annual report

2015

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

Company Profile

Chashma Sugar Mills Limited (the Company) was incorporated on 05 May, 1988 as a Public Company and its shares are quoted on Islamabad, Lahore and Karachi Stock Exchanges. The Company is principally engaged in manufacturing and sale of white sugar including the following:

a) The exclusive object for which the Company established is to set up and operate an industrial undertaking at, Dera Ismail Khan in the Khyber Pakhtoon Khawa province to manufacture, produce, process, compound, prepare and sell sugar and other allied compounds, intermediates and by products thereto.

b) To appoint agents, sub-agents, attorneys, consultants, brokers, and contractors and connection with the exclusive object but not to act as managing agents.

c) To receive money on loan and borrow or raise money in such manner as the Company shall think fit in pursuance of the exclusive object, and in particular by the issue of debentures, or debenture stock (perpetual or otherwise) and to secure the repayment of any money borrowed raised or owing by mortgage, charge or lien upon all or any of the property or assets of the Company (both present and future), and also by a similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person or company of any obligation undertaken by the Company or any other person or company as the case may be, but not to act as a finance or banking company.

d) To purchase and import equipment, machinery, spare parts, or other articles and chemicals of use required by the Company for the purpose of carrying on the exclusive object and to export the products of the Company.

e) To employ and remunerate managers and other officers, employees and servants of the Company or any person or firm or company rendering services to the Company upon such terms as the Company may determine.

f) To accept or give security, including but not limited to promissory notes, indemnity bonds, guarantees, assignments, receipts, bailments pledges, hypothecations, liens, mortgages and charges, against the credit extended or moneys borrowed in connection with the exclusive object of the Company.

g) To open, close and operate banking accounts of the Company with any bank or banks, financial institutions or co-operative societies and to draw, make, accept, endorse, discount, execute and issue promissory notes bills of exchange, bill of lading, warrants, debentures and other negotiable or transferable instruments, but not to act as a finance or banking Company.

CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

Board of Directors

Khan Aziz Sarfaraz Khan
Chairman / Chief Executive
Begum Laila Sarfaraz
Mr. Abbas Sarfaraz Khan
Ms. Zarmine Sarfaraz
Ms. Najda Sarafaraz
Mr. Iskander M. Khan
Mr. Baber Ali Khan
Mr. Abdul Qadar Khattak
Mr. Sher Ali Jafar Khan

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Head of Internal Audit

Syed Naveed Ali

Auditors/Tax Consultants

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

Cost Auditors

M/s. Munawar Associates
Chartered Accountants

Legal Advisor

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

Shares Registrar

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

Bankers

Bank Al-Habib Limited	Faysal Bank Limited
The Bank of Khyber	National Bank of Pakistan
MCB Bank Limited	Soneri Bank Limited
The Bank of Punjab	Askari Bank Limited
Bank Al-Falah Limited	United Bank Limited
Dubai Islamic Bank (Pakistan) Limited	Meezan Bank Limited
Al-Baraka Bank (Pakistan) Limited	

CHASHMA SUGAR MILLS LIMITED

Management Committees

Executive Committee

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

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

Audit Committee

Mr. Sher Ali Jafar Khan (Independent Director)	Chairman
Mr. Iskander M. Khan (Non-Executive Director)	Member
Ms. Najda Sarfaraz (Non-Executive Director)	Member
Mr. Baber Ali Khan (Non-Executive Director)	Member
Mr. Mujahid Bashir	Secretary

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

a) Determination of appropriate measures to safeguard the Company's assets;
b) Review of preliminary announcements of results prior to publication;
c) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their

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

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

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

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

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

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

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

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

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

l) Determining of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration Committee

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

The Committee is responsible for:

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

ii) Succession and career development within the senior management.

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

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

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

MISSION STATEMENT

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

STRATEGIC GOALS

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

CORE VALUES

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

CHASHMA SUGAR MILLS LIMITED

Code of Conduct

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

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

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

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

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

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

General Principles

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

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

- All employees, without any distinction or exception whatsoever, respect the principles and contents of the Code in their actions and behaviors while performing their functions according to their responsibilities, because compliance with the Code is fundamental for the quality of their working and professional performance. Relationships among employees, at all levels, must be characterized by honesty, fairness, cooperation, loyalty and mutual respect.
- The belief that one is acting in favor or to the advantage of the Company can never, in any way, justify-not even in part any behavior that conflict with the principles and content of the Code.
- The Code of Conduct aims at guiding the "Arpak team" with respect to standards of conduct expected in areas where improper activities could result in adverse consequences to the Company, harm its reputation or diminish its competitive advantage.
- Every employee is expected to adhere to, and firmly inculcate in his/her everyday conduct; this mandatory framework; any contravention or deviation will be regarded as misconduct and may attract disciplinary action in accordance with the Company service rules and relevant laws.

Statement of Ethical Practices

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

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

TEN YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(R U P E E S	I N	T H O U S A N D)							
Sales	7,559,896	5,831,752	6,673,731	5,848,891	5,882,738	6,362,700	3,968,673	2,579,812	1,638,595	1,187,913
Cost of sales	7,102,310	5,725,768	6,173,254	5,702,814	5,186,437	5,597,467	3,595,629	2,233,798	1,709,629	1,132,589
Operating profit/(Loss)	586,046	84,272	481,250	97,323	612,225	647,940	297,935	270,343	(128,111)	12,327
Profit/(Loss) before tax	125,969	(275,026)	56,728	(239,067)	165,491	347,799	(140,786)	(57,172)	(377,451)	(71,919)
Profit/(Loss) After tax	174,097	(128,619)	32,972	(218,971)	140,610	283,794	(217,910)	(63,163)	(358,007)	(32,338)
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	191,280	191,280
Shareholders' equity	2,621,405	2,423,137	2,524,899	1,397,464	1,645,127	423,572	66,712	203,438	128,232	486,239
Fixed assets - net	6,770,010	6,372,848	5,014,393	3,171,414	3,103,002	2,335,101	2,515,056	2,723,775	1,850,560	893,731
Total assets	10,265,039	9,303,424	7,485,951	5,835,443	5,647,181	2,975,098	3,535,462	4,509,239	3,460,459	2,422,106
Long term liabilities	2,890,982	3,223,672	2,270,940	1,451,512	1,357,532	1,059,164	1,229,686	1,464,166	949,167	1,245,000
Dividend										
Cash dividend	25%	0	0	0	10%	10%	0	0	0	0
Ratios:										
Profitability (%)										
Operating profit	7.75	1.45	7.21	1.66	10.41	10.18	7.51	10.48	(4.34)	4.66
Profit/ (Loss) before tax	1.67	(4.72)	0.85	(4.09)	2.81	5.47	(3.55)	(2.22)	23.04	(4.90)
Profit/(Loss) after tax	2.30	(2.21)	0.49	(3.74)	2.39	4.46	(5.49)	(2.45)	21.85	(2.72)
Return to Shareholders										
ROE - Before tax	4.81	(11.35)	2.25	(17.11)	10.06	82.11	(211.04)	(28.10)	(294.35)	(11.99)
ROE - After tax	6.64	(5.31)	1.31	(15.67)	8.55	67.00	(326.64)	(31.05)	(279.19)	(6.65)
Return on Capital Employed	4.26	(3.31)	0.83	(7.65)	4.52	15.03	(14.23)	(3.79)	(187.16)	(0.16)
E. P. S. - After tax	6.07	(4.48)	1.15	(7.63)	4.90	9.89	(7.59)	(2.20)	(18.72)	(1.69)
Activity										
Income to total assets	0.74	0.63	0.89	1.00	1.36	2.14	1.12	0.57	10.34	(0.01)
Income to fixed assets	1.12	0.92	1.33	1.84	2.16	2.72	1.58	0.95	18.79	(0.02)
Liquidity/Leverage										
Current ratio	0.74	0.80	0.92	0.87	0.96	0.87	0.92	0.93	1.53	1.07
Break up value per share	91.36	84.45	88.00	48.71	5.73	14.76	2.33	7.09	0.67	25.42
Total Liabilities to equity (Times)	2.91	2.83	1.96	3.17	2.43	6.02	20.06	21.17	25.66	3.98

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2006	579,512	7.64	44,295
2007	1,277,817	8.09	102,496
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234
2010	1,046,061	8.42	88,086
2011	1,353,553	8.69	117,474
2012	1,196,202	8.65	103,478
2013	1,326,905	9.18	121,771
2014	1,294,435	8.33	107,775
2015	1,588,226	9.16	145,502

PRODUCTION OF ETHANOL

YEAR	Molasses Consumed M. Tons	Recovery %	Production (Liters)
2014	19,590	18.56	4,540,945
2015	36,277	18.24	8,272,982

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that 28th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 30 January, 2016 at 11:30 am, at the Registered Office of the Company at Nowshera Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2015.

(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, 2015.

(3) To consider and approve the payment of final cash dividend. The Board of Directors has recommended payment of final cash dividend of Rs. 2.50 per share (25%) for the year ended 30th September, 2015.

(4) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2016. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2016 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
29 December, 2015

(Mujahid Bashir)
Company Secretary

N.B:

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

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

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

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

5. All members of the Company are hereby informed that pursuant to the provisions of Finance Act, 2015, effective July 01, 2015, reforms have been made with regards to deduction of income tax for cash dividend; the rates of deduction of income tax under section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

   1. Rate of tax deduction for filer of income tax returns 12.5 %
   2. Rate of tax deduction for non-filer of income tax returns 17.5 %

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

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

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

7. In accordance with the SECP's Circular No. 18 of 2012 dated 5 June 2012, the shareholders have been given an opportunity to authorize the Company to make payment of cash dividend through direct credit to shareholder's bank account. To opt for the dividend mandate option as stated, the dividend mandate Form is available at Company's website i.e. www.chashmasugarmills.com needs to be duly filled and submitted to the Company on its registered address.

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

9. The Directive of SECP contained in SRO 787(1) 2014 of 8 September 2014 whereby SECP has allowed companies to circulate annual balance sheet, profit and loss account, auditor's report and directors' report etc. along with notice of annual general meeting to its members through e-mail. Members are requested to provide their e-mail addresses on registered address of the Company.

10. Audited accounts of the Company for the year ended 30 September, 2015 will be provided on the website www.chashmasugarmills.com at least 21 days before the date of Annual General Meeting.

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited are pleased to present Directors' Report of the Company together with the audited financial statements for the year ended 30 September, 2015.

1. SUMMARISED FINANCIAL RESULTS

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

	2015	2014
	(Rupees in thousands)	
Profit / (Loss) before taxation	**125,969**	(275,026)
Taxation		
- Prior	**0**	(2,349)
- Deferred	**48,128**	(144,058)
	48,128	(146,407)
Profit / (Loss) after taxation	**174,097**	(128,619)
	---------- (Rupees) ----------	
Earnings / (Loss) per Share	**6.07**	(4.48)

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2014-15

The sugarcane crushing season 2014-15 commenced on 04 December, 2014 and continued till 07 April, 2015. The Mills crushed 1,588,226 tons of sugarcane to produced 145,502 tons of sugar at an average recovery of 9.15%. The Khyber Pakhtunkhwa Government fixed sugarcane price @ Rs. 180 /- per maund whereas the Sindh Government fixed Rs. 172/- per maund, out of which Rs. 12/- per maund was subsidized by the provincial government rendering it the lowest sugarcane rate of Rs 160 per mound contrary to the uniform sugarcane rates notifications by each province as sugar produced is sold throughout the country at the same rate. The Khyber Pakhtunkhwa and Punjab Sugar Mills suffered due to this disparity in sugarcane prices as most of the Sindh Sugar Mills dumped their low cost sugar in the Punjab and Khyber Pakhtunkhwa markets.

2.2 CURRENT SEASON 2015-2016

The sugarcane crushing season started on 14 December, 2015 and the mills have crushed 242,174 tons of sugarcane, producing 21,225 tons of sugar upto 28 December, 2015. The Provincial Government of Punjab and Khyber Pakhtunkhwa fixed sugarcane price @ Rs. 180/- per maund. Whereas, Sindh Government has yet to notify the price.

2.3 SUGARCANE CROP

The Management adopted the policy to provide good quality sugarcane seed, fertilizers and implements on easy terms to the farmers. This resulted in good quality, healthy sugarcane and improved recovery.

3. SUGAR PRICE

3.1 CRUSHING SEASON 2014-15

The Government of Pakistan allowed sugar export of 650,000 M. tons to be exported by the July 2015. The said target could not be met due to the low subsidy of Rs. 10/- per Kg that was to be shared equally by the Federal Government and the Provincial Governments. The Punjab and Sindh Governments paid their part of subsidy. Unfortunately, the Provincial Government of Khyber Pakhtunkhwa refused to pay the subsidy that was given to absorb the high cost of sugarcane. However, we are negotiating with the Government and are hopeful to convince them to agree with the ECC decision to offload surplus sugar. The sugar prices remained volatile throughout the year.

3.2 CRUSHING SEASON 2015-16

The Federal Government allowed to export 500,000 M. Tons of sugar and promised to pay Rs. 13/- per Kg subsidy. In case the export started on time, we expect steady prices throughout the year.

4. ETHANOL FUEL PLANT AT UNIT-II

The Ethanol fuel plant commenced production on 01 May, 2015 and produced 12,867 M. Tons up to 21 December, 2015. The installation of Bio Gas Plant is complete, however, construction of Waste Water treatment plant is in progress.

5. STAFF

The Management and Labor relations remained cordial during the year. Bonus to employees was paid at the rate of 3 months salary during the year.

6. PATTERN OF SHAREHOLDING

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

7. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- Proper books of account have been maintained.

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

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

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

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

- There are no significant doubts upon Chashma Sugar Mills Limited's ability to continue as a 'going concern'.

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

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2015, except for those disclosed in the financial statements.

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

- The value of investments of staff provident fund, based on audited accounts, was Rs. 44.8 million as at 30 September, 2014.

- During the year five (05) meetings of the Board of Directors were held.

Attendance by each Director is as follow:-

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

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

8. ROLE OF SHAREHOLDERS

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

9. DIVIDEND

The Board has recommended payment of Final Cash Dividend for the year ended 30 September, 2015 @ Rs. 2.50 per share (25%) to all the shareholders of the Company.

10. EXTERNAL AUDITORS

The Audit Committee and Board of Directors have recommended to re-appoint M/s Hameed Chaudhri & Co., Chartered Accountants, Lahore as External Auditors for the financial year 2015-2016. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

11. STATUS OF THE COMPANY

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

12. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules, relevant for the year ended 30 September, 2015 have been duly complied with. A statement to this effect is annexed with the report.

13. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

(AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

Mardan
29 December, 2015

CHASHMA SUGAR MILLS LIMITED

Shareholders' Information

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

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

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

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

Listing on Stock Exchanges
Chashma Sugar Mills Limited Company's equity shares are listed on Lahore Karachi and Islamabad Stock Exchanges.

Listing Fees
The annual listing fee for the financial year 2015-16 has been paid to the stock exchanges within the prescribed time limit.

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

Stock Code
The stock code for dealing in equity shares of Chashma Sugar Mills Limited at KSE, LSE and ISE is **Chas**.

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from 21January to 30 January, 2016.

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

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2015

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
144	From	1	to	100	Shares	10,584
531	From	101	to	500	Shares	236,623
123	From	501	to	1,000	Shares	116,977
129	From	1,001	to	5,000	Shares	347,835
26	From	5,001	to	10,000	Shares	196,500
26	From	10,001	to	20,000	Shares	394,206
7	From	20,001	to	25,000	Shares	158,264
3	From	25,001	to	30,000	Shares	83,000
5	From	30,001	to	35,000	Shares	166,000
4	From	35,001	to	40,000	Shares	148,400
4	From	40,001	to	60,000	Shares	190,000
1	From	60,001	to	70,000	Shares	69,000
1	From	70,001	to	80,000	Shares	76,500
1	From	80,001	to	85,000	Shares	81,800
5	From	85,001	to	125,000	Shares	495,986
7	From	125,001	to	200,000	Shares	1,011,500
3	From	200,001	to	310,000	Shares	872,000
5	From	310,001	to	450,000	Shares	1,958,964
5	From	625,001	to	2,000,000	Shares	4,736,386
2	From	2,000,001	to	above	Shares	17,341,475
1,032						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines	4	19,111,834	66.61
NIT and ICP			
Directors & Relatives	12	4,175,719	14.55
Executive			
Public Sector Companies & Corporation	5	1,051,185	3.66
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and	6	45,600	0.16
Individuals	1,003	4,012,662	13.99
Charitable Trusts	2	295,000	1.03
	1,032	**28,692,000**	**100.00**

Categories of Shareholders	Numbers		Shares Held		Percentage of Paid-up Capital
Associated Companies, Undertakings and Related Parties	**4**		**19,111,834**		**66.61**
Phipson & Co. (Pak) (Pvt.) Limited		307,500		1.07	
Azlak Enterprises (Pvt) Limited		1,462,859		5.10	
The Premier Sugar Mills & Distillery Co., Ltd.		13,751,000		47.93	
Syntronics Limited		3,590,475		12.51	
Directors & Relatives	**12**		**4,001,719**		**13.95**
Public Sector Companies and Corporations	**5**		**34,900**		**0.12**
Asif Mushtaq & Company		1,500		0.01	
Shakil Express (Pvt) Ltd.		17,700		0.06	
Neelam Textile Mills Ltd.		12,400		0.04	
Amer Cotton Mills (Pvt) Ltd.		300		0.00	
Fikree's (SMC) (Pvt) Limited		3,000		0.01	
Banks, Development Finance Instituions, Non Banking Financial Instituitions, Insurance Companies, Modarabas and Mutual Funds	**6**		**945,421**		**3.31**
National Bank of Pakistan (Pension Fund)		86,142		0.30	
National Bank of Pakistan (Emp Benevolent Fund)		3,023		0.01	
National Bank of Pakistan		529		0.00	
Trustee National Investment (Unit) Trust		852,227		2.97	
IDBP (ICP) Unit		3,200		0.01	
State life Insurance Co. of Pakistan		300		0.00	
Individuals	**1,003**		**4,303,126**		**14.99**
Charitable Trusts	**2**		**295,000**		**1.03**
Sarfaraz District Hospital Charity Fund		290,000		1.01	
Trustees Moosa Lawari Foundation		5,000		0.02	
	1,032		**28,692,000**		**100.00**

Shareholders holding 10% or more voting Intesrest in the Company

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

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its board of Directors. At present the Board includes:

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

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

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

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

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

6. While almost all the Directors are professionals and senior executives who possess wide experience and awareness of the duties of directors. Nevertheless training of directors is an on-going process and the Company intends to comply with the directors' training as required by the Code and completion of certification within the prescribed period of 30th September, 2015.

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

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

9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws if any.

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

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

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

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

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

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

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

17. While almost all the directors are professionals and senior executives who possess wide experience and awareness of the duties of directors. Nevertheless training of the directors is an on-going process and the Company intends to comply with the directors' training as required by the code and completion of certification within the prescribed period.

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

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

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

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

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

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

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

For and on behalf of the Board

(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE

Islamabad
29 December, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of CHASHMA SUGAR MILLS LIMITED (the Company) for the year ended September 30, 2015 to comply with the requirements of Regulation No.35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended September 30, 2015.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE;
30 December, 2015

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** (the Company) as at September 30, 2015 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Hameed Chaudhri & Co.

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

LAHORE;
30 December, 2015

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2015

	Note	2015	2014
ASSETS	**Note**	**(Rupees in thousand)**	
Non-current assets			
Property, plant and equipment	5	**6,764,869**	6,368,487
Intangible assets	6	**983**	233
Security deposits		**4,158**	4,128
		6,770,010	6,372,848
Current assets			
Stores and spares	7	**267,775**	294,389
Stock-in-trade	8	**2,044,696**	1,703,189
Trade debts	9	**341,109**	177,856
Loans and advances	10	**213,904**	185,188
Prepayments and other receivables	11	**282,100**	152,088
Tax refunds due from the Government	12	**265,502**	295,576
Bank balances	13	**79,943**	122,290
		3,495,029	2,930,576
TOTAL ASSETS		**10,265,039**	9,303,424
EQUITY AND LIABILITIES			
Equity			
Authorised capital			
50,000,000 (2014: 50,000,000) ordinary shares of Rs.10 each		**500,000**	500,000
Issued, subscribed and paid-up capital			
28,692,000 (2014: 28,692,000) ordinary shares of Rs.10 each	14	**286,920**	286,920
General reserve		**327,000**	327,000
Unappropriated profit / (accumulated loss)		**320,253**	(18,206)
Shareholders' Equity		**934,173**	595,714
Surplus on revaluation of property, plant and equipment	15	**1,687,232**	1,827,423
Non-current liabilities			
Long term finances	16	**1,765,383**	2,027,408
Loans from related parties	17	**437,000**	437,000
Liabilities against assets subject to finance lease	18	**18,688**	17,054
Deferred taxation	19	**669,911**	742,210
		2,890,982	3,223,672
Current liabilities			
Trade and other payables	20	**339,295**	367,373
Accrued mark-up	21	**183,281**	203,522
Short term borrowings	22	**3,816,799**	2,930,723
Current maturity of non-current liabilities	23	**413,277**	154,997
		4,752,652	3,656,615
Total liabilities		**7,643,634**	6,880,287
TOTAL EQUITY AND LIABILITIES		**10,265,039**	9,303,424
Contingencies and commitments	24		

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2015

	Note	2015	2014
		(Rupees in thousand)	
Sales - net	25	7,559,896	5,831,752
Cost of Sales	26	(7,102,310)	(5,725,768)
Gross Profit		457,586	105,984
Distribution Cost	27	(56,533)	(67,121)
Administrative Expenses	28	(210,731)	(175,782)
Other Income	29	402,584	222,229
Other Expenses	30	(6,860)	(1,038)
Profit from Operations		586,046	84,272
Finance Cost	31	(460,077)	(359,298)
Profit / (Loss) before Taxation		125,969	(275,026)
Taxation	32	48,128	146,407
Profit / (Loss) after Taxation		174,097	(128,619)
Other Comprehensive Income		0	0
Total Comprehensive Income / (Loss)		174,097	(128,619)
		------- Rupees -------	
Earnings / (Loss) per Share	33	6.07	(4.48)

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, 2015

	2015	2014
Cash flow from operating activities	**(Rupees in thousand)**	
Profit / (loss) for the year - before taxation	**125,969**	(275,026)
Adjustments for non-cash charges and other items:		
Depreciation	**400,852**	392,662
Amortisation of intangible assets	**550**	117
Profit on deposit accounts	**(7,281)**	(4,765)
Gain on sale of vehicles	**(904)**	(223)
Finance cost	**456,492**	355,501
Profit before working capital changes	**975,678**	468,266
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Stores and spares	**26,614**	166,770
Stock-in-trade	**(341,507)**	(384,521)
Trade debts	**(163,253)**	141,661
Loans and advances	**(28,716)**	(30,847)
Prepayments and other receivables	**(130,012)**	(63,922)
Sales tax refundable - net	**81,693**	(166,687)
(Decrease) / increase in trade and other payables	**(28,078)**	91,686
	(583,259)	(245,860)
Cash generated from operations	**392,419**	222,406
Income tax paid	**(51,619)**	(93,101)
Security deposits	**(30)**	(124)
Net cash generated from operating activities	**340,770**	129,181
Cash flow from investing activities		
Purchase of property, plant and equipment	**(797,380)**	(1,753,373)
Intangible assets acquired	**(1,300)**	(350)
Sale proceeds of vehicles	**1,050**	2,836
Profit on bank deposits received	**7,281**	4,765
Net cash used in investing activities	**(790,349)**	(1,746,122)
Cash flow from financing activities		
Long term finances - net	**(4,517)**	1,040,414
Lease finances - net	**2,406**	12,655
Short term borrowings - net	**867,948**	979,245
Dividend paid	**0**	(2)
Finance cost paid	**(476,733)**	(272,215)
Net cash generated from financing activities	**389,104**	1,760,097
Net (decrease) / increase in cash and cash equivalents	**(60,475)**	143,156
Cash and cash equivalents - at beginning of the year	**113,916**	(29,240)
Cash and cash equivalents - at end of the year	**53,441**	113,916
Cash and cash equivalents comprised of:		
Bank balances	**79,943**	122,290
Temporary bank overdrafts	**(26,502)**	(8,374)
	53,441	113,916

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, 2015

	Share capital	General reserve	(Accumulated loss) / unappropriated profit	Total
	---------------- Rupees in thousand ----------------			
Balance as at September 30, 2013	286,920	327,000	(69,526)	544,394
Total comprehensive loss for the year ended September 30, 2014	0	0	(128,619)	(128,619)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	179,939	179,939
Balance as at September 30, 2014	286,920	327,000	(18,206)	595,714
Total comprehensive income for the year ended September 30, 2015	0	0	174,097	174,097
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	164,362	164,362
Balance as at September 30, 2015	**286,920**	**327,000**	**320,253**	**934,173**

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, 2015

1. LEAGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Property, plant and equipment

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

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

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

(c) Provision for impairment of trade debts

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

(d) Income taxes

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

e) Contingencies

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

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

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

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

The amendments to following standards have been adopted by the Company for the first time for financial year beginning on October 01, 2014:

(a) IAS 32 (Amendments) 'Financial instruments: presentation'. These amendments update the application guidance in IAS 32 ,'Financial instruments: presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The application of these amendments has no material impact on the Company's financial statements.

(b) IAS 36 (Amendment) 'Impairment of assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of this amendment has no material impact on the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on October 01, 2014 are considered not to be relevant or to have any significant effect on the Company’s financial reporting and operations.

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

The following are the new standards and amendments to existing approved accounting standards that are effective for the periods beginning January 01, 2015 that may have an impact on the financial statements of the Company:

(a) IFRS 9 'Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2015. IFRS 9 replaces the parts of IAS 39 'Financial instruments: recognition and measurement', that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The Company does not expect to have a material impact on its financial statements due to application of this standard.

(b) IFRS 13 ‘Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment and depreciation

Owned assets

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

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

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

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

Assets subject to finance lease

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

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

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

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 5.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

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

4.2 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is taken to profit and loss account applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 6.1.

4.3 Stores and spares

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

4.4 Stock-in-trade

Basis of valuation are as follows:

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

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

4.5 Trade debts and other receivables

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

4.6 Cash and cash equivalents

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

4.7 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

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

4.8 Staff retirement benefits (defined contribution plan)

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

4.9 Trade and other payables

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

4.10 Provisions

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

4.11 Taxation

Current

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

Deferred

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

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

4.12 Dividend and appropriation to reserves

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

4.13 Financial instruments

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

4.14 Offsetting

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

4.15 Foreign currency translations

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

4.16 Impairment loss

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

4.17 Revenue recognition

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

- Sales are recorded on dispatch of goods.
- Income on deposit / saving accounts is accounted for on 'accrual basis'.

4.18 Development expenditure

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

4.19 Segment reporting

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in thousand)	
Operating fixed assets - tangible	5.1	**5,213,269**	3,765,102
Capital work-in-progress	5.5	**1,550,570**	2,601,473
Stores held for capital expenditure		**1,030**	1,912
		6,764,869	6,368,487

5.1 Operating fixed assets - tangible

	Owned									Leased	Total
	Freehold land	Buildings and roads	Plant and machinery	Genera-tors	Electric installati-ons	Office equip-ment	Farm equip-ment	Furniture and fixtures	Vehicles	Vehicles	
	---------- Rupees in thousand ----------										
As at September 30, 2013											
Cost / revaluation	279,654	803,035	3,525,458	11,238	165,131	31,731	962	20,025	51,322	23,848	4,912,404
Accumulated depreciation	0	(190,110)	(454,134)	(2,562)	(90,700)	(14,052)	(288)	(11,636)	(30,289)	(6,410)	(800,181)
Book value as at September 30, 2013	279,654	612,925	3,071,324	8,676	74,431	17,679	674	8,389	21,033	17,438	4,112,223
Year ended September 30, 2014:											
Additions	110	0	0	6,833	4,138	5,255	0	2,361	799	28,658	48,154
Disposals											
- cost	0	0	0	0	0	0	0	0	(2,599)	(3,472)	(6,071)
- depreciation	0	0	0	0	0	0	0	0	2,097	1,361	3,458
Depreciation charge for the year	0	(61,293)	(307,132)	(1,551)	(7,630)	(2,106)	(67)	(970)	(4,246)	(7,667)	(392,662)
Book value as at September 30, 2014	279,764	551,632	2,764,192	13,958	70,939	20,828	607	9,780	17,084	36,318	3,765,102
Year ended September 30, 2015:											
Additions	0	281,904	1,422,877	0	127,065	6,502	0	1,229	947	8,641	1,849,165
Disposals											
- cost	0	0	0	0	0	0	0	0	(2,238)	0	(2,238)
- depreciation	0	0	0	0	0	0	0	0	2,092	0	2,092
Depreciation charge for the year	0	(62,211)	(311,991)	(1,396)	(10,278)	(2,398)	(61)	(1,052)	(3,475)	(7,990)	(400,852)
Book value as at September 30, 2015	279,764	771,325	3,875,078	12,562	187,726	24,932	546	9,957	14,410	36,969	5,213,269
As at September 30, 2015											
Cost / revaluation	279,764	1,084,939	4,948,335	18,071	296,334	43,488	962	23,615	48,231	57,675	6,801,414
Accumulated depreciation	0	(313,614)	(1,073,257)	(5,509)	(108,608)	(18,556)	(416)	(13,658)	(33,821)	(20,706)	(1,588,145)
Book value	279,764	771,325	3,875,078	12,562	187,726	24,932	546	9,957	14,410	36,969	5,213,269
Depreciation rate (%)	0	10	10	10	10	10	10	10	20	20	

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

	2015	2014
	(Rupees in thousand)	
- freehold land	**71,795**	71,795
- buildings & roads	**435,223**	178,185
- plant and machinery	**2,037,870**	722,850
- generator	**10,487**	11,652
	2,555,375	984,482

5.3 Depreciation for the year has been allocated as follows:

Cost of sales	**385,937**	376,860
Administrative expenses	**14,915**	15,802
	400,852	392,662

5.4 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
	------- Rupees in thousand -------					
Owned						
Toyota Corolla	571	567	4	425	421	Mr. Mohammad Tehseen, Mardan.
Honda Civic	1,156	1,068	88	125	37	Mr. Fazl-e-Khaliq, Mardan.
Pothohar Jeep	305	252	53	165	112	Mr. Pir Wali Khan, Kohat.
Toyota Land Cruiser	206	205	1	335	334	-do-
	2,238	**2,092**	**146**	**1,050**	**904**	
2014	6,071	3,458	2,613	2,836	223	

5.5 Capital work-in-progress

	Note	2015	2014
		(Rupees in thousand)	
Buildings on freehold land		**255,453**	384,165
Plant and machinery	**5.6**	**1,068,246**	1,874,070
Electric installations		**90,742**	152,080
Vehicles - leased		**8,212**	1,827
Un-allocated capital expenditure - net	**5.8**	**0**	171,395
Advance payments:			
-freehold land		**13,131**	421
-buildings on freehold land		**11,957**	12,604
-plant and machinery		**102,829**	4,911
		127,917	17,936
		1,550,570	2,601,473

5.6 Plant and machinery additions for the year include mark-up on long term finances aggregating Rs.156.985 million; (2014: plant and machinery additions grouped under the head capital work-in-progress included mark-up on long term finances aggregating Rs.178.937 million); the rates of mark-up have been disclosed in note 16.

5.7 Un-allocated capital expenditure - net

	Balance as at September 30, 2014	Expenditure incurred during October 01, 2014 to June 30, 2015	Total
	----------(Rupees in thousand)----------		
Salaries and benefits	37,002	31,037	68,039
Fee for soil testing	750	0	750
Consultancy fee for Ethanol Fuel Plant and other charges	6,483	900	7,383
Damages to buildings, plant & machinery and stores due to riots - net of insurance claim amounting Rs.13 million (2014: Rs. 17 million)	30,623	(13,000)	17,623
Compensation paid to affectees	29,003	0	29,003
Mark-up on short term borrowings	29,377	50,414	79,791
Penalty imposed by the State Bank of Pakistan due to non-export of spirit - net	5,517	31,753	37,270
Other expenses	42,141	50,201	92,342
	180,896	151,305	332,201
Less: sale of spirit during trial run operations	9,501	203,663	213,164
	171,395	(52,358)	119,037

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

6.	**INTANGIBLE ASSETS** - Computer softwares	**2015**	2014
		(Rupees in thousand)	
	Cost at beginning of the year	**6,942**	6,592
	Additions during the year	**1,300**	350
	Cost at end of the year	**8,242**	6,942
	Less: amortisation:		
	- at beginning of the year	**6,709**	6,592
	- charge for the year	**550**	117
	-at end of the year	**7,259**	6,709
	Book value as at September 30 ,	**983**	233

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

7.	**STORES AND SPARES**		
	Stores including in-transit inventory valuing Rs. Nil (2014: Rs.4.955 million)	**239,373**	264,158
	Spares	**28,402**	30,231
		267,775	294,389
8.	**STOCK-IN-TRADE**		
	Finished goods		
	- sugar	**2,016,765**	1,690,948
	- spirit	**17,694**	0
		2,034,459	1,690,948
	Sugar-in-process	**10,237**	12,241
		2,044,696	1,703,189

9. **TRADE DEBTS** - Unsecured, considered good

9.1 Year-end balance of trade debts includes a debt amounting Rs.22.300 million (2014: Rs.32.300 million); to secure this debt, the Company has executed a sale deed with the debtor whereby commercial property owned by him will be transferred to the Company if he fails to meet his commitment. The debtor, during the current year, has paid amounts aggregating Rs. 10 million to the Company.

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

10. LOANS AND ADVANCES

	Note	2015	2014
		(Rupees in thousand)	
Advance payments to:			
- employees		**5,223**	6,732
- suppliers and contractors	10.1	**211,099**	180,874
Due from an Associated Company	10.2	**19**	19
		216,341	187,625
Less: provision for doubtful advances		**2,437**	2,437
		213,904	185,188

10.1 These are unsecured and considered good except for Rs.2.437 million (2014: Rs.2.437 million), which have been fully provided for in the books of account.

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

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

	2015	2014
The Holding Company		
- sale of goods	**3,538**	1,893
- sale of stores	**179**	2,651
- purchase of stores	**6,295**	2,991
- mark-up expensed	**28,494**	32,159
Associated Companies		
- purchase of goods	**73,638**	76,897
- mark-up expensed	**15,204**	17,904
- services received	**9,439**	0

(b) Maximum aggregate debit balance of the Holding Company and Associated Companies at any month-end during the year was Rs.1.766 million (2014: Rs.2.536 million).

11. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2015	2014
Prepayments		**3,935**	2,454
Sugar export subsidy receivable	11.1	**275,335**	146,889
Others		**2,830**	2,745
		282,100	152,088

11.1 This represents subsidy receivable from the Ministry of Commerce, Government of Pakistan against export of sugar at the following rates:

- financial year ended September 30, 2013 at the rate of Rs. 1.75 per kg
- financial year ended September 30, 2014 at the rate of Re. 1.00 per kg
- financial year ended September 30, 2015 at the rate of Rs. 10.00 per kg

The Company, during the current year, has accrued further subsidy aggregating Rs.216.090 million and received subsidy aggregating Rs.87.645 million.

12. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2015	2014
		(Rupees in thousand)	
Income tax refundable, advance tax and tax deducted at source		**154,754**	103,135
Sales tax refundable		**110,748**	192,441
		265,502	295,576

13. BANK BALANCES

	Note	2015	2014
Cash at banks on:			
- current accounts	13.1	**69,734**	**31,842**
- PLS accounts	13.2	**9,984**	**71,828**
- deposit accounts	13.2	**225**	**18,620**
		79,943	122,290

13.1 These include dividend account balance of Rs.1.722 million (2014: Rs.1.722 million).

13.2 These carry profit at the rates ranging from 3.76% to 4.94% (2014: 7%) per annum.

14. SHARE CAPITAL

	2015	2014
	(Number of shares)	
Ordinary shares held by the related parties at the year-end are as follows:		
Holding Company		
- The Premier Sugar Mills & Distillery Co. Ltd.	**13,751,000**	13,751,000
Associated Companies		
- Azlak Enterprises (Pvt.) Ltd.	**1,462,859**	1,462,859
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,111,834	19,111,834

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

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

15.2 The Company as at September 30, 2013 has again revalued the aforementioned fixed assets of its both Units. The revaluation exercise has been carried-out by Independent Valuers - K.G. Traders (Pvt.) Ltd., Clifton Centre, Khayaban-e-Roomi, Clifton, Karachi. Freehold land has been revalued on the basis of current market value whereas buildings & roads and plant & machinery have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs. 1.594 billion has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2015	2014
	(Rupees in thousand)	
Opening balance	**2,625,064**	2,893,630
Less: transferred to unappropriated profit / accumulated loss on account of incremental depreciation for the year	**(241,709)**	(268,566)
	2,383,355	2,625,064
Less: deferred tax on:		
- opening balance of surplus	**797,641**	913,125
- incremental depreciation for the year	**(77,347)**	(88,627)
	720,294	824,498
	1,663,061	1,800,566
Resultant adjustment due to reduction in tax rate	**24,171**	26,857
Closing balance	**1,687,232**	1,827,423

16. LONG TERM FINANCES - Secured

From banking companies	Note	2015	2014
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance	16.1	200,000	250,000
Bank Al-Habib Limited: (BAH)			
- Fixed loan	16.2	101,884	113,204
- Long term finance [(LTFF) - SBP]	16.2	362,067	364,810
		463,951	478,014
Faysal Bank Limited: (FBL)			
- Term finance	16.3	499,964	499,964
Soneri Bank Limited: (SBL)			
- Term finance	16.4	141,139	130,674
- LTFF (ERF)	16.4	345,581	240,595
		486,720	371,269
The Bank of Khyber: (BoK)			
- Demand finance	16.5	68,896	124,013
The Bank of Punjab: (BoP)			
- Demand finance	16.6	92,472	92,472
- LTFF	16.6	355,856	356,644
		448,328	449,116
		2,167,859	2,172,376
Less: current maturity grouped under current liabilities including an overdue instalment amounting Rs.25 million (2014: Rs.25 million)		402,476	144,968
		1,765,383	2,027,408

16.1 This term finance has been obtained for purchase of plant and machinery and is repayable in 10 equal half-yearly instalments with effect from September, 2014. These finances carry mark-up at the rate of 6-months KIBOR plus 2% per annum; the effective mark-up rates during the year ranged from 9.05% to 12.18% (2014: 11.06% to 12.18%) per annum and are secured against first registered joint pari passu charge on present and future fixed assets of the Company for Rs.386.670 million.

16.2 Fixed loan and LTFF (SBP) finance facilities aggregate Rs.500 million and are being utilised for establishment of ethanol plant. The finance facilities tenor is seven years with two years grace period from the date of first disbursement and are secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.933.333 million. Fixed loan carries mark-up at the rate of 6-months average KIBOR plus 1.5%; the effective mark-up rates during the year ranged from 8.50% to 11.67%

(2014: 10.52% to 11.67%) per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2014: 11.40%) per annum.

16.3 Term finance facility available from FBL amounts to Rs.500 million and has been obtained for setting-up Ethanol Fuel Plant. The finance facility's tenor is five years including two years grace period and is secured against joint pari passu hypothecation and mortgage charge over all fixed assets of the Company for Rs. 667 million. The finance facility carries mark-up at the rate of 6-months KIBOR plus 1.5% per annum; the effective mark-up rates during the year ranged from 9.50% to 11.69% (2014: 11.05% to 11.69%) per annum.

16.4 Term finance and LTFF (ERF) facilities available from SBL aggregate Rs.500 million and have been obtained to finance plant and machinery. The finance facilities tenor is seven years with two years grace period and are secured against joint pari passu charge of Rs.666.667 million over present and future fixed assets of the Company. Term finance carries mark-up at the rate of 6-months KIBOR + 1.75%; the effective mark-up rates during the year ranged from 8.80% to 11.93% (2014: 10.92% to 11.93%) per annum. LTFF (ERF) carries mark-up at SBP rate + 3%; the effective mark-up rates during the year ranged from 9% to 11.40% (2014: 9% to 11.40%) per annum.

16.5 Demand finance facility available from BoK for purchase of plant & machinery amounts to Rs.250 million and carries mark-up at the rate of 6-months KIBOR plus 2% with no floor and no cap; the effective mark-up rates during the year ranged from 9.05% to 12.18% (2014: 11.06% to 12.18%) per annum. The finance facility is repayable in 16 equal quarterly instalments commenced from January, 2013 and is secured against first registered pari passu charge for Rs.350 million over all present and future fixed assets of the Company.

16.6 Demand finance and LTFF finance facilities available from BoP aggregate Rs.500 million and have been obtained to finance distillery / ethanol plant being established by the Company. The finance facilities tenor is seven years with two years grace period and are secured against joint pari passu hypothecation charge over fixed assets of the Company for Rs.666.670 million. Demand finance carries mark-up at the rate of 6-months KIBOR + 1.3%; the effective mark-up rates during the year ranged from 8.35% to 11.48% (2014: 10.62% to 11.48%) per annum. LTFF carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2014: 11.40%) per annum.

17. LOANS FROM RELATED PARTIES - Secured

	Note	2015	2014
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**17.1**	**279,500**	279,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	**17.2**	**113,750**	113,750
Arpak International Investments Ltd. **(AIIL)**	**17.3**	**43,750**	43,750
		437,000	437,000

17.1 The Company and PSM have entered into a loan agreement on May 20, 2008 whereby PSM has advanced amounts aggregating Rs.322.500 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rates charged by PSM during the year ranged from 8.51% to 11.71% (2014: 10.94% to 11.67%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from August, 2013; however, the Company has made repayments aggregating Rs.43 million upto September 30, 2013. The Company and PSM have entered into a revised agreement on September 30, 2013 whereby the balance of loan is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.397.810 million.

17.2 The Company and PBM have entered into a loan agreement on May 20, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rates charged by PBM during the year ranged from 8.24% to 11.62% (2014: 10.44% to 11.63%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. The Company and PBM have entered into a revised agreement on September 30, 2013 whereby the balance of loan is repayable in seven half-yearly instalments commencing November, 2016. The loan is secured against a promissory note of Rs.268.031 million.

17.3 The Company and AIIL have entered into a loan agreement on May 20, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rates charged by AIIL during the year ranged from 8.24% to 11.62% (2014: 10.44% to 11.63%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. The Company and AIIL have entered into a revised agreement on September 30, 2013 whereby the balance of loan is repayable in seven half-yearly instalments commencing November, 2016. The loan is secured against a promissory note of Rs.55.615 million.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2015			2014		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
	---------------------------- Rupees in thousand ----------------------------					
Minimum lease payments	**14,797**	**27,896**	**42,693**	13,372	25,915	39,287
Less: finance cost allocated to future periods	**2,540**	**2,413**	**4,953**	2,774	2,922	5,696
	12,257	**25,483**	**37,740**	10,598	22,993	33,591
Less: security deposits adjustable on expiry of lease terms	**1,456**	**6,795**	**8,251**	569	5,939	6,508
Present value of minimum lease payments	**10,801**	**18,688**	**29,489**	10,029	17,054	27,083

18.1 The Company has entered into lease agreements with Bank Al-Habib Ltd., Faysal Bank Ltd. and MCB Bank Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by September, 2019 and are subject to finance cost at the rates ranging from 5.71% to 10.18% (2014: 6.03% to 17.00%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessors and demand promissory notes.

19. DEFERRED TAXATION - Net

	Note	2015	2014
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**366,876**	207,066
- surplus on revaluation of property, plant and equipment		**696,123**	797,641
- lease finances		**0**	900
		1,062,999	1,005,607
Deductible temporary differences arising in respect of:			
- provision for doubtful advances		**(780)**	(804)
- unused tax losses	19.1	**(81,022)**	0
- minimum tax recoverable against normal tax charge in future years	19.1	**(284,828)**	(207,162)
- tax credit for investment in plant and machinery		**(26,212)**	(55,431)
- lease finances		**(246)**	0
		(393,088)	(263,397)
		669,911	742,210

19.1 As at September 30, 2015, deferred tax asset amounting Rs.197.944 million on unused tax losses has not been recognised in the financial statements on the ground of prudence; (2014: deferred tax asset amounting Rs.202.509 million on unused tax losses and Rs. 36.205 million on minimum tax recoverable against normal tax charge in future years was not recognised in the financial statements). The management intends to re-assess the recognition of deferred tax asset as at September 30, 2016.

Deferred tax liability as at September 30, 2015 and September 30, 2014 represents deferred tax on surplus on revaluation of property, plant and equipment and on tax credit available under section 65B of the Income Tax Ordinance, 2001.

20. TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in thousand)	
Creditors		**214,452**	252,101
Due to related parties	20.1	**9,615**	28,005
Accrued expenses		**59,620**	35,124
Retention money		**26,196**	21,616
Security deposits - interest free repayable on demand		**778**	743
Advance payments		**3,549**	4,498
Income tax deducted at source		**2,097**	814
Workers' (profit) participation fund	20.2	**10,490**	3,439
Workers' welfare fund	32.9	**0**	11,633
Unclaimed dividends		**3,274**	3,274
Due to employees		**9,224**	6,126
		339,295	367,373

20.1 This represents amounts due to:

	2015	2014
The Holding Company		
- The Premier Sugar Mills & Distillery Company Ltd.	**0**	846
Associated Companies		
- Phipson & Co. Pakistan (Pvt.) Ltd.	**0**	185
- Syntronics Ltd.	**0**	26,897
- The Frontier Sugar Mills & Distillery Ltd.	**0**	77
- Azlak Enterprises (Pvt.) Ltd.	**9,439**	0
- Arpak International Investments Ltd.	**176**	0
	9,615	28,005

20.2 Workers' (profit) participation fund

	2015	2014
Opening balance	**3,439**	3,046
Add: interest on funds utilised in the Company's business	**421**	393
	3,860	3,439
Add: allocation for the year	**6,630**	0
Closing balance	**10,490**	3,439

21. ACCRUED MARK-UP

	Note	2015	2014
		(Rupees in thousand)	
Mark-up accrued on:			
- long term finances		**62,043**	74,677
- loans from related parties		**34,022**	38,170
- short term borrowings		**87,216**	90,675
		183,281	203,522

22. SHORT TERM BORROWINGS

	Note	2015	2014
Secured	22.1	**3,790,297**	2,922,349
Un-secured	22.2	**26,502**	8,374
		3,816,799	2,930,723

22.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.6,750 million (2014: Rs.5,850 million) and, during the year, carried mark-up at the rates ranging from 4.50% to 14.00% (2014: 8.50% to 12.18%) per annum. Facilities available for opening letters of credit aggregate Rs.352 million (2014: Rs.625 million). These facilities are secured against charge over the Company's current assets, lien over export documents, pledge of white refined sugar stocks and banks' lien over import documents. These facilities are expiring on various dates by August 31, 2016.

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

23. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2015	2014
Long term finances	16	**402,476**	144,968
Liabilities against assets subject to finance lease	18	**10,801**	10,029
		413,277	154,997

24. CONTINGENCIES AND COMMITMENTS

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

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

24.3 A sales tax appeal of the Company is pending before the ATIR against order passed by the CIR(A), who has reduced the assessed amount from Rs.36.842 million to Rs.28.063 million vide order dated December 02, 2014.

24.4 A sales tax appeal of the Company is pending before the ATIR against order passed by the CIR(A), who has upheld the assessment order passed by the DCIR dated September 10, 2014 and the Company was directed to pay Rs.30.021 million.

24.5 A sales tax appeal of the Company is pending before the ATIR against order passed by the CIR(A), who has upheld the assessment order passed by the Officer Inland Revenue dated November 26, 2014 for claiming input tax adjustment of Rs. 0.880 million.

24.6 A sales tax appeal of the Company is pending before the ATIR against order passed by the CIR(A) on May 26, 2015 under section 37A(4) of the Sales Tax Act, 1990.

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

Commitments in respect of :	**2015**	2014
	(Rupees in million)	
- foreign letters of credit for purchase of plant and machinery	**133.890**	0.000
- in land letters of credit for capital expenditure	**0.000**	100.755
- capital expenditure other than for letters of credit	**61.792**	97.612

24.8 Also refer contents of taxation notes detailed in note 32.

25. SALES - Net

	Note	2015	2014
		(Rupees in thousand)	
Turnover:			
Local		**6,348,673**	2,839,491
Export		**1,424,986**	3,035,726
		7,773,659	5,875,217
Less: sales tax		**213,763**	43,465
		7,559,896	5,831,752

26. COST OF SALES

	Note	2015	2014
Raw materials consumed		**6,454,720**	5,233,444
Chemicals and stores consumed		**173,204**	132,492
Salaries, wages and benefits	**26.1**	**297,867**	257,994
Power and fuel		**35,912**	30,437
Repair and maintenance		**84,894**	66,962
Insurance		**11,283**	8,795
Machinery lease rentals		**0**	3,305
Depreciation	**5.3**	**385,937**	376,860
		7,443,817	6,110,289
Adjustment of sugar-in-process:			
Opening		**12,241**	3,924
Closing		**(10,237)**	(12,241)
		2,004	(8,317)
Cost of goods manufactured		**7,445,821**	6,101,972
Adjustment of finished goods :			
Opening stock		**1,690,948**	1,314,744
Closing stock		**(2,034,459)**	(1,690,948)
		(343,511)	(376,204)
		7,102,310	5,725,768

26.1 These include Rs.3.553 million (2014: Rs.3.361 million) in respect of contribution to staff provident fund.

27. DISTRIBUTION COST

	Note	2015	2014
		(Rupees in thousand)	
Salaries and benefits	27.1	**5,289**	5,119
Commission		**7,674**	2,816
Loading and stacking		**16,724**	12,268
Export development surcharge		**3,111**	7,041
Freight expenses on export of sugar		**11,035**	26,606
Other expenses on export of sugar		**12,700**	13,271
		56,533	67,121

27.1 These include Rs.49 thousand (2014: Rs.49 thousand) in respect of contribution to staff provident fund.

28. ADMINISTRATIVE EXPENSES

	Note	2015	2014
Salaries and benefits	28.1	**141,156**	112,901
Travelling and conveyance:			
- directors'		**12,761**	9,354
- others		**6,501**	3,431
Vehicles' running / maintenance and lease rentals		**9,911**	7,351
Rent, rates and taxes		**729**	2,721
Communication		**5,205**	4,666
Printing and stationery		**4,977**	3,677
Insurance		**835**	1,272
Repair and maintenance		**7,765**	9,203
Fees and subscription		**1,739**	1,756
Depreciation	5.3	**14,915**	15,802
Amortisation of intangible assets	6	**550**	117
Auditors' remuneration	28.2	**1,564**	1,484
Legal and professional charges (other than Auditors)		**1,721**	1,417
General		**402**	630
		210,731	175,782

28.1 These include Rs.1.691 million (2014: Rs.1.485 million) in respect of contribution to staff provident fund.

28.2 Auditors' remuneration:

	Note	2015	2014
		(Rupees in thousand)	
Hameed Chaudhri & Co.			
- statutory audit		**1,110**	1,000
- half yearly review		**200**	190
- consultancy and certification charges		**89**	124
- out-of-pocket expenses		**105**	55
		1,504	1,369
Other Auditors			
- cost audit fee		**40**	40
- provident fund's audit fee		**9**	7
- workers' (profit) participation fund's audit fee		**0**	52
- out-of-pocket expenses		**11**	16
		60	115
		1,564	1,484

29. OTHER INCOME

	Note	2015	2014
Income from financial assets			
Profit on deposit accounts		**7,281**	4,765
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.415 thousand (2014: Rs.310 thousand)		**2,443**	1,825
Gain on sale of vehicles	**5.4**	**904**	223
Seed sales net of expenses		**164,233**	151,873
Sugar export subsidy	**11.1**	**216,090**	62,056
Sale of scrap- 2014 net of sales tax amounting Rs.253 thousand		**0**	1,487
Workers' welfare fund liabilities - reversed	**32.9**	**11,633**	0
		402,584	222,229

30. OTHER EXPENSES

	Note	2015	2014
Donations (without directors' interest)		**230**	1,038
Workers' (profit) participation fund	**20.2**	**6,630**	0
		6,860	1,038

31. FINANCE COST

	Note	2015	2014
		(Rupees in thousand)	
Mark-up on:			
- long term finances		**81,673**	55,986
- loans from related parties		**43,698**	50,063
- short term borrowings		**327,729**	246,219
Lease finance charges		**2,971**	2,840
Interest on workers' (profit) participation fund	20.2	**421**	393
Bank charges		**3,585**	3,797
		460,077	359,298

32. TAXATION

	Note	2015	2014
Current:			
- for the year	32.2	**0**	0
- for prior years		**0**	(2,349)
		0	(2,349)
Deferred:			
- resultant adjustment due to reduction in tax rate	15.2	**24,171**	26,857
- on account of temporary differences	19	**(72,299)**	(170,915)
		(48,128)	(144,058)
		(48,128)	(146,407)

32.1 Returns filed by the Company for tax years 2004 to 2015, except for tax years 2011 and 2012, have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

32.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under sections 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance aggregating Rs.76.249 million. The required provision for the current year has been fully adjusted against current and preceding years' tax credits for investment in plant & machinery aggregating Rs.102.461 million available under section 65B of the Ordinance.

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

32.4 A tax reference for the assessment year 2002-03, filed by the Department, is pending before the PHC. The amount of revenue involved in the tax reference is Rs.2.993 million, which was initially assessed by the Assessing Officer and later-on annulled by the Commissioner Inland Revenue - Appeals [CIR(A)].

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

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

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

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

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

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

33. EARNINGS / (LOSS) PER SHARE

	2015	2014
	(Rupees in thousand)	
Profit / (loss) after taxation attributable to ordinary shareholders	**174,097**	(128,619)
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
Earnings / (loss) per share	**6.07**	(4.48)

33.1 Diluted earnings / (loss) per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2015 and September 30, 2014, which would have any effect on the earnings / (loss) per share of the Company if the option to convert is exercised.

34. SEGMENT INFORMATION

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

Information on assets and liabilities by segment is as follows:

As at September 30, 2015	**Sugar**	**Ethanol**	**Total**
	-------Rupees in thousand-------		
Segment assets	**7,767,161**	**2,497,878**	**10,265,039**
Segment liabilities	**4,752,467**	**2,891,167**	**7,643,634**
As at September 30, 2014			
Segment assets	7,302,758	2,000,666	9,303,424
Segment liabilities	4,389,873	2,490,414	6,880,287

34.1 Sugar sales represent 91.05% (2014: 95.52%) of the total sales of the Company.

34.2 81.15% (2014: 47.94%) of the Company's sales relate to customers in Pakistan.

34.3 All non-current assets of the Company as at September 30, 2015 are located in Pakistan.

34.4 The Company sells sugar to commission agents. Sugar sales to four (2014: five) of the Company's customers during the year aggregated Rs.6,072 million (2014: Rs.2,562 million) constituting 85.69% (2014: 46%) of the total sugar sales. Three (2014: two) of the Company's customers individually exceeded 10% of the sugar sales.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Financial Risk Factors

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

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

35.2 Market risk

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

(a) Currency risk

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

	2015	2014
	(Rupees in thousand)	
Trade debts (U.S. $ 757,829)	**79,097**	0
Outstanding letters of credit (Euro 70,680 and U.S. $ 1,202,888)	**133,890**	0

The following significant average exchange rates have been applied:

	2015	2014
U.S. $ to Rupee	**104.40**	103.90
GBP to Rupee	**162.63**	168.76
Euro to Rupee	**117.55**	136.42

The Company is not exposed to currency risk at the year-end as it has no funded foreign currency liabilities as at September 30, 2015 and September 30, 2014.

(b) Interest rate risk

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

	2015	2014	**2015**	2014
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**3.76 to 4.94**	7	**10,209**	90,448
Variable rate instruments				
Financial liabilities				
Long term finances	**8.35 to 12.18**	10.52 to 12.18	**2,167,859**	2,172,376
Loans from related parties	**8.24 to 11.71**	10.44 to 11.67	**437,000**	437,000
Liabilities against assets subject to finance lease	**5.71 to 10.18**	6.03 to 17.00	**29,489**	27,083
Short term borrowings	**4.50 to 14.00**	8.50 to 12.18	**3,790,297**	2,922,349

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At September 30, 2015, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs.64.246 million; (2014: loss after taxation for the year would have been higher / lower by Rs.55.588 million) mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk as at September 30, 2015.

35.3 Credit risk exposure and concentration of credit risk

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

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

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

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

Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2015 along with comparative is tabulated below:

	2015	2014
	(Rupees in thousand)	
Security deposits	**4,158**	4,128
Trade debts	**341,109**	177,856
Loans and advances	**208,681**	178,456
Other receivables	**278,165**	149,634
Bank balances	**79,943**	122,290
	912,056	632,364

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

Trade debts exposure by geographic region is as follows:

Domestic	**263,032**	177,856
Export	**78,077**	0
	341,109	177,856

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

Not past due	**308,539**	108,601
Past due less than 3 months	**75**	0
Past due less than 6 months	**1,064**	1,865
Past due more than 6 months	**31,431**	67,390
	341,109	177,856

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.299.168 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

35.4 Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
2015	-----------------------Rupees in thousand				-----------------------
Long term finances	**2,167,859**	**2,720,298**	**524,872**	**2,083,580**	**111,846**
Loans from related parties	**437,000**	**540,076**	**36,864**	**503,212**	**0**
Liabilities against assets subject to finance lease	**29,489**	**29,489**	**10,801**	**18,688**	**0**
Trade and other payables	**313,935**	**313,935**	**313,935**	**0**	**0**
Accrued mark-up	**183,281**	**183,281**	**183,281**	**0**	**0**
Short term borrowings	**3,816,799**	**3,897,998**	**3,897,998**	**0**	**0**
	6,948,363	**7,685,077**	**4,967,751**	**2,605,480**	**111,846**
2014					
Long term finances	2,172,376	6,442,364	198,913	5,163,917	1,079,534
Loans from related parties	437,000	782,271	50,734	518,492	213,045
Liabilities against assets subject to finance lease	27,083	27,083	10,029	17,054	0
Trade and other payables	340,863	340,863	340,863	0	0
Accrued mark-up	203,522	203,522	203,522	0	0
Short term borrowings	2,930,723	3,020,659	3,020,659	0	0
	6,111,567	10,816,762	3,824,720	5,699,463	1,292,579

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

35.5 Fair values of financial instruments and hierarchy

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

At September 30, 2015, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

36. CAPITAL RISK MANAGEMENT

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

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

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

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2015	2014	**2015**	2014	**2015**	2014
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**1,200**	1,200	**26,650**	35,839
Allowances and utilities	**0**	0	**0**	0	**17,034**	12,812
Contribution to provident fund	**0**	0	**0**	0	**1,355**	1,155
Medical expenses reimbursed	**630**	500	**323**	108	**0**	0
	1,830	1,700	**1,523**	1,308	**45,039**	49,806
No. of persons	**1**	1	**4**	4	**22**	23

37.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Fourteen (2014: Nineteen) of the Executives have also been provided with free housing (with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound).

38. CAPACITY AND PRODUCTION

	2015	2014
Sugar Cane Plant	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,588,226**	1,294,435
Sugar produced	**145,502**	107,775
Ethanol Fuel Plant	--------- Litres ---------	
Rated capacity per day	**125,000**	125,000
Actual production	**8,272,982**	4,540,945
Days worked:	--------- Number ---------	
Unit - I	**117**	109
Unit - II	**125**	111
Ethanol Fuel Plant	**150**	47

38.1 The Government of Khyber Pakhtunkhwa, on April 21, 2015, has granted to the Company D-2 license to manufacture rectified spirit, denatured spirit, B-grade spirit, CO2, fuel oil, fuel ethanol and all distillery products at Ramak on provisional basis for a period of one year with requisite conditions.

39. NUMBER OF EMPLOYEES

	2015	2014
	--------- Number ---------	
Number of persons employed as at September 30,		
- permanent	**864**	849
- contractual	**755**	767
Average number of employees during the year		
- permanent	**859**	860
- contractual	**1,123**	1,106

40. PROVIDENT FUND RELATING DISCLOSURES

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un-audited financial statements of the provident fund for the year ended September 30, 2015 and audited financial statements of the provident fund for the year ended September 30, 2014:

	2015	2014
	(Rupees in thousand)	
Size of the fund - total assets	**66,446**	59,442
Cost of investments made	**48,203**	44,824
Percentage of investments made	**72.54%**	75.41%
Fair value of investments made	**65,536**	58,611

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

	2015	2014	2015	2014
	%			
Saving account in a scheduled bank	**14.96%**	7.89%	**9,803**	4,624
Deposit certificates	**58.59%**	68.59%	**38,400**	40,200
Accrued profit	**26.45%**	23.52%	**17,333**	13,787
	100.00%	100.00%	**65,536**	58,611

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

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on December 29, 2015 by the board of directors of the Company.

42. EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on December 29, 2015 has proposed a final cash dividend of Rs.2.50 per share (2014: Rs. nil) for the year ended September 30, 2015. The financial statements for the year ended September 30, 2015 do not include the effect of proposed dividend amounting Rs.71.730 million (2014: Rs. nil), which will be accounted for in the financial statements for the year ending September 30, 2016 after approval by the members in the annual general meeting to be held on January 30, 2016. The proposed dividend duly meets the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001 as inserted through the Finance Act, 2015.

43. FIGURES

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

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 30 January, 2016 and at any adjournment thereof.

As witness my/our hand this ....day of .... 2016.

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.