annual report

2011

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

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

CHASHMA SUGAR MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 24th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2012 at 11.00 AM at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2011.

(2) To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended 30 September, 2011.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2012. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

(4) To declare dividend.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2012 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
04 January, 2012

(Mujahid Bashir)
Company Secretary

N.B:

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited are pleased to present the 24th Annual Report together with the Director's Report and Audited Financial Statements of the Company for the year ended 30 September, 2011.

SUMMARISED FINANCIAL RESULTS

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

	2011	2010
	(Rupees in thousands)	
Profit before taxation	**165,491**	**347,799**
Provision for taxation		
Current	**58,844**	**63,664**
Prior year's	**(10,947)**	**341**
Deferred	**(23,016)**	**(25,573)**
	24,881	**38,432**
Profit after taxation	**140,610**	**309,367**
Earnings per share	**4.90**	**10.78**

GENERAL

1. SUGARCANE SEASON 2010-2011

The sugarcane crushing season commenced on 26 November, 2010, and continued till 31 March, 2011. We crushed 1,353,553 tons (2010:1,046,061 tons) of sugarcane and produced 117,474 tons (2010:88,086) of sugar at an average recovery of 8.69 % (2010: 8.42%).

2. CURRENT SEASON 2011-2012

The current sugarcane crushing season started on 29 November, 2011, we have crushed 405,880 tons of sugarcane, and have produced 34,530 tons of sugar with an average recovery of 8.55% up to 31 December, 2011. During this season the Government has increased the sugarcane support price from Rs.125/- to Rs.150/- per 40 kg.

3. SUGAR PRICE

The prices of sugar remained competitive up to middle of August 2011, and were meeting the increased cost of sugarcane, despite having surplus sugar stock and forecast of a abundant upcoming sugar production, the GOP refused to allow the export of sugar, whereas TCP delayed the procurement of sugar to meet the depleting buffer stock. As a result, the sugar prices could not sustain, the sugarcane farmers who increased their sugarcane production because of high sugarcane prices in the last crushing season will not get reasonable return for their crop and will have to bear the high cost of fertilizers, diesel and other input costs. To ensure farmers prosperity the GOP has to immediately allow export of sugar and refurbish Trading Corporation's buffer stock to the level of 500,000 tons.

4. DIVIDEND

The Directors are pleased to recommend the payment of 10% cash dividend.

5. STAFF

The Labour and Management relations remained cordial during the year.

6. AUDITORS

As recommended by the Audit Committee the Board of Directors has recommended to re-appoint Messrs Hameed Chaudhri & Co. Chartered Accountants, Lahore as Auditors of the Company for the financial year ending 30 September 2012. The Board has recommended to approve the minimum audit fee as requested by ATR-14 (Revised) issued by the ICAP.

7. STATUS OF THE COMPANY

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

8. PATTERN OF SHAREHOLDING

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

9. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2011, except for those disclosed in the financial statements.

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

- The value of investments of staff provident fund, based on audited accounts, was Rs. 33.934 million as at 30 September, 2010.

- During the year five (5) meetings of the Board of Directors were held.

- Attendance by each Director is as follow:-

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

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

10. COM PLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules, relevant to the year ended 30 September, 2011 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

11. ROLE OF SHAREHOLDERS

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

12. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

Mardan
04 January, 2012

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

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

MISSION STATEMENT

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

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

Commitment to building Safe, Healthy and Environment friendly atmosphere.

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

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

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

STRATEGIC GOALS

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

CORE VALUES

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2011

NUMBER OF SHAREHOLDERS		SHAREHOLDING				TOTAL SHARES HELD
132	FROM	1	to	100	Shares	10,969
557	FROM	101	to	500	Shares	250,596
134	FROM	501	to	1,000	Shares	126,600
179	FROM	1,001	to	5,000	Shares	471,683
45	FROM	5,001	to	10,000	Shares	351,023
11	FROM	10,001	to	15,000	Shares	138,746
9	FROM	15,001	to	20,000	Shares	160,400
10	FROM	20,001	to	25,000	Shares	231,463
4	FROM	25,001	to	30,000	Shares	105,506
4	FROM	30,001	to	35,000	Shares	130,881
4	FROM	35,001	to	40,000	Shares	148,400
3	FROM	40,001	to	50,000	Shares	146,462
2	FROM	50,001	to	60,000	Shares	115,801
1	FROM	60,001	to	65,000	Shares	65,000
2	FROM	65,001	to	75,000	Shares	141,000
1	FROM	75,001	to	80,000	Shares	76,500
1	FROM	80,001	to	85,000	Shares	81,800
1	FROM	85,001	to	95,000	Shares	94,005
1	FROM	95,001	to	130,000	Shares	129,500
1	FROM	130,001	to	135,000	Shares	131,000
2	FROM	135,001	to	160,000	Shares	300,000
1	FROM	160,001	to	165,000	Shares	162,917
3	FROM	165,001	to	320,000	Shares	878,300
1	FROM	320,001	to	325,000	Shares	323,000
1	FROM	325,001	to	370,000	Shares	334,650
1	FROM	370,001	to	465,000	Shares	394,589
1	FROM	465,001	to	470,000	Shares	469,823
2	FROM	470,001	to	805,000	Shares	1,276,975
1	FROM	805,001	to	945,000	Shares	942,227
2	FROM	945,001	to	2,000,000	Shares	3,160,709
2	FROM	2,000,001	to	above	Shares	17,341,475
1119						28,692,000

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Companies	4	19,111,834	66.61
NIT and ICP	1	24,264	0.08
Directors & Relatives	12	4,072,875	14.21
Executives	-	-	-
Public Sector Companies & Corporations	15	677,023	2.36
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies,Modarabas and Mutal Funds	5	1,236,806	4.31
Individuals	1080	3,274,198	11.40
Charitable Trusts	2	295,000	1.03
	1119	28,692,000	100.00

Categories of Shareholders	Numbers		Shares Held	Percentage of Paid- Up Capital
Associated Companies, Undertakings and Related Parties	**4**		**19,111,834**	**66.61**
The Premier Sugar Mills & Distillery Co. Limited		13,751,000		
Syntronics Limited.		3,590,475		
Azlak Enterprises (Pvt) Limited		1,462,859		
Phipson & Co. (Pak) Limited		307,500		
NIT and ICP	**1**		**24,264**	**0.08**
Directors & Relatives	**12**		**4,072,875**	**14.20**
Public Sector Companies and Corporations	**15**		**677,023**	**2.36**
Asif Mushtaq & Company		1,500		
Neelum Textile Mills (Pvt) Limited		12,400		
Shakil Express (Pvt) Limited		17,700		
Saphire Agencies (Pvt) Limited		35,000		
Mehran Sugar Mills Ltd		469,823		
Ameer Cotton Mills (Pvt) Limited		59,800		
Bulk Management Pakistan (Pvt) Limited		24,500		
S.H Bukhari Securities (Pvt) Limited		400		
Muhammad Ahmed Naeem Securities (Pvt) Ltd		300		
ZHV securities (Pvt) Limited		3,000		
Westbury (Pvt) Limited		32,600		
Mazhar Hussain Securities (Pvt) Limited		2,500		
CMA Securities Limited		10,000		
AWJ Ssecurities (Pvt) Limited		2,500		
Mohammad Salim Kasmani Securities		5,000		
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	**5**		**1,236,806**	**4.31**
National Bank of Pakistan		162,917		
National Bank of Pakistan-Trustee Depart		942,227		
IDBP (ICP Unit)		3,400		
StateLife Insurance Corporation of Pakistan		81,800		
Faysal Bank Limited		46,462		
Individulals	**1080**		**3,274,198**	**11.41**
Charitable Trusts	**2**		**295,000**	**1.03**
Sarfaraz District Hospital		290,000		
Trustees Moosa Lawani Foundation		5,000		
	1119		**28,692,000**	**100.00**

Shareholders holding 10% or more voting intesrest in the Company

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

CHASHMA SUGAR MILLS LIMITED

TEN YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
						(RUPEES IN THOUSAND)				
Sales	5,882,738	6,362,700	3,968,673	2,579,812	1,638,595	1,187,913	1,250,551	1,453,370	576,598	1,286,688
Cost of sales	5,186,437	5,597,467	3,595,629	2,233,798	1,709,630	1,132,589	1,023,674	1,369,614	577,039	1,106,529
Operating profit/(Loss)	612,225	647,940	297,935	270,343	(128,111)	12,327	180,256	48,829	(29,261)	152,317
Profit/(Loss) before tax	165,491	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086	33,199	(42,646)	124,183
Profit/(Loss) After tax	140,610	309,367	(217,910)	(63,163)	(358,007)	(32,338)	80,472	21,097	(43,348)	122,059
Share capital	286,920	286,920	286,920	286,920	191,280	191,280	191,280	191,280	191,280	191,280
Shareholders' equity	1,645,127	954,138	644,771	1,118,411	128,232	486,239	537,705	457,308	436,211	479,558
Non-current assets	3,103,002	2,339,038	2,519,639	2,723,775	1,905,645	1,806,154	1,048,294	704,515	384,324	388,219
Total assets	5,647,181	2,975,098	3,535,462	4,509,239	3,460,644	2,422,106	1,444,253	996,908	1,014,280	628,082
Non-current liabilities	1,357,532	1,289,321	1,485,416	1,464,166	949,515	1,276,169	426,811	264,710	263	1,209
Dividend										
Cash dividend	10%	10%	0	0	0	0	10%	-	-	30%
Ratios:										
Profitability (%)										
Operating profit	10.41	10.18	7.51	10.48	(7.82)	1.04	14.41	3.36	(5.07)	11.84
Profit/ (Loss) before tax	2.81	5.47	(3.55)	(2.22)	(23.04)	(6.05)	11.04	2.28	(7.40)	9.65
Profit/(Loss) after tax	2.39	4.86	(5.49)	(2.45)	(21.85)	(2.72)	6.43	1.45	(7.52)	9.49
Return to Shareholders										
ROE - Before tax	10.06	36.45	(21.84)	(5.11)	(294.35)	(14.79)	25.68	7.26	(9.78)	25.90
ROE - After tax	8.55	32.42	(33.80)	(5.65)	(279.19)	(6.65)	14.97	4.61	(9.94)	25.45
Return on Capital Employed	4.68	13.79	(10.23)	(2.45)	(33.22)	(1.83)	8.34	2.92	(9.93)	25.39
E. P. S. - After tax	4.90	10.78	(7.59)	(3.15)	(18.72)	(1.69)	4.21	1.10	(2.27)	6.38
Activity										
Assets turnover ratio	1.36	1.95	0.99	0.65	0.56	0.61	1.02	1.45	0.70	2.05
Non-current assets turnover	2.16	2.62	1.51	1.11	0.88	0.83	1.43	2.67	1.49	6.63
Liquidity/Leverage										
Current ratio	0.96	0.87	0.72	0.93	0.65	2.36	1.28	1.06	1.09	1.63
Break up value per share	5.73	3.33	2.25	3.90	6.70	25.42	28.11	23.91	22.80	25.07
Total Liabilities/debt to equity (Times)	2.43	2.12	4.48	3.03	25.99	3.98	1.69	1.18	1.33	0.31

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2002	845,048	8.07	68,185
2003	889,074	7.28	64,698
2004	908,130	8.03	72,918
2005	695,884	8.03	55,888
2006	579,512	7.64	44,295
2007	1,277,817	8.09	102,496
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234
2010	1,046,061	8.42	88,086
2011	1,353,553	8.69	117,474

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF COMPLAINCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For and on behalf of the Board

Mardan
04 January, 2012

(KHAN AZIZ SARFARAZ KAHN)
CHAIRMAN/CHIEF EXECUTIVE

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

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company'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’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 September, 2011.

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

LAHORE;
05 January, 2012

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** as at 30 September, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

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

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

LAHORE;
05 January, 2012

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2011

	Note	2011	2010	2009
		(Rupees in thousand)		
			--- Re-stated ---	
Equity and Liabilities				
Share Capital and Reserves				
Authorised capital 50,000,000 ordinary shares of Rs.10 each		500,000	500,000	500,000
Issued, subscribed and paid-up capital 28,692,000 ordinary shares of Rs.10 each fully paid in cash	7	286,920	286,920	286,920
General reserve		327,000	327,000	327,000
Accumulated loss		(35,687)	(190,348)	(547,208)
		578,233	423,572	66,712
Surplus on Revaluation of Property, Plant and Equipment	8	1,066,894	530,566	578,059
Non-current Liabilities				
Long term financing	9	340,000	556,664	789,999
Loans from related parties	10	502,500	502,500	439,687
Liabilities against assets subject to finance lease	11	6,207	0	0
Deferred taxation	12	508,825	230,157	255,730
		1,357,532	1,289,321	1,485,416
Current Liabilities				
Trade and other payables	13	269,997	317,017	251,285
Accrued mark-up	14	125,448	90,793	142,909
Short term borrowings	15	1,905,100	0	700,913
Current portion of non-current liabilities	16	248,366	233,334	261,146
Sales tax and federal excise duty payable		16,017	26,831	29,110
Taxation	17	79,594	63,664	19,912
		2,644,522	731,639	1,405,275
Contingencies and Commitments	18			
		5,647,181	2,975,098	3,535,462

	Note	2011	2010	2009
		(Rupees in thousand)		
			--- Re-stated ---	
Assets				
Non-current Assets				
Property, plant and equipment	19	3,099,093	2,335,101	2,515,056
Intangible assets	20	200	253	900
Security deposits		3,709	3,684	3,683
		3,103,002	2,339,038	2,519,639
Current Assets				
Stores and spares	21	169,366	144,615	141,017
Stock-in-trade	22	1,969,291	256,658	701,368
Trade debts	23	38,732	79,534	54,007
Loans and advances	24	75,210	55,463	41,276
Prepayments and other receivables	25	1,924	1,854	27,161
Investments	26	179,040	26,608	0
Income tax refundable, advance tax and tax deducted at source		45,489	25,531	30,023
Bank balances	27	65,127	45,797	20,971
		2,544,179	636,060	1,015,823
		5,647,181	2,975,098	3,535,462

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2011

	Note	2011	2010
		(Rupees in thousand)	
			Re-stated
Sales	**28**	**5,882,738**	6,362,700
Cost of Sales	**29**	**5,186,437**	5,597,467
Gross Profit		**696,301**	765,233
Distribution Cost	**30**	**13,154**	14,251
Administrative Expenses	**31**	**98,492**	84,156
Other Operating Expenses	**32**	**12,591**	25,870
Other Operating Income	**33**	**(40,161)**	(6,984)
		84,076	117,293
Profit from Operations		**612,225**	647,940
Finance Cost	**34**	**446,734**	300,141
Profit before Taxation		**165,491**	347,799
Taxation			
Current	**17**	**58,844**	63,664
Prior years'	**17**	**(10,947)**	341
Deferred	**8**	**(23,016)**	(25,573)
		24,881	38,432
Profit after Taxation		**140,610**	309,367
Other Comprehensive Income		**0**	0
Total Comprehensive Income		**140,610**	309,367
		------- Rupees -------	
Earnings per Share	**35**	**4.90**	10.78

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2011

	2011	2010
Cash flow from operating activities	**(Rupees in thousand)**	
Profit for the year - before taxation	**165,491**	347,799
Adjustments for non-cash charges and other items:		
Depreciation	**219,657**	236,640
Amortisation of intangible assets	**353**	647
Profit on deposit accounts	**(1,613)**	(1,451)
Fair value gain on re-measurement of investments	**(14,448)**	(208)
Gain on redemption of investments	**(11,245)**	0
Gain on sale of vehicles	**(356)**	(740)
Finance cost	**444,709**	297,573
Profit before working capital changes	**802,548**	880,260
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	**(24,751)**	(3,598)
Stock-in-trade	**(1,712,633)**	444,710
Trade debts	**40,802**	(25,527)
Loans and advances	**(19,747)**	(14,187)
Prepayments and other receivables	**(83)**	25,320
(Decrease) / increase in current liabilities:		
Trade and other payables	**(47,442)**	65,732
Sales tax and federal excise duty payable	**(10,814)**	(2,279)
	(1,774,668)	490,171
Cash (used in) / generated from operations	**(972,120)**	1,370,431
Income tax paid	**(51,925)**	(15,761)
Security deposits	**(25)**	(1)
Net cash (used in) / generated from operating activities	**(1,024,070)**	1,354,669
Cash flow from investing activities		
Purchase of property, plant and equipment	**(103,058)**	(57,400)
Sale proceeds of vehicles	**520**	1,455
Purchase of intangible assets	**(300)**	0
Investments made	**(126,739)**	(26,400)
Profit on bank deposits received	**1,626**	1,438
Net cash used in investing activities	**(227,951)**	(80,907)
Cash flow from financing activities		
Long term finances repaid	**(203,334)**	(198,334)
Lease finances - net	**7,909**	0
Short term borrowings - net	**1,905,100**	(700,579)
Dividend paid	**(28,270)**	0
Finance cost paid	**(410,054)**	(349,689)
Net cash generated from / (used in) financing activities	**1,271,351**	(1,248,602)
Net increase in cash and cash equivalents	**19,330**	25,160
Cash and cash equivalents - at beginning of the year	**45,797**	20,637
Cash and cash equivalents - at end of the year	**65,127**	45,797

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2011

	Share capital	General reserve	Accumulated loss	Total
	---------------- Rupees in thousand ----------------			
Balance as at 30 September, 2009	286,920	327,000	(547,208)	66,712
Total comprehensive income for the year	0	0	309,367	309,367
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	47,493	47,493
Balance as at 30 September, 2010	286,920	327,000	(190,348)	423,572
Transaction with owners:				
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	(28,692)	(28,692)
Total comprehensive income for the year	0	0	140,610	140,610
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	42,743	42,743
Balance as at 30 September, 2011	**286,920**	**327,000**	**(35,687)**	**578,233**

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2011

1. CORPORATE INFORMATION

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

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

- certain exchange differences on foreign currency loans, which were incorporated in the cost of relevant plant & machinery in prior years;
- measurement of certain operating fixed assets at revalued amounts; and
- measurement of short term investments at fair value.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded-off to the nearest thousand.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 as follows:

a) Taxation

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

b) Property, plant and equipment

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

c) Stores & spares and stock-in-trade

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

d) Provision for impairment of trade debts

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

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

5.1 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after 01 October, 2010 but are considered not to be relevant or did not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

5.2 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards and interpretations that have been published and are mandatory for the Company's accounting period beginning on or after 01 October, 2011:

(a) IFRS 7 (Financial Instruments - effective 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(b) IAS 1 (Presentation of Financial Statements - effective 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

(c) IAS 24 - revised (Related Party Disclosures issued in November, 2009). It supersedes IAS 24 (Related Party Disclosures issued in 2003). IAS 24 - revised is mandatory for periods beginning on or after 01 January, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to have any significant impact on the Company's financial statements.

6. 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.

6.1 Equity instruments

These are recorded at their face value.

6.2 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.3 Staff retirement benefits (defined contribution plan)

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

6.4 Trade and other payables

Creditors relating to 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.

6.5 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date 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. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

6.6 Dividend and appropriation to reserves

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

6.7 Property, plant and equipment and depreciation

Owned assets

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

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

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

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

Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of lease are accounted for as liabilities. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

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

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

6.8 Intangible assets and amortisation thereon

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

6.9 Stores and spares

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

6.10 Stock-in-trade

Basis of valuation are as follows:

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

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

6.11 Trade debts and other receivables

Trade debts are recognised initially 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. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

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

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

6.13 Cash and cash equivalents

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

6.14 Impairment loss

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

6.15 Revenue recognition

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

(a) Sales are recorded on dispatch of goods.

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

6.16 Development expenditure

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

6.17 Provisions

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

6.18 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

6.19 Financial assets and liabilities

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

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

6.20 Off-setting of financial assets and liabilities

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

7. SHARE CAPITAL

	2011	2010
	(Number of shares)	
Ordinary shares held by the related parties at the year-end are as follows:		
Holding Company		
- The Premier Sugar Mills & Distillery Co. Ltd.	**13,751,000**	13,751,000
Associated Companies		
- Azlak Enterprises (Pvt.) Ltd.	**1,462,859**	1,462,859
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,111,834	19,111,834

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

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

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

	2011	2010	2009
	(Rupees in thousand)		
		--- Re-stated ---	
Opening balance	**760,723**	833,789	914,973
Add: surplus arisen on revaluation carried-out during the year	**880,755**	0	0
Less: transferred to accumulated loss on account of incremental depreciation for the year	**(65,759)**	(73,066)	(81,184)
	1,575,719	760,723	833,789
Less: deferred tax on:			
- opening balance of surplus	**230,157**	255,730	284,144
- surplus on revaluation carried-out during the year	**301,684**	0	0
- incremental depreciation for the year	**(23,016)**	(25,573)	(28,414)
	508,825	230,157	255,730
Closing balance	**1,066,894**	530,566	578,059

8.3 Refer contents of note 12.1.

9. LONG TERM FINANCING - Secured

From banking companies	Note	2011	2010
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance - I	**9.1**	**16,664**	49,998
- Term finance - II	**9.1**	**120,000**	160,000
		136,664	209,998
Bank Al-Habib Limited: (BAH)			
- Term finance - I	**9.2**	**180,000**	210,000
- Term finance - II	**9.3**	**210,000**	280,000
		390,000	490,000
Silkbank Limited: (SBL)			
- Term finance	**9.4**	**60,000**	90,000
		586,664	789,998
Less: current portion grouped under current liabilities including an overdue instalment of Rs.30 million, which has been repaid on 12 October, 2011		**246,664**	233,334
		340,000	556,664

9.1 Term finance facilities utilised from BAL aggregated Rs.400 million. Term finance-I carries mark-up at the rate of 6-months KIBOR plus 2% with a floor of 9% per annum; the effective mark-up rate during the year ranged from 14.35% to 15.80% (2010: 14.35% to 14.54%) per annum. Term finance-II carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.35% to 15.80% (2010: 14.35% to 14.54%) per annum. Term finance-I is repayable in 12 equal half-yearly instalments commenced from April, 2006 whereas term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. These term finance facilities are secured against first pari passu charge on fixed assets of the Company for Rs. 533.334 million.

9.2 Term finance facility utilised from BAH aggregated Rs.300 million; the facility has been obtained for establishment of Unit- 2 and is secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.866.667 million. This finance facility, during the year, has carried mark-up at the rates ranging from 14.17% to 15.59% (2010: 14.17% to 14.57%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from February, 2010.

9.3 Term finance facility utilised from BAH aggregated Rs.350 million; the facility has also been obtained for establishment of Unit-2 and is secured against the securities as stated in note 9.2. This finance facility, during the year, has carried mark-up at the rates ranging from 14.37% to 15.79% (2010: 14.37% to 14.77%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from May, 2010.

9.4 Term finance facility utilised from SBL aggregated Rs.150 million; the facility has been obtained to finance the acquisition of plant and machinery for Unit-2 and is secured against ranking charge on current and fixed assets of the Company for Rs.200 million and first registered pari passu charge on fixed assets of Unit-2 for Rs.200 million. This finance facility carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.37% to 15.78% (2010: 14.37% to 14.76%) per annum. The year-end outstanding balance of this finance facility is repayable in 4 equal half-yearly instalments ending April, 2013.

10. LOANS FROM RELATED PARTIES - Secured

	Note	2011	2010
Holding Company		**(Rupees in thousand)**	
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**10.1**	**322,500**	322,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	**10.2**	**130,000**	130,000
Arpak International Investments Ltd. **(AIIL)**	**10.3**	**50,000**	50,000
		502,500	502,500

10.1 The Company and PSM have entered into a loan agreement on 20 May, 2008 whereby PSM has advanced amounts aggregating Rs.322.500 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PSM during the year ranged from 15.07% to 15.54% (2010: 13.34% to 14.34%) per annum. PSM, during the preceding financial year, had extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing August, 2013. The loan is secured against a promissory note of Rs.397.810 million.

10.2 The Company and PBM have entered into a loan agreement on 20 May, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PBM during the year ranged from 13.92% to 14.87% (2010: 13.28% to 14.04%) per annum. PBM, during the preceding financial year, had extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.268.031 million.

10.3 The Company and AIIL have entered into a loan agreement on 20 May, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by AIIL during the year ranged from 13.92% to 14.87% (2010: 13.28% to 14.04%) per annum. AIIL, during the preceding financial year, had extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.55.615 million.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	Upto one year	From one to five years	2011	2010
	---------------- Rupees in thousand	----------------		
Minimum lease payments	**2,756**	**8,705**	**11,461**	0
Less: finance cost allocated to future periods	**1,054**	**1,589**	**2,643**	0
	1,702	**7,116**	**8,818**	0
Less: security deposits adjustable on expiry of lease terms	**0**	**909**	**909**	0
Present value of minimum lease payments	**1,702**	**6,207**	**7,909**	0

11.1 The Company has entered into a lease agreement with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreement are payable in monthly instalments by August, 2015 and are subject to finance cost at the rates ranging from 15.23% to 15.75% per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessor and demand promissory note.

12. DEFERRED TAXATION - Net

	2011	2010	2009
	(Rupees in thousand)		
		--- Re-stated ---	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances	**273,674**	292,445	296,431
- surplus on revaluation of property, plant & equipment	**508,825**	230,157	255,730
- gain on re-measurement of investments to fair value	**1,156**	16	0
	783,655	522,618	552,161
Deductible temporary differences arising in respect of:			
- lease finances	**(653)**	0	0
- provision for doubtful advances	**(853)**	(853)	(853)
- unused tax losses	**(122,592)**	(208,032)	(267,469)
- minimum tax recoverable against normal tax charge in future years	**(150,732)**	(83,576)	(28,109)
	(274,830)	(292,461)	(296,431)
	508,825	230,157	255,730

12.1 Upto 30 September, 2010, deferred tax asset on available unused tax losses had not been recognised due to uncertainty about the availability of taxable profits in the foreseeable future; deferred tax on surplus on revaluation of property, plant and equipment was also not accounted for. With effect from current year, the management has decided to account for deferred taxation on all taxable and deductible temporary difference as per the requirements of IAS 12 (Income Taxes) by restating the financial statements retrospectively in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

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

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

Effect of this re-statement are as follows:

	30 September, 2010		30 September, 2009	
	As previously reported	As re-stated	As previously reported	As re-stated
	Rupees in thousand			
Surplus on revaluation of property, plant and equipment	760,723	530,566	833,789	578,059
Deferred taxation	0	230,157	0	255,730
Profit / (loss) for the year	283,794	309,367	(217,910)	(189,496)
	Rupees			
Earnings / (loss) per share	9.89	10.78	(7.59)	(6.60)

There was no impact of this re-statement on cash flow statement.

13. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees in thousand)	
Due to Associated Companies	**13.1**	**10,572**	2,038
Creditors		**85,007**	60,152
Bills payable		**5,730**	0
Accrued expenses		**32,605**	64,034
Retention money		**4,024**	2,675
Security deposits - interest free repayable on demand		**713**	713
Advance payments		**108,517**	158,575
Income tax deducted at source		**497**	512
Workers' (profit) participation fund	**13.2**	**8,888**	18,679
Workers' welfare fund		**10,475**	7,098
Unclaimed dividends		**2,918**	2,496
Due to employees		**51**	45
		269,997	317,017

13.1 The balance represents amounts due to:

	2011	2010
- Syntron Ltd.	**10,290**	2,017
- Phipson & Co. Pakistan (Pvt.) Ltd.	**18**	0
- Azlak Enterprises (Pvt.) Ltd.	**264**	21
	10,572	2,038

13.2 Workers' (profit) participation fund (the fund)

	2011	2010
Opening balance	**18,679**	0
Add: interest on funds utilised in the Company's business	**1,739**	0
	20,418	0
Less: payments made during the year	**20,418**	0
	0	0
Add: allocation for the year	**8,888**	18,679
Closing balance	**8,888**	18,679

14. ACCRUED MARK-UP

	2011	2010
Mark-up accrued on:		
- long term financing	**23,551**	29,081
- loans from related parties	**30,274**	52,004
- short term borrowings	**71,623**	9,708
	125,448	90,793

15. SHORT TERM BORROWINGS - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.3.400 billion (2010: Rs.1.550 billion) and, during the year, carried mark-up at the rates ranging from 14.50% to 16.03% (2010: 13.50% to 14.85%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2010: Rs.25 million). These facilities are secured against hypothecation charge over Company's present and future fixed and current assets, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by 23 June, 2012.

	Note	2011	2010
		(Rupees in thousand)	
16. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	9	**246,664**	233,334
Liabilities against assets subject to finance lease	11	**1,702**	0
		248,366	233,334

	Note	2011	2010
17. TAXATION - Net			
Opening balance		**63,664**	19,912
Add: provision made during the year for:			
- current year	17.8	**58,844**	63,664
- prior years'		**(10,947)**	341
		47,897	64,005
		111,561	83,917
Less: payment / adjustments made against completed assessments		**31,967**	20,253
		79,594	63,664

17.1 Returns filed by the Company for Tax Years 2004 to 2011, except for Tax Year 2009, have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance). The Company has not received any notice from the Tax Department for selection of its cases for detailed scrutiny.

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

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

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

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

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

17.7 An appeal is pending before Commissioner Inland Revenue (Appeals) Peshawar, against the order under section 221 of the Ordinance, for the tax year 2009 regarding charge of workers' welfare fund amounting Rs.612 thousand.

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

18. CONTINGENCIES AND COMMITMENTS

18.1 No commitments were outstanding as at 30 September, 2011 (commitments for irrevocable letters of credit outstanding as at 30 September, 2010 were Rs.2.718 million).

18.2 The Company, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue (FBR) vide SRO. No. 564(I)/2006 dated 05 June, 2006. This resulted in excess payment of duty amounting to Rs.35.825 million. The refund application has been submitted to the Department, which will be processed subject to the approval of FBR for condonation of time limit.

18.3 Refer contents of taxation notes.

19. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		(Rupees in thousand)	
Operating fixed assets - tangible	**19.1**	**2,993,020**	2,313,897
Capital work-in-progress	**19.6**	**76,218**	2,463
Stores held for capital expenditure		**29,855**	18,741
		3,099,093	2,335,101

19.1 Operating fixed assets - tangible

	Owned								Leased	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles	Vehicles	Total
	---------- Rupees in thousand ----------									
At 30 September, 2009										
Cost / Revaluation	144,188	573,276	2,175,506	153,913	18,449	0	15,997	29,609	0	3,110,938
Accumulated depreciation	0	98,745	472,468	53,566	8,291	0	8,318	18,782	0	660,170
Book value	144,188	474,531	1,703,038	100,347	10,158	0	7,679	10,827	0	2,450,768
Year ended 30 September, 2010:										
Additions	0	18,640	61,957	6,033	2,217	1,017	669	9,951	0	100,484
Disposals: - cost	0	0	0	0	0	0	0	(1,730)	0	(1,730)
- accumulated depreciation	0	0	0	0	0	0	0	1,015	0	1,015
Depreciation charge	0	48,086	173,125	10,260	1,141	39	805	3,184	0	236,640
Book value at 30 September, 2010	144,188	445,085	1,591,870	96,120	11,234	978	7,543	16,879	0	2,313,897
Year ended 30 September, 2011:										
Additions	0	0	2,257	2,533	3,575	0	745	2,769	6,310	18,189
Disposals: - cost	0	0	0	0	0	0	0	(1,111)	0	(1,111)
- accumulated depreciation	0	0	0	0	0	0	0	947	0	947
Depreciation charge	0	44,509	159,335	9,774	1,327	98	798	3,547	269	219,657
Revaluation surplus	18,801	0	0	0	0	0	0	0	0	18,801
Elimination of accumulated depreciation against gross carrying amount	0	(95,481)	(766,473)	0	0	0	0	0	0	(861,954)
Book value at 30 September, 2011	162,989	496,057	2,201,265	88,879	13,482	880	7,490	15,937	6,041	2,993,020
At 30 September, 2010										
Cost / Revaluation	144,188	591,916	2,237,463	159,946	20,666	1,017	16,666	37,830	0	3,209,692
Accumulated depreciation	0	146,831	645,593	63,826	9,432	39	9,123	20,951	0	895,795
Book value	144,188	445,085	1,591,870	96,120	11,234	978	7,543	16,879	0	2,313,897
At 30 September, 2011										
Cost / Revaluation	162,989	591,916	2,239,720	162,479	24,241	1,017	17,411	39,488	6,310	3,245,571
Accumulated depreciation	0	95,859	38,455	73,600	10,759	137	9,921	23,551	269	252,551
Book value	162,989	496,057	2,201,265	88,879	13,482	880	7,490	15,937	6,041	2,993,020
Depreciation rate (%)		10	10	10	10	10	10	20	20	

19.2 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 8.2, has been determined as follows:

Particulars	Freehold land	Buildings & roads	Plant & machinery	Total
	---------------- Rupees in thousand ----------------			
Cost / revaluation as at 30 September, 2011	144,186	591,917	2,239,720 *	2,975,823
Accumulated depreciation to 30 September, 2011	0	191,340	804,928	996,268
Book value before revaluation adjustments as at 30 September, 2011	144,186	400,577	1,434,792	1,979,555
Revalued amount	162,987	496,058	2,201,265	2,860,310
Revaluation surplus	**18,801**	**95,481**	**766,473**	**880,755**

* excluding assets having cost of Rs.2.257 million, which have not been revalued.

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

	2011	2010
	(Rupees in thousand)	
- freehold land	**41,057**	41,057
- buildings and roads	**244,424**	271,582
- plant and machinery	**999,112**	1,107,780
	1,284,593	1,420,419

19.4 Depreciation for the year has been allocated as follows:

Cost of sales	**213,716**	231,509
Administrative expenses	**5,941**	5,131
	219,657	236,640

19.5 Disposal of vehicles

Particulars	Cost	Accumu-lated deprec-iation	Book value	Sale pro-ceeds / insurance claim	Gain	Sold through negotiation to / insurance claim received from:
	------------ Rupees in thousand ------------					
Suzuki Ravi	344	221	123	150	27	Azlak Enterprises (Pvt.) Ltd. (an Associated Company)
Suzuki Khyber	473	440	33	330	297	IGI Insurance Ltd.
Motor cycles having book value less than Rs.50,000 each	294	286	8	40	32	Gulzar & Brothers, Faisalabad.
	1,111	**947**	**164**	**520**	**356**	

19.6 Capital work-in-progress

	2011	2010
	(Rupees in thousand)	
Freehold land - advance payments	**421**	421
Buildings on freehold land	**14,988**	1,816
Plant and machinery	**56,803**	226
Electric installations	**1,088**	0
Vehicles	**2,918**	0
	76,218	2,463

20. INTANGIBLE ASSETS
(Computer softwares)

Cost at beginning of the year	**6,292**	6,292
Additions during the year	**300**	0
Cost at end of the year	**6,592**	6,292
Less: amortisation:		
- at beginning of the year	**6,039**	5,392
- charge for the year	**353**	647
-at end of the year	**6,392**	6,039
Book value as at 30 September,	**200**	253

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

21. STORES AND SPARES

	Note	2011	2010
		(Rupees in thousand)	
Stores including in-transit inventory valuing Rs.6.666 million (2010: Rs.3.540 million)		**148,646**	127,365
Spares		**20,720**	17,250
		169,366	144,615

22. STOCK-IN-TRADE

Finished goods		**1,960,662**	247,805
Sugar-in-process		**8,629**	8,853
		1,969,291	256,658

23. TRADE DEBTS - Unsecured, considered good

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

24. LOANS AND ADVANCES

	Note	2011	2010
Advance payments to:			
- employees		**2,006**	1,935
- suppliers and contractors	**24.1**	**72,607**	55,089
Due from an Associated Company	**24.2**	**856**	872
Letters of credit		**2,178**	4
		77,647	57,900
Less: provision for doubtful advances		**2,437**	2,437
		75,210	55,463

24.1 These are unsecured and considered good except for Rs.2.437 million (2010: Rs.2.437 million), which have been fully provided for in the books of account.

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

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

	Note	**2011**	2010
		(Rupees in thousand)	
- purchase of goods		**60,802**	35,853
- purchase of plant & machinery		**0**	5,700
- sale of goods		**8,976**	13,740
- sale of stores		**1,975**	0
- sale of a vehicle		**150**	0
- machinery lease rentals		**0**	1,200
- mark-up on long term loans		**75,826**	69,540
- dividend paid		**19,112**	0

(b) Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.8.631 million (2010: Rs.1.057 million).

25. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments		**1,674**	1,591
Mark-up accrued on bank deposits		**0**	13
Other receivables		**250**	250
		1,924	1,854

26. INVESTMENTS - At fair value through profit or loss

ABL Cash Fund - 6,199,485 (2010: 2,003,208) Units		**55,592**	20,000
UBL Liquidity Plus Fund - 496,524 (2010: 63,974) Units		**49,000**	6,400
Pakistan Cash Management Fund - 1,336,395 Units		**60,000**	0
		164,592	26,400
Add: adjustment arising from re-measurement to fair value		**14,448**	208
		179,040	26,608

27. BANK BALANCES

Cash at banks on:			
- current accounts	**27.1**	**30,782**	27,858
- PLS accounts	**27.2**	**34,177**	17,872
- deposit accounts	**27.2**	**168**	67
		65,127	45,797

27.1 These include dividend account balance of Rs.915 thousand (2010: Rs.22 thousand).

27.2 These carry profit at the rate of 5% (2010: 5%) per annum.

28. SALES - Net

	Note	2011	2010
		(Rupees in thousand)	
Turnover - local		**6,204,315**	6,688,438
Less:			
Sales tax		**300,186**	264,491
Federal excise duty		**21,391**	61,247
		321,577	325,738
		5,882,738	6,362,700

29. COST OF SALES

	Note	2011	2010
Raw materials consumed		**6,350,570**	4,620,036
Chemicals and stores consumed		**79,684**	52,271
Salaries, wages and benefits	**29.1**	**162,469**	158,775
Power and fuel		**21,278**	15,628
Repair and maintenance		**64,765**	69,528
Insurance		**6,588**	3,810
Machinery lease rentals		**0**	1,200
Depreciation		**213,716**	231,509
		6,899,070	5,152,757
Adjustment of sugar-in-process:			
Opening		**8,853**	4,794
Closing		**(8,629)**	(8,853)
		224	(4,059)
Cost of goods manufactured		**6,899,294**	5,148,698
Adjustment of finished goods :			
Opening stock		**247,805**	696,574
Closing stock		**(1,960,662)**	(247,805)
		(1,712,857)	448,769
		5,186,437	5,597,467

29.1 These include Rs.2,236 thousand (2010: Rs.1,830 thousand) in respect of staff retirement benefits.

	Note	2011	2010
		(Rupees in thousand)	
30. DISTRIBUTION COST			
Salaries and benefits	30.1	2,188	2,495
Commission		6,019	7,425
Loading and stacking		4,947	4,331
		13,154	14,251

30.1 These include Rs.40 thousand (2010: Rs.31 thousand) in respect of staff retirement benefits.

	Note	2011	2010
31. ADMINISTRATIVE EXPENSES			
Salaries and benefits	31.1	67,319	58,909
Travelling and conveyance:			
- directors'		1,127	2,091
- others		1,603	844
Vehicles' running / maintenance and lease rentals		6,195	3,713
Rent, rates and taxes		1,222	934
Communication		3,193	1,605
Printing and stationery		3,155	2,302
Insurance		871	348
Repair and maintenance		4,410	2,746
Fees and subscription		1,058	1,348
Depreciation		5,941	5,131
Amortisation of intangible assets	20	353	647
Auditors' remuneration	31.2	1,220	1,476
Legal and professional charges (other than Auditors')		670	1,736
General		155	326
		98,492	84,156

31.1 These include Rs.828 thousand (2010: Rs.676 thousand) in respect of staff retirement benefits.

31.2 **Auditors' remuneration:**

	Note	2011	2010
		(Rupees in thousand)	
Hameed Chaudhri & Co.			
- statutory audit		**1,000**	1,000
- short provision for the preceding year		**0**	175
- half yearly review		**100**	100
- consultancy and certification charges		**50**	70
- out-of-pocket expenses		**19**	91
		1,169	1,436
Munawar Associates			
- cost audit fee		**35**	30
- provident fund's audit fee		**5**	5
- workers' (profit) participation fund's audit fee		**5**	0
- out-of-pocket expenses		**6**	5
		51	40
		1,220	1,476

32. OTHER OPERATING EXPENSES

	Note	2011	2010
Donations (without directors' interest)		**326**	93
Workers' (profit) participation fund	**13.2**	**8,888**	18,679
Workers' welfare fund		**3,377**	7,098
		12,591	25,870

33. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in thousand)	
Income from financial assets			
Profit on deposit accounts		**1,613**	1,451
Fair value gain on re-measurement of investments	**26**	**14,448**	208
Gain on redemption of investments		**11,245**	0
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.263 thousand (2010: Rs.150 thousand) and excise duty amounting Rs.17 thousand (2010: Rs.9 thousand)		**1,547**	939
Sale of scrap - net of sales tax amounting Rs.1,605 thousand (2010: Rs.35 thousand) and excise duty amounting Rs.Nil (2010: Rs.2 thousand)		**9,997**	218
Gain on sale of vehicles		**356**	740
Insurance claim received against damage of stock of baggase due to fire		**0**	2,350
Agricultural income - net		**955**	1,078
		40,161	6,984

34. FINANCE COST

	Note	2011	2010
Mark-up on:			
- long term financing		**102,465**	128,777
- loans from related parties		**75,826**	69,540
- short term borrowings		**264,476**	99,256
Lease finance charges		**203**	0
Interest on workers' (profit) participation fund	**13.2**	**1,739**	0
Bank charges		**2,025**	2,568
		446,734	300,141

35. EARNINGS PER SHARE

	2011	2010
	(Rupees in thousand)	
		Re-stated
Profit after taxation attributable to ordinary shareholders	**140,610**	309,367
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
		Re-stated
Earnings per share	**4.90**	10.78

35.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2011 and 30 September, 2010, which would have any effect on the earnings per share of the Company if the option to convert is exercised.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2011	2010	**2011**	2010	**2011**	2010
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**0**	1,722	**9,584**	11,904
Allowances and utilities	**0**	0	**0**	0	**6,345**	5,439
Contribution to provident fund	**0**	0	**0**	0	**595**	430
Medical expenses reimbursed	**34**	59	**142**	0	**0**	0
	1,234	1,259	**142**	1,722	**16,524**	17,773
No. of persons	**1**	1	**5**	1	**11**	10

36.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Seven (2010: seven) of the Executives have also been provided with free housing (with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound).

37. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk; - Liquidity risk; and - Market risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

37.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from balances with banks, as well as credit exposures to customers and other counter parties, which include trade debts and loans & advances. All of the Company's financial assets were subject to credit risk as at 30 September, 2011 and 2010.

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.

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.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 September, 2011 along with comparative is tabulated below:

	2011	2010
	(Rupees in thousand)	
Security deposits	**3,709**	3,684
Trade debts	**38,732**	79,534
Loans and advances	**71,026**	53,524
Other receivables	**250**	263
Investments	**179,040**	26,608
Bank balances	**65,127**	45,797
	357,884	209,410

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

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

Not past due	**6,351**	49,822
Past due more than 30 days	**0**	29,712
Past due	**32,381**	0
	38,732	79,534

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as there are reasonable grounds to believe that the amounts will be realised in short course of time.

37.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

	2010				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----------------------- Rupees in thousand -----------------------				
Long term financing	789,998	985,609	326,856	658,753	0
Loans from related parties	502,500	828,340	71,260	546,685	210,395
Trade and other payables	132,108	132,108	132,108	0	0
Accrued mark-up	90,793	90,793	90,793	0	0
	1,515,399	2,036,850	621,017	1,205,438	210,395

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

37.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, mark-up and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

The Company is exposed to currency risk on import of stores & spares mainly denominated in Euro. The Company's exposure to foreign currency risk is as follows:

	2011	2010
	(Rupees in thousand)	
Bills payable	**5,730**	0

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2011	2010	**2011**	2010
Euro to Rupee	**120.22**	-	**122.30**	-

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against Euro with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of foreign currency financial liabilities.

	2011	2010
Effect on profit for the year:	**(Rupees in thousand)**	
Euro to Rupee	**573**	0

The weakening of Rupee against Euro would have had an equal but opposite impact on the profit after taxation.

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

(b) Interest rate risk

At the reporting date, the profit and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2011	2010	2011	2010
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	5	**34,345**	17,939
Variable rate instruments				
Financial liabilities				
Long term financing	**14.17 to 15.80**	14.17 to 14.77	**586,664**	789,998
Loans from related parties	**13.92 to 15.54**	13.28 to 14.34	**502,500**	502,500
Liabilities against assets subject to finance lease	**15.23 to 15.75**	-	**7,909**	0
Short term borrowings	**14.50 to 16.03**	13.50 to 14.85	**1,905,100**	0

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 mark-up / profit rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in mark-up rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2010.

	Decrease	Increase
	(Rupees in thousand)	
As at 30 September, 2011		
Cash flow sensitivity-variable rate financial liabilities	**(30,022)**	**30,022**
As at 30 September, 2010		
Cash flow sensitivity-variable rate financial liabilities	(12,925)	12,925

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investments in Units of Mutual Funds. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in the market. In addition, the Company actively monitors the key factors that affect price movements.

The effect of a 10% increase in redemption value of Units of Mutual Funds would be as follows:

	2011	2010
	(Rupees in thousand)	
Effect on profit and loss account and investments	**17,904**	2,661

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

37.4 Fair value of financial instruments and hierarchy

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

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

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

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

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

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

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

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

	Fund stability rating assigned by PACRA / JCR-VIS
- ABL Cash Fund	**AA+**
- UBL Liquidity Plus Fund	**AA+**
- Pakistan Cash Management Fund	**AAA**

38. CAPITAL RISK MANAGEMENT

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

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

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

39. CAPACITY AND PRODUCTION

	2011	2010
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,353,553**	1,046,061
Sugar produced	**117,474**	88,086
	--------- Number ---------	
Days worked:		
Unit - I	**122**	89
Unit - II	**124**	95

40. OPERATING SEGMENTS

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

40.1 Sugar sales represent 92% (2010: 94%) of the total sales of the Company.

40.2 All of the Company's sales relate to customers in Pakistan.

40.3 All non-current assets of the Company as at 30 September, 2011 are located in Pakistan.

40.4 The Company sells sugar to commission agents. Sugar sales to five (2010: five) of the Company's customers during the year aggregated Rs.5.397 billion (2010: Rs.5.998 billion) constituting 99.74% (2010: 99.85%) of the total sugar sales. Three (2010: four) of the Company's customers individually exceeded 10% of the sugar sales.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 04 January, 2012 by the board of directors of the Company.

42. GENERAL

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison; material re-statements made in these financial statements have been detailed in note 12.1.

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

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

Chashma Sugar Mills Limited and holding ....ordinary shares entitled to vote or votes

hereby appoint...of...

or failing him..of..

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

Company to be held on 31 January, 2012 and at any adjournment thereof.

As witness my/our hand this ....day of .... 2012.

Signed by the said
In the presence of

Address..

....

....

Revenue Stamp (Rs. 5.00)

Signature

Note: Proxies, in order to be effective, must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC.