annual report

2017

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 Pakistan Stock Exchange. The Company is principally engaged in manufacturing and sale of white sugar including the following:

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

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

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

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

Board of Directors

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

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Head of Internal Audit

Syed Naveed Ali

Auditors/Tax Consultants

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

Cost Auditors

M/s. Zahid Jamil & Co
Chartered Accountants

Legal Advisor

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

Shares Registrar

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

Management Committees

Executive Committee

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

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

Audit Committee

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

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

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

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

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

d) Facilitating the external audit and discussion with external auditors of major observations arising 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) recommending human resource management policies to the board;

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

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

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

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 "CSM 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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
				(R U P E E S	I N	T H O U S A N D)				
Sales	11,411,670	11,206,209	7,559,896	5,831,752	6,673,731	5,848,891	5,882,738	6,362,700	3,968,673	2,579,812
Cost of sales	10,220,611	10,100,778	7,102,310	5,725,768	6,173,254	5,702,814	5,186,437	5,597,467	3,595,629	2,233,798
Operating profit/(Loss)	625,256	716,714	586,046	84,272	481,250	97,323	612,225	647,940	297,935	270,343
Profit/(Loss) before tax	132,299	215,151	125,969	(275,026)	56,728	(239,067)	165,491	347,799	(140,786)	(57,172)
Profit/(Loss) After tax	92,152	297,450	174,097	(128,619)	32,972	(218,971)	140,610	283,794	(217,910)	(63,163)
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920
Shareholders' equity	4,065,179	4,075,359	2,621,405	2,423,137	2,524,899	1,397,464	1,645,127	423,572	66,712	203,438
Fixed assets - net	7,803,495	8,174,002	6,770,010	6,372,848	5,014,393	3,171,414	3,103,002	2,335,101	2,515,056	2,723,775
Total assets	10,625,788	10,072,321	10,265,039	9,303,424	7,485,951	5,835,443	5,647,181	2,975,098	3,535,462	4,509,239
Long term liabilities	2,792,674	3,370,510	2,890,982	3,223,672	2,270,940	1,451,512	1,357,532	1,059,164	1,229,686	1,464,166
Dividend										
Cash dividend	15%	45%	25%	0%	0%	0%	10%	10%	0%	0%
Ratios:										
Profitability (%)										
Operating profit	5.48	6.40	7.75	1.45	7.21	1.66	10.41	10.18	7.51	10.48
Profit/ (Loss) before tax	1.16	1.92	1.67	(4.72)	0.85	(4.09)	2.81	5.47	(3.55)	(2.22)
Profit/(Loss) after tax	0.81	2.65	2.30	(2.21)	0.49	(3.74)	2.39	4.46	(5.49)	(2.45)
Return to Shareholders										
ROE - Before tax	3.25	5.28	4.81	(11.35)	2.25	(17.11)	10.06	82.11	(211.04)	(28.10)
ROE - After tax	2.27	7.30	6.64	(5.31)	1.31	(15.67)	8.55	67.00	(326.64)	(31.05)
Return on Capital Employed	1.34	3.99	3.16	(2.28)	0.69	(7.69)	4.68	19.14	(16.81)	(3.79)
E. P. S. - After tax	3.21	10.37	6.07	(4.48)	1.15	(7.63)	4.90	9.89	(7.59)	(2.20)
Activity										
Income to total assets	1.07	1.11	0.74	0.63	0.89	1.00	1.04	2.14	1.12	0.57
Income to fixed assets	1.46	1.37	1.12	0.92	1.33	1.84	1.90	2.72	1.58	0.95
Liquidity/Leverage										
Current ratio	0.75	0.72	0.74	0.80	0.92	0.89	0.96	0.43	0.46	0.63
Break up value per share	141.68	142.04	91.36	84.45	88.00	48.71	57.34	14.76	2.33	7.09
Total Liabilities to equity (Times)	1.61	1.47	2.92	2.84	1.96	3.18	2.43	6.02	52.00	21.17

CHASHMA SUGAR MILLS LIMITED

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234
2010	1,046,061	8.42	88,086
2011	1,353,553	8.69	117,474
2012	1,196,202	8.65	103,478
2013	1,326,905	9.18	121,771
2014	1,294,435	8.33	107,775
2015	1,588,226	9.16	145,502
2016	1,689,633	9.20	155,443
2017	2,224,494	9.16	203,687

PRODUCTION OF ETHANOL

YEAR	MOLASSES CONSUMED TONS	RECOVERY %	PRODUCTION (LITRES)
2014	19,590	18.56	4,540,945
2015	36,277	18.24	8,272,982
2016	111,385	18.58	25,870,308
2017	129,384	18.32	29,623,876

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

Notice is hereby given that 30th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on January 27, 2018 at 11:30 AM at the Registered Office of the Company at Nowshera Road, Mardan, for transacting the following business: -

(1) To confirm the minutes of the Extra Ordinary General Meeting held on September 15, 2017.

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

(3) To consider and approve the payment of final cash dividend. The Board of Directors has recommended payment of final cash dividend of Rs. 1.50 per share (15%) for the year ended September 30, 2017.

(4) To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2018.

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

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

BY ORDER OF THE BOARD

Mardan:
January 03, 2018

(Mujahid Bashir)
Company Secretary

N.B:

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

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

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

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

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

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

5. **Deduction of Income Tax from Dividend at Revised Rates**

All members of the Company are hereby informed that pursuant to the provisions of Finance Act, 2017, effective July 01, 2017, 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:

Rates of tax deduction for filer of income tax returns	15 %
Rae of tax deduction for non-filer of income tax returns	20.0 %

In case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company by sending following detail on the registered address of the Company and the members who have deposited their shares into CDC are requested to send a copy of detail regarding tax payment status also the relevant member stock exchange and CDC if maintaining CDC investor account, or if no notification is given, 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. As per Section 242 of the Companies Act, 2017, in case of a public listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account details in the Central Depository System through respective participants and in case of physical shares, to provide bank account details to our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited. E-Dividend form is available on the website of the Company, www.chashmasugarmills.com.

Please note that after October 31, 2017 all cash dividends, declared by the Company, will only be remitted to designated bank accounts and not otherwise, so please ensure an early update of your particulars to avoid any inconvenience in future.

7. **Unclaimed Dividends**
Shareholders, who by any reason, could not claim their dividend did not collect their physical shares, are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three years from the date due and payable shall be deposited to the credit of the Federal Government.

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Board of Directors of Chashma Sugar Mills Limited is pleased to present Directors' Report of the Company together with the audited financial statements for the year ended September 30, 2017.

1. SUMMARISED FINANCIAL RESULTS

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

	2017	2016
	(Rupees in thousands)	
Profit before taxation	**132,299**	215,151
Taxation		
- Current	**(77,689)**	0
- Prior	**(1,729)**	0
- Deferred	**39,271**	82,299
	(40,147)	82,299
Profit after taxation	**92,152**	297,450
	---------- (Rupees) ----------	
Earnings per Share	**3.21**	10.37

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2016-17

The sugarcane crushing season 2016-17 commenced on November 30, 2016 and continued till April 10, 2017. The mills have crushed 2,224,494 tons (2016: 1,689,633 tons) of sugarcane and have produced 203,686.50 tons (2016: 155,443 tons) of sugar at an average recovery of 9.16% (2016: 9.20%). The Country achieved the highest ever sugar production of around 7.0 million tons, this coupled with carry over stock created a surplus of 2.50 million tons over and above the domestic consumption. Despite this, the Ministry of Commerce opposed to allow the export of surplus sugar of 2.0 million tons without subsidy during high international prices from December 2016 to March 2017 to earn US$ 1.12 Billion. As a result, the surplus stock pressurized the domestic prices to lower than the cost of sugarcane.

2.2 CRUSHING SEASON 2017-18

The sugarcane crushing season commenced on November 30, 2017 and fully started on December 12, 2017. The mills have crushed 234,163.34 tons of sugarcane, producing 17,995 tons of sugar average recovery of 7.99 % up to December 25, 2017. The Provincial Government of Punjab and KPK fixed sugarcane price @ Rs. 180/- per maund. The Federal Government allowed export of 1.50 million tons of sugar for the crushing season 2017-18 with subsidy of Rs. 10,700/- per tons of sugar. Though the KPK Government notified the same price of sugarcane but refused to pay the subsidy on export of sugar for onward payments to Growers.

3. SUGAR PRICE

3.1 SUGAR SEASON 2016-17

The sugar prices remained depressed throughout the year.

3.2 SUGAR SEASON 2017-18

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

4. ETHANOL FUEL PLANT AT UNIT-II

The Ethanol Fuel Plant produced 23,699 MT of Ethanol during the year.

5. CHANGES IN OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION

During the current year, it was decided by the Board of Directors in their meeting held on August 21, 2017 altered the Clause II and Clause III of the Memorandum of Association. Clause II was amended to update name of the province whereas Clause III of the Memorandum of Association altered keeping in view the Company's future plans i.e. to enter in the other avenues like power, steel, grain storage facilities and wheat milling to diversify its business along with the present business of sugar manufacturing. EOGM of Shareholders was duly called on September 15, 2017 to approve the above resolutions which were considered and were unanimously passed by the EOGM.

6. SILOS PROJECT

During the current year, the Company participated in bidding process for project “Near Farm Wheat Silos of 10,000 MT” initiated by Punjab Food Department (PFD), Government of Punjab and successfully won bids for two sites naming center Notak, District Bhakkar and center Head Varery, District Layyah. As per the requirements of Request for Proposal (RFP) document issued by PFD, special purpose company named “Whole Foods (Private) Limited” was formed which signed Concession Agreements with PFD for these two sites on October 26, 2017.

7. STAFF

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

8. PATTERN OF SHAREHOLDING

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

9. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- Proper books of account have been maintained.

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

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

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

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

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

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

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

- The value of investments of staff provident fund, based on audited accounts, was Rs. 65.49 million as at September 30, 2017.

- During the year, Six (6) meetings of the Board of Directors were held. Attendance by each director was as follows:

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

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

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

10. ROLE OF SHAREHOLDERS

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

11. DIVIDEND

The Board has recommended payment of Final Cash Dividend for the year ended September 30, 2017 @ Rs. 1.5 per share (15%) to all the shareholders of the Company.

12. EXTERNAL AUDITORS

The present auditors Messrs ShineWing Hameed Chaudhri & Co. Chartered Accountants, Lahore retired. The Audit Committee and Board of Directors have recommended to appoint M/s A. F. Fergusons & Co., Chartered Accountants, Islamabad as External Auditors for the financial year 2017-2018.

13. 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.

14. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

15. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE

Mardan
January 03, 2018

ڈائریکٹرز کی رپورٹ

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

خلاصہ مالیاتی نتائج

کمپنی کی مالیاتی کارکردگی کا زیل میں خلاصہ پیش ہے۔

	2017	2016
	(ہزار روپے)	
ٹیکس سے پہلے نفع	132,299	215,151
ٹیکسیشن	....	....
موجودہ ٹیکس	(77,689)	0
گزشتہ	(1,729)	0
ڈیفرڈ ٹیکس	39,271	82,299
	(40,147)	82,299
بعد از ٹیکس نفع	92,152	297,450
آمدنی فی شیئر	3.21	10.37

آپریشن کا جائزہ

2.1۔ کرشنگ سیزن 2016-17

گنے کا کرشنگ سیزن 2016-17، 30 نومبر 2016 کو شروع ہوا اور 10 اپریل 2017 تک جاری رہا۔ ملز نے 2,224,494 ٹن (2016 میں 1,689,633 ٹن) گنا کرش کیا اور 9.16 فیصد اوسط (2016 : 9.20 : فیصد) کے حساب سے چینی کی پیداوار 203,686 ٹن (2016 میں 155,443 ٹن) رہی۔ ملک نے تقریباً سات (7) ملین ٹن چینی کی پیداوار کی۔ جو تاریخ کی سب سے زیادہ ہے۔ جس کی وجہ سے ملک میں گھریلو کھپت سے اوپر 2.5 ملین چینی کا اضافہ ہوا۔ اس کے باوجود، وزارت تجارت نے دسمبر 2016 سے مارچ 2017 تک اچھی بین الاقوامی قیمتوں پر دو (2) ملین چینی سبسڈی کے بغیر، برامد کی اور 2.1 ملین ڈالر آمدنی کی مخالفت کی۔ اس کے نتیجے میں اضافی پیداوار (اسٹاک) نے چینی کی لوکل قیمتوں کو گنے کی لاگت سے کم کر دیا۔

2.2۔ کرشنگ سیزن 2017-18

گنے کا کرشنگ سیزن کا آغاز 30 نومبر 2017 کو ہوا جبکہ 12 دسمبر 2017 سے پوری طرح شروع ہوا۔ 25 دسمبر 2017 تک ملز نے 234,163.34 ٹن گنے کو کرش کرتے ہوئے 17,995 ٹن چینی کی پیداوار، اوسط 7.99 فیصد کے حساب سے کی۔ صوبائی حکومت پنجاب اور خیبر پختونخواہ نے گنے کی قیمت 180 روپے فی من مقرر کی۔ وفاقی حکومت نے کرشنگ سیزن 18-2017 کے لیئے 10,700 روپے فی ٹن کی سبسڈی کے ساتھ چینی کی برآمد کی اجازت دی ہے۔ حلانکہ خیبر پختونخواہ حکومت نے گنے کی مطلع کی گئی قیمت کو برقرار رکھا لیکن برآمد کرنے پر رعایت (سبسڈی) ادا کرنے سے انکار کر دیا۔

3۔ چینی کی قیمت

3.1 چینی کا سیزن 2016-17

چینی کی قیمت پورے سال میں مایوس کن رہی۔

3.2 چینی کا سیزن 2017-18

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

4۔ ایتھانول فیول پلانٹ یونٹ II

ایتھانول فیول پلانٹ نے اس سال 23,699 ٹن ایتھانول کی پیداوار کی۔

5۔ کمپنی کے دستور کے مقصد کی شق میں تبدیلی

موجودہ سال کے دوران 21 اگست 2017 کو بورڈ آف ڈائیریکٹرز کا اجلاس ہوا جس میں فیصلہ ہوا کہ کمپنی کے دستور کی شق نمبر II اور III میں ترمیم کی جائے۔ شق II میں ترمیم صوبہ کے نام کی تبدیلی کی وجہ سے ہوئی اس طرح شق III میں ترمیم کمپنی کے مستقبل کے منصوبوں کو مد نظر رکھتے ہوئے کی گئی۔ کمپنی مستقبل میں چینی بنانے کے موجودہ کاروبار کے علاوہ بجلی، سٹیل، اناج اسٹوریج کی سہولیات اور گندم کی فیکٹری کے کاروبار میں دلچسپی رکھتی ہے۔ غیر معمولی اجلاس 15 ستمبر 2017 کو بلوایا گیا جن میں ان مندرجہ بالا قرار دادوں کو متفقہ طور پر منظور کیا گیا۔

6۔ سائیلوز پراجیکٹ

موجودہ سال کے دوران کمپنی نے پنجاب فوڈ ڈیپارٹمنٹ (پی ایف ڈی) حکومت پنجاب کی طرف سے شروع کیا گیا پروجیکٹ 10,000 ٹن سائیلو بنانے کی بولی کے عمل میں حصہ لیا اور دو سائٹس جن میں ضلع بھکر اور ڈسٹرکٹ لیہ شامل ہیں میں کامیابی حاصل کی۔ پنجاب فوڈ ڈیپارٹمنٹ کی طرف سے دستاویزات کی ضروریات کے مطابق خصوصی مقصد کی کمپنی ہول فوڈز (پرائیویٹ) لمیٹڈ کو قائم کیا گیا۔ جس نے ان دونوں سائٹس کے لیئے پنجاب فوڈ ڈیپارٹمنٹ سے 26 اکتوبر 2017 کو کنسیشن ایگریمنٹ پر دستخط کیئے۔

7۔ سٹاف

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

8۔ حصص داران کی تفصیل

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

9۔ کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک

۔ چشمہ شوگر ملز لمیٹڈ کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، رقم کی آمد و رفت، کاروباری سرمایہ میں ہونے والی تبدیلیاں اور تمام معاملات کو واضح پیش کرتے ہیں۔

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

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

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

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

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

۔ کمپنی باقاعدگی سے کارپوریٹ گورننس کے قواعد وضوابط، جو کہ لسٹنگ کے قواعد میں واضح کئے گئے ہیں کی پاسداری کر رہی ہے۔

۔ کمپنی کے گزشتہ دس سال کے انتظامی اور مالی امور سے مطلق اعداد و شمار منسلک ہیں۔

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

۔ 30 ستمبر 2017 کو آڈٹ شدہ اکاؤنٹس پر مبنی، اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 65.49 ملین تھی۔

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

ڈائریکٹرز کے نام	حاضری اجلاس
جناب عزیز سرفراز خان	6
بیگم لیلیٰ سرفراز	5
جناب عباس سرفراز خان	5

محترمہ زرمین سرفراز	5
محترمہ نجداسرفراز	5
جناب عثمان سلیم خان	6
جناب اسکندر ایم خان	6
جناب بابر علی خان	3
جناب عبدلقادر خٹک	4
جناب شیر علی جعفر خان	5

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

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

10۔ حصص داران کا کردار

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

11۔ ڈیویڈنڈ/ منافع کی ادائیگی

بورڈ نے 30 ستمبر 2017 کو ختم ہونے والے مالی سال کے لیئے 1.5 روپے (15%) فی حصص کے حساب سے حتمی نقد ڈیویڈنڈ کی ادائیگی کی سفارش کی ہے۔

12۔ آڈیٹرز

آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے کمپنی نے میسرز" اے ایف فرگوسنز اینڈ کو،" چارٹرڈ اکاؤنٹنٹ، اسلام آباد کو مالی سال 18-2017 کے لیئے آدیٹر مقرر کرنے کی سفارش کی ہے کمپنی کے موجودہ آڈیٹر میسرز شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ لاہور سبکدوش ہوگئے ہیں۔

13۔ کمپنی کی حیثیت

سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایت کی روشنی میں کمپنی کو سال 2010 سے "دی پریمیر شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ" کی زیلی کمپنی مانا گیا ہے۔

14۔ضابطہ برائے کاروباری نظم ونسق

کمپنی ضابطہ برائے کاروباری نظم ونسق کے تمام قواعد وضوابط جو کہ پاکستان اسٹاک ایکسچینج کی رول بک میں درج ہیں اور 30 ستمبر 2017 کو ختم ہونے والے سال سے متعلقہ ہیں پر پوری طرح عمل پیرا ہے اواس سے متعلق بیان اس رپورٹ کے ساتھ منسلک ہے۔

15۔اعتراف

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

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

منجانب بورڈ

جناب عزیز سرفراز خان

چیف ایگزیکٹو آفیسر

مردان

بتاریخ: 03 جنوری 2018

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 2017-18 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 PSX is **Chas**.

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from January 17, 2018 to January 27, 2018.

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, 2017

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
162	From	1	to	100	Shares	11,630
567	From	101	to	500	Shares	254,684
146	From	501	to	1,000	Shares	138,754
167	From	1,001	to	5,000	Shares	442,201
45	From	5,001	to	10,000	Shares	354,000
24	From	10,001	to	20,000	Shares	357,906
10	From	20,001	to	25,000	Shares	236,000
5	From	25,001	to	30,000	Shares	137,500
3	From	30,001	to	35,000	Shares	101,500
8	From	35,001	to	40,000	Shares	308,400
9	From	40,001	to	60,000	Shares	419,647
4	From	60,001	to	70,000	Shares	268,089
4	From	70,001	to	80,000	Shares	304,867
3	From	80,001	to	85,000	Shares	251,500
4	From	85,001	to	125,000	Shares	381,142
6	From	125,001	to	250,000	Shares	957,800
3	From	250,001	to	310,000	Shares	872,000
1	From	310,001	to	450,000	Shares	334,650
1	From	450,001	to	625,000	Shares	484,069
4	From	625,001	to	2,000,000	Shares	4,734,186
2	From	2,000,001	to	above	Shares	17,341,475
1,178						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines	4	19,111,834	66.61
NIT and ICP			
Directors & Relatives	12	4,001,719	13.95
Executive			
Public Sector Companies & Corporation	6	35,300	0.12
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds	8	1,148,721	4.01
Individuals	1,146	4,099,426	14.28
Charitable Trusts	2	295,000	1.03
	1,178	**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	**6**		**35,300**		**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	
Muhammad Ahmed Nadeem Securities (Pvt) Ltd.		300		0.00	
S.H Bukhari Securities Fabrics		400		0.00	
Fikree's (SMC) (Pvt) Limited		3,000		0.01	
Banks, Development Finance Instituions, Non Banking Financial Instituitions, Insurance Companies, Modarabas and Mutual Funds	**8**		**1,148,721**		**4.01**
National Bank of Pakistan (Pension Fund)		86,142		0.30	
National Bank of Pakistan (Emp Benevolent Fund)		3,023		0.01	
National Bank of Pakistan		529		0.00	
Habib Bank AG Zurich Switerland		202,800		0.71	
Hanib Bank AG Zurich Deira Dubai		500		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	**1,146**		**4,099,426**		**14.28**
Charitable Trusts	**2**		**295,000**		**1.03**
Sarfaraz District Hospital Charity Fund		290,000		1.01	
Trustees Moosa Lawari Foundation		5,000		0.02	
	1,178		**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
THE CODE OF CORPORATE GOVERNANCE

Chashma Sugar Mills Limited - Year ended September 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No.5.19 of the Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. The Directors' Report for this year has been prepared in compliance with the requirements of the 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. It comprises of four members, of whom three are non-executive directors whereas the chairman of the committee is an independent director.

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

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

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

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

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

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

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

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

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

For and on behalf of the Board

Islamabad
January 03, 2018

(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

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

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

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

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

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

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

Shinewing Hameed Chaudhri & Co

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

LAHORE;
January 04, 2018

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, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our 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 repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

(a) in our opinion, proper books of account have been kept by the Company as required by the repealed 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 repealed 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 repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Shinewing Hameed Chaudhri & Co

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

LAHORE;
January 04, 2018

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT SEPTEMBER 30, 2017

		2017	2016
ASSETS	**Note**	**(Rupees in thousand)**	
Non-current assets			
Property, plant and equipment	**5**	**7,789,577**	8,169,406
Intangible assets	**6**	**0**	433
Security deposits		**13,918**	4,163
		7,803,495	8,174,002
Current assets			
Stores and spares	**7**	**345,339**	295,498
Stock-in-trade	**8**	**1,353,534**	571,183
Trade debts	**9**	**185,372**	143,410
Loans and advances	**10**	**270,937**	280,408
Trade deposits, prepayments and other receivables	**11**	**282,751**	259,676
Tax refunds due from the Government	**12**	**300,657**	310,633
Bank balances	**13**	**83,703**	37,511
		2,822,293	1,898,319
TOTAL ASSETS		**10,625,788**	10,072,321
EQUITY AND LIABILITIES			
Equity			
Authorized capital			
50,000,000 (2016: 50,000,000) ordinary shares of Rs.10 each		**500,000**	500,000
Issued, subscribed and paid-up capital			
28,692,000 (2016: 28,692,000) ordinary shares of Rs.10 each	**14**	**286,920**	286,920
General reserve		**327,000**	327,000
Unappropriated profit		**846,585**	696,075
Shareholders' equity		**1,460,505**	1,309,995
Surplus on revaluation of property, plant and equipment	**15**	**2,604,674**	2,765,364
Non-current liabilities			
Long term finances	**16**	**1,640,638**	2,237,608
Loans from related parties	**17**	**388,825**	312,143
Liabilities against assets subject to finance lease	**18**	**40,105**	31,600
Deferred taxation	**19**	**723,106**	789,159
		2,792,674	3,370,510
Current liabilities			
Trade and other payables	**20**	**477,382**	809,603
Accrued mark-up	**21**	**116,855**	108,820
Short term borrowings	**22**	**2,452,407**	1,037,045
Current maturity of non-current liabilities	**23**	**643,602**	670,984
Provision for taxation	**32.2**	**77,689**	0
		3,767,935	2,626,452
Total liabilities		**6,560,609**	5,996,962
TOTAL EQUITY AND LIABILITIES		**10,625,788**	10,072,321
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 SEPTEMBER 30, 2017

	Note	2017	2016
		(Rupees in thousand)	
Sales - net	25	**11,411,670**	11,206,209
Cost of Sales	26	**(10,220,611)**	(10,100,778)
Gross Profit		**1,191,059**	1,105,431
Distribution Cost	27	**(211,852)**	(236,375)
Administrative Expenses	28	**(348,487)**	(274,130)
Other Income	29	**11,489**	132,760
Other Expenses	30	**(16,953)**	(10,972)
Profit from Operations		**625,256**	716,714
Finance Cost	31	**(492,957)**	(501,563)
Profit before Taxation		**132,299**	215,151
Taxation	32	**(40,147)**	82,299
Profit after Taxation		**92,152**	297,450
Other Comprehensive Income		**0**	0
Total Comprehensive Income		**92,152**	297,450
		------- Rupees -------	
Earnings per Share	33	**3.21**	10.37

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 SEPTEMBER 30, 2017

	2017	2016
Cash flow from operating activities	**(Rupees in thousand)**	
Profit for the year - before taxation	**132,299**	215,151
Adjustments for non-cash charges and other items:		
Depreciation	**731,852**	519,015
Amortization of intangible assets	**433**	550
Profit on deposit accounts	**(4,808)**	(3,574)
Gain on disposal of operating fixed assets	**(712)**	(3,208)
Finance cost	**487,931**	495,315
Profit before working capital changes	**1,346,995**	1,223,249
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets		
Stores and spares	**(49,841)**	(27,723)
Stock-in-trade	**(782,351)**	1,473,513
Trade debts	**(41,962)**	197,699
Loans and advances	**9,471**	(66,504)
Trade deposits, prepayments and other receivables	**(23,075)**	22,424
Advance sales tax and sales tax refundable - net	**(28,438)**	(109,589)
(Decrease) / increase in trade and other payables	**(334,842)**	469,041
	(1,251,038)	1,958,861
Cash generated from operations	**95,957**	3,182,110
Income tax refunds received - net	**36,685**	64,458
Security deposits	**(9,755)**	(5)
Net cash generated from operating activities	**122,887**	3,246,563
Cash flow from investing activities		
Purchase of property, plant and equipment	**(357,336)**	(501,047)
Sale proceeds and insurance claims of operating fixed assets	**6,025**	10,484
Profit on bank deposits received	**4,808**	3,574
Net cash used in investing activities	**(346,503)**	(486,989)
Cash flow from financing activities		
Long term finances - net	**(502,758)**	597,454
Loan from a related party repaid	**(48,175)**	0
Lease finances - net	**11,768**	20,533
Short term borrowings - net	**1,433,500**	(2,772,797)
Dividend paid	**(126,493)**	(70,463)
Finance cost paid	**(479,896)**	(569,776)
Net cash generated from / (used in) financing activities	**287,946**	(2,795,049)
Net increase / (decrease) in cash and cash equivalents	**64,330**	(35,475)
Cash and cash equivalents - at beginning of the year	**17,966**	53,441
Cash and cash equivalents - at end of the year	**82,296**	17,966
Cash and cash equivalents comprised of:		
Bank balances	**83,703**	37,511
Temporary bank overdrafts	**(1,407)**	(19,545)
	82,296	17,966

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 SEPTEMBER 30, 2017

	Share capital	General reserve	Unappropri-ated profit	Total
	---------------- Rupees in thousand ----------------			
Balance as at September 30, 2015	286,920	327,000	320,253	934,173
Transaction with owners:				
Cash dividend for the year ended September 30, 2015 at the rate of Rs. 2.50 per share	0	0	(71,730)	(71,730)
Total comprehensive income for the year ended September 30, 2016	0	0	297,450	297,450
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	0	0	150,102	150,102
Balance as at September 30, 2016	286,920	327,000	696,075	1,309,995
Transaction with owners:				
Cash dividend for the year ended September 30, 2016 at the rate of Rs. 4.50 per share	0	0	(129,114)	(129,114)
Total comprehensive income for the year ended September 30, 2017	0	0	92,152	92,152
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	0	0	187,472	187,472
Balance as at September 30, 2017	**286,920**	**327,000**	**846,585**	**1,460,505**

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 SEPTEMBER 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Chashma Sugar Mills Limited (the Company) was incorporated on May 05, 1988 as a Public Company and it commenced commercial production from October 01, 1992. Presently, the Company is principally engaged in manufacture and sale of white sugar and spirit; however, the management is planning to diversify its business and wants to enter in other avenues like power, steel, grain storage facilities and wheat milling. For this purpose necessary amendments have been proposed in the Company's Memorandum of Association. The Company's shares are quoted on Pakistan Stock Exchange Ltd. 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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

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

(a) Property, plant and equipment

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

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

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

(c) Provision for impairment of trade debts

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

(d) Income taxes

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

(e) Contingencies

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

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

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

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

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

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

The amendments provide clarification on number of issues including:

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment 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 capitalized 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 capitalized 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 recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

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

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

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

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

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

4.2 Intangible assets and amortization thereon

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

4.3 Stores and spares

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

4.4 Stock-in-trade

Basis of valuation are as follows:

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

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

4.5 Trade debts and other receivables

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

4.6 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 recognized initially at fair value.

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

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

4.11 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 finalized during the year.

Deferred

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

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

4.12 Dividend and appropriation to reserves

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

4.13 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 recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.15 Foreign currency translations

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

4.16 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indication exists, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are

4.17 Revenue recognition

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

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

4.18 Development expenditure

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

4.19 Segment reporting

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	**2017**	2016
		(Rupees in thousand)	
Operating fixed assets - tangible	**5.1**	**7,567,595**	8,130,966
Capital work-in-progress	**5.5**	**221,137**	37,410
Stores held for capital expenditure		**845**	1,030
		7,789,577	8,169,406

5.1 Operating fixed assets - tangible

	Owned									Leased	
	Freehold land	Buildings and roads	Plant and machinery	Genera-tors	Electric installati-ons	Office equip-ment	Farm equip-ment	Furniture and fixtures	Vehicles	Vehicles	Total
	---------- Rupees in thousand ----------										
As at September 30, 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 as at September 30, 2015	279,764	771,325	3,875,078	12,562	187,726	24,932	546	9,957	14,410	36,969	5,213,269
Year ended September 30, 2016:											
Additions	0	374,376	1,467,022	0	112,467	9,970	36	3,609	1,098	45,629	2,014,207
Revaluation adjustments:											
- cost / revaluation	709,454	0	0	0	0	0	0	0	0	0	709,454
- depreciation	0	109,015	606,987	4,325	0	0	0	0	0	0	720,327
Disposals											
- cost	0	0	0	0	0	0	(51)	0	(19,102)	0	(19,153)
- depreciation	0	0	0	0	0	0	22	0	11,855	0	11,877
Transfers from leased to owned											
- cost	0	0	0	0	0	0	0	0	17,873	(17,873)	0
- depreciation	0	0	0	0	0	0	0	0	(10,295)	10,295	0
Depreciation charge for the year	0	(80,323)	(399,718)	(1,256)	(19,752)	(3,008)	(52)	(1,151)	(3,108)	(10,647)	(519,015)
Book value as at September 30, 2016	989,218	1,174,393	5,549,369	15,631	280,441	31,894	501	12,415	12,731	64,373	8,130,966
Year ended September 30, 2017:											
Additions	31,235	21,583	50,932	0	9,952	17,154	0	5,921	785	36,232	173,794
Disposals											
- cost	0	0	0	0	0	0	0	0	(7,920)	0	(7,920)
- depreciation	0	0	0	0	0	0	0	0	2,607	0	2,607
Transfers from leased to owned											
- cost	0	0	0	0	0	0	0	0	5,893	(5,893)	0
- depreciation	0	0	0	0	0	0	0	0	(1,366)	1,366	0
Depreciation charge for the year	0	(118,698)	(557,905)	(1,563)	(28,630)	(4,233)	(50)	(1,512)	(1,984)	(17,277)	(731,852)
Book value as at September 30, 2017	1,020,453	1,077,278	5,042,396	14,068	261,763	44,815	451	16,824	10,746	78,801	7,567,595
As at September 30, 2016											
Cost / revaluation	989,218	1,459,315	6,415,357	18,071	408,801	53,458	947	27,224	48,100	85,431	9,505,922
Accumulated depreciation	0	(284,922)	(865,988)	(2,440)	(128,360)	(21,564)	(446)	(14,809)	(35,369)	(21,058)	(1,374,956)
Book value	989,218	1,174,393	5,549,369	15,631	280,441	31,894	501	12,415	12,731	64,373	8,130,966
As at September 30, 2017											
Cost / revaluation	1,020,453	1,480,898	6,466,289	18,071	418,753	70,612	947	33,145	46,858	115,770	9,671,796
Accumulated depreciation	0	(403,620)	(1,423,893)	(4,003)	(156,990)	(25,797)	(496)	(16,321)	(36,112)	(36,969)	(2,104,201)
Book value	1,020,453	1,077,278	5,042,396	14,068	261,763	44,815	451	16,824	10,746	78,801	7,567,595
Depreciation rate (%)	0	10	10	10	10	10	10	10	20	20	

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

	2017	2016
	(Rupees in thousand)	
- freehold land	**103,028**	71,796
- buildings & roads	**706,922**	762,886
- plant & machinery	**3,007,971**	3,288,895
- generators	**8,494**	9,438
	3,826,415	4,133,015

5.3 Depreciation for the year has been allocated as follows:

	2017	2016
Cost of sales	**706,846**	501,101
Administrative expenses	**25,006**	17,914
	731,852	519,015

5.4 Disposal of operating fixed assets

Particulars	Cost	Accumu-lated deprec-iation	Book value	Sale proceeds / insurance claim	Gain / (loss)	Particulars of purchaser / insurance company / employee
	------------- Rupees in thousand -------------					
Owned vehicles						
To third parties through negotiation						
Toyota Corolla	1,961	1,238	723	981	258	Muhammad Saeed, Kohat.
FAW V2	1,126	94	1,032	960	(72)	Mr. Zeeshan Ikram Bhatti, Rawalpindi.
To insurance company against insurance claim						
Toyota Corolla Altis	2,025	394	1,631	1,770	139	IGI Insurance Ltd., Lahore.
Toyota Corolla Xli	1,688	328	1,360	1,550	190	------- do -------
To employees as per the Company's policy						
Suzuki Cultus	1,054	550	504	700	196	Mr. Zeeshan, Manager Internal Audit.
Honda motorcycle	66	3	63	64	1	Mr. Imran Nasar, Finance Officer.
2017	**7,920**	**2,607**	**5,313**	**6,025**	**712**	
2016	19,153	11,877	7,276	10,484	3,208	

5.5 Capital work-in-progress

	2017	2016
	(Rupees in thousand)	
Buildings on freehold land	**34,821**	0
Plant and machinery	**151,828**	0
Electric installations	**11,192**	0
Vehicles - leased	**16,442**	6,721
Advance payments:		
- freehold land	**6,699**	30,513
- buildings on freehold land	**47**	47
- plant and machinery	**108**	129
	6,854	30,689
	221,137	37,410

6. INTANGIBLE ASSETS - Computer softwares

	2017	2016
Cost at beginning of the year	**8,242**	8,242
Less: amortization:		
- at beginning of the year	**7,809**	7,259
- charge for the year	**433**	550
- at end of the year	**8,242**	7,809
Book value as at September 30,	**0**	433

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

7. STORES AND SPARES

	2017	2016
Stores including in-transit inventory valuing Rs.2.580 million (2016: Rs.1.958 million)	**307,627**	263,935
Spares	**37,712**	31,563
	345,339	295,498

8. STOCK-IN-TRADE

	2017	2016
Finished goods		
- sugar	**692,212**	184,230
- molasses	**384,832**	247,596
- spirit	**268,542**	131,492
	1,345,586	563,318
Sugar-in-process	**7,948**	7,865
	1,353,534	571,183

9. TRADE DEBTS - Unsecured, considered good

9.1 Year-end balance of trade debts includes a debt amounting Rs.2.350 million (2016: Rs.19.450 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.17.100 million (2016: Rs.2.850 million) to the Company.

9.2 The year-end balance of trade debts includes debtors aggregating Rs.91 thousand (2016: Rs.26.588 million) relating to spirit customers.

10. LOANS AND ADVANCES

	Note	2017	2016
		(Rupees in thousand)	
Advance payments to:			
- employees		**7,714**	7,465
- suppliers and contractors	**10.1**	**214,093**	272,235
Due from the Holding Company	**10.2**	**50,251**	0
Letters of credit		**1,316**	3,145
		273,374	282,845
Less: provision for doubtful advances		**2,437**	2,437
		270,937	280,408

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

10.2 This represents due from The Premier Sugar Mills & Distillery Co. Ltd. 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:

	2017	2016
The Holding Company		
- sale of goods	**0**	2,252
- purchase of goods	**96,981**	71,478
- sale of stores	**1,600**	2,554
- purchase of stores	**302**	8,946
- mark-up expensed	**20,969**	21,965
- dividend paid	**61,880**	34,377

Associated Companies	Note	2017	2016
		(Rupees in thousand)	
- purchase of goods		**96,587**	74,947
- mark-up expensed		**9,774**	12,082
- services received		**15,300**	17,178
- dividends paid		**24,124**	13,402

(b) No amount was due from Associated Companies at any month-end during the year. Maximum aggregate debit balance of the Holding Company at any month-end during the year was Rs.136.880 million; (2016: maximum aggregate debit balance of the Holding Company and Associated Companies at any month-end amounted Rs.71.741 million).

11. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017	2016
Prepayments		**5,230**	4,491
Sugar export subsidy receivable	**11.1**	**254,935**	254,935
Insurance claim receivable against loss of finished sugar inventory		**16,836**	0
Trade deposits		**5,500**	0
Others		**250**	250
		282,751	259,676

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

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

12. TAX REFUNDS DUE FROM THE GOVERNMENT

	2017	2016
Income tax refundable, advance tax and tax deducted at source	**51,882**	90,296
Advance sales tax and sales tax refundable	**248,775**	220,337
	300,657	310,633

13. BANK BALANCES

	Note	2017	2016
		(Rupees in thousand)	
Cash at banks on:			
- current accounts	13.1	**49,467**	36,130
- PLS accounts	13.2	**29,928**	1,231
- deposit accounts	13.2	**4,308**	150
		83,703	37,511

13.1 These include dividend account balance of Rs.1.722 million (2016: Rs.1.722 million).

13.2 These carry profit at the rates ranging from 0.26% to 3.75% (2016: 3.75%) per annum.

14. SHARE CAPITAL

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

15.2 The Company as at September 30, 2016 has again revalued the aforementioned fixed assets of its both Units. The revaluation exercise has been carried-out by Independent Valuers - K.G. Traders (Pvt.) Ltd., Shahnawaz Plaza, G-11 Markaz, Islamabad. Freehold land has been revalued on the basis of current market value whereas buildings & roads, plant & machinery and generators have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.1.430 billion has been credited to this account to comply with the requirements of section 235 of the repealed Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2017	2016
	(Rupees in thousand)	
Opening balance	**3,595,597**	2,383,355
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	1,429,781
Less: transferred to unappropriated profit on account of incremental depreciation for the year	**(267,817)**	(217,539)
	3,327,780	3,595,597
Less: deferred tax on:		
- opening balance of surplus	**830,233**	696,123
- surplus arisen during the preceding year	**0**	223,301
- incremental depreciation for the year	**(80,345)**	(67,437)
	749,888	851,987
	2,577,892	2,743,610
Resultant adjustment due to reduction in tax rate	**26,782**	21,754
Closing balance	**2,604,674**	2,765,364

16. LONG TERM FINANCES - Secured

(From banking companies)	Note	**2017**	2016
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance	**16.1**	**100,000**	150,000
Bank Al-Habib Limited: (BAH)			
- Fixed loan	**16.2**	**56,602**	79,243
- Long term finance [(LTFF) - SBP]	**16.2**	**0**	320,057
- Term finance	**16.3**	**247,095**	0
		303,697	399,300
Faysal Bank Limited: (FBL)			
- Term finance	**16.4**	**249,982**	416,637
Soneri Bank Limited: (SBL)			
- Term finance	**16.5**	**84,683**	112,911
- LTFF (ERF)	**16.5**	**0**	325,165
- Term finance - I	**16.6**	**266,548**	0
		351,231	438,076
The Bank of Khyber: (BoK)			
- Demand finance	**16.7**	**0**	13,779
The Bank of Punjab: (BoP)			
- Demand finance	**16.8**	**55,483**	73,978
- LTFF	**16.8**	**195,083**	298,612
- Term finance	**16.9**	**32,148**	0
		282,714	372,590
Syndicated Islamic finance facility	**16.10**	**974,931**	974,931
		2,262,555	2,765,313
Less: current maturity grouped under current liabilities including an overdue instalment amounting Rs.25 million (2016: Rs.25 million)		**621,917**	527,705
		1,640,638	2,237,608

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+2% per annum; the effective mark-up rates during the year ranged from 8.06% to 8.15% (2016: 8.06% to 9.05%) per annum and are secured against first registered joint pari passu charge on present and future fixed assets of the Company for Rs.386.670 million.

16.2 Fixed loan and LTFF (SBP) finance facilities aggregate Rs.500 million and have been utilized for establishment of ethanol plant. Fixed loan is repayable in 10 equal half-yearly instalments commenced from August, 2015 whereas LTFF is repayable in 10 equal half-yearly instalments commenced from April, 2016. The finance facilities are secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.933.333 million. Fixed loan carries mark-up at the rate of 6-months average KIBOR plus 1.5%; the effective mark-up rates during the year ranged from 7.59% to 7.65% (2016: 7.59% to 8.50%) per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2016: 11.40%) per annum. LTFF (ERF), during the year, has been converted into term finance as detailed in note 16.3.

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

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

16.5 Term finance and LTFF (ERF) facilities available from SBL aggregate Rs.500 million and have been obtained to finance plant and machinery. These finance facilities are repayable in 10 equal half-yearly instalments commenced from February, 2016 and are secured against joint pari passu charge of Rs.666.667 million over present and future fixed assets of 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 7.81% to 7.90% (2016: 8.06% to 8.80%) per annum. LTFF (ERF) carries mark-up at SBP rate + 3%; the effective mark-up rates during the year ranged from 9% to 11.40% (2016: 9% to 11.40%) per annum. LTFF, during the year, has been converted into term finance as detailed in note 16.6.

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

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

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

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

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

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

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

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

17. LOANS FROM RELATED PARTIES - Secured

	Note	2017	2016
		(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**	**65,575**	113,750
Arpak International Investments Ltd. **(AIIL)**	**17.3**	**43,750**	43,750
		388,825	437,000
Less: current maturity grouped under current liabilities		**0**	124,857
		388,825	312,143

17.1 The Company and PSM, on February 09, 2017, have entered into a loan agreement whereby PSM has revised the repayment schedule. As per the revised terms, the loan tenor is 3.5 years with grace period of 3 years; the principal balance of loan is repayable in 7 equal half-yearly instalments commencing February, 2020. The loan carries mark-up at the rate of 1-month KIBOR+1.25% but not less than the borrowing cost rate of PSM. The loan is secured against a promissory note of Rs.374 million and, during the year, carried mark-up at the rates ranging from 7.47% to 7.53% (2016: 7.45% to 8.10%) per annum

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

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

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2017			2016		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	------------------------ Rupees in thousand ------------------------					
Minimum lease payments	**29,884**	**54,515**	**84,399**	22,453	45,925	68,378
Less: finance cost allocated to future periods	**4,096**	**4,021**	**8,117**	3,428	3,516	6,944
	25,788	**50,494**	**76,282**	19,025	42,409	61,434
Less: security deposits adjustable on expiry of lease terms	**4,103**	**10,389**	**14,492**	603	10,809	11,412
Present value of minimum lease payments	**21,685**	**40,105**	**61,790**	18,422	31,600	50,022

18.1 The Company has entered into lease agreements with Bank Al-Habib Ltd. and Faysal Bank Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by September, 2021 and are subject to finance cost at the rates ranging from 4.49% to 8.03% (2016: 4.57% to 9.00%) per annum. 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	2017	2016
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**295,301**	277,670
- surplus on revaluation of property, plant and equipment		**723,106**	830,233
- lease finances		**756**	912
		1,019,163	1,108,815
Deductible temporary differences arising in respect of:			
- provision for doubtful advances		**(731)**	(755)
- minimum tax recoverable against normal tax charge in future years	**19.1**	**(295,326)**	(277,826)
- tax credit for investment in plant and machinery		**0**	(41,075)
		(296,057)	(319,656)
		723,106	789,159

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

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

20. TRADE AND OTHER PAYABLES

	Note	2017	2016
		(Rupees in thousand)	
Creditors		**178,997**	169,052
Due to related parties	**20.1**	**34,798**	24,160
Accrued expenses		**81,537**	63,148
Retention money		**14,735**	21,077
Security deposits - interest free repayable on demand		**769**	1,378
Advance payments from customers		**135,166**	489,411
Income tax deducted at source		**301**	2,182
Workers' (profit) participation fund	**20.2**	**6,615**	23,214
Unclaimed dividends		**7,162**	4,541
Due to employees		**17,115**	11,440
Others		**187**	0
		477,382	809,603

20.1 This represents amounts due to the following Associated Companies:

	2017	2016
- The Frontier Sugar Mills Ltd.	**69**	0
- Phipson & Co. Pakistan (Pvt.) Ltd.	**0**	3
- Syntronics Ltd.	**16,956**	2,349
- Syntron Ltd.	**3,276**	8,200
- Azlak Enterprises (Pvt.) Ltd.	**14,497**	13,608
	34,798	24,160

		Note	2017	2016
			(Rupees in thousand)	
20.2	**Workers' (profit) participation fund**			
	Opening balance		**23,214**	10,490
	Add: interest on funds utilized in the Company's business		**0**	1,967
	Less: payments made during the year		**23,214**	0
			0	12,457
	Add: allocation for the year		**6,615**	10,757
	Closing balance		**6,615**	23,214
21.	**ACCRUED MARK-UP**			
	Mark-up accrued on:			
	- long term finances		**59,912**	81,251
	- loans from related parties		**5,173**	11,401
	- short term borrowings		**51,770**	16,168
			116,855	108,820
22.	**SHORT TERM BORROWINGS**			
	Secured	**22.1**	**2,451,000**	1,017,500
	Un-secured	**22.2**	**1,407**	19,545
			2,452,407	1,037,045

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

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	2017	2016
		(Rupees in thousand)	
Long term finances	**16**	**621,917**	527,705
Loans from related parties	**17**	**0**	124,857
Liabilities against assets subject to finance lease	**18**	**21,685**	18,422
		643,602	670,984

24. CONTINGENCIES AND COMMITMENTS

Contingencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Commitments		**2017**	2016
		(Rupees in thousand)	
24.15 Commitments in respect of :			
- foreign letters of credit for purchase of plant & machinery		**17,604**	11,377
- capital expenditure other than for letters of credit		**2,318**	2,505

25. SALES - Net

Turnover:			
Local		**11,058,477**	10,957,817
Export		**1,500,725**	1,079,641
		12,559,202	12,037,458
Less: sales tax		**1,147,532**	831,249
		11,411,670	11,206,209

26. COST OF SALES

Raw materials consumed		**9,478,751**	7,370,974
Chemicals and stores consumed		**219,112**	206,746
Salaries, wages and benefits	**26.1**	**434,499**	366,861
Power and fuel		**31,111**	28,264
Repair and maintenance		**121,703**	139,069
Insurance		**10,940**	14,250
Depreciation	**5.3**	**706,846**	501,101
		11,002,962	8,627,265
Adjustment of sugar-in-process:			
Opening		**7,865**	10,237
Closing	**8**	**(7,948)**	(7,865)
		(83)	2,372
Cost of goods manufactured		**11,002,879**	8,629,637
Adjustment of finished goods:			
Opening stock		**563,318**	2,034,459
Closing stock	**8**	**(1,345,586)**	(563,318)
		(782,268)	1,471,141
		10,220,611	10,100,778

26.1 These include Rs.4.960 million (2016: Rs.4.084 million) in respect of contribution to staff provident fund.

27. DISTRIBUTION COST

	Note	2017	2016
		(Rupees in thousand)	
Salaries and benefits	27.1	**8,322**	7,709
Commission		**79,280**	70,425
Loading and stacking		**13,615**	23,654
Export development surcharge		**3,775**	2,827
Freight on exports		**68,550**	105,834
Other expenses on export		**38,310**	25,926
		211,852	236,375

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

28. ADMINISTRATIVE EXPENSES

	Note	2017	2016
Salaries and benefits	28.1	**239,616**	186,850
Travelling and conveyance:			
- directors'		**17,804**	14,529
- others		**8,384**	6,846
Vehicles' running and maintenance		**11,046**	9,657
Rent, rates and taxes		**4,833**	2,863
Communication		**8,156**	7,547
Printing and stationery		**6,571**	5,688
Insurance		**2,693**	1,319
Repair and maintenance		**12,711**	13,061
Fees and subscription		**5,036**	1,945
Depreciation	5.3	**25,006**	17,914
Amortization of intangible assets	6	**433**	550
Auditors' remuneration	28.2	**1,993**	1,940
Legal and professional charges (other than Auditors')		**2,926**	1,709
General		**1,279**	1,712
		348,487	274,130

28.1 These include Rs.2.196 million (2016: Rs.2.057 million) in respect of contribution to staff provident fund.

		2017	2016
28.2 Auditors' remuneration:	Note	(Rupees in thousand)	
ShineWing Hameed Chaudhri & Co.			
- statutory audit		**1,443**	1,415
- half yearly review		**289**	263
- consultancy and certification charges		**107**	123
- out-of-pocket expenses		**66**	66
		1,905	1,867
Other Auditors			
- cost audit fee		**55**	45
- provident fund's audit fee		**15**	9
- workers' (profit) participation fund's audit fee		**15**	8
- out-of-pocket expenses		**3**	11
		88	73
		1,993	1,940

29. OTHER INCOME

	Note	2017	2016
Income from financial assets			
Profit on deposit accounts		**4,808**	3,574
Exchange fluctuation gain		**1,645**	51
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.693 thousand (2016: Rs.485 thousand)		**3,645**	2,556
Sale of fusel oil - net of sales tax amounting Rs.92 thousand (2016: Rs.137 thousand)		**538**	808
Gain on disposal of operating fixed assets	**5.4**	**712**	3,208
Seed sales net of expenses		**141**	122,563
		11,489	132,760

30. OTHER EXPENSES

	Note	2017	2016
Donations (without directors' interest)	**30.1**	**10,338**	215
Workers' (profit) participation fund	**20.2**	**6,615**	10,757
		16,953	10,972

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

31. FINANCE COST

	Note	2017	2016
		(Rupees in thousand)	
Mark-up on:			
- long term finances		**217,192**	267,728
- loans from related parties		**30,743**	34,047
- short term borrowings		**235,332**	188,106
Lease finance charges		**4,664**	3,467
Interest on workers' (profit) participation fund	**20.2**	**0**	1,967
Bank charges		**5,026**	6,248
		492,957	501,563

32. TAXATION

	Note	2017	2016
Current:			
- for the year	**32.2**	**77,689**	0
- prior year		**1,729**	0
Deferred:			
- resultant adjustment due to reduction in tax rate	**15.2**	**26,782**	21,754
- on account of temporary differences	**19**	**(66,053)**	(104,053)
		(39,271)	(82,299)
		40,147	(82,299)

32.1 Returns filed by the Company upto the tax year 2017, except for tax years 2011 and 2012, have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

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

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

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

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

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 finalizing the proceedings.

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

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 PER SHARE

	2017	2016
	(Rupees in thousand)	
Profit after taxation attributable to ordinary shareholders	**92,152**	297,450
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
Earnings per share	**3.21**	10.37

33.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2017 and September 30, 2016, which would have any effect on the earnings per share of the Company if the option to convert is exercised.

34. SEGMENT INFORMATION

Segment analysis

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

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

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

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

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

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

Geographical Segments

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Financial Risk Factors

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

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

35.2 Market risk

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

(a) Currency risk

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

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

The following significant exchange rates have been applied:

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

Sensitivity analysis

At September 30, 2017, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of foreign currency financial assets.

Effect on profit for the year:

U.S. $ to Rupee	**2,218**	2,659

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

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

(b) Interest rate risk

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

	2017	2016	**2017**	2016
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**0.26 to 3.75**	3.75	**34,236**	1,381
Variable rate instruments				
Financial liabilities				
Long term finances	**7.14 to 11.40**	7.36 to 11.40	**2,262,555**	2,765,313
Loans from related parties	**7.47 to 7.53**	7.45 to 8.10	**388,825**	437,000
Liabilities against assets subject to finance lease	**4.49 to 8.03**	4.57 to 9.00	**61,790**	50,022
Short term borrowings	**2.00 to 7.75**	4.50 to 14.00	**2,451,000**	1,017,500

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At September 30, 2017, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs.51.642 million (2016: Rs.42.698 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, 2017.

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, 2017 along with comparative is tabulated below:

	2017	2016
	(Rupees in thousand)	
Security deposits	**13,918**	4,163
Trade debts	**185,372**	143,410
Loans and advances	**261,907**	269,798
Other receivables	**277,521**	255,185
Bank balances	**83,703**	37,511
	822,421	710,067

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

Trade debts exposure by geographic region is as follows:

Domestic	**163,196**	116,822
Export	**22,176**	26,588
	185,372	143,410

- Export debts of the Company are situated in Asia.

- The ageing of trade debts at the year-end was as follows:	**2017**	2016
	(Rupees in thousand)	
Not past due	**179,585**	120,523
Past due less than 3 months	**0**	90
Past due less than 6 months	**2,350**	0
Past due more than 6 months	**3,437**	22,797
	185,372	143,410

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.167.375 (2016 Rs.117.211 million) have been realized subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realized in short course of time.

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:

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
2017	-----------------------	-----------Rupees in thousand	-----------	-----------	-----------
Long term finances	**2,262,555**	**2,670,472**	**795,606**	**1,776,436**	**98,430**
Loans from related parties	**388,825**	**504,056**	**29,201**	**410,063**	**64,792**
Liabilities against assets subject to finance lease	**61,790**	**61,790**	**21,685**	**40,105**	**0**
Trade and other payables	**318,185**	**318,185**	**318,185**	**0**	**0**
Accrued mark-up	**116,855**	**116,855**	**116,855**	**0**	**0**
Short term borrowings	**2,452,407**	**2,507,875**	**2,507,875**	**0**	**0**
	5,600,617	**6,179,233**	**3,789,407**	**2,226,604**	**163,222**
2016					
Long term finances	2,765,313	3,412,155	762,163	2,331,846	318,146
Loans from related parties	437,000	495,733	153,294	342,439	0
Liabilities against assets subject to finance lease	50,022	50,022	18,422	31,600	0
Trade and other payables	283,356	283,356	283,356	0	0
Accrued mark-up	108,820	108,820	108,820	0	0
Short term borrowings	1,037,045	1,060,693	1,060,693	0	0
	4,681,556	5,410,779	2,386,748	2,705,885	318,146

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

36. MEASUREMENT OF FAIR VALUES

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

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

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

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

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

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

Financial assets not measured at fair value	**2017**	2016
	Carrying amount (Rupees in thousand)	
Trade debts	**185,372**	143,410
Bank balances	**83,703**	37,511
	269,075	180,921
Financial liabilities not measured at fair value		
Creditors	**178,997**	169,052

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

37. CAPITAL RISK MANAGEMENT

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

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

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

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2017	2016	**2017**	2016	**2017**	2016
	------------------------------ Rupees in thousand ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**0**	1,200	**38,353**	34,415
Allowances and utilities	**0**	0	**0**	0	**24,552**	22,653
Contribution to provident fund	**0**	0	**0**	0	**1,458**	1,514
Medical expenses reimbursed	**960**	392	**364**	192	**210**	0
	2,160	1,592	**364**	1,392	**64,573**	58,582
No. of persons	**1**	1	**3**	4	**25**	25

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

39. CAPACITY AND PRODUCTION

	2017	2016
Sugar Cane Plants	--------- **M.Tons** ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**2,224,494**	1,689,633
Sugar produced	**203,686**	155,443
Ethanol Fuel Plant	--------- **Litres** ---------	
Rated capacity per day	**125,000**	125,000
Actual production	**29,623,876**	25,870,308
Days worked	--------- **Number** ---------	
Sugar - Unit I	**131**	105
Sugar - Unit II	**130**	104
Ethanol Fuel Plant	**261**	221

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

40. NUMBER OF EMPLOYEES

	2017	2016
	--------- Number ---------	
Number of persons employed as at September 30,		
- permanent	**869**	865
- contractual	**914**	816
Average number of employees during the year		
- permanent	**881**	868
- contractual	**1,236**	1,123

41. PROVIDENT FUND RELATING DISCLOSURES

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

	2017	2016
	(Rupees in thousand)	
Size of the fund - total assets	**87,768**	76,556
Cost of investments made	**65,490**	54,718
Fair value of investments made	**86,357**	75,454
	----------- % -----------	
Percentage of investments made	**74.62**	71.47

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

	2017	2016	**2017**	2016
	----------- % -----------		**(Rupees in thousand)**	
Saving account in a scheduled bank	**5.32**	1.75	**4,590**	1,318
Deposit certificates	**70.52**	70.77	**60,900**	53,400
Accrued profit	**24.16**	27.48	**20,867**	20,736
	100.00	100.00	**86,357**	75,454

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

42. DATE OF AUTHORIZATION FOR ISSUE

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

43. EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on January 03, 2018 has proposed a final cash dividend of Rs. 1.5 per share (2016: Rs.4.50 per share) for the year ended September 30, 2017. The financial statements for the year ended September 30, 2017 do not include the effect of proposed dividend amounting Rs. 43.038 million (2016: Rs.129.114 million), which will be accounted for in the financial statements for the year ending September 30, 2018 after approval by the members in the annual general meeting to be held on January 27, 2018. The proposed dividend duly meets the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001 as inserted through the Finance Act, 2015.

44. FIGURES

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

30th Annual General Meeting

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

Revenue Stamp Signature(Rs. 5.00)

____

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

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

Signature of Proxy __________________

1. **Witness:**
Name: ______________________
Signature: ______________________
Address: ______________________
CNIC No: ______________________

2. **Witness:**
Name: ______________________
Signature: ______________________
Address: ______________________
CNIC No: ______________________

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

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

چشمہ شوگر ملز لمیٹڈ

نوشہرہ روڈ مردان

نمائندگی کا فارم (پراکسی فارم)

30 واں سالانہ اجلاس عام

میں/ہم ____________ کا/ کی ____________ بحیثیت رکن چشمہ شوگر ملز لمیٹڈ اور بذریعہ حصص رجسٹرڈ کے فولیونمبر/سی ڈی سی اکاؤنٹ نمبر ____________ حامل ____________ عام حصص، کمپنی کے ایک دوسرے رکن ____________ کا/ کی ____________ فولیونمبر/ سی ڈی سی اکاؤنٹ نمبر ____________

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

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

پانچ روپے کی ریونیو سٹامپ

____

حصص دار کے دستخط

(دستخط کمپنی میں رجسٹرڈ نمونے مطابقت رکھتے ہونے چاہے)

بتاریخ ____________ مہینہ ____________ 2018

نمائندہ کے دستخط: ____________

1. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

2. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

نوٹ:

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

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