188
Machinery lease rentals		**714**	0
Depreciation		**342,118**	271,757
		6,679,396	8,174,757
Adjustment of sugar-in-process:			
Opening		**19,479**	22,340
Closing		**(18,706)**	(19,479)
		773	2,861
Cost of goods manufactured		**6,680,169**	8,177,618
Adjustment of finished goods:			
Opening stock		**2,618,410**	355,115
Closing stock		**(1,943,250)**	(2,618,410)
		675,160	(2,263,295)
		7,355,329	5,914,323

33.1 These include Rs. 3.708 million (2011: Rs.3.460 million) and Rs. 4.014 million (2011: Rs.4.044 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

34. DISTRIBUTION COST

	Note	2012	2011
		Rupees in thousand	
Commission		**7,998**	6,340
Salaries, wages and amenities	**34.1**	**3,190**	2,469
Stacking and loading		**7,309**	5,369
Spirit export expenses		**14,912**	465
Export development surcharge		**128**	0
Others		**1,181**	357
		34,718	15,000

34.1 These include Rs. 46 thousand (2011: Rs.40 thousand) in respect of provident fund contributions.

35. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries and benefits	**35.1**	**119,715**	97,148
Travelling and vehicles' running:			
- directors		**6,744**	1,844
- others		**17,076**	14,022
Utilities		**1,606**	1,027
Rent, rates and taxes		**3,243**	3,079
Insurance		**2,086**	1,910
Repair and maintenance		**13,228**	13,419
Printing and stationery		**4,370**	4,177
Communication		**4,468**	4,703
Fees and subscription		**1,884**	1,276
Auditors' remuneration	**35.2**	**2,657**	2,342
Legal and professional charges (other than Auditors')		**7,187**	3,141
Depreciation on:			
- operating fixed assets		**11,124**	8,527
- investment property		**1,768**	1,936
Amortisation of intangible assets		**100**	353
General		**2,459**	2,985
		199,715	161,889

35.1 These include Rs. 1.673 million (2011: Rs.1.354 million) and Rs. 1.105 million (2011: Rs.1.076 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

35.2 Auditors' remuneration

	2012	2011
	Rupees in thousand	
Hameed Chaudhri & Co.		
- statutory audit	**1,625**	1,375
- half-yearly review	**285**	220
- consultancy, tax services and certification charges	**487**	525
- out-of-pocket expenses	**110**	82
	2,507	2,202
Munawar Associates		
- cost audit fee	**100**	104
- employees' provident fund's audit fee	**5**	5
- workers' (profit) participation fund's audit fee	**22**	22
- out-of-pocket expenses	**23**	9
	150	140
	2,657	2,342

36. OTHER OPERATING EXPENSES

	2012	2011
Donations (without directors' interest)	**275**	331
Uncollectible receivable balances written-off	**738**	0
Workers' welfare fund	**0**	3,377
Workers' (profit) participation fund	**0**	8,888
	1,013	12,596

37. OTHER OPERATING INCOME

	Note	2012	2011
		Rupees in thousand	
Income from financial assets:			
Interest / profit on bank deposits and saving accounts		**5,724**	3,365
Gain on redemption of short term investments		**34,907**	24,715
Gain on sale of investment in shares		**1,364**	0
Fair value gain on re-measurement of short term investments		**22,081**	35,123
Dividend		**1,315**	877
Income from other than financial assets:			
Rent		**7**	1,066
Sale of scrap (2011: net of sales tax amounting Rs.3,816 thousand)		**2**	23,443
Sale of press mud - net of sales tax amounting Rs.247 thousand (2011: Rs.263 thousand) and excise duty amounting Rs. Nil (2011: Rs.17 thousand)		**1,547**	1,547
Unclaimed payable balances written-back		**539**	233
Gain on disposal of vehicles - net		**428**	356
Profit from fertilizer sales	**37.1**	**5,384**	946
Sale of agricultural produce		**17,772**	15,148
Seed sales net of expenses		**35,041**	955
Sale of beet pulp		**5,000**	5,000
Workers' welfare fund - written back	**37.2**	**581**	0
Miscellaneous - net of sales tax amounting Rs. 321 thousand (2011: Rs.224 thousand)		**2,016**	1,396
		133,708	114,170

37.1 Profit from fertilizer sales

	2012	2011
Sales	**25,593**	7,059
Less: cost of sales		
opening stock	**10,194**	1,092
purchases	**12,650**	15,215
closing stock	**(2,635)**	(10,194)
	20,209	6,113
	5,384	946

37.2 Workers' welfare fund provisions made during prior years have been written-back as the amendments introduced in Finance Acts 2006 and 2008 have been declared unconstitutional and unlawful by the Lahore High Court, Lahore.

38. FINANCE COST

	2012	2011
	Rupees in thousand	
Mark-up on:		
- long term finances	**96,387**	102,465
- loans from Associated Companies	**23,933**	26,171
- short term borrowings	**254,200**	332,147
Interest on workers' (profit) participation fund	**752**	1,739
Lease finance charges	**1,696**	203
Bank charges	**4,942**	3,050
	381,910	465,775

39. COMBINED LOSS PER SHARE

	2012	2011
Loss attributable to equity holders of the Parent	**(285,775)**	(138,710)
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	R u p e e s	
Combined loss per share	**(76.21)**	(36.99)

39.1 Diluted loss per share has not been presented as there are no convertible instruments in issue as at 30 September, 2012 and 30 September, 2011, which would have any effect on the combined loss per share if the option to convert is exercised.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial Risk Factors

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

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

40.2 Market risk

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

(a) Currency risk

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

	2012	2011
	Rupees in thousand	
Trade debts	**107,000**	24,177
Bills payable	**0**	(5,730)
Gross balance sheet exposure	**107,000**	18,447
Outstanding letters of credit	**10,420**	0
Net exposure	**96,580**	18,447

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2012	2011	**2012**	2011
U.S. $ to Rupee	**94.40**	86.93	**94.50**	87.20
Euro to Rupee	**-**	120.22	**-**	122.30

(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:

	2012	2011	**2012**	2011
	Effective rate		**Carrying amount**	
	%	%	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Deposits with a non-bank finance company	**5**	5	**78,000**	78,000
Bank balances	**5.00 to 12.85**	5.00 to 12.85	**63,047**	38,668
Variable rate instruments				
Financial liabilities				
Long term finances	**13.81 to 15.80**	14.17 to 15.80	**821,453**	586,664
Loans from Associated Companies	**11.72 to 14.69**	13.92 to 15.54	**180,000**	180,000
Liabilities against assets subject to finance lease	**11.43 to 11.76**	15.23 to 15.75	**13,069**	7,909
Short term borrowings	**11.00 to 15.96**	14.50 to 16.03	**2,522,282**	2,682,625

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 30 September, 2012, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.35,368 thousand (2011: Rs.34,572 thousand) higher / lower, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. Price risk arises from the Group's investments in Units of Mutual Funds classified as short term investments at fair value through profit or loss. To manage its price risk arising from aforesaid investments, the Group diversifies its portfolio and continuously monitors developments in the market. In addition, the management actively monitors the key factors that affect price movement.

A 10% increase / decrease in redemption value of Units of Mutual Funds would decrease / increase loss before taxation for the year by Rs.30,830 thousand (2011:Rs.40,447 thousand).

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

40.3 Credit risk exposure and concentration of credit risk

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

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

Credit risk primarily arises from trade debts, loans & advances, short term investments, deposits with a non-bank finance company and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

In respect of other counter parties, due to the Group's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Group.

Exposure to credit risk

The maximum exposure to credit risk as at 30 September, 2012 along with comparative is tabulated below:

	2012	2011
	Rupees in thousand	
Investments	**19,927**	14,426
Security deposits	**4,594**	4,318
Trade debts	**790,611**	63,204
Loans and advances	**133,120**	80,956
Trade deposits	**219**	219
Accrued profit / mark-up on bank deposits	**1,043**	1,073
Other receivables	**7,055**	983
Short term investments	**308,298**	404,474
Deposits with a non-bank finance company	**78,000**	78,000
Bank balances	**114,128**	75,669
	1,456,995	723,322

The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-bank finance company as detailed in note 31.3.

Trade debts exposure by geographic region is as follows:

Domestic	**683,611**	39,027
Export	**107,000**	24,177
	790,611	63,204

The only export debtor of the Group is situated in Australia.

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

Not past due	**753,866**	30,823
Past due	**36,745**	32,381
	790,611	63,204

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.465.505 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

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

	Fund stability rating assigned by PACRA
- MCB Cash Management Optimizer	**AA**
- Pakistan Cash Management Fund	**AAA**
- Askari Sovereign Cash Fund	**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:

	2012				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	------------------------- Rupees in thousand -------------------------				
Long term finances	**821,453**	**1,042,016**	**364,723**	**677,293**	**0**
Loans from Associated Companies	**180,000**	**225,793**	**42,661**	**183,132**	**0**
Liabilities against assets subject to finance lease	**13,069**	**13,069**	**3,765**	**9,304**	**0**
Trade and other payables	**211,563**	**211,563**	**211,563**	**0**	**0**
Accrued mark-up	**125,813**	**125,813**	**125,813**	**0**	**0**
Short term borrowings	**2,525,759**	**2,640,510**	**2,640,510**	**0**	**0**
	3,877,657	**4,258,764**	**3,389,035**	**869,729**	**0**
	2011				
Long term finances	586,664	705,870	313,897	391,973	0
Loans from Associated Companies	180,000	270,113	26,568	220,549	22,996
Liabilities against assets subject to finance lease	7,909	7,909	1,702	6,207	0
Trade and other payables	165,016	165,016	165,016	0	0
Accrued mark-up	155,715	155,715	155,715	0	0
Short term borrowings	2,702,226	2,804,164	2,804,164	0	0
	3,797,530	4,108,787	3,467,062	618,729	22,996

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

40.5 Fair values of financial instruments and hierarchy

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

At 30 September, 2012, the carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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

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

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

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

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

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

41. CAPITAL RISK MANAGEMENT

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

The Group manages capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Parent Company and Subsidiary Companies may adjust the amount of dividend paid to shareholders and / or issue new shares.

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

42. TRANSACTIONS WITH RELATED PARTIES

42.1 No amount was due from Associated Companies at any month-end during the year (2011: maximum aggregate balance due from the Associated Companies, on account of normal trading transactions, at any month-end during the year was Rs.63 thousand).

42.2 The Group has related party relationship with its Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Associated Companies during the year were as follows:

	2012	2011
	Rupees in thousand	
- purchase of goods and services	**73,606**	65,479
- sale of a vehicle	**0**	150
- dividend paid	**5,361**	5,188
- mark-up accrued on long term loans	**23,933**	26,171

43. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	Chief Executive		Directors		Executives	
	2012	2011	**2012**	2011	**2012**	2011
	-------------------- Rupees in thousand-------------------					
Managerial remuneration including bonus	**1,200**	1,200	**8,760**	7,123	**16,879**	16,049
Allowances and utilities	**0**	0	**0**	0	**12,651**	6,345
Retirement benefits	**0**	0	**0**	0	**707**	595
Medical expenses reimbursed	**0**	0	**206**	0	**0**	198
	1,200	1,200	**8,966**	7,123	**30,237**	23,187
Number of persons	**1**	1	**6**	2	**18**	14

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

43.2 The chief executive and sixteen executives of CSM have been provided with free use of CSM's maintained cars. Thirteen (2011: seven) of the CSM's executives have also been provided with free housing (with CSM's generated electricity, telephone and certain household items in the residential colony within the factory compound).

43.3 In case of FSM, no managerial remuneration was paid to chief executive and directors during the current and preceding years; however, they are provided with free use of FSM's maintained cars.

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

44. CAPACITY AND PRODUCTION

		2012	2011
SUGAR CANE PLANTS			
Rated crushing capacity per day	**M.Tonnes**	**22,690**	22,690
Cane crushed	**M.Tonnes**	**1,445,264**	1,487,208
Sugar produced	**M.Tonnes**	**127,768**	128,983
SUGAR BEET PLANTS			
Rated slicing capacity per day	**M.Tonnes**	**3,500**	3,500
Beet sliced	**M.Tonnes**	**43,125**	50,509
Sugar produced	**M.Tonnes**	**4,539**	4,467
DISTILLERY			
Rated capacity per day	**Gallons**	**10,000**	10,000
Actual production	**Gallons**	**660,010**	172,302

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

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

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

45. OPERATING SEGMENTS

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

45.1 Sugar sales represent 93.09% (2011: 91.94%) of the total sales of the Group.

45.2 Except for export sales amounting Rs.248.791 million, all of the Group's sales relate to customers in Pakistan.

45.3 All non-current assets of the Group as at 30 September, 2012 are located in Pakistan.

45.4 The Group sells sugar to commission agents. Sugar sales to five (2011: five) of the Group's customers during the year aggregated Rs. 5.303 billion (2011: Rs. 5.730 billion), which represent 78% (2011: 99%) of entire sugar sales. Three (2011: three) of the Group's customers individually exceeded 10% of the sugar sales.

46. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 04 January, 2013 by the board of directors of the Parent Company.

47. FIGURES

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

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

PROXY FORM

I/We...of..........................being a member of **The Premier Sugar Mills & Distillery Company Limited** and holding ....ordinary shares entitled to vote or votes hereby appoint................................of..........................or failing him...of............................as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 31 January, 2013 and at any adjournment thereof.

As witness my/our hand this ....day of 2013

Signed by the said
in the presence of

Address...

....

....

Revenue Stamp (Rs. 5.00)

Signature

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