annual report 2017

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Company Profile

The Premier Sugar Mills & Distillery Company Limited (the Company) was incorporated on 24 July, 1944 as a Public Company and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacturing and sale of white sugar and spirit including the following:

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

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

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

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

e) To manufacture straw-boards and paper;

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

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

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

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

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

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

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

Company Information

Board of Directors

Mr. Aziz Sarfaraz Khan
Chairman
Mr. Abbas Sarfaraz Khan
Chief Executive
Begum Laila Sarfaraz
Ms. Zarmine Sarfaraz
Ms. Najda Sarfaraz
Ms. Samyra Rashid
Mr. Iskander M. Khan
Mr. Abdul Qadar Khattak

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Head of Internal Audit

Syed Naveed Ali

Auditors

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

Cost Auditors

M/s. Zahid Jamil & Co
Chartered Accountants

Tax Consultants

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

Legal Advisor

Mr. Isaac Ali Qazi
Advocate

Bankers

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

Management Committees

Executive Committee

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

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

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

l) Determining of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration Committee

Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Chairman
Ms. Samyra Rashid (Independent Director)	Member
Mr. Iskander M. Khan (Executive Director)	Member
Mr. Mujahid Bashir	Secretary

The Committee is responsible for:

i) recommending human resource management policies to the board;

ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;

iii) recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and

iv) consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

VISION STATEMENT

- Efficient organization with professional competence of top order is engaged to remain a market leader in the sugar industry in manufacturing and marketing of white sugar.
- To ensure attractive returns to business associates and optimizing the shareholders' value as per their expectations.

MISSION STATEMENT

- Quality objectives are designed with a view to enhance customer satisfaction and operational efficiencies.
- To be a good corporate citizen to fulfil the social responsibilities.
- Commitment to building, Safe, Healthy and Environment friendly atmosphere.
- We with professional and dedicated team, ensure continual improvement in quality and productivity through effective implementation of Quality Management System. Be a responsible employer and reward employees according to their ability and performance.
- The quality policy encompasses our long term Strategic Goals and Core Values, which are integral part of our business.

STRATEGIC GOALS

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

CORE VALUES

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Code of Conduct

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

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

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

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

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

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

General Principles

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

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

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

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

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

Statement of Ethical Practices

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

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

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

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

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

TEN YEARS' REVIEW

YEAR	CANE			BEET		
	CANE CRUSHED	RECOVERY	SUGAR PRODUCED	BEET SLICED	RECOVERY	SUGAR PRODUCED
	M. Tons	%	M. Tons	M. Tons	%	M. Tons
2008	197,313.428	8.50	16,772.00	64,095.18	8.80	5,640.00
2009	88,612.756	9.04	8,006.00	NOT OPERATED		
2010	3,863.968	7.01	50.00	33,026.44	7.60	2,510.00
2011	133,655.000	8.65	11,509.00	50,509.00	8.93	4,467.00
2012	249,062.000	9.76	24,290.00	43,124.74	10.65	4,539.00
2013	222,121.000	9.14	20,507.00	47,379.00	9.71	4,567.00
2014	117,589.000	8.90	10,402.00	NOT OPERATED		
2015	95,526.000	9.11	9,019.00			
2016	178,273.000	9.94	17,677.00			
2017	268,864.455	9.32	25,003.00			

PRODUCTION OF INDUSTRIAL ALCOHOL

YEARS	MOLASSES TONS	RECOVERY GLNS PER MND	PRODUCTION IN GALLONS
2008	7,300.00	1.799	351,801.00
2009	3,728.00	1.897	189,526.00
2010	35.46	2.402	2,129.00
2011	3,431.77	2.008	172,302.00
2012	13,348.13	1.978	660,010.00
2013	8,589.29	1.876	402,790.00
2014	6,477.00	2.104	340,694.00
2015	NOT OPERATED		
2016			
2017			

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

SIX YEARS' PERFORMANCE AT A GLANCE

PARTICULARS	2017	2016	2015	2014	2013	2012	2011
			(R U P E E S	I N	T H O U S A N D)		
Turnover	892,219	1,470,677	225,479	781,125	1,889,547	1,490,368	395,059
Operating Profit/(Loss)	(191,250)	(226,746)	(22,091)	(200,516)	(81,882)	(253,031)	(395,554)
Profit/(Loss) before tax	(171,931)	(195,530)	6,563	(140,924)	(20,916)	(244,535)	(327,986)
Profit/(Loss) After tax	(147,178)	(149,793)	16,769	(78,509)	(41,148)	(159,546)	(192,566)
Share capital	37,500	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,181,014	1,203,899	1,352,350	1,327,479	1,106,719	1,144,337	1,303,833
Non-current assets	1,493,750	1,328,521	1,497,519	1,601,222	1,175,597	1,148,938	1,203,934
Total assets	2,445,206	1,881,265	2,364,963	2,105,089	1,836,901	2,210,022	2,277,333
Non current liabilities	83,160	150,724	275,128	290,161	12,757	31,345	114,601
Current assets	951,456	552,744	867,444	503,867	661,304	1,061,084	1,073,399
Current liabilities	1,181,032	526,642	737,485	487,449	717,425	1,034,340	858,849
Dividend							
Cash dividend	0	0	20%	0	0	0	0
Ratios:							
Profitability (%)							
Operating profit / (loss)	(21.44)	(15.42)	(9.80)	(25.67)	(4.33)	(16.98)	(100.13)
Profit/ (Loss) before tax	(19.27)	(13.30)	2.91	(18.04)	(1.11)	(16.41)	(83.02)
Profit/(Loss) after tax	(16.50)	(10.19)	7.44	(10.05)	(2.18)	(10.71)	(48.74)
Return to Shareholders							
ROE - Before tax	(14.56)	(16.24)	0.49	(10.62)	(1.89)	(21.37)	(25.16)
ROE - After tax	(12.46)	(12.44)	1.24	(5.91)	(3.72)	(13.94)	(14.77)
Return on Capital Employed	(11.64)	(11.06)	1.03	(4.85)	(3.68)	(13.57)	(13.58)
E. P. S. - After tax	(39.25)	(39.94)	4.47	(20.94)	(10.97)	(42.55)	(51.35)
Activity							
Total assets turnover	0.41	0.69	0.10	0.40	0.93	0.66	0.20
Non-current assets turnover	0.63	1.04	0.15	0.56	1.63	1.27	0.33
Liquidity/Leverage							
Current ratio	0.81	1.05	1.18	1.03	0.92	1.03	1.25
Break up value per share	31.49	32.10	36.06	35.40	29.51	30.52	34.77
Total Liabilities to equity (Times)	(1.07)	(0.56)	(0.75)	(0.59)	(0.66)	(0.93)	(0.75)

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

NOTICE OF MEETING

Notice is hereby given that 72nd Annual General Meeting of the shareholders of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** will be held on January 27, 2018 at 11:00 AM at the Registered Office of the Company at Nowshera Road, Mardan, for transacting the following business:-

ORDINARY BUSINESS

(1) To confirm the minutes of the Extra Ordinary General Meeting held on March 31, 2017.

(2) To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended September 30, 2017.

(3) To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2018. The present auditors' M/s ShineWing Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from January 17, 2018 to January 27, 2018 (both days inclusive).

BY ORDER OF THE BOARD

Mardan:
January 03, 2018

(Mujahid Bashir)
Company Secretary

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

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

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

4. CDC shareholders will in addition have to follow the under mentioned guidelines as laid down in Circulars No.1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the Meeting:

(I) In Case of Individuals: The account holder or sub account holder and / or the person whose securities are registered on CDS; and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her Original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the Meeting. The Members are also required to bring their Participants' I.D. number and account numbers in CDS.

(II) In Case of Corporate Entity: The Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

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

Members are requested to submit declaration as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

6. Transmission of Annual Financial Statements through E-Mail:
SECP vide SRO 787(1) 2014 of 8 September 2014 whereby SECP has allowed companies to circulate annual balance sheet, profit and loss account, auditor's report and directors' report etc. along with notice of annual general meeting to its members through e-mail. Members are requested to provide their e-mail addresses on registered address of the Company. CDC shareholders are requested to submit their email address and consent directly to their broker (Participant)/CDC Investor Account Services.

7. Unclaimed Dividends
Shareholders, who by any reason, could not claim their dividend or did not collect their physical shares, are advised to contact our Share Registrar M/s Hameed Majeed Associate (Pvt.) Limited., to collect/enquire about their unclaimed dividend or pending shares, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three years from the date due and payable shall be deposited to the credit of the Federal Government.

8. In compliance with SECP notification No.634(1)/2014 dated July 10, 2014, the audited financial statements and report of the Company for the year ended 30 June, 2017 will be provided on the website www.premiersugarmills.com at least 21 days before the date of Annual General Meeting.

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 September 30, 2017.

1. SUMMARISED FINANCIAL RESULTS

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

	2017	2016
	Rupees in thousand	
Loss before taxation	(171,931)	(195,530)
Taxation		
- Current	(20,623)	(16,768)
- Prior	3,001	12,584
	(17,622)	(4,184)
- Deferred	42,375	49,921
	24,753	45,737
Loss after taxation	(147,178)	(149,793)
	---------- Rupees ----------	
	(39.25)	(39.94)

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2016-17

The sugarcane crushing season 2016-17 commenced on November 07, 2016 and continued till April 11, 2017. The mills have crushed 268,864 tons (2016: 178,273 tons) of sugarcane and have produced 25,003 tons (2016: 17,677 tons) of sugar at an average recovery of 9.32% (2016: 9.94%). The Country achieved the highest ever sugar production of around 7.0 million tons, this coupled with carry over stock created a surplus of 2.50 million tons over and above the domestic consumption. Despite this, the Ministry of Commerce opposed to allow the export of surplus sugar of 2.0 million tons without subsidy during high international prices from December 2016 to March 2017 to earn US$ 1.12 Billion. As a result, the surplus stock pressurized the domestic prices to lower than the cost of sugarcane.

The Company suffered loss of Rs. 147.178 million (2016: 149.793 million) during the year, due to high cost of sugarcane and adverse policies of the Government.

2.2 CRUSHING SEASON 2017-18

The sugarcane crushing season started on November 30, 2017 and the mills have crushed 32,143 M. tons of sugarcane, producing 2,600 M. tons of sugar with average recovery of 9.24% upto December 20, 2017. The Provincial Government of Punjab and KPK fixed sugarcane price @ Rs. 180/- per maund. The Federal Government allowed export of 1.50 million tons of sugar for the crushing season 2017-18 with subsidy of Rs. 10,700/- per tons of sugar. Though the KPK Government notified the same price of sugarcane but refused to pay the subsidy on export of sugar for onward payments to Growers.

3. SUGAR PRICE

3.1- CRUSHING SEASON 2016-17
The sugar prices remained depressed throughout the year.

3.2- CRUSHING SEASON 2017-18
Presently, prices of sugar are lower than the cost of production.

4. DISTILLERY

The management has decided to temporarily close down the distillery operations, for effluent treatment solution.

5. STAFF

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

6. PATTERN OF SHAREHOLDING

The Pattern of Shareholding, as required under section 227(2)(f) of the Companies Act, 2017 is annexed.

7. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- Proper books of account have been maintained.

- All appropriate accounting policies have been consistently applied while preparing financial statements and accounting estimates are based on reasonable and prudent judgment.

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

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

- There are no significant doubts upon Company's ability to continue as a 'going concern'.

- The Company has followed corporate governance as detailed in the listing regulations.

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

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at September 30, 2017, except for those disclosed in the financial statements.

- The value of investments of staff provident fund, based on audited accounts, was Rs. 47.29 million as at September 30, 2017.

- During the year, Five (05) meetings of the Board of Directors were held. Attendance by each director was as follows:

- Attendance by each Director is as follow.

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
Khan Aziz Sarfaraz Khan	5
Begum Laila Sarfaraz	4
Mr. Abbas Sarfaraz Khan	4
Ms. Zarmine Sarfaraz	4
Ms. Najda Sarfaraz	5
Mr. Iskander M Khan	5
Mr. Abdul Qadar Khattak	3
Mr. Baber Ali Khan	2
Ms. Samyra Rashid	4

Leave of absence was granted to directors who could not attend some of the Board Meetings.

No trade in the shares of the Company were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended September 30, 2017.

8. ROLE OF SHAREHOLDERS

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

9. DIVIDEND

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

10. ELECTION OF DIRECTORS

The directors were retired in accordance with the provision of Section 178 of the Companies Ordinance, 1984 and fresh election was held in the Extra Ordinary General Meeting of March 31, 2017. The Board has fixed the number of directors to be eight (8) including one independent director as required by the Code of Corporate Governance.

11. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended to re-appoint M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants, Lahore as External Auditors for the financial year 2017-2018. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

12. REPLY TO AUDITORS' OBSERVATIONS

Note 15.4
The Company is representing / monitoring through CM No. 454/2011 in winding of proceedings filed by SECP before Honorable Lahore High Court Lahore. The Court has appointed a liquidator by accepting the Winding up petition and Company has filed statement of claims before the court. Furthermore, the balance confirmation letter has been circulated to the bank for direct confirmation to the auditors and the reply will be received by the auditors directly.

12. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by Pakistan Stock Exchange in the PSX Rules Book, relevant for the year ended September 30, 2017 have been duly complied with. A statement to this effect is annexed with the report.

13. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

Mardan:
January 03, 2018

ڈائریکٹرز کی رپورٹ

دی پریمیر شوگر ملز اینڈ ڈسٹر لی کمپنی لمیٹڈ کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور 30 ستمبر 2017 کو ختم ہونے والے سال کے آڈیٹڈ شدہ مالیاتی گوشوارے، پیش کرنے پر مسرت محسوس کرتے ہیں۔

خلاصہ مالیاتی نتائج

کمپنی کی مالیاتی کارکردگی کا ذیل میں خلاصہ پیش ہے۔

	2017	2016
	(ہزار روپے)	
ٹیکس سے پہلے نقصان	(171,931)	(195,530)
ٹیکسیشن		
موجودہ ٹیکس	(20,623)	(16,768)
گزشتہ	3,001	12,584
	(17,622)	(4,184)
ڈیفرڈ ٹیکس	42,375	49,921
	24,753	45,737
بعد از ٹیکس نقصان	(147,178)	(149,793)
نقصان فی شیئر	(39.25)	(39.94)

آپریشن کا جائزہ

2.1۔کرشنگ سیزن 17-2016

گنے کا کرشنگ سیزن 17-2016، 07 نومبر 2016 کو شروع ہوا اور 11 اپریل 2017 تک جاری رہا۔ ملز نے 268,864 ٹن (2016 میں 178,273 ٹن) گنا کرش کیا اور 9.32 فیصد اوسط (2016 9.94 : فیصد) کے حساب سے چینی کی پیداوار 25,003 ٹن (2016 میں 17,677 ٹن) رہی۔ ملک نے تقریبا سات (7) ٹن چینی کی پیداوار کی۔ جو تاریخ کی سب سے زیادہ ہے۔ جس کی وجہ سے ملک میں گھریلو کھپت سے اوپر 2.5 ملین چینی کا اضافہ ہوا۔ اس کے باوجود، وزارت تجارت نے دسمبر 2016 سے مارچ 2017 تک اچھی بین الاقوامی قیمتوں پر دو (2) ملین چینی سبسڈی کے بغیر، برامد کی اور 1.12 بلین ڈالر آمدنی کی مخالفت کی۔ اس کے نتیجے میں اضافی پیداوار (اسٹاک) نے چینی کی لوکل قیمتوں کو گنے کی لاگت سے کم کر دیا۔ سال کے دوران کمپنی کو 147.178 ملین کا نقصان برداشت کرنا پڑا (2016 میں 149.793 ملین) جس کی بنیادی وجہ حکومت کی غلط پالیسیاں اور گنے کی قیمت میں بیش بہا اضافہ ہے۔

2.2۔ کرشنگ سیزن 2017-18

گنے کا کرشنگ سیزن کا آغاز 30 نومبر 2017 کو شروع ہوا۔ 29 دسمبر 2017 تک ملز نے 45,732 ٹن گنے کو کرش کرتے ہوئے 4000 ٹن چینی کی پیداوار، اوسط 9.41 فیصد کے حساب سے کی۔ صوبائی حکومت پنجاب اور خیبر پختونخواہ نے گنے کی قیمت 180 روپے فی من مقرر کی۔ وفاقی حکومت نے کرشنگ سیزن 2017-18 کے لیئے 10,700 روپے فی ٹن کی سبسڈی کے ساتھ چینی کی برآمد کی اجازت دی ہے۔ حلانکہ خیبر پختونخواہ حکومت نے گنے کی مطلع کی گئی قیمت کو برقرار رکھا لیکن برآمد کرنے پر رعایت (سبسڈی) ادا کرنے سے انکار کر دیا۔

3۔ چینی کی قیمت

3.1 چینی کا سیزن 2016-17

چینی کی قیمت پورے سال میں مایوس کن رہی۔

3.2۔ چینی کا سیزن 2017-18

اس وقت چینی کی قیمت اس کی پیداواری لاگت سے کم ہے۔

4۔ ڈسٹرلی

انتظامیہ نے عارضی طور پر ڈسٹرلی آپریشن کو بند کرنے کا فیصلہ کیا ہے تا کہ اس کا موئثر حل نکالا جا سکے۔

5۔ سٹاف

سال کے دوران انتظامیہ اور مزدوروں کے تعلق مثالی رہے۔ ملازمین کو سال کے دوران دو ماہ کی بنیادی تنخواہ کی شرح کے برابر بونس کی ادائیگی کی گئی۔

6۔ حصص داران کی تفصیل

کمپنیاا ایکٹ 2017 کے سیکشن 227 سب سیکشن (2f) کے مطابق، حصص داران کی تفصیل منسلک ہے۔

7۔ کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک

۔ دی پریمیر شوگر ملز اینڈ ڈسٹرلی کمپنی لمیٹڈ کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، رقم کی آمد و رفت، کاروباری سرمایہ میں ہونے والی تبدیلیاں اور تمام معاملات کو واضع پیش کرتے ہیں۔

۔ کمپنی کے حسابداری کے باقاعدہ کھاتے مرتب کیے جاتے ہیں۔

۔ مناسب حسابداری کے اصول تسلسل سے مالیاتی حسابات بنانے میں استعمال ہوتے ہیں۔ یہ گوشوارے ہمیشہ انتہائی منطقی اور محتاط اندازوں پر مشتمل ہوتے ہیں۔

۔انٹر نیشنل اکاؤنٹنگ رپورٹنگ، جو پاکستان میں اپناتے ہوتے ہیں ان پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے جاتے ہیں۔

۔اندرونی کنٹرول کا نظام موئثر طریقے سے نافذ اور نگراں کیا گیا ہے۔

۔کمپنی کے قائم نہ رہنے کے حوالے سے کسی قسم کا کوئی خدشہ نہیں پایا جاتا ہے۔

۔کمپنی باقاعدگی سے کارپوریٹ گورننس کے قواعد وضوابط، جو کہ لسٹنگ کے قواعد میں واضع کئے گئے ہیں کہ پاسداری کررہی ہے۔

۔کمپنی کے گزشتہ چھ سال کے انتظامی اور مالی امور سے مطلق اعداد وشمار منسلک ہیں۔

۔30 ستمبر 2017 تک کسی بھی قسم کی کوئی ٹیکس، فرائض، لیویز، چارجز، بقایاجات نہیں ہیں، سوائے ان کے جو مالیاتی بیانات میں بتائی گئیں ہیں۔

۔30 ستمبر 2017 کو آڈٹ شدہ اکاؤنٹس پر مبنی، اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 47.29 ملین تھی۔

۔سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے جن میں ڈائریکٹرز کی حاضری مندرجہ ذیل ہیں:

ڈائریکٹرز کے نام	حاضری اجلاس
جناب عزیز سرفراز خان	5
بیگم لیلی سرفراز	4
جناب عباس سرفراز خان	4
محترمہ زرمین سرفراز	4
محترمہ نجدا سرفراز	5
جناب اسکندر ایم خان	5
جناب بابر علی خان	2
جناب عبدالقادر خٹک	3
محترمہ سمیرہ راشد	4

جو ڈائریکٹر بورڈ کے اجلاس میں حاضر نہیں ہو سکے ان کو چھٹی کی منظوری دی گئی تھی۔

30 ستمبر 2017 کو ختم ہونے والے سال کے دوران ڈائریکٹرز، سی ای او، سی ایف او، کمپنی کے سکریٹری، ان کے ازواج اور چھوٹے بچوں کی جانب سے کمپنی کے حصص میں کوئی لین دین نہیں ہوئی ہے، اس کے علاوہ، جو کہ شیئر ہولڈنگ کے پیٹرن میں ظاہر کی گئی ہے۔

8۔ حصص داران کا کردار

بورڈ کا مقصد اس بات کو یقینی بنانا ہے کہ کمپنی کے حصص داران کو کسی بھی ایسی اہم پیش رفت سے بروقت مطلع کیا جائے، جو کمپنی کے معاملات پر اثرانداز ہو۔ اس مقصد کو حاصل کرنے کے لیئے حصص داران کو سہ ماہی، نصف اور سالانہ رپورٹ کی معلومات فراہم کی جاتی ہے۔ بورڈ آف ڈائریکٹرس اعلی سطحی احتساب کو یقینی بنانے کے لیئے حصص داروں کو سالانہ اجلاس میں شرکت کی حوصلہ افنرائی کرنا ہے۔

9۔ ڈیویڈنڈ/ منافع کی ادائیگی

ڈائریکٹرز نے اس سال کمپنی کے نقصان میں ہونے کی وجہ سے ڈیویڈنڈ نہ دینے کی سفارش کی ہے۔

10۔ ڈائریکٹرز کے انتخابات/ الیکشن

کمپنی آرڈیننس 1984 کی شق 178 کے تحت تمام ڈائریکٹرز ریٹائرڈ ہو چکے، اس لیے 31 مارچ 2017 کو کمپنی کے ہونے والے غیر معمولی اجلاس میں ڈائریکٹرز کے نئے الیکشن کا انعقاد کیا گیا۔ بورڈ نے کوڈ آف کارپوریٹ گورننس کی ضرورت کے مطابق ایک آزاد ڈائیریکٹرز سمیت 8 ڈائریکٹرز کو منتخب کیا۔

11۔ آڈیٹرز

آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے کمپنی نے ''میسر شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹ لاہور'' ، کو مالی سال 18-2017 کے لیئے آدیٹر مقرر کرنے کی سفارش کی ہے۔ بورڈ نے ICAP کے جاری کردہ ATR-14 کے مطابق آڈیٹرز کی کم وبیش اجرت مقرر کی ہے۔

12۔ آڈیٹرز کے خدشات کا جواب

نوٹ 15.4

کمپنی باقاعدہ طور پر اپنے آپ کو پیش کرتی ہے SECP کی جانب سے معزز لاھور ہائر کورٹ ائر کیے گئے کیس نمبر 454/2011 میں، جو کہ کمپنی کے بند ہونے سے اور حصہ داروں کو ان کا حق دینے سے متعلق ہے جن لوگوں نے اپنے حصے کے لیے دعوی دائر کیا کورٹ نے ان کی درخواست کو منظور کرتے ہوئے کاروبار بند کروانے والے کا تقرر کیا ہے۔ تاہم، رقم کی صحیح معلومات کے لیے ایک خط جاری کیا گیا ہے بنک کی جانب سے آدیٹر کو، اور آدیٹر ان کو جواب دینے کا مجاز ہے۔

13۔ضابطہ برائے کاروباری نظم ونسق

کمپنی ضابطہ برائے کاروباری نظم ونسق کے تمام قواعد وضوابط جو کہ پاکستان اسٹاک ایکسچینج کی رول بک میں درج ہیں اور30 ستمبر 2017 کو ختم ہونے والے سال سے متعلقہ ہیں پر پوری طرح عمل پیرا ہے اواس سے متعلق بیان اس رپورٹ کے ساتھ منسلک ہے۔

14۔اعتراف

ڈائریکٹر نے کمپنی اور ایگزیکٹوز کی محنت اور لگن اور بنکوں کی قیمتی حمایت کو سراہا ہے۔

بورڈ قابل قدر حصص داروں کا شکر گزار ہے جنہوں نے مشکل وقت میں کمپنی کا ساتھ دیا اور کمپنی پہ اپنا بھروسہ رکھا، جس کی وجہ سے کمپنی موجودہ چیلنج میں سرخرو ہوئی۔

منجانب بورڈ

جناب عباس سرفراز خان

چیف ایگزیکٹو آفیسر

مردان

بتاریخ: 03جنوری2018

Shareholders' Information

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

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

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

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

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

Listing on Stock Exchange
The Premier Sugar Mills & Distillery Company's equity shares are listed on Pakistan Stock Exchange (PSX).

Listing Fees
The annual listing fee for the financial year 2017-18 has been paid to Pakistan Stock Exchange.

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

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

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from 17.01.2018 to 27.01.2018.

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

FORM - 34

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON SEPTEMBER 30, 2017

NUMBER OF SHAREHOLDERS	RANGE OF SHARES HELD		TOTAL SHARES HELD
	FROM	TO	
507	1	100	19,172
417	101	500	100,637
161	501	1000	115,348
175	1001	5000	356,523
21	5001	10000	149,917
9	10001	20000	124,507
13	20001	50000	442,832
2	50001	150000	109,483
1	150001	310000	307,370
1	310001	400000	400,000
1	400001	600000	543,591
1	600001	1125000	1,080,620
1309			**3,750,000**

S.No.	Categories of shareholders	Numbers of Shareholders	No of shares held	Shares Held	Percentage of paid up capital
1.	**Directors and Chief Executive Officer**	**9**		**2,014,070**	
	Mr. Aziz Sarfaraz Khan		1,080,620		28.82
	Begum Laila Sarfaraz		307,370		8.20
	Mr. Abbas Sarfaraz Khan		543,591		14.50
	Ms. Zarmine Sarfaraz		22,925		0.61
	Ms. Najda Sarfaraz		22,274		0.59
	Ms. Samyra Rashid		1		0.00
	Mr. Iskander M. Khan		500		0.01
	Mr. Babar Ali Khan		3,084		0.08
	Mr. Abdul Qadar Khattak		33,705		0.90
2.	**Company Secretary/Chief Financial Officer**	**1**		**7**	
	Mr. Mujahid Bashir		7		0.00
3.	**Shares held by relatives**	-	-	-	-
4.	**Associated Companies**	**1**		**400,000**	
	Arpak International Investments Ltd.		400,000		10.67
5.	**Public Sector Companies and Corporation**	**15**		**36,182**	
	The Society for Rehabilitation of crippled children		174		0.00
	Chief Administrator of Auqaf		3,798		0.10
	The Ida Rieu Poor Welfare Association		349		0.01
	BCGA (Punjab) Limited		5,268		0.14
	Bibojee Services Limited		10,396		0.28
	Robberts Cotton Association Limited		4,444		0.12
	Madrassa Haqania Akora Khattak		52		0.00
	Pyramid Investments (Pvt.) Limited		500		0.01
	Secretary Municipal Committee Mardan.		226		0.01
	Frontier Co-operative Bank Limited		8,452		0.23
	Maple Leaf Capital Limited		1		0.00
	Freedom Enterprises (Pvt.) Limited		1,000		0.03
	Y.S Securities Limited		2		0.00
	Ismail Abdul Shakoor Securities (Pvt) Limited		1,000		0.03
	Mohammad Ahmed Nadeem Securities (SMC-Pvt) Limited		520		0.01
6.	**Banks, Development Finance Institutions, Non Banking Financial Instituations, Insurance Companies, Modarabas and Mutual Funds**	**3**		**65,971**	
	National Bank of Pakistan		65,818		1.76
	United Bank Limited		37		0.00
	Investment Corporation of Pakistan		116		0.00
7.	**Shares held by General Public**				
	Held by General Public	**1280**		**1,233,770**	32.90
		1309		**3,750,000**	**100.01**

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

Khan Aziz Sarfaraz Khan	1,080,620	28.82
Mr. Abbas Sarfaraz Khan	543,591	14.50
M/s. Arpak International Investments Limited	400,000	10.67

9. Auditors

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

10. Cost Auditors

M/s Zahid Jamil & Co Chartered Accountants	Cost Auditors	Nil	Nil

11. Legal Advisor

Mr. Isaac Ali Qazi Advocate	Legal Advisor	Nil	Nil

No trade in the shares of the Company were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended September 30, 2017, Other than disclosed in the pattern of the shareholding.

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

The Premier Sugar Mills & Distillery Company Limited - Year ended September 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No.5.19 of the Rule Book of Pakistan 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 and Directors representing minority interests on its board of Directors. At present the Board includes:

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

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

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

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

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

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

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

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

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

9. 7 out of 8 Directors of the Company were exempted from the requirement of Director's Training Program by virtue of minimum of 14 years of education and 15 years of experience as director of a listed company. Remaining one director of the Company will conduct training program in the upcoming years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For and on behalf of the Board

Mardan:
January 03, 2018

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) for the year ended September 30, 2017 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24 (b) of the Code, where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended September 30, 2017.

Shinewing Hameed Chaudhri & Co

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

LAHORE;
January 04, 2018

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) as at September 30, 2017 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

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 repealed 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) provision against deposits with a non-banking finance company amounting Rs.39 million has not been made in these financial statements as fully detailed in note 15.4;

(b) in our opinion, proper books of account have been kept by the Company as required by the repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently

(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 fact stated in aforementioned paragraph (a) and the extent to which this 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 repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2017 and of the loss, its cash flows and changes in equity for the year then ended; and

(e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Shinewing Hameed Chaudhri & Co

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

LAHORE;
January 04, 2018

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

BALANCE SHEET AS AT SEPTEMBER 30, 2017

		2017	2016
ASSETS	**Note**	**-----Rupees in thousand-----**	
Non-current Assets			
Property, plant and equipment	5	**1,014,332**	927,819
Investment property	6	**28,654**	29,795
Long term investments	7	**170,006**	170,006
Long term loan to Subsidiary Company	8	**279,500**	199,643
Security deposits		**1,258**	1,258
		1,493,750	1,328,521
Current Assets			
Stores and spares	9	**105,011**	110,326
Stock-in-trade	10	**644,205**	172,212
Current portion of long term loan to Subsidiary Company	8	**0**	79,857
Trade debts		**2,061**	28,855
Advances	11	**55,044**	50,715
Trade deposits and short term prepayments	12	**1,861**	1,213
Accrued profit on bank deposits		**25**	25
Other receivables	13	**11,856**	7,218
Advance sales tax		**57,000**	27,000
Sales tax refundable		**618**	0
Income tax refundable, advance tax and tax deducted at source	14	**20,173**	19,936
Bank balances	15	**53,602**	55,387
		951,456	552,744
TOTAL ASSETS		**2,445,206**	1,881,265
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital 5,750,000 (2016: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500
Issued, subscribed and paid-up capital	16	**37,500**	37,500
Reserves		**900,001**	900,001
Accumulated loss		**(364,263)**	(259,728)
Shareholders' Equity		**573,238**	677,773
Surplus on Revaluation of Property, Plant and Equipment	17	**607,776**	526,126
Non-current Liabilities			
Long term finances	18	**66,666**	133,333
Liabilities against assets subject to finance lease	19	**4,368**	3,243
Staff retirement benefits - gratuity	20	**12,126**	14,148
		83,160	150,724
Current Liabilities			
Trade and other payables	21	**244,751**	50,149
Accrued mark-up	22	**19,914**	10,314
Short term borrowings	23	**826,306**	379,670
Current portion of:			
- long term finances	18	**66,667**	66,667
- liabilities against assets subject to finance lease	19	**2,771**	3,074
Taxation	24	**20,623**	16,768
		1,181,032	526,642
Total Liabilities		**1,264,192**	677,366
TOTAL EQUITY AND LIABILITIES		**2,445,206**	1,881,265
Contingencies and commitments	25		

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Note	2017	2016
		Rupees in thousand	
Sales - Net	26	**892,219**	1,470,677
Cost of Sales	27	**1,013,798**	1,614,636
Gross Loss		**(121,579)**	(143,959)
Distribution Cost	28	**5,117**	20,338
Administrative Expenses	29	**61,683**	62,379
Other Expenses	30	**2,871**	70
		69,671	82,787
		(191,250)	(226,746)
Other Income	31	**97,578**	94,080
Loss from Operations		**(93,672)**	(132,666)
Finance Cost	32	**78,259**	62,864
Loss before Taxation		**(171,931)**	(195,530)
Taxation	33	**(24,753)**	(45,737)
Loss after Taxation		**(147,178)**	(149,793)
Other Comprehensive Income			
Item that will not be reclassified to profit or loss:			
- gain on remeasurement of staff retirement benefit obligation (net of deferred tax)		**12**	540
Total Comprehensive Loss		**(147,166)**	(149,253)
		--------- Rupees ---------	
Loss per Share	34	**(39.25)**	(39.94)

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

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2017	2016
	Rupees in thousand	
Cash flow from operating activities		
Loss for the year - before taxation	**(171,931)**	(195,530)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**86,037**	95,104
Depreciation on investment property	**1,141**	1,246
Mark-up on loan to Subsidiary Company and profit on bank deposits	**(21,679)**	(22,456)
Staff retirement benefits-gratuity (net)	**(276)**	1,720
Unclaimed payable balances written-back	**(506)**	(413)
Gain on disposal of vehicles	**(877)**	(1,074)
Uncollectible receivable balances written-off	**17**	70
Dividends	**(62,453)**	(34,760)
Finance cost	**76,278**	60,953
Loss before working capital changes	**(94,249)**	(95,140)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	**5,315**	(473)
Stock-in-trade	**(471,993)**	410,509
Trade debts	**26,794**	(1,459)
Advances	**(4,346)**	(19,280)
Trade deposits and short term prepayments	**(648)**	246
Other receivables	**(4,638)**	6,089
Sales tax refundable	**(618)**	3,788
Advance sales tax	**(30,000)**	(27,000)
Increase in trade and other payables	**193,406**	662
	(286,728)	373,082
Cash (used in) / generated from operations	**(380,977)**	277,942
Income tax paid	**(14,004)**	34,017
Security deposits	**0**	(228)
Net cash (used in) / generated from operating activities	**(394,981)**	311,731
Cash flow from investing activities		
Additions to property, plant and equipment	**(7,462)**	(7,792)
Sale proceeds of vehicles	**2,440**	1,885
Dividends received	**62,453**	34,760
Mark-up / profit received on loan to Subsidiary Company and bank deposits	**21,679**	22,463
Net cash generated from investing activities	**79,110**	51,316
Cash flow from financing activities		
Short term borrowings - net	**446,636**	(288,330)
Long term finances repaid	**(66,667)**	0
Finance cost paid	**(66,678)**	(69,281)
Lease finances - net	**822**	684
Dividend paid	**(27)**	(6,747)
Net cash generated from / (used in) financing activities	**314,086**	(363,674)
Net decrease in cash and cash equivalents	**(1,785)**	(627)
Cash and cash equivalents - at beginning of the year	**55,387**	56,014
Cash and cash equivalents - at end of the year	**53,602**	55,387

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 SEPTEMBER 30, 2017

	Share capital	Reserves			Accumulated loss	Total
		Capital	Revenue			
		Share redemption	General	Sub-total		
	---------------------- Rupees in thousand ----------------------					
Balance as at September 30, 2015	37,500	1	900,000	900,001	(149,666)	787,835
Transaction with owners:						
Cash dividend at the rate of Rs.2 per ordinary share for the year ended September 30, 2015	0	0	0	0	(7,500)	(7,500)
Total comprehensive loss for the year ended September 30, 2016						
- loss for the year	0	0	0	0	(149,793)	(149,793)
- other comprehensive income	0	0	0	0	540	540
	0	0	0	0	(149,253)	(149,253)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	46,691	46,691
Balance as at September 30, 2016	37,500	1	900,000	900,001	(259,728)	677,773
Total comprehensive loss for the year ended September 30, 2017						
- loss for the year	0	0	0	0	(147,178)	(147,178)
- other comprehensive income	0	0	0	0	12	12
	0	0	0	0	(147,166)	(147,166)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	42,631	42,631
Balance as at September 30, 2017	**37,500**	**1**	**900,000**	**900,001**	**(364,263)**	**573,238**

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, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017, during the year, has been promulgated; however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 and subsequent circular no. 23 dated October 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the repealed Ordinance). Accordingly, these financial statements have been prepared in accordance with 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 (IASB) as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. In case requirements differ, the provisions or directives of the repealed Ordinance shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

a) Property, plant and equipment

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

b) Stores & spares and stock-in-trade

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

c) Provision for impairment of trade debts

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

d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 20.

e) Income taxes

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

f) Contingencies

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

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

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on October 01, 2016 and are considered to be relevant to the Company's operations:

(a) IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in the financial statements by emphasizing the importance of comparability, understandability and clarity in presentation.

The amendments provide clarification on number of issues including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Disaggregation and sub-totals – line items specified in IAS 1 may need to be disaggregated where this is relevant to understandability of entities' financial position or performance. There is also new guidance on the use of sub-totals.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The above amendments do not have any significant impact on the Company's financial statements.

(b) Amendments to IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’; it has been clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It has also been clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments do not have any significant impact on the Company's financial statements.

(c) Amendments to IAS 34 ‘Interim financial reporting’ clarify what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report. Entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements. The amendments only affects disclosures in the Company's financial statements.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on October 01, 2016 are considered not to be relevant or to have any significant effect on the Company’s financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on October 01, 2016 and have not been early adopted by the Company:

(a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.

(b) Amendments to IAS 7, 'Statement of cash flows' are applicable to annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only affect disclosures in the Company's financial statements.

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

(d) Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax asset for unrealized losses are applicable on accounting periods beginning on or after January 01, 2017. These amendments on the recognition of deferred tax asset for unrealized losses clarify how to account for deferred tax asset related to debt instruments measured at fair value. These amendments do not have a material impact on the Company's financial statements.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

Buildings on leasehold and freehold land and plant & machinery are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortization / depreciation. Any accumulated amortization / 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. Leasehold land is amortized 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 capitalized while no depreciation is charged for the month in which the asset is disposed-off.

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

4.2 Investment property

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

Depreciation on investment property is charged to income applying reducing balance method at the rates stated in note 6. Depreciation on additions is charged from the month in which the asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to profit and loss account.

4.3 Investments

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

The Company issues consolidated financial statements along with its separate financial statements in accordance with the requirements of IFRS 10 'Consolidated financial statements'. Investments in associates, in the consolidated financial statements, have been accounted for using the equity method.

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

4.4 Stores and spares

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

4.5 Stock-in-trade

a) Stock of manufactured products is valued at the lower of cost and net realizable value. Molasses inventory is valued at net realizable 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 realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.6 Trade debts and other receivables

Trade debts are initially recognized at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

4.7 Cash and cash equivalents

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

4.8 Borrowings and borrowing costs

Borrowings are recognized initially at fair value.

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

4.9 Staff retirement benefits

Defined contribution plan

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

Defined benefit plan

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on September 30, 2017 on the basis of the projected unit credit method by an independent Actuary.

4.10 Trade and other payables

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

4.11 Taxation

Current

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

Deferred

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax asset is recognized 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 utilized.

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

4.12 Dividend and appropriation to reserves

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

4.13 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 indication exists, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.14 Revenue recognition

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

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

4.15 Development expenditure

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

4.16 Provisions

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

4.17 Foreign currency translations

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

4.18 Financial instruments

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

4.19 Offsetting

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

4.20 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 41 to these financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	**2017**	2016
		Rupees in thousand	
Operating fixed assets	**5.1**	**1,014,128**	927,819
Advance against vehicle		**204**	0
		1,014,332	927,819

5.1 Operating fixed assets - tangible

Particulars	Land		Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	Leased		Total
	Leasehold	Freehold						Vehicles	Generator	
	---------- Rupees in thousand ----------									
As at September 30, 2015										
Cost / revaluation	2,725	12,065	188,032	175,295	724,377	57,169	20,725	4,592	5,700	1,190,680
Accumulated depreciation	500	0	18,012	17,795	96,140	25,024	15,730	1,187	954	175,342
Book value	2,225	12,065	170,020	157,500	628,237	32,145	4,995	3,405	4,746	1,015,338
Year ended September 30, 2016:										
Additions	0	0	0	0	1,500	1,780	38	5,078	0	8,396
Disposals:										
- cost	0	0	0	0	0	0	(4,198)	0	0	(4,198)
- depreciation	0	0	0	0	0	0	3,387	0	0	3,387
Transfer from leased to owned										
- cost	0	0	0	0	0	0	1,841	(1,841)	0	0
- depreciation	0	0	0	0	0	0	(757)	757	0	0
Depreciation charge for the year	28	0	12,231	12,085	63,047	4,813	1,000	1,425	475	95,104
Book value as at September 30, 2016	2,197	12,065	157,789	145,415	566,690	29,112	4,306	5,974	4,271	927,819
Year ended September 30, 2017:										
Additions	0	0	0	0	0	1,728	194	5,336	0	7,258
Revaluation adjustments										
Cost / revaluation	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	5,393	5,328	155,930	0	0	0	0	166,651
Disposals:										
- cost	0	0	0	0	0	0	(3,514)	0	0	(3,514)
- depreciation	0	0	0	0	0	0	1,951	0	0	1,951
Transfer from leased to owned										
- cost	0	0	0	0	0	0	1,692	(1,692)	0	0
- depreciation	0	0	0	0	0	0	(717)	717	0	0
Depreciation charge for the year	28	0	11,220	11,086	56,763	4,277	655	1,581	427	86,037
Book value as at September 30, 2017	2,169	12,065	151,962	139,657	665,857	26,563	3,257	8,754	3,844	1,014,128
As at September 30, 2016										
Cost / revaluation	2,725	12,065	188,032	175,295	725,877	58,949	18,406	7,829	5,700	1,194,878
Accumulated depreciation	528	0	30,243	29,880	159,187	29,837	14,100	1,855	1,429	267,059
Book value	2,197	12,065	157,789	145,415	566,690	29,112	4,306	5,974	4,271	927,819
As at September 30, 2017										
Cost / revaluation	2,725	12,065	188,032	175,295	725,877	60,677	16,778	11,473	5,700	1,198,622
Accumulated depreciation	556	0	36,070	35,638	60,020	34,114	13,521	2,719	1,856	184,494
Book value	2,169	12,065	151,962	139,657	665,857	26,563	3,257	8,754	3,844	1,014,128
Depreciation rate (%)	1.01	0	5-10	5-10	10-12	10-15	10-20	10	10-12	

5.2 Revaluation surplus on buildings and plant & machinery, excluding roads, farm building, guest house at Peshawar and plant & machinery having book value aggregating Rs.3.366 million and Rs.0.857 million respectively, as a result of latest revaluation as detailed in note 17.2 has been determined as follows:

Particulars	**2017**			2016		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	---------------------------------Rupees in thousand-----------------------------					
Minimum lease payments	**4,217**	**5,835**	**10,052**	3,612	5,086	8,698
Less: finance cost allocated to future periods	**445**	**453**	**898**	437	286	723
	3,772	**5,382**	**9,154**	3,175	4,800	7,975
Less: security deposits adjustable on expiry of lease terms	**1,001**	**1,014**	**2,015**	101	1,557	1,658
Present value of minimum lease payments	**2,771**	**4,368**	**7,139**	3,074	3,243	6,317

5.3 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
	----------------- Rupees in thousand -----------------					
Toyota Corolla	**1,841**	**892**	**949**	**1,395**	**446**	**Muhammad Saleem Gurmani (employee).**
Honda City	**1,625**	**1,015**	**610**	**845**	**235**	**Mr. Shaukat Ali Khan (employee).**
Toyota Corolla	**48**	**44**	**4**	**200**	**196**	**Mr. Nizam Badshah (employee).**
	3,514	**1,951**	**1,563**	**2,440**	**877**	
2016	4,198	3,387	811	1,885	1,074	

5.4 Depreciation for the year has been allocated as follows:	**2017**	2016
	Rupees in thousand	
Cost of sales	**80,664**	89,187
Administrative expenses	**5,373**	5,917
	86,037	95,104

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

	Note	**2017**	2016
		Rupees in thousand	
- buildings on freehold land		**17,914**	18,848
- buildings on leasehold land		**3,332**	4,255
- plant & machinery		**146,269**	162,580
		167,515	185,683

5.6 The Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009, September 30, 2011, September 30, 2014 and September 30, 2017 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million, Rs.76.240 million and Rs.5.328 million respectively was incorporated in the books of account.

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

Two of the legal heirs of the lessor have filed civil suits impugning the validity of arbitration. These suits are frivolous, barred by law and liable to be dismissed in due course under relevant provisions of the Arbitration Act, 1940.

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

6. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------ Rupees in thousand ------------		
As at September 30, 2015:			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	47,211	47,211
Book value	14,544	16,497	31,041
Year ended September 30, 2016:			
Depreciation charge	0	1,246	1,246
Book value	14,544	15,251	29,795
Year ended September 30, 2017:			
Depreciation charge	0	1,141	1,141
Book value	**14,544**	**14,110**	**28,654**
As at September 30, 2016			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	48,457	48,457
Book value	14,544	15,251	29,795
As at September 30, 2017			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	49,598	49,598
Book value	**14,544**	**14,110**	**28,654**
Depreciation rate (%)	0	5-10	

6.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2017 was Rs.260 million (2016: Rs.260 million).

7. LONG TERM INVESTMENTS - in Related Parties

SUBSIDIARY COMPANIES	2017	2016	2017	2016
	Share-holding %		Rupees in thousand	
QUOTED:				
Chashma Sugar Mills Ltd.				
13,751,000 (2016: 13,751,000) ordinary shares of Rs.10 each **(note 7.1)**	**47.93**	47.93	**137,584**	137,584
- Market value Rs.828.497 million (2016: Rs.983.197 million)				
- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2017 Rs.1,948.440 million (2016: Rs.1,953.320 million)				
UN-QUOTED:				
The Frontier Sugar Mills & Distillery Ltd.				
1,113,637 (2016: 1,113,637) ordinary shares of Rs.10 each	**82.49**	82.49	**26,509**	26,509
42,984 (2016: 42,984) 7% irredeemable preference shares of Rs.10 each	**85.97**	85.97	**597**	597
- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2017 Rs.164.113 million (2016: Rs.162.533 million)				
			27,106	27,106
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd.				
229,900 (2016: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**2,846**	2,846
Market value Rs.5.782 million (2016: Rs.5.518 million)				
Balance c/f			**167,536**	167,536

	2017	2016	2017	2016
	Share-holding %		**Rupees in thousand**	
Balance b/f			**167,536**	167,536
UN-QUOTED:				
National Computers (Pvt.) Ltd. (NCPL)				
14,450 (2016: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**322**	322
Less: impairment loss			**322**	322
- Value of investments based on net assets shown in the un-audited financial statements for the year ended June 30, 2013 - Rs. Nil **(note 7.2)**			**0**	0
Premier Board Mills Ltd.				
47,002 (2016: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**470**	470
- Value of investments based on net assets shown in the audited financial statements for the year ended June 30, 2017 Rs.4.571 million (2016: Rs.4.440 million)				
Azlak Enterprises (Pvt.) Ltd.				
200,000 (2016: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**2,000**	2,000
- Value of investments based on net assets shown in the audited financial statements for the year ended June 30, 2017 Rs.76.466 million (2016: Rs.64.458 million)				
			170,006	170,006

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

7.2 NCPL has no known assets and liabilities as at June 30, 2017 and June 30, 2016 and has also seized its operations. NCPL, on January 15, 2015, has filed an application with the Joint Registrar, Securities and Exchange Commission of Pakistan for striking-off its name from the Register of Companies under the Companies (Easy Exit) Regulations, 2014.

8. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured

	2017	2016
Balance as at September 30,	**279,500**	279,500
Less: current portion grouped under current assets	**0**	79,857
	279,500	199,643

8.1 The Company and Chashma Sugar Mills Ltd., on February 09, 2017, have entered into a loan agreement whereby the Company has revised the repayment schedule. As per the revised terms, the loan tenor is 3.5 years with grace period of 3 years; the principal balance of loan is repayable in 7 equal instalments commencing February, 2020. The loan carries mark-up at the rate of 1-month KIBOR+1.25% but not less than the borrowing cost rate of the Company, the effective mark-up rates during the year ranged from 7.47% to 7.53% per annum. The loan is secured against a promissory note of Rs.374 million.

9. STORES AND SPARES

	Note	2017	2016
		Rupees in thousand	
Stores		**42,568**	43,194
Spares		**62,443**	67,132
		105,011	110,326

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

10. STOCK-IN-TRADE

	Note	2017	2016
Sugar-in-process		**3,370**	2,588
Finished goods:			
- sugar	**10.1**	**626,570**	169,624
- molasses		**14,265**	0
		640,835	169,624
		644,205	172,212

10.1 No sugar inventory has been stated at net realizable value as at September 30, 2017; (September 30, 2016: sugar inventory was stated at net realizable value; the amount charged to profit and loss account in respect of inventory write-down to net realizable value worked-out to Rs.2.781 million approximately.)

11. ADVANCES - Considered good

	2017	2016
Suppliers and contractors	**52,884**	48,615
Employees	**2,160**	2,100
	55,044	50,715

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

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2017	2016
Excise duty deposit	**136**	136
Short term prepayments	**1,725**	1,077
	1,861	1,213

13. OTHER RECEIVABLES

	Note	2017	2016
		Rupees in thousand	
Sugar export subsidy		**2,991**	2,991
Gas infrastructure development cess paid under protest - refundable	**25.3**	**3,018**	3,018
Lease rentals receivable from an Associated Company (Premier Board Mills Ltd.)		**4,510**	0
Others		**1,337**	1,209
		11,856	7,218

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

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

	2017	2016
	Rupees in thousand	
Balance as at September 30, 2016		**19,936**
Add: taxes deducted at source during the year		**14,004**
Less: adjusted against completed assessment		**(13,767)**
Balance as at September 30, 2017		**20,173**

15. BANK BALANCES

	Note	2017	2016
Cash at banks on:			
- PLS accounts	**15.1**	**1,189**	2,096
- current accounts		**10,655**	11,533
- deposit accounts	**15.3**	**7,513**	7,513
- deposits with a non-banking finance company - unsecured	**15.4**	**39,000**	39,000
- dividend accounts		**245**	245
		58,602	60,387
Less: provision for doubtful bank balance	**15.5**	**5,000**	5,000
		53,602	55,387

15.1 These include Rs.387 thousand (2016: Rs.399 thousand) in security deposit account.

15.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 3.75% to 7.64% (2016: 4% to 8.10%) per annum.

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

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

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

(b) The realizibility of these deposits is doubtful of recovery as these could not be encashed on their respective maturity dates; further, year-end balance confirmation certificate from IIBL was also not received. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the repealed Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from January 28, 2010. SECP had also instituted winding-up proceedings against IIBL before 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 before the LHC under Civil Procedure Code, 1908 to be made party in the winding-up proceedings.

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

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

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

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016			2017	2016
(No. of shares)			Note	Rupees in thousand	
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash		**14,763**	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares		**22,737**	22,737
3,750,000	3,750,000			**37,500**	37,500

16.1 Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2017 and September 30, 2016.

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

17.1 The Company, during the financial years ended September 30, 2000, September 30, 2009, September 30, 2011 and September 30, 2014 had revalued its buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.229.409 million, Rs.544.516 million, Rs.110.992 million and Rs.438.066 million respectively. These fixed assets were revalued by independent Valuers on the basis of depreciated market values.

17.2 The Company, as at September 30, 2017, 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 and Valuation Consultants - 14-Q, Gulberg-2, Lahore] to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.166.651 million has been credited to this account to comply with the requirements of section 235 of the repealed Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	2017	2016
Opening balance		**762,501**	830,169
Add: surplus arisen on revaluation carried-out during the year	5.2	**166,651**	0
Less: transferred to accumulated loss on account of incremental depreciation for the year		**(60,901)**	(67,668)
		868,251	762,501
Less: deferred tax on:			
- opening balance of surplus		**236,375**	265,654
- surplus on revaluation carried out during the year		**49,995**	0
- incremental depreciation for the year		**(18,270)**	(20,977)
		268,100	244,677
- resultant adjustment due to reduction in tax rate		**(7,625)**	(8,302)
		260,475	236,375
Closing balance		**607,776**	526,126

18. LONG TERM FINANCES - Secured

	2017	2016
	Rupees in thousand	
Balance as at September 30,	**133,333**	200,000
Less: current portion grouped under current labilities	**66,667**	66,667
	66,666	133,333

Soneri Bank Limited (SBL), during September, 2014, against a term finance facility has disbursed Rs.200 million. The finance facility carries mark-up at the rate of 6 months KIBOR + 1 %; effective mark-up rate charged by SBL during the year ranged from 7.06% to 7.15% (2016:7.06% to 8.05%) per annum. The finance facility is secured against first pari passu charge of Rs.267 million over plant and machinery of the Company and is repayable in six equal half-yearly instalments of Rs.33.333 million commenced from March, 2017.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	**2017**			2016		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	---------------------------------Rupees in thousand------------------					
Minimum lease payments	**4,217**	**5,835**	**10,052**	3,612	5,086	8,698
Less: finance cost allocated to future periods	**445**	**453**	**898**	437	286	723
	3,772	**5,382**	**9,154**	3,175	4,800	7,975
Less: security deposits adjustable on expiry of lease terms	**1,001**	**1,014**	**2,015**	101	1,557	1,658
Present value of minimum lease payments	**2,771**	**4,368**	**7,139**	3,074	3,243	6,317

19.1 The Company has entered into lease agreements with Bank Al-Habib Ltd. and MCB Bank Ltd. for lease of vehicles and a diesel generator respectively. The liabilities under the lease agreements are payable in monthly instalments by August, 2021. The Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. These facilities are secured against title of the leased assets in the name of lessors and during the year carried finance cost at the rates ranging from 7.76% to 8.35% (2016: 8.29% to 8.87%) per annum.

20. STAFF RETIREMENT BENEFITS - Gratuity

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

Significant actuarial assumptions	**2017**	2016
- discount rate - per annum	**8.00%**	7.25%
- expected rate of growth per annum in future salaries	**7.00%**	6.25%
- mortality rates	**SLIC 2001-2005**	SLIC 2001-2005 Setback 1 year
- withdrawal rates	**Age-based**	Age-based
- retirement assumption	**Age 60**	Age 60
- average expected remaining working life time of employees	**07 years**	06 years

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

The movement in the present value of defined benefit obligation is as follows:	**2017**	2016
	Rupees in thousand	
Opening balance	**14,148**	13,764
Current service cost	**803**	815
Past service cost	**173**	161
Interest cost	**886**	1,194
Benefits payable to outgoing Members - grouped under current liabilities	**(1,843)**	(553)
Benefits paid	**(2,024)**	(450)
Remeasurements:		
-experience adjustments	**(31)**	(751)
-changes in financial assumptions	**14**	(32)
Closing balance	**12,126**	14,148

Expense recognized in profit and loss account

Current service cost	**803**	815
Past service cost	**173**	161
Interest cost	**886**	1,194
Charge for the year	**1,862**	2,170

Remeasurement recognized in other comprehensive income

Experience adjustments	**(17)**	(783)

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

	2017	2016	2015	2014	2013
	--------------- Rupees in thousand ---------------				
Present value of defined benefit obligation	**12,126**	14,148	13,764	9,175	12,060
Experience adjustment on obligation	**(17)**	(783)	291	(1,638)	(741)

Year-end Sensitivity Analysis:

		Impact on defined benefit obligation	
	Change in assumption	**Increase**	**Decrease**
Discount rate	**1%**	**11,285**	**13,078**
Salary growth rate	**1%**	**13,088**	**11,261**

20.1 The expected contribution to defined benefit obligation for the year ending September 30, 2018 is Rs.1.661 million.

21. TRADE AND OTHER PAYABLES

	Note	**2017**	2016
		Rupees in thousand	
Due to a Subsidiary Company (Chashma Sugar Mills Ltd.)		**50,251**	0
Creditors		**17,253**	14,854
Accrued expenses		**12,244**	21,741
Due to employees against vehicles		**3,292**	0
Security deposits	**21.1**	**2,965**	1,780
Advances from customers		**146,208**	402
Income tax deducted at source		**66**	240
Sales tax payable		**12**	383
Gratuity payable to ex-employees		**4,673**	2,944
Unclaimed dividends		**7,706**	7,733
Others		**81**	72
		244,751	50,149

21.1 Security deposits include Rs.387 thousand (2016: Rs.399 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.

22. ACCRUED MARK-UP

	Note	2017	2016
Mark-up accrued on:		Rupees in thousand	
- long term finances		**2,893**	3,549
- short term borrowings		**17,021**	6,752
- liabilities against assets subject to finance lease		**0**	13
		19,914	10,314

23. SHORT TERM BORROWINGS

	Note	2017	2016
Secured	**23.1**	**818,000**	375,000
Un-secured - temporary bank overdraft	**23.3**	**8,306**	4,670
		826,306	379,670

23.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.1,700 million (2016: Rs.1,250 million). These facilities are secured against pledge of stock of refined sugar and charge over present and future current assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 7.04% to 7.64% (2016: 7.05% to 8.10%) per annum and are expiring on various dates by March 31, 2018.

23.2 Facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2016: Rs.125 million). Out of the available facilities, facilities aggregating Rs.115 million (2016: Rs.115 million) remained unutilized at the year-end. These facilities are secured against lien over term deposit receipts and shipping documents.

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

24. **TAXATION** - Net

	2017	2016
	Rupees in thousand	
Opening balance	**16,768**	0
Add: provision made / (written-back) during the year:		
current [net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 amounting Rs.nil; (2016: Rs.3.110 million)]	**20,623**	16,768
prior year	**(3,001)**	0
	17,622	16,768
	34,390	16,768
Less: payments / adjustments made against completed assessments	**13,767**	0
	20,623	16,768

24.1 The returns for the Tax Years 2010 to 2016 have been filed after complying with all the provisions of the Income Tax Ordinance, 2001 (the Ordinance). Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.

24.2 No numeric tax rate reconciliation is presented in these financial statements as the Company during the current and preceding years was mainly liable to pay tax due under sections 5 (Tax on dividends), 15 (Income from property) and 113 (Minimum tax on the income of certain persons) of the Ordinance.

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

24.4 Deferred taxation

	Note	2017	2016
This is comprised of the following:		Rupees in thousand	
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**14,484**	17,512
- surplus on revaluation of property, plant and equipment		**260,475**	236,375
- lease finances		**1,033**	704
		275,992	254,591
Deductible temporary differences arising in respect of:			
- available unused tax losses	**24.5**	**(224,878)**	(213,882)
- staff retirement benefits - gratuity		**(3,638)**	(4,386)
- provision for doubtful bank balance		**(1,500)**	(1,550)
- minimum tax recoverable against normal tax charge in future years		**(45,976)**	(34,773)
		(275,992)	(254,591)
		0	0

24.5 Deferred tax asset recognized in these financial statements has been restricted to Rs.224.878 million (2016: Rs.213.882 million) as taxable profits in the foreseeable future will not probably be available against which the temporary differences can be utilized. Unrecognized deferred tax asset as at September 30, 2017 amounts to Rs.73.732 million (2016: Rs.40.505 million).

25. CONTINGENCIES AND COMMITMENTS

25.1 No commitments were outstanding as at September 30, 2017 and September 30, 2016.

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

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

25.3 After enactment of the Gas Infrastructure Development Cess (GIDC) Act, 2015, the Company has challenged this levy before the Peshawar High Court, Peshawar (PHC), which dismissed the said petition. The Company, thereafter, has filed a petition before the Supreme Court, which is pending adjudication.

Sui Northern Gas Pipelines Limited., along with gas bills for the month of October, 2017, has raised GIDC demands aggregating Rs.56.467 million, which are payable in case of an adverse judgment by the Supreme Court. No provision for these GIDC demands has been made in the books of account as the management expects a favorable judgment by the Supreme Court due to meritorious legal grounds.

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

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

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

25.7 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at September 30, 2017 was for Rs.10 million (2016: Rs.10 million). The guarantee is valid upto May 26, 2018.

26. SALES - Net

	2017	2016
	Rupees in thousand	
Turnover:		
Local	**988,688**	1,583,017
Less: sales tax	**96,469**	112,340
	892,219	1,470,677

27. COST OF SALES

	Note	2017	2016
		Rupees in thousand	
Raw materials consumed		**1,175,200**	894,215
Chemicals and stores consumed		**17,910**	29,247
Salaries, wages and benefits	**27.1**	**138,958**	113,722
Power and fuel		**28,745**	36,402
Insurance		**3,898**	5,122
Repair and maintenance		**40,416**	36,232
Depreciation	**5.4**	**80,664**	89,187
		1,485,791	1,204,127
Adjustment of sugar-in-process:			
Opening		**2,588**	2,711
Closing	**10**	**(3,370)**	(2,588)
		(782)	123
Cost of goods manufactured		**1,485,009**	1,204,250
Adjustment of finished goods:			
Opening stock		**169,624**	580,010
Closing stock	**10**	**(640,835)**	(169,624)
		(471,211)	410,386
		1,013,798	1,614,636

27.1 These include Rs.1.588 million (2016: Rs.1.700 million) and Rs.1.434 million (2016: Rs.1.671 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

28. DISTRIBUTION COST

	2017	2016
Commission	**1,043**	586
Salaries, wages and amenities	**686**	539
Stacking and loading	**1,415**	4,999
Freight and packing charges for delivering sugar in small packets to a customer	**1,185**	13,986
Others	**788**	228
	5,117	20,338

29. ADMINISTRATIVE EXPENSES

	Note	2017	2016
		Rupees in thousand	
Salaries and amenities	**29.1**	**31,866**	30,797
Travelling, vehicles' running and maintenance		**3,153**	3,006
Utilities		**843**	1,300
Directors' travelling		**62**	1,175
Rent, rates and taxes		**4,898**	2,101
Insurance		**927**	963
Repair and maintenance		**4,858**	3,362
Printing and stationery		**2,133**	2,108
Communication		**1,403**	1,656
Legal and professional charges (other than Auditors)		**1,108**	4,275
Subscription		**642**	956
Auditors' remuneration	**29.2**	**1,418**	1,240
Depreciation on:			
- operating fixed assets	**5.4**	**5,373**	5,917
- investment property	**6**	**1,141**	1,246
General office expenses		**1,858**	2,277
		61,683	62,379

29.1 These include Rs.0.786 million (2016: Rs.0.802 million) and Rs.0.428 million (2016: Rs.0.499 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

29.2 Auditors' remuneration

	2017	2016
	Rupees in thousand	
Statutory Auditors:		
ShineWing Hameed Chaudhri & Co.		
- statutory audit fee	**690**	575
- half yearly review fee	**121**	100
- consultancy, tax services and certification charges	**494**	446
- out-of-pocket expenses	**60**	60
	1,365	1,181
Other Auditors:		
- cost audit fee (Munawar Associates)	**50**	45
- audit fee of workers' (profit) participation fund (Usman Azeem & Co.)	**0**	7
- out-of-pocket expenses	**3**	7
	53	59
	1,418	1,240

30. OTHER EXPENSES

	2017	2016
Uncollectible receivable balances written-off	**17**	70
Prior year's sales tax on account of inadmissible input tax adjustment claimed on fertilizer	**287**	0
Sales tax and default surcharge on plant & machinery sold in prior year	**2,567**	0
	2,871	70

31. OTHER INCOME

	Note	2017	2016
		Rupees in thousand	
Income from financial assets:			
Mark-up on loan to Subsidiary Company		**20,969**	21,965
Mark-up / interest / profit on bank deposits / saving accounts and certificates		**710**	491
Dividends		**62,453**	34,760
Income from other than financial assets:			
Gain on disposal of vehicles	**5.3**	**877**	1,074
Rent	**31.1**	**6,721**	6,474
Sale of scrap	**31.2**	**134**	9,642
Unclaimed payable balances written-back		**506**	413
Sale of agricultural produce - net of expenses aggregating Rs. 3.577 million (2016: Rs.4.194 million)		**2,280**	17,486
Miscellaneous - net of sales tax amounting Rs.551 thousand (2016: Rs.293 thousand)	**31.3**	**2,928**	1,775
		97,578	94,080

31.1 **(a)** As per the agreement entered into between the Company and Premier Board Mills Ltd. (PBM - an Associated Company) on June 23, 2015, the Company has leased-out a portion of its second floor situated at Head Office to PBM. As per the addendum lease agreement entered into between the Company and PBM on July 01, 2015, the lease has commenced from July 01, 2015 and will end on June 30, 2020. PBM will pay to the Company the sum of Rs.2.310 million per annum as rent.

(b) The Company, during the financial year ended September 30, 2015, has also leased-out its agricultural land located at Saro Shah, Tehsil Takht-i-Bhai to PBM. As per the addendum lease agreement entered into between the Company and PBM on July 01, 2016, the lease has commenced from July 01, 2016 and will end on June 30, 2021. PBM will pay to the Company the sum of Rs.4.400 million per annum as rent for next five years.

31.2 This includes sales to Chashma Sugar Mills Ltd. (CSM - a Subsidiary Company) amounting Rs.0.123 million (2016: Rs.8.950 million).

31.3 This includes sales to CSM amounting Rs.0.208 million (2016: Rs.nil).

32. FINANCE COST

	Note	2017	2016
		Rupees in thousand	
Mark-up on:			
- long term finances		**12,815**	15,076
- short term borrowings		**63,463**	45,877
Lease finance charges		**526**	772
Bank charges		**1,455**	1,139
		78,259	62,864

33. TAXATION

	Note	2017	2016
Current			
- for the year	24	**20,623**	16,768
- for prior years	24	**(3,001)**	0
		17,622	16,768
Deferred:			
- resultant adjustment due to reduction in tax rate	17	**7,625**	8,302
- on account of temporary differences		**(50,000)**	(58,223)
		(42,375)	(49,921)
Prior years' tax refunds accounted for		**0**	(12,584)
		(24,753)	(45,737)

34. LOSS PER SHARE

	2017	2016
Loss after taxation attributable to ordinary shareholders	**(147,178)**	(149,793)
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	--------- Rupees ---------	
Loss per share	**(39.25)**	(39.94)

34.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2017 and September 30, 2016, 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 minimize potential adverse effects on the Company's financial performance.

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

35.2 Market risk

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

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of stores & spares mainly denominated in U.S. $. The Company is not exposed to foreign currency risk as at September 30, 2017 and September 30, 2016 as it has no foreign currency financial instrument at the respective year-ends.

(b) Interest rate risk

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

	2017	2016	**2017**	2016
	Effective rate		**Carrying amount Rupees in thousand**	
Fixed rate instruments				
Deposits with a non-banking finance company	**5%**	5%	**39,000**	39,000
Bank balances	**3.75% to 7.64%**	4% to 8.10%	**8,702**	9,609
Variable rate instruments				
Long term loan to Subsidiary Company	**7.47% to 7.53%**	7.45% to 8.10%	**279,500**	279,500
Long term finances	**7.06% to 7.15%**	7.62% to 8.05%	**133,333**	200,000
Short term borrowings	**7.04% to 7.64%**	7.05% to 8.10%	**818,000**	375,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At September 30, 2017, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been higher / lower by Rs.6.718 million; (2016: Rs.2.955 million) mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

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

35.3 Credit risk exposure and concentration of credit risk

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

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

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

In respect of other counter parties, due to the Company's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Company.

Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2017 along with comparative is tabulated below:

	2017	2016
	Rupees in thousand	
Security deposits	**1,258**	1,258
Trade debts	**2,061**	28,855
Trade deposits	**136**	136
Accrued profit on bank deposits	**25**	25
Other receivables	**11,856**	7,218
Deposits with a non-banking finance company	**39,000**	39,000
Bank balances	**14,602**	16,387
	68,938	92,879

- The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-banking finance company as detailed in note 15.4.
- All the trade debts at the balance sheet date represent domestic parties.

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

Not past due	**1,766**	28,364
Past due 30 days	**0**	196
Past due 1 year	**295**	295
	2,061	28,855

No impairment loss allowance is necessary in respect of trade debts as major balance of trade debts has been realized subsequent to the year-end.

Liquidity risk

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

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

Particulars	Carrying amount	Contractual cash flows	Less than one year	Between one to five years
	---------------------- Rupees in thousand -------------------------			
2017				
Long term finances	**133,333**	**145,230**	**74,998**	**70,232**
Lease finances	**7,139**	**8,037**	**3,216**	**4,821**
Trade and other payables	**98,465**	**98,465**	**98,465**	**0**
Accrued mark-up	**19,914**	**19,914**	**19,914**	**0**
Short term borrowings	**826,306**	**839,901**	**839,901**	**0**
	1,085,157	**1,111,547**	**1,036,494**	**75,053**
2016				
Long term finances	200,000	224,421	12,463	211,958
Lease finances	6,317	7,040	3,511	3,529
Trade and other payables	49,124	49,124	49,124	0
Accrued mark-up	10,314	10,314	10,314	0
Short term borrowings	379,670	388,879	388,879	0
	645,425	679,778	464,291	215,487

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

35.4 Fair values of financial instruments

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

At September 30, 2017, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

36. CAPITAL RISK MANAGEMENT

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

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

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

37. TRANSACTIONS WITH RELATED PARTIES

37.1 Except for long term loan to a Subsidiary Company (note 8), receivable from an Associated Company (note 13) and due to a Subsidiary Company (note 21), no amount was due from Subsidiary and Associated Companies at any month-end during the current and preceding years.

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

	2017	2016
Subsidiary Companies	**Rupees in thousand**	
- purchase of goods	**1,600**	4,054
- sale of goods	**388**	10,549
- sale of molasses	**96,981**	71,478
- dividend received	**61,880**	34,377
- mark-up earned on long term loan	**20,969**	21,965
Associated Companies		
- purchase of goods	**9,822**	1,521
- rental income	**6,710**	6,463
- dividend received	**573**	383

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2017	2016	**2017**	2016	**2017**	2016
	---------- Rupees in thousand ----------					
Managerial remuneration	**1,200**	1,400	**9,664**	8,914	**4,682**	4,524
Medical expenses reimbursed	**0**	0	**44**	0	**0**	0
	1,200	1,400	**9,708**	8,914	**4,682**	4,524
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

		2017	2016
SUGAR CANE PLANT			
Rated crushing capacity per day	M.Tonnes	**3,810**	3,810
Cane crushed	M.Tonnes	**268,864**	178,273
Sugar produced	M.Tonnes	**25,003**	17,677
Days worked	Nos.	**155**	144
Sugar recovery	%	**9.32**	9.94
SUGAR BEET PLANT			
Rated slicing capacity per day	M.Tonnes	**2,500**	2,500
DISTILLERY			
Rated capacity per day	Gallons	**10,000**	10,000

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

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

- The operations of distillery were closed during the financial year ended September 30, 2015 due to low prices of ethanol.

40. PROVIDENT FUND RELATING DISCLOSURES

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un-audited financial statements for the year ended September 30, 2017 and audited financial statements of the provident fund for the year ended September 30, 2016:

	2017	2016
	(Rupees in thousand)	
Size of the fund - total assets	**50,606**	44,982
Cost of investments made	**47,285**	44,818
Percentage of investments made	**93.44%**	99.64%
Fair value of investments made	**50,375**	44,818

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

	2017	2016	2017	2016
	-------- % --------		--------Rupees --------	
Term deposit receipt (TDR)	**81.39%**	91.48%	**41,000**	41,000
Saving account in a scheduled bank	**12.48%**	8.52%	**6,285**	3,818
Accrued profit on TDR and saving account	**6.13%**	0.00%	**3,090**	0
	100.00%	100.00%	**50,375**	44,818

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

41. OPERATING SEGMENT

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

41.1 Sugar sales represent 90% (2016: 95%) of the total gross sales of the Company.

41.2 All sales have been made to customers in Pakistan.

41.3 All non-current assets of the Company as at September 30, 2017 are located in Pakistan.

41.4 One (2016: two) of the Company's customers contributed towards 90.00% (2016: 94.91%) of the sugar sales during the year aggregating Rs.806 million (2016: Rs.1,396 million).

42. NUMBER OF EMPLOYEES

	2017	2016
Number of permanent employees as at September 30,	**405**	442
Average number of employees during the year,	**445**	445

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 03, 2018 by the board of directors of the Company.

44. FIGURES

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

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
Nowshera Road, Mardan.

PROXY FORM

72nd Annual General Meeting

I/We... of ....being a member of **The Premier Sugar Mills & Distillery Company Limited** and holding ....ordinary shares as per share register Folio/CDC Account No.. hereby appoint Mr./Mrs ....of .... another member of the Company having Folio / CDC Account No .... CNIC No .... or Passport No................................ or failing him / her Mr. / Mrs .... of .... Folio / CDC Accounts No .... CNIC No............................... Or Passport No .... Who is also a member of the Company, as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on January 27, 2018 and at any adjournment thereof.

Revenue Stamp
Signature(Rs. 5.00)

Signature of Shareholder
(The signature should agree with the specimen registered with the Company)

Dated this .... day of .... 2018.

Signature of Proxy __________________

1. **Witness:**
   Name: ____________________________
   Signature: _________________________
   Address: __________________________
   CNIC No: _________________________

2. **Witness:**
   Name: ______________________________
   Signature: ___________________________
   Address: ____________________________
   CNIC No: ___________________________

Note: Proxies, in order to be effective, must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

CDC Shareholders and their Proxies are each requested to attached an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

دی پریمیئر شوگر ملز اینڈ ڈسٹلری کمپنی لیمیٹڈ

نوشہرہ روڈ مردان

نمائندگی کا فارم (پراکسی فارم)

72 واں سالانہ اجلاس عام

میں/ہم ____________ کا/کی ____________ بحیثیت رکن دی پریمیئر شوگر ملز اینڈ ڈسٹلری کمپنی لیمیٹڈ اور بذریعہ حصص رجسٹر کے فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ____________ حامل ____________ عام حصص، کمپنی کے ایک دوسرے رکن ____________ کا/کی ____________ فولیو نمبر/ سی ڈی سی اکاؤنٹ نمبر ____________

شناختی کارڈ نمبر ____________ یا پاسپورٹ نمبر ____________ یا بصورت دیگر کمپنی کے اور رکن ____________ کا/کی ____________ فولیو نمبر/سی ڈی اکاؤنٹ نمبر ____________

شناختی کارڈ نمبر ____________ یا پاسپورٹ نمبر ____________، کو میری/ہماری غیر حاضری میں کمپنی کے سالانہ اجلاس عام میں، جو بتاریخ 27 جنوری 2018ء، دوپہر 11.00 بجے منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پراکسی) مقرر کرتا/ کرتے ہیں۔

____

حصص دار کے دستخط

(دستخط کمپنی میں رجسٹرڈ نمونے مطابقت رکھتے ہونے چاہیے)

پانچ روپے کی ریونیو سٹامپ

بتاریخ ______ مہینہ ______ 2018

نمائندہ کے دستخط: ____________

1. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

2. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

نوٹ:

نمائندگی فارم (پراکسی فارم) کمپنی کے پاس کمپنی کے رجسٹرڈ پتہ نوشہرہ روڈ مردان پر اجلاس کے وقت سے کم از کم 48 گھنٹے پہلے موصول ہو جانا چاہیئے، بصورتِ دیگر یہ فارم موثر تصور نہیں کیا جائے گا۔

سی ڈی سی حصص یافتگان اور انکے نمائندوں (پراکسی) سے درخواست ہے کہ (پراکسی فارم) کمپنی کو جمع کروانے سے پہلے اس کے ساتھ اپنے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی لف کریں۔

annual report

2017

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

Page CONTENTS

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have pleasure in presenting the Director's Report on the Consolidated Audited Financial Statements for the year ended September 30, 2017.

1. GENERAL REVIEW

Chashma Sugar Mills Limited earned profit of Rs. 92.142 million and The Frontier Sugar Mills & Distillery Limited suffered loss of Rs. 0.394 million for the year due to the closure of operations.

2. SUMMARISED FINANCIAL OVERVIEW

Following are the consolidated financial results for the year-ended September 30, 2017 with the preceding year comparatives:

	2017	2016
	(Rupees in thousand)	
- Loss before taxation	**(90,698)**	(17,895)
- **Taxation**		
- Current year	**(98,329)**	(16,878)
- Prior	**1,194**	12,584
- Deferred	**81,646**	132,220
- Associated Companies	**(3,547)**	(1,467)
	(19,036)	126,459
	(109,734)	108,564
- (Loss)/Profit after taxation	**2,849**	1,267
- Other comprehensive Income for the year		
- **Total comprehensive (Loss) /Income for the year**	**(106,885)**	109,831
	------------Rupees------------	
- **Combined Loss per share**	**(41.54)**	(10.06)

3. REVIEW OF OPERATIONS

The Directors' Reports on the financial statements of the Holding Company and the Subsidiary Companies covers all the important events that took place during the financial year under review.

4. CURRENT SEASON 2016-2017

The sugarcane crushing season started on November 30, 2017 and the mills have crushed 45,731.545 M. tons of sugarcane, producing 4,000 M. tons of sugar with average recovery of 9.41% upto December 29, 2017. The Provincial Government of Punjab and KPK fixed sugarcane price @ Rs. 180/- per maund. The Federal Government allowed export of 1.50 million tons of sugar for the crushing season 2017-18 with subsidy of Rs. 10,700/- per tons of sugar. Though the Khyber

Pakhtunkhwa (KPK) Government notified the same price of sugarcane but refused to pay the subsidy on export of sugar for onward payments to the Growers.

5. SUGAR PRICE

Presently, prices of sugar are lower than the cost of production.

6. DIVIDEND

The Board of Directors of the Holding Company has not recommended any dividend due to the losses suffered by the Company and the Board of Directors of Chashma Sugar Mills Limited has proposed a final cash dividend of Rs. 1.50 per share (15%), for the year ended September 30, 2017.

7. REPLY TO AUDITORS' OBSERVATIONS

Note 17.4
With regard to the common reservation of auditors regarding non-provision against deposits by PSM and FSM, we have filed a writ petition in the Lahore High Court, Lahore to recover the deposits.

Going concern basis
The Auditors have raised doubts regarding the FSM's ability to continue business as a going concern due to the non-availability of sugarcane. We are hopeful that after successful operation of "Bai Zai Irrigation Scheme" there will be excessive availability of sugarcane to justify the new investment. The Company could not operate with existing machinery, therefore, the management decided to dispose off the obsolete machinery at good rates.

Note 10.1
Auditors also made their reservations regarding impairment of stores and spares of FSM. The management is carrying out an exercise to identify obsolete/damaged stores and spares inventory, if any.

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

8. CUSTOMERS' SUPPORT AND STAFF RELATIONS

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

9. PATTERN OF SHAREHOLDING

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

ON BEHALF OF THE BOARD

(ABBAS SARFARAZ KHAN)
CHIEF EXECUTIVE

Mardan:
January 03, 2018

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **The Premier Sugar Mills & Distillery Company Limited** (the Holding Company) and its Subsidiary Companies (Chashma Sugar Mills Limited [CSM] and The Frontier Sugar Mills & Distillery Limited [FSM]) as at September 30, 2017 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.

Our audit was conducted in accordance with the auditing standards as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. We report that:

(a) Provision against deposits with a non-banking finance company aggregating Rs.78 million has not been made as fully detailed in note 17.4 to these consolidated financial statements;

(b) FSM 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 FSM's ability to continue as a going concern; however, the financial statements of FSM have been prepared on the going concern basis. These consolidated financial statements and annexed notes do not include any adjustment that might result from the outcome of this uncertainty;

(c) 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. 32.328 million of FSM have not been adjusted for any potential impairment loss as fully detailed in note 10.1 to these consolidated financial statements; and

(d) fresh revaluation of property, plant & equipment of FSM has not been carried-out as required by IAS 16.

Except for the facts stated in aforementioned paragraphs (a) to (d) and the extent to which these may affect the annexed consolidated financial statements, in our opinion the consolidated financial statements present fairly the financial position of the Holding Company and its Subsidiary Companies as at September 30, 2017 and the results of their operations for the year then ended.

Shinewing Hameed Chaudhri & Co

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

LAHORE;
January 04, 2018

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2017

	Note	2017	2016
Assets		**2017**	2016
Non-current Assets	**Note**	**Rupees in thousand**	
Property, plant and equipment	6	**8,896,270**	9,190,992
Intangible assets	7	**0**	433
Investment property	8	**28,654**	29,795
Long term investments	9	**125,935**	111,717
Security deposits		**15,268**	5,513
		9,066,127	9,338,450
Current Assets			
Stores and spares	10	**479,272**	438,405
Stock-in-trade	11	**1,997,739**	743,395
Trade debts	12	**187,433**	172,265
Loans and advances	13	**276,586**	332,472
Trade deposits, short term prepayments and other receivables	14	**296,479**	268,119
Accrued profit on bank deposits		**25**	25
Tax refunds due from the Government	15	**323,707**	333,411
Advance sales tax		**57,000**	27,000
Short term investments	16	**8,154**	9,727
Bank balances	17	**179,283**	134,376
		3,805,678	2,459,195
TOTAL ASSETS		**12,871,805**	11,797,645
Equity and Liabilities			
Share Capital and Reserves			
Authorized capital 5,750,000 (2016: 5,750,000) ordinary shares of Rs.10 each		**57,500**	57,500
Issued, subscribed and paid-up capital	18	**37,500**	37,500
Reserves		**1,028,467**	1,026,369
Unappropriated profit		**253,304**	270,635
Equity Attributable to Equity Holders of the Holding Company		**1,319,271**	1,334,504
Non-Controlling Interest		**750,757**	677,486
		2,070,028	2,011,990
Surplus on Revaluation of Property, Plant and Equipment	19	**3,301,473**	3,381,660
Non-current Liabilities			
Long term finances	20	**1,707,304**	2,370,941
Loans from Associated Companies	21	**109,325**	112,500
Liabilities against assets subject to finance lease	22	**44,473**	34,843
Deferred taxation	23	**723,106**	789,159
Staff retirement benefits - gratuity	24	**14,348**	16,319
Current Liabilities		**2,598,556**	3,323,762
Trade and other payables	25	**667,163**	861,525
Accrued mark-up	26	**136,769**	119,134
Short term borrowings	27	**3,278,713**	1,416,715
Current portion of non-current liabilities	28	**713,040**	660,868
Dividends payable to non-controlling interest		**7,734**	5,113
Taxation	29	**98,329**	16,878
		4,901,748	3,080,233
TOTAL LIABILITIES		**7,500,304**	6,403,995
TOTAL EQUITY AND LIABILITIES		**12,871,805**	11,797,645
Contingencies and Commitments	30		

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Note	2017	2016
		Rupees in thousand	
Sales - net	31	**12,206,520**	12,601,354
Cost of Sales	32	**11,138,724**	11,635,799
Gross Profit		**1,067,796**	965,555
Distribution Cost	33	**216,969**	256,713
Administrative Expenses	34	**421,412**	346,919
Other Expenses	35	**19,824**	11,142
		658,205	614,774
		409,591	350,781
Other Income	36	**35,442**	162,721
Profit from Operations		**445,033**	513,502
Finance Cost	37	**550,250**	542,464
		(105,217)	(28,962)
Share of Profit from Associated Companies	9.3	**14,519**	11,067
Loss before Taxation		**(90,698)**	(17,895)
Taxation			
Group	38	**15,489**	(127,926)
Associated Companies	9.3	**3,547**	1,467
		19,036	(126,459)
(Loss) / Profit after Taxation		**(109,734)**	108,564
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available for-sale investments	9	**2,576**	467
Share of other comprehensive income / (loss) from Associated Companies	9.3	**108**	(85)
Item that will not be reclassified to profit or loss:			
- Gain on remeasurement of staff retirement benefit obligations (net of deferred tax)	24	**165**	885
		2,849	1,267
Total Comprehensive (Loss) / Income		**(106,885)**	109,831
Attributable to:			
- Equity holders of the Holding Company		**(153,398)**	(36,618)
- Non-controlling interest		**46,513**	146,449
		(106,885)	109,831
		------ Rupees-----	
Combined Loss per Share	39	**(41.54)**	(10.06)

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

ABBAS SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M. KHAN
DIRECTOR

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2017	2016
Cash flow from operating activities	**Rupees in thousand**	
Loss for the year - before taxation	**(90,698)**	(17,895)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	**819,295**	615,865
Depreciation on investment property	**1,141**	1,246
Amortization of intangible assets	**433**	550
Profit from Associated Companies - net	**(14,519)**	(11,067)
Interest / profit on bank deposits and saving accounts	**(5,651)**	(4,310)
Staff retirement benefits - gratuity (net)	**(2,138)**	1,897
Un-claimed payable balances written-back	**(506)**	(413)
Gain on disposal of operating fixed assets	**(1,589)**	(4,282)
Gain on re-measurement of short term investments to fair value	**(386)**	(827)
Uncollectible receivable balances written-off	**17**	70
Dividend income	**(573)**	(383)
Finance cost	**543,766**	535,075
Profit before working capital changes	**1,248,592**	1,115,526
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(40,867)**	(28,196)
Stock-in-trade	**(1,254,344)**	1,884,022
Trade debts	**(15,168)**	196,240
Loans and advances	**55,853**	(86,715)
Trade deposits, short term prepayments and other receivables	**(28,360)**	28,764
Sales tax refundable - net	**(25,719)**	(105,846)
Advance sales tax	**(30,000)**	(27,000)
(Decrease) / increase in current liabilities		
Trade and other payables	**(195,558)**	466,790
	(1,534,163)	2,328,059
Cash (used in) / generated from operations	**(285,571)**	3,443,585
Income tax paid	**22,593**	102,380
Security deposits	**(9,755)**	(233)
Net cash (used in) / generated from operating activities	**(272,733)**	3,545,732
Cash flow from investing activities		
Additions to property, plant and equipment	**(364,798)**	(508,839)
Sale proceeds of operating fixed assets	**8,465**	12,369
Interest / profit on bank deposits and saving accounts	**5,651**	4,317
Short term investments - net	**1,532**	(8,900)
Dividend received	**573**	383
Net cash used in investing activities	**(348,577)**	(500,670)
Cash flow from financing activities		
Long term finances - net	**(569,425)**	597,454
Lease finances - net	**12,590**	21,217
Balance of loan from an Associated Company repaid	**(48,175)**	0
Short term borrowings - net	**1,861,998**	(3,068,084)
Finance cost paid	**(526,131)**	(617,864)
Dividends paid	**(64,640)**	(42,833)
Net cash generated from / (used in) financing activities	**666,217**	(3,110,110)
Net increase / (decrease) in cash and cash equivalents	**44,907**	(65,048)
Cash and cash equivalents - at beginning of the year	**134,376**	199,424
Cash and cash equivalents - at end of the year	**179,283**	134,376

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 SEPTEMBER 30, 2017

	------- Attributable to equity holders of the Holding Company------								
		Reserves							
		Capital	Revenue						
	Share capital	Share redem-ption	General	Fair value reserve on available-for-sale investments	Sub-total	Unappro-priated profit	Total	Non-controlling interest	Total equity
	-- Rupees in thousand --								
Balance as at September 30, 2015	37,500	1	1,010,537	15,506	1,026,044	191,746	1,255,290	493,098	1,748,388
Transaction with owners:									
Cash dividend at the rate of Rs.2 per ordinary share	0	0	0	0	0	(7,500)	(7,500)	(37,353)	(44,853)
Total comprehensive income / (loss) for the year ended September 30, 2016									
Loss after taxation	0	0	0	0	0	(37,743)	(37,743)	146,307	108,564
Other comprehensive income	0	0	0	325	325	800	1,125	142	1,267
	0	0	0	325	325	(36,943)	(36,618)	146,449	109,831
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	709	709	0	709
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	0	0	0	0	0	122,623	122,623	75,292	197,915
Balance as at September 30, 2016	37,500	1	1,010,537	15,831	1,026,369	270,635	1,334,504	677,486	2,011,990
Transaction with owners:									
Cash dividend at the rate of Rs.4.50 per ordinary share	0	0	0	0	0	0	0	(67,234)	(67,234)
Total comprehensive income / (loss) for the year ended September 30, 2017									
Loss after taxation	0	0	0	0	0	(155,769)	(155,769)	46,035	(109,734)
Other comprehensive income	0	0	0	2,098	2,098	273	2,371	478	2,849
	0	0	0	2,098	2,098	(155,496)	(153,398)	46,513	(106,885)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	907	907	0	907
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation):									
- on account of incremental depreciation for the year	0	0	0	0	0	137,156	137,156	93,971	231,127
- upon sale of revalued plant and machinery	0	0	0	0	0	102	102	21	123
Balance as at September 30, 2017	37,500	1	1,010,537	17,929	1,028,467	253,304	1,319,271	750,757	2,070,028

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 SEPTEMBER 30, 2017

1. THE GROUP AND ITS OPERATIONS

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

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

1.2 Subsidiary Companies

(a) Chashma Sugar Mills Ltd. (CSM)

(i) CSM was incorporated on May 05, 1988 as a Public Company and it commenced commercial production from October 01, 1992. Presently, CSM is principally engaged in manufacture and sale of white sugar and spirit; however, the management is planning to diversify its business and wants to enter in other avenues like power, steel, grain storage facilities and wheat milling. For this purpose necessary amendments have been proposed in CSM's Memorandum of Association. CSM's shares are quoted on Pakistan Stock Exchange Ltd. The Head Office of CSM is situated at King's Arcade, 20-A, Markaz F-7, Islamabad and the Mills are located at Dera Ismail Khan.

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

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

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

(ii) FSM has been suffering losses over the years and during the current and prior years had not carried-out manufacturing operations due to non-availability of raw materials. The management, however, anticipates that manufacturing operations will resume in the foreseeable future as necessary steps are being taken to ensure smooth supplies of sugar cane to FSM. Financial statements of FSM, therefore, have been prepared on the 'going concern basis'.

(iii) Delisting of FSM

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

The purchase agent of the Holding Company (Invest Capital Investment Bank Ltd.) had completed the buying of 36,209 ordinary shares and 150 preference shares within the initial period of 60 days and after the submission of an undertaking to the Stock Exchanges to purchase the remaining shares upto August 26, 2011, FSM was de-listed from all the Stock Exchanges with effect from October 25, 2010. The purchase agent, during the financial year ended September 30, 2011, had further purchased 19,884 ordinary shares and 20,014 preference shares.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017, during the year, has been promulgated; however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 and subsequent circular no. 23 dated October 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the repealed Ordinance). Accordingly, these consolidated financial statements have been prepared in accordance with 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 (IASB) as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. In case requirements differ, the provisions or directives of the repealed Ordinance shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

(a) Property, plant and equipment

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

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

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

(c) Provision for impairment of trade debts

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

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 24.

(e) Income taxes

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

(f) Contingencies

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

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

3. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Holding Company and its Subsidiary Companies (CSM and FSM) as at September 30, 2017. The Holding Company's direct interest, as at September 30, 2017, in CSM was 47.93% (2016: 47.93%) and in FSM was 82.49% (2016: 82.49%).

All Intra-company balances and transactions have been eliminated.

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

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

4. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on October 01, 2016 and are considered to be relevant to the Group's operations:

(a) IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in the financial statements by emphasizing the importance of comparability, understandability and clarity in presentation.

The amendments provide clarification on number of issues including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Disaggregation and sub-totals – line items specified in IAS 1 may need to be disaggregated where this is relevant to understandability of entities' financial position or performance. There is also new guidance on the use of sub-totals.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The above amendments do not have any significant impact on the Group's financial statements.

(b) Amendments to IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’; it has been clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It has also been clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments do not have any significant impact on the Group's financial statements.

(c) Amendments to IAS 34 ‘Interim financial reporting’ clarify what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report. Entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements. The amendments only affects disclosures in the Group's financial statements.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on October 01, 2016 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on October 01, 2016 and have not been early adopted by the Group:

(a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group has yet to assess the impact of this standard on its consolidated financial statements.

(b) Amendments to IAS 7, 'Statement of cash flows' are applicable to annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only affect disclosures in the Group's consolidated financial statements.

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

(d) Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax asset for unrealized losses are applicable on accounting periods beginning on or after January 01, 2017. These amendments on the recognition of deferred tax asset for unrealized losses clarify how to account for deferred tax asset related to debt instruments measured at fair value. These amendments do not have a material impact on the Group's consolidated financial

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Group's financial reporting and operations and therefore, have not been presented here.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property, plant and equipment

Owned assets

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

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

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 6.1.Leasehold land is amortized 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 capitalized 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 recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

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

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

Depreciation on assets subject to finance lease is charged to income at the rates stated in note 6.1 applying reducing balance method to write-off the cost of the asset over their estimated remaining useful life in view of certainty of ownership of assets at the end of lease

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

Finance cost and depreciation on leased assets are taken to profit and loss account.

5.2 Intangible assets and amortization thereon

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization. Amortization is charged to income applying straight-line method to amortize the cost of intangible assets over their estimated useful life. Rate of amortization is stated in note 7.1.

5.3 Investment property

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

Depreciation on investment property is taken to profit and loss account applying reducing balance method at the rates stated in note 8. Depreciation on additions is charged from the month in which the asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to profit and loss account.

5.4 Investments

Investments in equity instruments of Associated Companies are stated at the Group's share of their underlying net assets using the equity method.

Investments available-for-sale represent investments, which are not held for trading. All investments are initially recognized 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 recognized in other comprehensive income / (loss) as unrealized, unless sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognized in the equity is included in the profit and loss account for the year.

5.5 Stores and spares

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

5.6 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Finished goods	- At lower of cost and net realizable value.
Sugar-in-process	- At cost.
Molasses	- At net realizable 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 realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

5.7 Trade debts and other receivables

Trade debts are initially recognized at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

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

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

5.9 Cash and cash equivalents

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

5.10 Borrowings and borrowing costs

Borrowings are recognized initially at fair value.

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

5.11 Staff retirement benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

The Holding Company and FSM also operate un-funded retirement gratuity schemes for their eligible employees. Provisions for gratuity are made annually to cover obligation under the schemes in accordance with the actuarial recommendations. Latest actuarial valuations were conducted on September 30, 2017 on the basis of the projected unit credit method by an independent Actuary.

5.12 Trade and other payables

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

5.13 Taxation

(a) Current

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

(b) Deferred

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax asset is recognized 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 utilized.

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

5.14 Dividend and appropriation to reserves

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

5.15 Impairment loss

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

5.16 Revenue recognition

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

(a) Sales are recorded on dispatch of goods.

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

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

5.17 Development expenditure

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

5.18 Provisions

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

5.19 Foreign currency translations

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

5.20 Financial instruments

Financial instruments include long term investments, security deposits, trade debts, loans & advances, trade deposits, accrued profit / mark-up, other receivables, short term investments, deposits with a non-banking finance company, bank balances, long term finances, loans from Associated Companies, lease finances, trade & other payables, accrued mark-up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.21 Offsetting

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

5.22 Segment reporting

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

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

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2017	2016
		Rupees in thousand	
Operating fixed assets - tangible	6.1	**8,674,084**	9,152,552
Capital work-in-progress	6.7	**221,341**	37,410
Stores held for capital expenditure		**845**	1,030
		8,896,270	9,190,992

6.1 Operating fixed assets - tangible

Particulars		Owned														Leased		
	Leasehold land	Freehold land	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Genera-tors	Tools	Beet water line	Electric and gas equipment	Laboratory equipment	Furniture, fittings & office equipment	Farm equipment	Railway rolling stock and vehicles	Tube well	Arms	Vehicles	Genera-tors	Total
	---------- Rupees in thousand ----------																	
As at September 30, 2015																		
Cost / revaluation	2,835	370,139	1,287,276	175,295	5,792,079	18,071	914	206	297,369	120	125,245	962	69,594	59	54	62,267	5,700	8,208,185
Accumulated depreciation	499	0	342,131	17,794	1,275,567	5,509	913	205	109,630	116	58,177	416	50,157	58	46	21,893	954	1,884,065
Book value	2,336	370,139	945,145	157,501	4,516,512	12,562	1	1	187,739	4	67,068	546	19,437	1	8	40,374	4,746	6,324,120
Year ended September 30, 2016:																		
Additions	0	0	374,376	0	1,468,522	0	0	0	112,467	0	15,359	36	1,136	0	0	50,707	0	2,022,603
Revaluation adjustments:																		
- cost	0	709,454	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	709,454
- depreciation	0	0	109,015	0	606,987	4,325	0	0	0	0	0	0	0	0	0	0	0	720,327
Disposals:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	(51)	(23,300)	0	0	0	0	(23,351)
- depreciation	0	0	0	0	0	0	0	0	0	0	0	22	15,242	0	0	0	0	15,264
Transfers from leased to owned:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	0	19,714	0	0	(19,714)	0	0
- depreciation	0	0	0	0	0	0	0	0	0	0	0	0	(11,052)	0	0	11,052	0	0
Depreciation charge	28	0	92.934	12.085	464.120	1.256	0	0	19.753	0	8.976	52	4.113	0	1	12.072	475	615.865
Book value as at September 30, 2016	2,308	1,079,593	1,335,602	145,416	6,127,901	15,631	1	1	280,453	4	73,451	501	17,064	1	7	70,347	4,271	9,152,552
Year ended September 30, 2017:																		
Additions	0	31,235	21,583	0	50,932	0	0	0	9,952	0	24,803	0	979	0	0	41,568	0	181,052
Revaluation adjustments:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- depreciation	0	0	5,393	5,328	155,930	0	0	0	0	0	0	0	0	0	0	0	0	166,651
Disposals:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	0	(11,434)	0	0	0	0	(11,434)
- depreciation	0	0	0	0	0	0	0	0	0	0	0	0	4,558	0	0	0	0	4,558
Transfers from leased to owned:																		
- cost	0	0	0	0	0	0	0	0	0	0	0	0	7,585	0	0	(7,585)	0	0
- depreciation	0	0	0	0	0	0	0	0	0	0	0	0	(2,083)	0	0	2,083	0	0
Depreciation charge	28	0	130,260	11,086	615,724	1,563	0	0	28,631	0	10,025	50	2,643	0	0	18,858	427	819,295
Book value as at September 30, 2017	2,280	1,110,828	1,232,318	139,658	5,719,039	14,068	1	1	261,774	4	88,229	451	14,026	1	7	87,555	3,844	8,674,084
As at September 30, 2016																		
Cost / revaluation	2,835	1,079,593	1,661,652	175,295	7,260,601	18,071	914	206	409,836	120	140,604	947	67,144	59	54	93,260	5,700	10,916,891
Accumulated depreciation	527	0	326,050	29,879	1,132,700	2,440	913	205	129,383	116	67,153	446	50,080	58	47	22,913	1,429	1,764,339
Book value	2,308	1,079,593	1,335,602	145,416	6,127,901	15,631	1	1	280,453	4	73,451	501	17,064	1	7	70,347	4,271	9,152,552
As at September 30, 2017																		
Cost / revaluation	2,835	1,110,828	1,683,235	175,295	7,311,533	18,071	914	206	419,788	120	165,407	947	64,274	59	54	127,243	5,700	11,086,509
Accumulated depreciation	555	0	450,917	35,637	1,592,494	4,003	913	205	158,014	116	77,178	496	50,248	58	47	39,688	1,856	2,412,425
Book value	2,280	1,110,828	1,232,318	139,658	5,719,039	14,068	1	1	261,774	4	88,229	451	14,026	1	7	87,555	3,844	8,674,084
Depreciation rate (%)	1.01	0	5-10	5-10	10-12	10-12	15	15	10	10	10-15	10	10-20	10	10	20	10-12	

6.2 In case of the Holding Company, revaluation surplus on buildings and plant & machinery, excluding roads, farm building, guest house at Peshawar and plant & machinery having book value aggregating Rs.3.366 million and Rs.0.857 million respectively, as a result of latest revaluation as detailed in note 19.2 has been determined as follows:

Particulars	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Total
	---------------------- Rupees in thousand ----------------------			
Cost / revaluation as at September 30, 2017	176,108	174,008	724,290	1,074,406
Accumulated depreciation to September 30, 2017	36,511	36,075	215,220	287,806
Book value before revaluation adjustments as at September 30, 2017	139,597	137,933	509,070	786,600
Revalued amount	144,990	143,261	665,000	953,251
Revaluation surplus	**5,393**	**5,328**	**155,930**	**166,651**

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

	2017	2016
	Rupees in thousand	
- freehold land	**103,353**	72,121
- buildings on freehold land and roads	**724,887**	781,791
- buildings on leasehold land	**3,332**	4,255
- plant & machinery	**3,154,327**	3,452,407
- generators	**8,494**	9,438
	3,994,393	4,320,012

6.4 The Holding Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009, September 30, 2011, September 30, 2014 and September 30, 2017 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million, Rs.76.240 million and Rs.5.328 million respectively was incorporated in the books of account.

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

Two of the legal heirs of the lessor have filed civil suits impugning the validity of arbitration. These suits are frivolous, barred by law and liable to be dismissed in due course under relevant provisions of the Arbitration Act, 1940.

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

6.5 Depreciation for the year has been allocated as follows:

	2017	2016
	Rupees in thousand	
Cost of sales	**788,801**	591,905
Administrative expenses	**30,494**	23,960
	819,295	615,865

6.6 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds / insurance claim	Gain / (loss)	Particulars of purchaser / insurance company / employee
	------- Rupees in thousand -------					
Owned vehicles						
To third parties through negotiation						
Toyota Corolla	1,961	1,238	723	981	258	Muhammad Saeed, Kohat.
FAW V2	1,126	94	1,032	960	(72)	Mr. Zeeshan Ikram Bhatti, Rawalpindi
To insurance company against insurance claim						
Toyota Corolla Altis	2,025	394	1,631	1,770	139	IGI Insurance Ltd., Lahore.
Toyota Corolla Xli	1,688	328	1,360	1,550	190	------- do -------
To employees as per the Company's policy						
Toyota Corolla	1,841	892	949	1,395	446	Muhammad Saleem Gurmani
Honda City	1,625	1,015	610	845	235	Mr. Shaukat Ali Khan
Toyota Corolla	48	44	4	200	196	Mr. Nizam Badshah
Suzuki Cultus	1,054	550	504	700	196	Mr. Zeeshan, Manager Internal Audit.
Honda motorcycle	66	3	63	64	1	Mr. Imran Nasar, Finance Officer.
2017	**11,434**	**4,558**	**6,876**	**8,465**	**1,589**	
2016	23,351	15,264	8,087	12,369	4,282	

6.7 Capital work-in-progress

	2017	2016
	Rupees in thousand	
Buildings on freehold land	**34,821**	0
Plant and machinery	**151,828**	0
Electric installations	**11,192**	0
Vehicles - leased	**16,442**	6,721
Advance payments:		
-freehold land	**6,699**	30,513
-buildings on freehold land	**47**	47
-plant and machinery	**108**	129
-vehicle	**204**	0
	7,058	30,689
	221,341	37,410

7. INTANGIBLE ASSETS - Computer softwares

Cost at beginning of the year	**8,242**	8,242
Less: amortization:		
- at beginning of the year	**7,809**	7,259
- charge for the year	**433**	550
-at end of the year	**8,242**	7,809
Book value as at September 30 ,	**0**	433

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

8. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
	------------- Rupees in thousand -------------		
As at September 30, 2015:			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	47,211	47,211
Book value	14,544	16,497	31,041
Year ended September 30, 2016:			
Depreciation charge	0	1,246	1,246
Book value	14,544	15,251	29,795
Year ended September 30, 2017:			
Depreciation charge	0	1,141	1,141
Book value	**14,544**	**14,110**	**28,654**
As at September 30, 2016			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	48,457	48,457
Book value	14,544	15,251	29,795
As at September 30, 2017			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	49,598	49,598
Book value	**14,544**	**14,110**	**28,654**
Depreciation rate (%)	0	5-10	

8.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2017 was Rs.260 million (2016: Rs.260 million).

9. LONG TERM INVESTMENTS

	2017	2016	2017	2016
	Equity held (%)		Rupees in thousand	
ASSOCIATED COMPANIES				
QUOTED:				
Arpak International Investments Ltd. (AIIL)				
229,900 (2016: 229,900) ordinary shares of Rs.10 each	**5.75**	5.75	**17,287**	17,784
Market value Rs.5.782 million (2016: Rs.5.518 million)				
UN-QUOTED:				
National Computers (Pvt.) Ltd. (NCPL)				
14,450 (2016: 14,450) ordinary shares of Rs.100 each	**48.17**	48.17	**0**	0
Premier Board Mills Ltd. (PBML)				
47,002 (2016: 47,002) ordinary shares of Rs.10 each	**0.83**	0.83	**4,555**	4,424
Azlak Enterprises (Pvt.) Ltd. (AEPL)				
200,000 (2016: 200,000) ordinary shares of Rs.10 each	**40.00**	40.00	**76,466**	64,458
			98,308	86,666
OTHERS - QUOTED (Available-for-sale)				
Ibrahim Fibres Ltd.				
405,670 (2016: 405,670) ordinary shares of Rs.10 each			**5,680**	5,680
Add: adjustment arising from re-measurement to fair value			**21,947**	19,371
			27,627	25,051
			125,935	111,717

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

9.2 NCPL has no known assets and liabilities as at June 30, 2017 and June 30, 2016 and has also seized its operations. NCPL, on January 15, 2015, has filed an application with the Joint Registrar, Securities and Exchange Commission of Pakistan for striking-off its name from the Register of Companies under the Companies (Easy Exit) Regulations, 2014.

9.3	**Investments in equity instruments of Associated Companies**	**2017**	2016
		(Rupees in thousand)	
	Opening balance - cost	**5,638**	5,638
	Add: post acquisition profit brought forward	**81,028**	71,034
		86,666	76,672
	Add: share for the year:		
	- profit - net	**14,519**	11,067
	- other comprehensive income / (loss)	**108**	(85)
	- items directly credited in equity	**907**	709
	- dividend	**(345)**	(230)
	Less: taxation - net	**(3,547)**	(1,467)
		11,642	9,994
	Balance as at 30 September, 2017	**98,308**	86,666

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

The summary of financial information of AIIL based on its audited financial statements for the year ended June 30, 2017 is as follows:

Summarized Balance Sheet

Non-current assets	**258,215**	238,295
Current assets	**48,344**	75,209
	306,559	313,504
Non-current liabilities	**183**	190
Current liabilities	**5,727**	4,032
	5,910	4,222
Net assets	**300,649**	309,282
Reconciliation to carrying amount		
Opening net assets	**309,282**	289,225
(Loss) / profit for the year	**(18,304)**	12,227
Effects of items directly credited in equity by Associated Companies	**15,555**	12,027
Other comprehensive income / (loss) for the year	**116**	(197)
Dividend	**(6,000)**	(4,000)
Closing net assets	**300,649**	309,282
The Holding Company's share percentage 5.75% (2016: 5.75%)		
The Holding Company's share	**17,287**	17,784
Summarized Profit and Loss Account		
Income	**11,642**	10,904
(Loss) / profit before taxation	**(16,405)**	13,483
(Loss) / profit after taxation	**(18,304)**	12,227

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

The summary of financial information of PBML based on its audited financial statements for the year ended June 30, 2017 is as follows:

	2017	2016
Summarized Balance Sheet	**(Rupees in thousand)**	
Non-current assets	**513,430**	364,244
Current assets	**42,554**	172,510
	555,984	536,754
Current liabilities	**7,145**	3,738
Net assets	**548,839**	533,016
Reconciliation to carrying amount	**2017**	2016
Opening net assets	**533,016**	506,826
Profit for the year	**10,217**	31,070
Effects of items directly credited in equity by an Associated Company	**1,451**	2,122
Other comprehensive income / (loss) for the year	**4,155**	(7,002)
Closing net assets	**548,839**	533,016
The Holding Company's share percentage 0.83% (2016: 0.83%)		
The Holding Company's share	**4,555**	4,424
Summarized Profit and Loss Account		
Income	**11,970**	12,837
Profit before taxation	**12,300**	32,069
Profit after taxation	**10,217**	31,070

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

The summary of financial information of AEPL based on its audited financial statements for the year ended June 30, 2017 is as follows:

	2017	2016
Summarized Balance Sheet	**(Rupees in thousand)**	
Non-current assets	**130,255**	113,558
Current assets	**136,292**	108,201
	266,547	221,759
Non-current liabilities	**20,070**	16,770
Current liabilities	**55,313**	43,843
	75,383	60,613
Net assets	**191,164**	161,146
Reconciliation to carrying amount		
Opening net assets	**161,146**	139,587
Profit for the year	**29,851**	21,600
Other comprehensive income / (loss) for the year	**167**	(41)
Closing net assets	**191,164**	161,146
The Holding Company's share percentage 40% (2016: 40%)		
The Holding Company's share	**76,466**	64,458
Summarized Profit and Loss Account		
Storage and handling income	**65,280**	44,751
Profit before taxation	**38,400**	25,066
Profit after taxation	**29,851**	21,600

10. STORES AND SPARES

Stores including in-transit inventory valuing Rs.2.580 million (2016: Rs.1.958 million)	**369,186**	329,779
Spares	**110,086**	108,626
	479,272	438,405

10.1 FSM has not carried-out manufacturing operations during the current and prior years and in the absence of an exercise to identify obsolete / damaged stores and spares inventory, carrying values of the year-end stores and spares inventory valuing Rs.32.328 million (2016: Rs.32.581 million) have not been adjusted for any potential impairment loss.

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

11. STOCK-IN-TRADE	**Note**	**2017**	2016
		(Rupees in thousand)	
Sugar-in-process		**11,318**	10,453
Finished goods:			
- sugar	**11.1**	**1,318,782**	353,854
- molasses		**399,097**	247,596
- spirit		**268,542**	131,492
		1,986,421	732,942
		1,997,739	743,395

11.1 In case of the Holding Company, no sugar inventory has been stated at net realizable value as at September 30, 2017; (September 30, 2016: sugar inventory was stated at net realizable value; the amount charged to consolidated profit and loss account in respect of inventory write-down to net realizable value worked-out to Rs.2.781 million approximately.)

12. TRADE DEBTS - Unsecured, considered good

In case of CSM, year-end balance of trade debts includes a debt amounting Rs.2.350 million (2016: Rs.19.450 million); to secure this debt, CSM has executed a sale deed with the debtor whereby commercial property owned by him will be transferred to CSM if he fails to meet his commitment. The debtor, during the current year, has paid amounts aggregating Rs.17.100 million (2016: Rs.2.850 million) to CSM.

12.1 In case of CSM, the year-end balance of trade debts includes debtors aggregating Rs.91 thousand (2016: Rs.26.588 million) relating to spirit customers.

13. LOANS AND ADVANCES			
Advances to:			
- suppliers and contractors - considered good	**13.1**	**266,977**	320,850
- employees - considered good		**10,730**	10,914
Letters of credit		**1,316**	3,145
		279,023	334,909
Less: provision for doubtful advances		**2,437**	2,437
		276,586	332,472

13.1 These are unsecured and considered good except for Rs.2.437 million (2016: Rs.2.437 million), which have been fully provided for in the books of account of CSM.

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

14. TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017	2016
		(Rupees in thousand)	
Sugar export subsidy receivable	14.1	**257,926**	257,926
Prepayments		**6,966**	5,580
Excise duty deposits		**136**	136
Gas infrastructure development cess paid under protest - refundable		**3,018**	3,018
Lease rentals receivable from an Associated Company (Premier Board Mills Ltd.)		**4,510**	0
Insurance claim receivable against loss of finished sugar inventory		**16,836**	0
Trade deposits		**5,500**	0
Other receivables		**1,587**	1,459
		296,479	268,119

14.1 **(a)** CSM, during the current and preceding years, has not accrued any further subsidy as the Government has not allowed export subsidy during these years. Balance as at September 30, 2017 represents subsidy portion receivable from the Government of Khyber Pakhtunkhwa (KPK). Subsidy portion receivable from the Federal Government has been fully received.

(b) CSM, during the financial year ended September 30, 2016, has filed a writ petition before the Peshawar High Court, Peshawar regarding Notification dated December 24, 2014 wherein the Federal Government and the Government of KPK had pledged to pay the sugar mills subsidy on exports at the rate of Rs.10 per Kg. The petition is pending adjudication.

15. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2017	2016
Income tax refundable, advance tax and tax deducted at source	15.1	**73,874**	112,151
Sales tax refundable		**249,833**	221,260
		323,707	333,411

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

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

Balance as at September 30, 2016	**112,151**
Add: taxes deducted at source during the year	**35,643**
Less:	
- refunds of prior years received from the Tax Department	**(59,965)**
- adjustments made against completed assessments	**(13,955)**
Balance as at September 30, 2017	**73,874**

16. SHORT TERM INVESTMENTS

- At fair value through profit or loss	Note	2017	2016
		(Rupees in thousand)	
First Habib Cash Fund			
Opening balance - 95,686 Units		**9,727**	0
Investments made during the preceding year - 194,861 Units		**0**	20,000
Gain on redemption / re-measurement to fair value		**427**	727
Bonus received during the year - 3,721 Units (2016: 8,977 Units)		**0**	0
Units redeemed during the year - 19,267 Units (2016: 108,152 Units)		**(2,000)**	(11,000)
Closing balance - 80,140 Units (2016: 95,686 Units)		**8,154**	9,727

17. BANK BALANCES

Cash at banks on:			
- PLS accounts	**17.1 & 17.2**	**31,117**	3,327
- saving accounts	**17.2**	**2,916**	2,404
- deposit accounts	**17.2 & 17.3**	**11,821**	7,663
- current accounts		**58,462**	46,015
- deposits with a non-banking finance company - unsecured	**17.4**	**78,000**	78,000
- dividend accounts		**1,967**	1,967
		184,283	139,376
Less: provision for doubtful bank balance	**17.5**	**5,000**	5,000
		179,283	134,376

17.1 These include Rs.387 thousand (2016: Rs.399 thousand) in security deposit account.

17.2 PLS, saving and deposit accounts during the year carried profit / mark-up at the rates ranging from 0.26% to 7.64% (2016: 3.75% to 8.10%) per annum.

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

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

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

(b) The realizibility of these deposits is doubtful of recovery as these could not be encashed on their respective maturity dates; further, year-end balance confirmation certificates from IIBL were also not received. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the repealed Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from January 28, 2010. SECP had also instituted winding-up proceedings against IIBL in the Lahore High Court, Lahore (LHC). SECP had sought liquidation on a number of counts including violation of the Scheme of Amalgamation approved by SECP under which IIBL took over all the rights / liabilities of Crescent Standard Investment Bank Ltd.

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

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

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

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

Court, which is pending adjudication. Full provision for the said doubtful amount exists in the books of account of the Holding Company.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016		2017	2016
(No. of shares)			Rupees in thousand	
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash	**14,763**	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares	**22,737**	22,737
3,750,000	3,750,000		**37,500**	37,500

18.1 Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2017 and September 30, 2016.

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

19.1 The Holding Company, during the financial years ended September 30, 2000, September 30, 2009, September 30, 2011 and September 30, 2014 had revalued its buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.229.409 million, Rs.544.516 million, Rs.110.992 million and Rs.438.066 million respectively. These fixed assets were revalued by independent Valuers on the basis of depreciated market values.

19.2 The Holding Company, as at September 30, 2017, 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 and Valuation Consultants - 14-Q, Gulberg-2, Lahore] to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.166.651 million has been credited to this account to comply with the requirements of section 235 of the repealed Companies Ordinance (the repealed Ordinance).

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

19.4 FSM, during the financial year ended September 30, 2009, had again revalued its aforementioned fixed assets and freehold land. The latest revaluation exercise was carried-out by independent Valuers [Hamid Mukhtar & Co. (Pvt.) Ltd.], 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 repealed Ordinance.

19.5 CSM had revalued its freehold land, buildings & roads and plant & machinery of its Unit - I on March 31, 2008, which resulted in revaluation surplus aggregating Rs.957.702 million. CSM as at September 30, 2011 and September 30, 2013 had revalued the aforementioned fixed assets of its both Units, which resulted in revaluation surplus aggregating Rs.880.755 million and Rs.1.594 billion respectively. These fixed assets were revalued by independent Valuers on the basis of replacement value / depreciated market values.

19.6 CSM, as at September 30, 2016 has again revalued the aforementioned fixed assets of its both Units. The revaluation exercise has been carried-out by Independent Valuers - K.G. Traders (Pvt.) Ltd., Shahnawaz Plaza, G-11 Markaz, Islamabad. Freehold land has been revalued on the basis of current market value whereas buildings & roads, plant & machinery and generators have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.1.430 billion has been credited to this account to comply with the requirements of section 235 of the repealed Ordinance.

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

	Note	**2017**	2016
		Rupees in thousand	
Opening balance		**4,448,268**	3,304,816
Add: surplus arisen on revaluation carried-out during the year	**6.2**	**166,651**	1,429,781
Less: transferred to unappropriated profit			
- on account of incremental depreciation for the year		**(329,742)**	(286,329)
- upon sale of revalued plant and machinery		**(123)**	0
		4,285,054	4,448,268
Less: deferred tax on:			
- opening balance of surplus		**1,066,608**	961,777
- surplus arisen during the year		**49,995**	223,301
- incremental depreciation for the year		**(98,615)**	(88,414)
		1,017,988	1,096,664
		3,267,066	3,351,604
Resultant adjustment due to reduction in tax rate		**34,407**	30,056
Closing balance		**3,301,473**	3,381,660

20. LONG TERM FINANCES - Secured

From banking companies	Note	2017	2016
		Rupees in thousand	
The Holding Company			
Soneri Bank Limited: (SBL)			
- Term finance	**20.1**	**133,333**	200,000
CSM			
Bank Alfalah Limited: (BAL)			
- Term finance	**20.2**	**100,000**	150,000
Bank Al-Habib Limited: (BAH)			
- Fixed loan	**20.3**	**56,602**	79,243
- Long term finance [(LTFF) - SBP]	**20.3**	**0**	320,057
- Term finance	**20.4**	**247,095**	0
		303,697	399,300
Faysal Bank Limited: (FBL)			
- Term finance	**20.5**	**249,982**	416,637
Soneri Bank Limited: (SBL)			
- Term finance	**20.6**	**84,683**	112,911
- LTFF (ERF)	**20.6**	**0**	325,165
- Term finance - I	**20.7**	**266,548**	0
		351,231	438,076
The Bank of Khyber: (BoK)			
- Demand finance	**20.8**	**0**	13,779
The Bank of Punjab: (BoP)			
- Demand finance	**20.9**	**55,483**	73,978
- LTFF	**20.9**	**195,083**	298,612
- Term finance	**20.10**	**32,148**	0
		282,714	372,590
Syndicated Islamic finance facility	**20.11**	**974,931**	974,931
		2,395,888	2,965,313
Less: current maturity grouped under current liabilities including an overdue instalment amounting Rs.25 million (2016: Rs.25 million)		**688,584**	594,372
		1,707,304	2,370,941

20.1 SBL, during September, 2014, against a term finance facility has disbursed Rs.200 million. The finance facility carries mark-up at the rate of 6 months KIBOR + 1 %; effective mark-up rate charged by SBL during the year ranged from 7.06% to 7.15% (2016: 7.06% to 8.05%) per annum. The finance facility is secured against first pari passu charge of Rs.267 million over plant and machinery of the Holding Company and is repayable in six equal half-yearly instalments of Rs.33.333 million commenced from March, 2017.

20.2 This term finance has been obtained for purchase of plant and machinery and is repayable in 10 equal half-yearly instalments with effect from September, 2014. These finances carry mark-up at the rate of 6-months KIBOR+2% per annum; the effective mark-up rates during the year ranged from 8.06% to 8.15% (2016: 8.06% to 9.05%) per annum and are secured against first registered joint pari passu charge on present and future fixed assets of CSM for Rs.386.670 million.

20.3 Fixed loan and LTFF (SBP) finance facilities aggregate Rs.500 million and have been utilized for establishment of ethanol plant. Fixed loan is repayable in 10 equal half-yearly instalments commenced from August, 2015 whereas LTFF is repayable in 10 equal half-yearly instalments commenced from April, 2016. The finance facilities are secured against joint pari passu charge over fixed assets of CSM; BAH's share amounts to Rs.933.333 million. Fixed loan carries mark-up at the rate of 6-months average KIBOR plus 1.5%; the effective mark-up rates during the year ranged from 7.59% to 7.65% (2016: 7.59% to 8.50%) per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2016: 11.40%) per annum. LTFF (ERF), during the year, has been converted into term finance as detailed in note 20.4.

20.4 BAH, on April 17, 2017, has sanctioned this term finance for settlement of LTFF (SBP) already availed by CSM through it. The approved limit of term finance facility amounts to Rs.289.541 million and is repayable in 42 monthly instalments commencing March, 2017 with last instalment due on June, 2021. The finance facility carries mark-up at the rate of 6-months KIBOR+1% per annum; the effective mark-up rates during the year were 7.15% and 7.16% per annum.

20.5 Term finance facility available from FBL amounts to Rs.500 million and has been obtained for setting-up Ethanol Fuel Plant. The finance facility is repayable in 6 half-yearly instalments commenced from April, 2016 and is secured against joint pari passu hypothecation and mortgage charge over all fixed assets of CSM for Rs. 667 million. The finance facility carries mark-up at the rate of 6-months KIBOR plus 1.5% per annum; the effective mark-up rates during the year ranged from 7.56% to 7.86% (2016: 7.86% to 10.50%) per annum.

20.6 Term finance and LTFF (ERF) facilities available from SBL aggregate Rs.500 million and have been obtained to finance plant and machinery. These finance facilities are repayable in 10 equal half-yearly instalments commenced from February, 2016 and are secured against joint pari passu charge of Rs.666.667 million over present and future fixed assets of CSM. Term finance carries mark-up at the rate of 6-months KIBOR + 1.75%; the effective mark-up rates during the year ranged from 7.81% to 7.90% (2016: 8.06% to 8.80%) per annum. LTFF (ERF) carries mark-up at SBP rate + 3%; the effective mark-up rates during the year ranged from 9% to 11.40% (2016: 9% to 11.40%) per annum. LTFF, during the year, has been converted into term finance as detailed in note 20.7.

20.7 SBL, on June 12, 2017, has converted outstanding LTFF amounting Rs.278.901 million into term finance for remaining tenor without any change in instalment amount and due dates. The term finance facility carries mark-up at 3-months KIBOR+1%; the effective mark-up rate during the year was 7.14% per annum.

20.8 Demand finance facility available from BoK for purchase of plant & machinery amounted to Rs.250 million and carried mark-up at the rate of 6-months KIBOR+2% with no floor and no cap; the effective mark-up rate charged during the year was 8.06% (2016: mark-up rates ranged from 8.06% to 9.05%) per annum. The finance facility was repayable in 16 equal quarterly instalments commenced from January, 2013 and was secured against first registered pari passu charge of Rs.350 million over all present and future fixed assets of CSM.

20.9 Demand finance and LTFF finance facilities available from BoP aggregate Rs.500 million and have been obtained to finance distillery / ethanol plant established by CSM. These finance facilities are repayable in 10 equal half-yearly instalments commenced from November, 2015 and are secured against joint pari passu hypothecation charge over fixed assets of CSM for Rs.666.670 million. Demand finance carries mark-up at the rate of 6-months KIBOR + 1.3%; the effective mark-up rates during the year ranged from 7.36% to 7.45% (2016: 7.36% to 8.35%) per annum. LTFF carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2016: 11.40%) per annum.

20.10 BoP, during August and September 2017, has converted LTFF aggregating Rs.35.123 million into term finance, which carries mark-up at 6-months KIBOR+1.3%; the effective mark-up rate during the year was 7.45% per annum. Security and all other terms and conditions remain unchanged as agreed between CSM and BoP.

20.11 CSM, during the preceding year, has obtained a Syndicated Islamic finance facility of Rs.1,000 million at the rate of KIBOR + 2% per annum; the effective mark-up rates during the year ranged from 8.07% to 8.35% (2016: 8.35% to 8.53%) per annum.

The finance facility's tenor is 7 years with 2 years grace period; the bank-wise outstanding amount against the facility as at September 30, 2017 is as follows:

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

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

21. LOANS FROM ASSOCIATED COMPANIES - Secured

	Note	2017	2016
		Rupees in thousand	
Premier Board Mills Ltd. **(PBM)**	21.1	**65,575**	113,750
Arpak International Investments Ltd. **(AIIL)**	21.2	**43,750**	43,750
		109,325	157,500
Less: current maturity grouped under current liabilities		**0**	45,000
		109,325	112,500

21.1 CSM and PBM, on November 04, 2016, have entered into a loan agreement whereby PBM has revised the repayment schedule. As per the revised terms, the loan tenor is 3.5 years with grace period of 3 years; the principal balance of loan is repayable in 7 equal half-yearly instalments commencing November, 2019. CSM, during the year, has made advance repayments aggregating Rs.48.175 million to PBM. The loan carries mark-up at the rate of 1-month KIBOR+1.25% but not less than the borrowing cost rate of PBM. The loan is secured against a promissory note of Rs.153 million and, during the year, carried mark-up at the rates ranging from 7.47% to 7.53% (2016: 7.45% to 7.82%) per annum.

21.2 CSM and AIIL, on November 04, 2016, have entered into a loan agreement whereby AIIL has revised the repayment schedule. As per the revised terms, the loan tenor is 3.5 years with grace period of 3 years; the principal balance of loan is repayable in 7 equal half-yearly instalments commencing November, 2019. The loan carries mark-up at the rate of 1-month KIBOR+1.25% but not less than the borrowing cost rate of AIIL. The loan is secured against a promissory note of Rs.59 million and, during the year, carried mark-up at the rates ranging from 7.47% to 7.53% (2016: 7.45% to 7.82%) per annum.

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2017			2016		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	-------------------- **Rupees in thousand** --------------------					
Minimum lease payments	**34,101**	**60,350**	**94,451**	26,065	51,011	77,076
Less: finance cost allocated to future periods	**4,541**	**4,474**	**9,015**	3,865	3,802	7,667
	29,560	**55,876**	**85,436**	22,200	47,209	69,409
Less: security deposits adjustable on expiry of lease terms	**5,104**	**11,403**	**16,507**	704	12,366	13,070
Present value of minimum lease payments	**24,456**	**44,473**	**68,929**	21,496	34,843	56,339

22.1 The Holding Company has entered into lease agreements with Bank Al-Habib Ltd. and MCB Bank Ltd. for lease of vehicles and a diesel generator respectively. The liabilities under the lease agreements are payable in monthly instalments by August, 2021. The Holding Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. These facilities are secured against title of the leased assets in the name of lessors and during the year carried finance cost at the rates ranging from 7.76% to 8.35% (2016: 8.29% to 8.87%) per annum.

22.2 CSM has entered into lease agreements with Bank Al-Habib Ltd. and Faysal Bank Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by September, 2021 and are subject to finance cost at the rates ranging from 4.49% to 8.03% (2016: 4.57% to 9.00%) per annum. CSM intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessors and demand promissory notes.

23. DEFERRED TAXATION - Net

	2017	2016
	Rupees in thousand	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**309,785**	295,182
- surplus on revaluation of property, plant & equipment	**983,581**	1,066,608
- lease finances	**1,789**	1,616
	1,295,155	1,363,406
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(3,638)**	(4,386)
- provision for doubtful bank balance	**(1,500)**	(1,550)
- provision for doubtful advances	**(731)**	(755)
- unused tax losses	**(224,878)**	(213,882)
- minimum tax recoverable against normal tax charge in future years	**(341,302)**	(312,599)
- tax credit for investment in plant and machinery	**0**	(41,075)
	(572,049)	(574,247)
	723,106	789,159

23.1 Deferred tax asset recognized in the financial statements of the Holding Company has been restricted to Rs.224.878 million (2016: Rs.213.882 million) as taxable profits in the foreseeable future will not probably be available against which the temporary differences can be utilized. Unrecognized deferred tax asset as at September 30, 2017 amounts to Rs.73.732 million

23.2 In case of CSM, as at September 30, 2017, deferred tax asset amounting Rs.314.986 million (2016: Rs.456.240 million) on unused tax losses and Rs.92.118 million (2016: Rs.44.638 million) on minimum tax recoverable against normal tax charge in future years has not been recognized in the financial statements on the ground of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2018.

Deferred taxation as at September 30, 2017 represents deferred tax on surplus on revaluation of property, plant and equipment; (2016 balance represented deferred tax on surplus on revaluation of property, plant and equipment and on tax credit available under section 65B of the Income Tax Ordinance, 2001).

24. STAFF RETIREMENT BENEFITS - Gratuity

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

Significant actuarial assumptions	**2017**	2016
- discount rate - per annum	**8.00%**	7.25%
- expected rate of growth per annum in future salaries	**7.00%**	6.25%
- mortality rates	**SLIC 2001-2005**	SLIC 2001-2005 Setback 1 year
- withdrawal rates	**Age-based**	Age-based
- retirement assumption	**Age 60**	Age 60
- average expected remaining working life time of employees	**5 to 7 years**	5 to 6 years

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

The movement in the present value of defined benefit obligations is as follows:	**2017**	2016
	Rupees in thousand	
Opening balance	**16,319**	16,103
Current service cost	**850**	858
Past service cost	**173**	161
Interest cost	**1,043**	1,498
Benefits payable to outgoing members - grouped under current liabilities	**(1,843)**	(553)
Benefits paid	**(2,024)**	(620)
Remeasurements:		
-experience adjustments	**(184)**	(1,096)
-changes in financial assumptions	**14**	(32)
Closing balance	**14,348**	16,319

Expense recognized in profit and loss accounts	Note	**2017**	2016
		Rupees in thousand	
Current service cost		**850**	858
Past service cost		**173**	161
Interest cost		**1,043**	1,498
Charge for the year		**2,066**	2,517
Remeasurement recognized in other comprehensive income			
Experience adjustments - net of deferred tax		**(165)**	(885)

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

	2017	2016	2015	2014	2013
	---------------- Rupees in thousand ----------------				
Present value of defined benefit obligations	**14,348**	16,319	16,103	11,496	14,396
Experience adjustment on obligations	**(170)**	(1,128)	291	(1,970)	(741)

Year-end sensitivity analysis:

	Impact on defined benefit obligations		
	Change in assumption	**Increase**	**Decrease**
Discount rate	**1%**	**13,487**	**15,322**
Salary growth rate	**1%**	**15,311**	**13,482**

24.1 The expected contribution to defined benefit obligations of the Group for the year ending September 30, 2018 is Rs.1.886 million.

25. TRADE AND OTHER PAYABLES

	Note	2017	2016
		Rupees in thousand	
Creditors		**196,250**	183,906
Due to Associated Companies	**25.1**	**34,729**	24,160
Accrued expenses		**94,195**	85,745
Retention money		**14,735**	21,077
Security deposits - interest free repayable on demand	**25.2**	**3,755**	3,179
Advances from customers		**281,374**	489,813
Income tax deducted at source		**417**	2,424
Sales tax payable		**12**	383
Gratuity payable to ex-employees		**4,673**	2,944
Advance received against sale of scrap	**25.3**	**2,024**	5,432
Workers' (profit) participation fund	**25.4**	**6,615**	23,214
Unclaimed dividends		**7,706**	7,733
Due to employees		**20,407**	11,440
Others		**271**	75
		667,163	861,525

25.1 This represents amounts due to:

- Azlak Enterprises (Pvt.) Ltd.	**14,497**	13,608
- Phipson & Co. Pakistan (Pvt.) Ltd.	**0**	3
- Syntronics Ltd.	**16,956**	2,349
- Syntron Ltd.	**3,276**	8,200
	34,729	24,160

25.2 Security deposits include Rs.387 thousand (2016: Rs.399 thousand) representing mark-up bearing deposits. The Holding Company will pay mark-up at the same rate at which it will receive from the bank as these deposits have been kept in a PLS bank account.

25.3 FSM, during the current year, has received further advances aggregating Rs.8.724 million and adjusted advances aggregating Rs.12.132 million against sale of scrap.

25.4 Workers' (profit) participation fund	Note	2017	2016
		Rupees in thousand	
Opening balance		**23,214**	10,835
Add:			
- interest on funds utilized in the Group's business		**0**	1,967
- allocation for the year		**6,615**	10,757
		6,615	12,724
		29,829	23,559
Less: payments made during the year		**23,214**	345
Closing balance		**6,615**	23,214

26. ACCRUED MARK-UP

		2017	2016
Mark-up accrued on:			
- long term finances		**62,805**	84,800
- loans from Associated Companies		**5,173**	11,401
- short term borrowings		**68,791**	22,920
- liabilities against assets subject to finance lease		**0**	13
		136,769	119,134

27. SHORT TERM BORROWINGS

	Note	2017	2016
Secured	27.1 & 27.2	**3,269,000**	1,392,500
Un-secured	27.3	**9,713**	24,215
		3,278,713	1,416,715

27.1 In case of the Holding Company, short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.1,700 million (2016: Rs.1,250 million). These facilities are secured against pledge of stock of refined sugar and charge over present and future current assets of the Holding Company. These facilities, during the year, carried mark-up at the rates ranging from 7.04% to 7.64% (2016: 7.05% to 8.10%) per annum and are expiring on various dates by March 31, 2018.

Facilities available to the Holding Company for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2016: Rs.125 million). Out of the available facilities, facilities aggregating Rs.115 million (2016: Rs.115 million) remained unutilized at the year-end. These facilities are secured against lien over term deposit receipts and shipping documents.

27.2 In case of CSM, short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.7,250 million (2016: Rs.7,650 million) and, during the year, carried mark-up at the rates ranging from 2% to 7.75% (2016: 4.50% to 14.00%) per annum. Facilities available for opening letters of credit aggregate Rs.193 million (2016: Rs.400 million). These facilities are secured against charge over CSM's current assets, plant & machinery, tools & equipment, lien over export documents, pledge of white refined sugar stocks and banks' lien over import documents. These facilities are expiring on various dates by April 30, 2018.

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

28. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2017	2016
		Rupees in thousand	
Long term finances	**20**	**688,584**	594,372
Loans from related parties	**21**	**0**	45,000
Liabilities against assets subject to finance lease	**22**	**24,456**	21,496
		713,040	660,868

29. TAXATION - Net

	Note	2017	2016
Opening balance		**16,878**	107
Add: provision made during the year			
- current	**29.2, 29.5 & 29.16**	**98,329**	16,878
- prior year		**(2,923)**	0
		95,406	16,878
		112,284	16,985
Less: adjustments made against completed assessments		**13,955**	107
Closing balance		**98,329**	16,878

The Holding Company

29.1 The returns for the Tax Years 2010 to 2016 have been filed after complying with all the provisions of the Income Tax Ordinance, 2001 (the Ordinance). Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.

29.2 No numeric tax rate reconciliation is presented in these consolidated financial statements as the Holding Company during the current and preceding years was mainly liable to pay tax due under sections 5 (Tax on dividends), 15 (Income from property) and 113 (Minimum tax on the income of certain persons) of the Ordinance.

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

CSM

29.4 Returns filed by CSM upto the tax year 2017, except for tax years 2011 and 2012, have been assessed under the self assessment scheme envisaged in section 120 of the Ordinance.

29.5 No numeric tax rate reconciliation is presented in these consolidated financial statements as CSM is mainly liable to pay tax due under sections 113 and 154 (Tax on export proceeds) of the Ordinance aggregating Rs.139.029 million. The required provision for the current year has been partially adjusted against current and preceding years' tax credits for investment in plant & machinery aggregating Rs.61.340 million available under section 65B of the Ordinance.

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

29.7 A petition has been filed by the Department, which is pending before the Supreme Court of Pakistan (SCP) against the order passed by the PHC in a tax reference for the assessment year 2002-03. The said reference was filed by the Department against CSM challenging decision of the Appellate Tribunal Inland Revenue (ATIR); the amount of revenue involved is Rs.2.993 million.

29.8 A petition filed by CSM is pending before the SCP against judgment dated January 31, 2017 in a tax reference for tax year 2006 passed by the PHC. The said tax reference was filed by the Department against CSM challenging decision of the ATIR; the amount of revenue involved is Rs.9.082 million.

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

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

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

29.12 The Department has filed review petitions for tax years 2009 and 2012 before the SCP against its judgment dated November 10, 2016. The amounts of workers' welfare fund revenue involved are Rs.0.612 million and Rs.3.310 million respectively. The petitions are pending adjudication.

29.13 The Department has issued a show cause notice under sections 161/205 of the Ordinance for tax year 2012. CSM had challenged the said show cause notice before the Federal Tax Ombudsman, who, after hearing the complaint, treated the impugned show cause notice as unlawful proceedings and recommended dropping it. The Department has challenged these findings before the President of Pakistan, who has accepted the representation vide order dated December 06, 2013. The Department has created no demand as it was only a show cause notice. CSM, against the Presidential order, has filed a writ petition before the Islamabad High Court, which is pending adjudication.

FSM

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

29.15 The returns upto tax year 2017 have been filed after complying with all the provisions of the Ordinance. Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing-out of deficiency by the Commissioner.

29.16 No numeric tax rate reconciliation is given in these financial statements as provision made during the current year represents tax payable under section 37A (Capital gains on sale of securities) of the Ordinance.

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

30. CONTINGENCIES AND COMMITMENTS

The Holding Company

30.1 No commitments were outstanding as at September 30, 2017 and September 30, 2016.

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

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

30.3 After enactment of the Gas Infrastructure Development Cess (GIDC) Act, 2015, the Holding Company has challenged this levy before the PHC, which dismissed the said petition. The Holding Company, thereafter, has filed a petition before the Supreme Court, which is pending adjudication.

Sui Northern Gas Pipelines Ltd., along with gas bills for the month of October, 2017, has raised GIDC demands aggregating Rs.56.467 million, which are payable in case of an adverse judgment by the Supreme Court. No provision for these GIDC demands has been made in the books of account of the Holding Company as the management expects a favorable judgment by the Supreme Court due to meritorious legal grounds.

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

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

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

30.7 Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Holding Company outstanding as at September 30, 2017 was for Rs.10 million (2016: Rs.10 million). The guarantee is valid upto May 26, 2018.

CSM

30.8 CSM, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue vide SRO. No. 564(I)/2006 dated June 05, 2006. This resulted in excess payment of duty amounting Rs.35.825 million. The refund application was submitted to the Deputy Commissioner Inland Revenue (DCIR), who had rejected the application. CSM had filed an appeal before the Commissioner Inland Revenue - Appeals [CIR(A)] against the impugned order. The CIR(A), during the financial year ended September 30, 2013, had upheld the order of DCIR. CSM, thereafter, has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), Peshawar Bench, which has heard and reserved the judgment on June 19, 2013. CSM's legal Advisors are of the opinion that in view of highly meritorious arguments placed before the Tribunal, CSM's refund claim shall be sanctioned.

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

30.10 A sales tax reference filed by the Income Tax Department (the Department) is pending before the PHC against ATIR's order dated October 27, 2015. The ATIR, during the preceding year, had accepted CSM's appeal and the impugned order was set aside. CSM had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had upheld the assessment order passed by the DCIR dated September 10, 2014 and CSM was directed to pay Rs.30.021 million.

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

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

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

30.14 A sales tax reference filed by the Department is pending before the PHC against ATIR's order dated January 25, 2016; the amount of revenue involved is Rs.1.550 million.

30.15 A sales tax reference filed by the Department is pending before the PHC against ATIR's order dated January 25, 2016. CSM had filed a sales tax appeal before the ATIR against order passed by the CIR(A), who had reduced the assessed amount from Rs.36.842 million to Rs.28.063 million vide order dated May 12, 2014.

30.16 A sales tax reference filed by the Department is pending before the PHC against CIR's order dated January 25, 2016 under section 37A(4) of the Sales Tax Act, 1990 regarding stock taking and raid.

30.17 An application for withdrawal of sales tax appeal has been filed with permission to file a fresh one before the CIR(A), Peshawar, which has been accepted vide order dated February 20, 2017 because CSM's rectification application before the Assessing Officer has been accepted and impugned order vacated. The said appeal was pending against assessment order dated June 28, 2016 passed by the Deputy Commissioner, Audit, Peshawar regarding alleged stock taking to the tune of Rs.8.602 million under section 14 of the Federal Excise Act, 2005.

30.18 A writ petition filed by CSM is pending before the PHC; CSM has challenged the Director FBR's notice dated November 03, 2016 for investigating CSM under section 38 of the Sales Tax Act, 1990 for certain specified issues seeking record of last five years. Interim relief has been granted to CSM.

30.19 A sales tax appeal has been filed by CSM before the ATIR, Peshawar against ex-parte order passed by the CIR(A), Peshawar in appeal against assessment order dated June 21, 2016 passed by the Deputy Commissioner, Audit, Peshawar. It has been alleged that CSM has violated SRO 488(I) 2004 dated June 12, 2014 and claimed input tax to the tune of Rs.135.764 million against the supplies to unregistered persons. Rectification application has been filed before the CIR(A), Peshawar.

30.20 A local resident has filed a petition before the Supreme Court Pakistan for recovery of Rs.1.031 million against judgment of the PHC. The petition is pending adjudication.

	2017	2016
30.21 In case of CSM, commitments in respect of :	**(Rupees in thousand)**	
- foreign letters of credit for purchase of plant and machinery	**17,604**	11,377
- capital expenditure other than for letters of credit	**2,318**	2,505

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

FSM

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

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

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

30.26 No commitments were outstanding as at September 30, 2017 and September 30, 2016.

31. SALES - Net

		2017	2016
Turnover:	**Note**	**Rupees in thousand**	
- local		**11,949,796**	12,465,302
- export		**1,500,725**	1,079,641
		13,450,521	13,544,943
Less: sales tax		**1,244,001**	943,589
		12,206,520	12,601,354

32. COST OF SALES

	Note	2017	2016
		Rupees in thousand	
Raw materials consumed		**10,556,582**	8,193,711
Chemicals and stores consumed		**235,422**	222,989
Salaries, wages and benefits	**32.1**	**574,385**	481,958
Power and fuel		**60,859**	66,479
Insurance		**14,900**	19,434
Repair and maintenance		**162,119**	175,301
Depreciation	**6.5**	**788,801**	591,905
		12,393,068	9,751,777
Adjustment of sugar-in-process:			
Opening		**10,453**	12,948
Closing	**11**	**(11,318)**	(10,453)
		(865)	2,495
Cost of goods manufactured		**12,392,203**	9,754,272
Adjustment of finished goods:			
Opening stock		**732,942**	2,614,469
Closing stock	**11**	**(1,986,421)**	(732,942)
		(1,253,479)	1,881,527
		11,138,724	11,635,799

32.1 These include Rs.6.551 million (2016: Rs.5.791 million) and Rs.1.617 million (2016: Rs.1.983 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

33. DISTRIBUTION COST

	Note	2017	2016
Commission		**80,323**	71,011
Salaries and benefits	**33.1**	**9,008**	8,248
Stacking and loading		**15,030**	28,653
Export development surcharge		**3,775**	2,827
Freight on exports		**68,550**	105,834
Other expenses on exports		**38,310**	25,926
Freight and packing charges for delivering sugar in small packets to a customer		**1,185**	13,986
Others		**788**	228
		216,969	256,713

33.1 These include Rs.98 thousand (2016: Rs.73 thousand) in respect of contribution to staff provident fund.

34. ADMINISTRATIVE EXPENSES

	Note	2017	2016
		Rupees in thousand	
Salaries and benefits	**34.1**	**280,603**	226,839
Travelling:			
- directors		**17,866**	15,704
- others		**11,720**	7,044
Utilities		**843**	1,300
Vehicles' running and maintenance		**11,046**	12,663
Rent, rates and taxes		**9,853**	5,086
Insurance		**3,762**	2,423
Repair and maintenance		**18,017**	16,530
Printing and stationery		**8,783**	7,862
Communication		**9,602**	9,257
Fees and subscription		**5,691**	2,911
Auditors' remuneration	**34.2**	**3,632**	3,401
Legal and professional charges (other than Auditors)		**4,733**	6,043
Depreciation on:			
- operating fixed assets	**6.5**	**30,494**	23,960
- investment property	**8**	**1,141**	1,246
Amortization of intangible assets	**7**	**433**	550
General		**3,193**	4,100
		421,412	346,919

34.1 These include Rs.3.055 million (2016: Rs.2.945 million) and Rs.0.448 million (2016 Rs.0.534 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

34.2 Auditors' remuneration		**2017**	2016
ShineWing Hameed Chaudhri & Co.	**Note**	**Rupees in thousand**	
- statutory audits		**2,258**	2,115
- half-yearly reviews		**470**	423
- consultancy, tax services and certification charges		**601**	569
- out-of-pocket expenses		**162**	162
		3,491	3,269
Other Auditors			
- cost audits		**105**	90
- employees' provident fund's audit fee		**15**	9
- workers' (profit) participation funds' audit fees		**15**	15
- out-of-pocket expenses		**6**	18
		141	132
		3,632	3,401

35. OTHER EXPENSES

Donations (without directors' interest)	**35.1**	**10,338**	215
Uncollectible receivable balances written-off		**17**	70
Workers' (profit) participation fund	**25.4**	**6,615**	10,757
Loss on redemption of short term investments		**0**	100
Prior year's sales tax on account of inadmissible input tax adjustment claimed on fertilizer		**287**	0
Sales tax and default surcharge on plant & machinery sold in prior year		**2,567**	0
		19,824	11,142

35.1 These include Rs.10 million paid to Sindh Institute of Urology and Transplantation, Karachi.

36. OTHER INCOME

	Note	2017	2016
		Rupees in thousand	
Income from financial assets:			
Interest / profit on bank deposits and saving accounts		**5,651**	4,310
Gain on redemption of short term investments		**42**	0
Fair value gain on re-measurement of short term investments		**386**	827
Dividend		**573**	383
Exchange fluctuation gain		**1,645**	51
Income from other than financial assets:			
Rent	**36.1**	**6,721**	6,474
Sale of scrap - net		**10,329**	692
Sale of press mud - net		**3,645**	2,556
Unclaimed payable balances written-back		**506**	413
Gain on sale of operating fixed assets - net	**6.6**	**1,589**	4,282
Sale of agricultural produce - net of expenses aggregating Rs.3.577 million (2016:Rs.4.194 million)		**2,348**	17,587
Seed sales net of expenses		**141**	122,563
Sale of fusel oil - net of sales tax amounting Rs.92 thousand (2016:Rs.137 thousand)		**538**	808
Miscellaneous - net of sales tax		**1,328**	1,775
		35,442	162,721

36.1 **(a)** As per the agreement entered into between the Holding Company and Premier Board Mills Ltd. (PBM - an Associated Company) on June 23, 2015, the Holding Company has leased-out a portion of its second floor situated at Head Office to PBM. As per the addendum lease agreement entered into between the Holding Company and PBM on July 01, 2015, the lease has commenced from July 01, 2015 and will end on June 30, 2020. PBM will pay to the Holding Company the sum of Rs.2.310 million per annum as rent.

(b) The Holding Company, during the financial year ended September 30, 2015, has also leased-out its agricultural land located at Saro Shah, Tehsil Takht-i-Bhai to PBM. As per the addendum lease agreement entered into between the Holding Company and PBM on July 01, 2016, the lease has commenced from July 01, 2016 and will end on June 30, 2021. PBM will pay to the Holding Company the sum of Rs.4.400 million per annum as rent for next five years.

37. FINANCE COST

	Note	2017	2016
		Rupees in thousand	
Mark-up on:			
- long term finances		**230,007**	282,804
- loans from Associated Companies		**9,774**	12,082
- short term borrowings		**298,795**	233,983
Interest on workers' (profit) participation fund	**25.4**	**0**	1,967
Lease finance charges		**5,190**	4,239
Bank charges		**6,484**	7,389
		550,250	542,464

38. TAXATION

	Note	2017	2016
Current			
- for the year	**29**	**98,329**	16,878
- prior year		**(1,194)**	0
		97,135	16,878
Deferred:			
- resultant adjustment due to reduction in tax rate	**19**	**34,407**	30,056
- on account of temporary differences		**(116,053)**	(162,276)
		(81,646)	(132,220)
Prior years' tax refunds accounted for		**0**	(12,584)
		15,489	(127,926)

39. COMBINED LOSS PER SHARE

	2017	2016
Loss attributable to equity holders of the Holding Company	**(155,769)**	(37,743)
	No. of shares	
Weighted average number of shares outstanding during the year	**3,750,000**	3,750,000
	R u p e e s	
39.1 Combined loss per share	**(41.54)**	(10.06)

Diluted loss per share has not been presented as there are no convertible instruments in issue as at September 30, 2017 and September 30, 2016, 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 minimize potential adverse effects on the Group's financial performance.

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

40.2 Market risk

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

(a) Currency risk

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

	2017	2016
	(Rupees in thousand)	
Trade debts U.S. $ 210,600 (2016: U.S. $ 254,309)	**22,176**	26,588
Outstanding letters of credit U.S $ 12,000, Euro 103,017, GBP 18,810 and JPY 935,000 (2016: Euro 79,043 and GBP 15,390)	**17,604**	11,377

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2017	2016	**2017**	2016
U.S. $ to Rupee	**105.00**	104.38	**105.45 / 105.25**	104.55
Euro to Rupee	**120.88**	117.52	**124.27**	117.49
GBP to Rupee	**138.66**	147.08	**141.47**	135.85
JPY to Rupee	**0.937**	-	**0.937**	-

Sensitivity analysis

At September 30, 2017, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, loss after taxation for the year would have been lower by Rs.2.218 million (2016: profit would have been higher by Rs.2.659 million) mainly as a result of foreign exchange gain on translation of foreign currency financial assets.

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on loss (2016: profit) after taxation .

The sensitivity analysis prepared is not necessarily indicative of the effects on loss (2016: profit) for the year and assets / liabilities of the Group.

(b) Interest rate risk

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

	2017	2016	**2017**	2016
	Effective rate		**Carrying amount**	
	%	**%**	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Deposit with a non-banking finance Company	**5.00**	5.00	**78,000**	78,000
Bank balances	**0.26 to 7.64**	3.75 to 8.10	**45,854**	13,394
Variable rate instruments				
Financial liabilities				
Long term finances	**7.06 to 11.40**	7.06 to 11.40	**2,395,888**	2,965,313
Loans from Associated Companies	**7.47 to 7.53**	7.45 to 7.82	**109,325**	157,500
Liabilities against assets subject to finance lease	**4.49 to 8.35**	4.57 to 9.00	**68,929**	56,339
Short term borrowings	**2.00 to 7.75**	4.50 to 14.00	**3,269,000**	1,392,500

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

At September 30, 2017, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss (2016: profit) after taxation for the year would have been higher / lower by Rs.58.431 million; (2016: profit would have been lower / higher by Rs.45.716 million) mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. As at September 30, 2017, price risk arose from the Group's investments in Units of a Mutual Fund classified as short term investments at fair value through profit or loss. To manage its price risk, the Group diversifies its portfolio and continuously monitors developments in the market. In addition, the Group's management actively monitors the key factors that affect price movement.

As at September 30, 2017, a 10% increase / decrease in redemption value of Units of the Mutual Fund would have decreased / increased loss before taxation for the year by Rs.815 thousand (2016: profit before taxation would have increased / decreased by Rs.973 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 investments, trade debts, loans & advances, other receivables, deposits with a non-banking finance company and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

In respect of other counter parties, due to the Group's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Group.

Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2017 along with comparative is tabulated below:

	2017	2016
	Rupees in thousand	
Long term investments	**27,627**	25,051
Security deposits	**15,268**	5,513
Trade debts	**187,433**	172,265
Loans and advances	**265,856**	321,558
Trade deposits and other receivables	**286,495**	259,521
Accrued profit on bank deposits	**25**	25
Short term investments	**8,154**	9,727
Deposits with a non-banking finance company	**78,000**	78,000
Bank balances	**101,283**	56,376
	970,141	928,036

The Group management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-banking finance company as detailed in note 17.4.

Trade debts exposure by geographic region is as follows:

Domestic	**165,257**	145,677
Export	**22,176**	26,588
	187,433	172,265

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

Not past due	**181,351**	148,887
Past due less than 3 months	**0**	286
Past due less than 6 months	**2,350**	0
Past due more than 6 months	**3,732**	23,092
	187,433	172,265

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.167.375 million (2016: Rs.146.066 million) have been realized subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realized in short course of time.

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

First Habib Cash Fund	**Fund stability rating assigned by JCR-VIS**
September 30, 2017	**AA**
September 30, 2016	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:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
2017	---------------- Rupees in thousand ----------------				
Long term finances	**2,395,888**	**2,815,702**	**870,604**	**1,846,668**	**98,430**
Loans from Associated Companies	**109,325**	**142,854**	**8,211**	**111,291**	**23,352**
Lease finances	**68,929**	**69,827**	**24,901**	**44,926**	**0**
Trade and other payables	**417,660**	**417,660**	**417,660**	**0**	**0**
Accrued mark-up	**136,769**	**136,769**	**136,769**	**0**	**0**
Short term borrowings	**3,278,713**	**3,347,776**	**3,347,776**	**0**	**0**
	6,407,284	**6,930,588**	**4,805,921**	**2,002,885**	**121,782**
2016					
Long term finances	2,965,313	3,636,576	774,626	2,543,804	318,146
Loans from Associated Companies	157,500	176,772	54,707	122,065	0
Lease finances	56,339	56,339	21,496	34,843	0
Trade and other payables	333,932	333,932	333,932	0	0
Accrued mark-up	119,134	119,134	119,134	0	0
Short term borrowings	1,416,715	1,449,572	1,449,572	0	0
	5,048,933	5,772,325	2,753,467	2,700,712	318,146

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

41. MEASUREMENT OF FAIR VALUES

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

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

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

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

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

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

Financial assets not measured at fair value	**2017**	2016
	Carrying amount (Rupees in thousand)	
Trade debts	**187,433**	172,265
Bank balances	**179,283**	134,376
	366,716	306,641
Financial liabilities not measured at fair value		
Creditors	**196,250**	183,906

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

Assets measured at fair value

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

Assets measured at fair value	Buildings on freehold and leasehold land and plant & machinery.
Date of valuation	September 30, 2017

Valuation approach and inputs used	The factors taken and critically evaluated by the Valuer for determining the depreciated market values of buildings on freehold and leasehold land and plant & machinery include the following: - prevailing market conditions; - Government future development measures in the vicinity; - threats and opportunities of real estate industry; - physical condition of buildings and civil structure; - design and utility of buildings and civil structure; - state of infrastructure in the vicinity; - type of construction and age; - availability of utilities connections; - existence, condition, level of maintenance, year of acquisition of plant & machinery; - obsolescence due to technological advancement; - inquiries from the market to obtain prevalent market values of similar local and imported plant & machinery items; and - determination of current market cost of plant & machinery adjusted for depreciation factor.
Inter-relationship between significant unobservable inputs and fair value measurement	The fair values are subject to change owing to change in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

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

	2017 (Rupees in thousand)
Opening book value	**927,819**
Additions during the year	**7,258**
Revaluation during the year	**166,651**
Disposals during the year	**(1,563)**
Depreciation for the year	**(86,037)**
Closing book value	**1,014,128**

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

As at September 30, 2017, Group's investments in a Mutual Fund were measured at fair value using year-end Net Assets Value as computed by the Assets Management Company. Fair value of these investments fell within level 2 of fair value hierarchy as mentioned above.

42. CAPITAL RISK MANAGEMENT

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

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

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

43. TRANSACTIONS WITH RELATED PARTIES

43.1 No amount was due from Associated Companies at any month-end during the year (2016: maximum aggregate balance due from the Associated Companies, on account of normal trading transactions at any month-end was Rs.19 thousand).

43.2 The Group has related party relationship with its Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Associated Companies during the year were as follows:

	2017	2016
	Rupees in thousand	
- purchase of goods	**106,409**	76,468
- services received	**15,300**	17,178
- mark-up expensed	**9,774**	12,082
- rental income	**6,710**	6,463
- dividend received	**573**	383
- dividend paid	**24,124**	13,402

44. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	Chief Executive		Directors		Executives	
	2017	2016	**2017**	2016	**2017**	2016
	-------------------- Rupees in thousand-------------------					
Managerial remuneration including bonus	**1,200**	1,400	**9,664**	11,314	**43,035**	38,939
Allowances and utilities	**0**	0	**0**	0	**24,552**	22,653
Retirement benefits	**0**	0	**0**	0	**1,458**	1,514
Medical expenses reimbursed	**0**	0	**408**	584	**210**	0
	1,200	1,400	**10,072**	11,898	**69,255**	63,106
Number of persons	**1**	1	**5**	7	**27**	27

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

44.2 The chief executive and all the executives of CSM have been provided with free use of the CSM's maintained cars. Eighteen (2016: eighteen) of the Executives have also been provided with free housing (with CSM's generated electricity, telephone and certain household items in the residential colony within the factory compound).

44.3 In case of FSM, no managerial remuneration was paid to the chief executive and directors during the current and preceding years; however, they are provided with free use of FSM's maintained cars.

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

45. CAPACITY AND PRODUCTION

		2017	2016
The Holding Company			
Sugar Cane Plant			
Rated crushing capacity per day	**M.Tonnes**	**3,810**	3,810
Cane crushed	**M.Tonnes**	**268,864**	178,273
Sugar produced	**M.Tonnes**	**25,003**	17,677
Days worked	**Nos.**	**155**	144
Sugar recovery	**%**	**9.32**	9.94
Sugar Beet Plant			
Rated slicing capacity per day	**M.Tonnes**	**2,500**	2,500
Distillery			
Rated capacity per day	**Gallons**	**10,000**	10,000

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

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

- The operations of distillery were closed during the financial year ended September 30, 2015 due to low prices of ethanol.

CSM

Sugar Cane Plants			
Rated crushing capacity (based on 150 working days)	**M.Tonnes**	**2,700,000**	2,700,000
Cane crushed	**M.Tonnes**	**2,224,494**	1,689,633
Sugar produced	**M.Tonnes**	**203,686**	155,443
Ethanol Fuel Plant			
Rated capacity per day	**Litres**	**125,000**	125,000
Actual production	**Litres**	**29,623,876**	25,870,308
Days worked:			
Unit - I	**Nos.**	**131**	105
Unit - II	**Nos.**	**130**	104
Ethanol Fuel Plant	**Nos.**	**261**	221

The Government of Khyber Pakhtunkhwa, on April 25, 2017, has renewed the CSM's D-2 license to manufacture rectified spirit, denatured spirit, B-grade spirit, CO_2, fusel oil, fuel ethanol and all distillery products at Ramak for a further period of one year subject to completion of relevant conditions.

FSM

Sugar Cane Plant

Rated crushing capacity per day	M.Tonnes	**880**	880

Sugar Beet Plant

Rated slicing capacity per day	M.Tonnes	**1,000**	1,000

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

46. SEGMENT INFORMATION

46.1 The Holding Company

(a) Sugar sales represent 90% (2016: 95%) of the total gross sales of the Holding Company.

(b) All sales have been made to customers in Pakistan.

(c) All non-current assets of the Holding Company as at September 30, 2017 are located in Pakistan.

(d) One (2016: two) of the Holding Company's customers contributed towards 90.00% (2016: 94.91%) of the sugar sales during the year aggregating Rs.806 million (2016: Rs.1,396 million).

46.2 CSM

Segment analysis

	Sugar	Ethanol	Total
Year ended September 30, 2017			
	-------Rupees in thousand-------		
Revenue	**9,972,427**	**1,439,243**	**11,411,670**
Segment results	**897,037**	**(266,317)**	**630,720**
Year ended September 30, 2016			
Revenue	9,957,171	1,249,038	11,206,209
Segment results	709,536	(114,610)	594,926

Reconciliation of segment results with profit from operations	**2017**	2016
	(Rupees in thousand)	
Total results of the reportable segments	**630,720**	594,926
Other income	**11,489**	132,760
Other expenses	**(16,953)**	(10,972)
Finance cost	**(492,957)**	(501,563)
Profit before taxation	**132,299**	215,151

Information on assets and liabilities by segment is as follows:

As at September 30, 2017	**Sugar**	**Ethanol**	**Total**
	-------Rupees in thousand-------		
Segment assets	**7,265,861**	**2,979,556**	**10,245,417**
Segment liabilities	**581,645**	**2,279,999**	**2,861,644**
As at September 30, 2016			
Segment assets	6,694,048	3,076,869	9,770,917
Segment liabilities	959,501	2,745,994	3,705,495

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

	As at September 30, 2017		As at 30 September, 2016	
	Assets	**Liabilities**	Assets	Liabilities
	-------------------- Rupees in thousand --------------------			
Total for reportable segments	**10,245,417**	**2,861,644**	9,770,917	3,705,495
Unallocated assets / liabilities	**380,371**	**3,698,965**	301,404	2,291,467
Total as per balance sheet	**10,625,788**	**6,560,609**	10,072,321	5,996,962

- CSM's sales to domestic customers in Pakistan are 88.10% (2016: 90.37%) and to customers outside Pakistan are 11.90% (2016: 9.63%) of the revenues during the year.
- CSM sells sugar to commission agents. Sugar sales to four (2016: five) of customers during the year aggregated Rs.10,341 million (2016:Rs. 9,507 million) constituting 93.36% (2016: 95.48%) of the total sugar sales of CSM. Two (2016: four) of the customers individually exceeded 10% of CSM's sugar sales.
- All non-current assets of CSM as at September 30, 2017 are located in Pakistan.

Geographical Segments

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

47. NUMBER OF EMPLOYEES

	2017	2016
	------ Number ------	
Number of persons employed as at September 30,		
- permanent	**1,281**	1,316
- contractual	**914**	816
Average number of employees during the year		
- permanent	**1,333**	1,325
- contractual	**1,236**	1,123

48. PROVIDENT FUNDS RELATING DISCLOSURES

The Group operates funded contributory provident fund schemes for all its permanent and eligible employees. The following information is based on the un-audited financial statements of the provident funds for the year ended September 30, 2017 and audited financial statements of the provident funds for the year ended September 30, 2016:

	2017	2016
	(Rupees in thousand)	
Size of the funds - total assets	**147,887**	131,327
Cost of investments made	**121,741**	108,797
Fair value of investments made	**145,698**	129,530
	-------- % --------	
Percentage of investments made	**82.32**	82.84

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

	2017	2016	2017	2016
	----- % -----		(Rupees in thousand)	
Term deposit receipts	**33.63**	38.60	**49,000**	50,000
Saving accounts in scheduled banks	**8.13**	4.17	**11,841**	5,397
Deposit certificates	**41.80**	41.23	**60,900**	53,400
Accrued profit	**16.44**	16.00	**23,957**	20,733
	100.00	100.00	**145,698**	129,530

49. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on January 03, 2018 by the board of directors of the Holding Company.

50. EVENT AFTER THE REPORTING PERIOD

CSM

The Board of Directors of CSM in its meeting held on January 03, 2018 has proposed a final cash dividend of Rs.1.50 per share (2016: Rs.4.50 per share) for the year ended September 30, 2017. The financial statements for the year ended September 30, 2017 do not include the effect of proposed dividend amounting Rs.43.038 million (2016: Rs.129.114 million), which will be accounted for in the financial statements for the year ending September 30, 2018 after approval by the members in the annual general meeting to be held on January 27, 2018. The proposed dividend duly meets the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001.

51. FIGURES

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

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

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED
Nowshera Road, Mardan.

PROXY FORM

72nd Annual General Meeting

I/We.. of ....being a member of **The Premier Sugar Mills & Distillery Company Limited** and holding ....ordinary shares as per share register Folio/CDC Account No... hereby appoint Mr./Mrs ....of .... another member of the Company having Folio / CDC Account No .... CNIC No .... or Passport No................................ or failing him / her Mr. / Mrs .... of .... Folio / CDC Accounts No .... CNIC No................................ Or Passport No .... Who is also a member of the Company, as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on January 27, 2018 and at any adjournment thereof.

Revenue Stamp Signature(Rs. 5.00)

____

Signature of Shareholder
(The signature should agree with the specimen registered with the Company)

Dated this .... day of .... 2018.

Signature of Proxy __________________

1. **Witness:**
   Name: ____________________
   Signature: ____________________
   Address: ____________________
   CNIC No: ____________________

2. **Witness:**
   Name: ____________________
   Signature: ____________________
   Address: ____________________
   CNIC No: ____________________

Note: Proxies, in order to be effective, must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.