annual report

2010

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

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

CHASHMA SUGAR MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 23rd Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2011 at 11.00 AM at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Extra Ordinary General Meeting held on 31 March, 2010.

(2) To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended 30 September, 2010.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2011. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

(4) To declare dividend.

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

The share transfer books of the Company will remain closed from 21 January to 30 January, 2011 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
06 January, 2011

(Mujahid Bashir)
Company Secretary

N.B:

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited have pleasure in presenting the 23rd Annual Report together with the Director's Report and Audited Financial Statements of the Company for the year ended 30 September, 2010.

SUMMARISED FINANCIAL RESULTS

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

	2010	2009
	(Rupees in thousands)	
Profit / (Loss) before taxation	**347,799**	**(140,786)**
Provision for taxation		
Current year	**63,664**	**19,912**
Prior	**341**	**57,212**
	67,005	**77,124**
Profit / (Loss) after taxation	**283,794**	**(217,910)**
Earnings / (Loss) per share	**9.89**	**(7.59)**

GENERAL

1. SUGARCANE SEASON 2009-2010

The sugarcane crushing season commenced on 02 December, 2009, and continued till 06 March, 2010. We crushed 1,046,061 tons (2009:1,050,807 tons) of sugarcane and produced 88,086 tons (2009:85,234) of sugar at an average recovery of 8.42 % (2009: 8.11%). The Provincial Government failed to enforce the support price of sugarcane at Rs. 100/40 Kg, the purchases at the illegal weighbridges by the middlemen led to increase in the sugarcane prices manifolds, as sugarcane constitutes 80% of the sugar price, the consumers across the country suffered extremely high prices of sugar.

2. CURRENT SEASON 2010-2011

The sugarcane crushing season started on 26 November, 2010 and both mills have crushed 197,140 tons of sugarcane, producing 14,625 tons of sugar at an average recovery of 8.00% up to 31 December, 2010. The Government has increased the sugarcane support price from Rs.100/- to Rs.125/- per 40 kg. Once again the Provincial Government has failed to implement the support price as the supply of sugarcane from the farmers has been replaced by the middlemen who through illegal weighbridges in the area purchase the sugarcane, and thereafter blackmail the mills by holding the sugarcane supplies to achieve abnormal sugarcane rates. Furthermore, failure of governance has encouraged them to now procure standing crops from the farmers across Pakistan. We are regularly informing the Cane Commissioner to control this practice being the major cause of increase in the sugar production cost resulting in increased sugar prices.

3. SUGAR PRICE

Until mid of February 2010, the sugar prices corresponded with the cost of production, thereafter suddenly the international sugar prices fell to the lowest of the season that crashed the local sugar prices. Subsequently, sugar prices improved by the end of July 2010.

4. DIVIDEND

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

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5. STAFF

The Labour and Management relations remained cordial during the year. All employees of the Company were paid bonus in addition to other amenities and statutory benefits.

6. AUDITORS

As recommended by the Audit Committee the Board of Directors has recommended to re-appoint Messrs Hameed Chaudhri & Co. Chartered Accountants, Lahore as Auditors of the Company for the financial year ending 30 September 2011. The Board has recommended to approve the minimum audit fee as requested by ATR-14 (Revised) issued by the ICAP.

7. AUDITOR'S REPORT

Reply to the auditors observations

(b). Note 5.1
The Company has adopted the Accounting Standards, amendments and interpretations for presentation of Financial Statements (IAS 1, IAS 23, IFRS 7 and IFRS 8) as recommended by the Audit Committee of the Company.

8. 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 current financial year.

9. PATTERN OF SHAREHOLDING

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

10. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- Proper books of account have been maintained.

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

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

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

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

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

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

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2010, except for those disclosed in the financial statements.

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

- The value of investments of staff provident fund, based on audited accounts, was Rs. 20.40 million as at 30 September, 2009.

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

Attendance by each Director is as follow:-

	Name of Directors	No. of Meetings Attended
-	Khan Aziz Sarfaraz Khan	5
-	Begum Laila Sarfaraz	4
-	Mr. Abbas Sarfaraz Khan	5
-	Ms. Zarmine Sarfaraz	1
-	Ms. Najda Sarfaraz	2
-	Mr. Iskander M Khan	5
-	Mr. Babar Ali Khan	5
-	Mr. Abdul Qadar Khattak	5

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

11. COM PLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules, relevant to the year ended 30 September, 2010 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

12. ROLE OF SHAREHOLDERS

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

13. ACKNOWLEDGEMENT

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

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

ON BEHALF OF THE BOARD

Mardan
06 January, 2011

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

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

MISSION STATEMENT

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

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

Commitment to building Safe, Healthy and Environment friendly atmosphere.

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

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

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

STRATEGIC GOALS

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

CORE VALUES

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2010

NUMBER OF SHAREHOLDERS	SHAREHOLDING					TOTAL SHARES HELD
125	FROM	1	to	100	Shares	10,522
566	FROM	101	to	500	Shares	255,331
143	FROM	501	to	1,000	Shares	136,069
180	FROM	1,001	to	5,000	Shares	489,632
43	FROM	5,001	to	10,000	Shares	335,056
11	FROM	10,001	to	150,000	Shares	140,328
12	FROM	15,001	to	20,000	Shares	208,698
9	FROM	20,001	to	25,000	Shares	209,963
6	FROM	25,001	to	30,000	Shares	160,484
3	FROM	30,001	to	35,000	Shares	100,100
4	FROM	35,001	to	40,000	Shares	148,400
2	FROM	45,001	to	55,000	Shares	100,000
1	FROM	55,001	to	60,000	Shares	59,800
2	FROM	60,001	to	70,000	Shares	134,000
3	FROM	70,001	to	80,000	Shares	227,697
1	FROM	80,001	to	85,000	Shares	81,800
6	FROM	100,001	to	150,000	Shares	733,240
5	FROM	150,001	to	310,000	Shares	1,233,471
5	FROM	320,001	to	465,000	Shares	1,761,748
2	FROM	600,001	to	725,000	Shares	1,374,500
3	FROM	725,001	to	2,000,000	Shares	3,449,686
2	FROM	2,000,001	to	above	Shares	17,341,475
1134						28,692,000

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Companies	4	19,111,834	66.61
NIT and ICP	1	24,264	0.08
Directors & Relatives	12	3,986,250	13.89
Executives	-	-	-
Public Sector Companies & Corporations	18	631,420	2.20
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds	5	1,680,703	5.86
Individuals	1092	2,962,529	10.33
Charitable Trusts	2	295,000	1.03
	1134	28,692,000	100.00

Categories of Shareholders	Nimbers		Shares Held	Percentage of Paid- Up Capital
Associated Companies, Undertakings and Related Parties	**4**		**19,111,834**	**66.61**
The Premier Sugar Mills & Distillery Co. Limited		13,751,000		
Syntronics Limited.		3,590,475		
Azlak Enterprises (Pvt) Limited		1,462,859		
Phipson & Co. (Pak) Limited		307,500		
NIT and ICP	**1**		**24,264**	**0.08**
Directors & Relatives	**12**		**3,986,250**	**13.89**
Executive				
Public Sector Companies and Corporations	**18**		**631,420**	**2.20**
		1,500		
Asif Mushtaq & Company		12,400		
Neelum Textile Mills (Pvt) Limited		17,700		
Shakil Express (Pvt) Limited		35,000		
Saphire Agencies (Pvt) Limited		392,839		
Mehran Sugar Mills Ltd		59,800		
Ameer Cotton Mills (Pvt) Limited		773		
United Capital Securities Pvt. Ltd		24,500		
Bulk Management Pakistan (Pvt) Limited		400		
S.H Bukhari Securities (Pvt) Limited		500		
Kai Securities (Pvt) Limited		300		
Muhammad Ahmed Naeem Securities (Pvt) Ltd		3,000		
ZHV securities (Pvt) Limited		32,600		
Westbury (Pvt) Limited		2,500		
Mazhar Hussain Securities (Pvt) Limited		10,000		
CMA Securities Limited		5,000		
AWJ Securities (Pvt) Limited		27,608		
Mohammad Salim Kasmani Securities		5,000		
Stock Master Securities (Pvt) Ltd.				
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	**5**		**1,680,703**	**5.86**
National Bank of Pakistan		1,291,886		
IDBP (ICP Unit)		3,400		
StateLife Insurance Corporation of Pakistan		81,800		
The Bank of Punjab		201,617		
Faysal Bank Limited		102,000		
Individulals	**1092**		**2,962,529**	**10.33**
Charitable Trusts	**2**		**295,000**	**1.03**
Sarfaraz District Hospital		290,000		
Trustees Moosa Lawani Foundation		5,000		
	1134		**28,692,000**	**100.00**

Shareholders holding 10% or more voting intesrest in the Company

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

CHASHMA SUGAR MILLS LIMITED

TEN YEARS GROWTH AT A GLANCE

PARTICULARS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
					(R U P E E S	I N	T H O U S A N D)			
Sales	6,362,700	3,968,673	2,579,812	1,638,595	1,187,913	1,250,551	1,453,370	576,598	1,286,688	712,165
Cost of sales	5,597,467	3,595,629	2,233,798	1,709,629	1,132,589	1,023,674	1,369,614	577,039	1,106,529	695,170
Operating profit/(Loss)	647,940	297,935	270,343	(128,111)	12,327	180,256	48,878	(29,261)	152,317	(4,886)
Profit/(Loss) before tax	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086	33,246	(42,646)	124,183	(50,741)
Profit/(Loss) After tax	283,794	(217,910)	(63,163)	(358,007)	(32,338)	80,472	21,144	(43,348)	103,470	(61,218)
Share capital	286,920	286,920	286,920	191,280	191,280	191,280	191,280	191,280	191,280	191,280
Shareholders' equity	423,572	66,712	203,438	128,232	486,239	537,705	457,355	436,211	479,558	414,884
Fixed assets - net	2,335,101	2,515,056	2,723,775	1,850,560	893,731	934,125	322,811	355,405	365,272	392,576
Total assets	2,975,098	3,535,462	4,509,239	3,460,459	2,422,106	1,444,253	996,908	1,014,280	628,082	780,345
Long term liabilities	1,059,164	1,229,686	1,464,166	949,167	1,245,000	370,833	263,868	-	-	-
Dividend										
Cash dividend	10%	0	0	0	0	10%	-	-	30%	-
Ratios:										
Profitability (%)										
Operating profit	10.18	7.51	10.48	(4.34)	4.66	18.14	3.36	(5.07)	11.84	(0.69)
Profit/ (Loss) before tax	5.47	(3.55)	(2.22)	23.04	(4.90)	11.04	2.29	(7.40)	9.65	(7.12)
Profit/(Loss) after tax	4.46	(5.49)	(2.45)	21.85	(2.72)	6.43	1.45	(7.52)	8.04	(8.60)
Return to Shareholders										
ROE - Before tax	82.11	(211.04)	(28.10)	(294.35)	(11.99)	25.68	7.27	(9.78)	25.90	(12.23)
ROE - After tax	67.00	(326.64)	(31.05)	(279.19)	(6.65)	14.96	4.62	(9.94)	21.58	(14.76)
Return on Capital Employed	15.03	(14.23)	(3.79)	(187.16)	(0.16)	8.85	2.93	(9.93)	21.55	(14.75)
E. P. S. - After tax	9.89	(7.59)	(2.20)	(18.72)	(1.69)	4.2	1.11	(2.27)	5.41	(3.20)
Activity										
Income to total assets	2.14	1.12	0.57	10.34	(0.01)	0.86	1.46	0.57	2.05	0.91
Income to fixed assets	2.72	1.58	0.95	18.79	(0.02)	1.34	4.50	1.62	3.52	1.81
Liquidity/Leverage										
Current ratio	0.87	0.92	0.93	1.53	1.07	1.10	1.06	1.10	1.63	1.03
Break up value per share	14.76	2.33	7.09	0.67	25.42	28.11	23.91	22.80	25.07	21.69
Total Liabilities to equity (Times)	6.02	20.06	21.17	25.66	3.98	1.69	1.18	1.31	0.31	0.88

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2001	575,031	6.82	40,646
2002	845,048	8.07	68,185
2003	889,074	7.28	64,698
2004	908,130	8.03	72,918
2005	695,884	8.03	55,888
2006	579,512	7.64	44,295
2007	1,277,817	8.09	102,496
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234
2010	1,046,061	8.42	88,086

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF COMPLAINCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with requirements of listing regulation number 35 of the Karachi Stock Exchange (Guarantee) Limited.

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

For and on behalf of the Board

Mardan
06 January, 2011

(KHAN AZIZ SARFARAZ KAHN)
CHAIRMAN/CHIEF EXECUTIVE

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

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

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

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

Further, Sub - Regulation (xiii-a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 September, 2010.

LAHORE;
07 January, 2011

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** (the Company) as at 30 September, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as described in note 5.1 to the financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

LAHORE;
07 January, 2011

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Majeed Chaudhri

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2010

	Note	2010	2009
		Rupees in thousand	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up capital 28,692,000 ordinary shares of Rs.10 each fully paid in cash	7	286,920	286,920
General reserve		327,000	327,000
ACCUMULATED LOSS		(190,348)	(547,208)
		423,572	66,712
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	760,723	833,789
NON-CURRENT LIABILITIES			
Long term finances	9	556,664	789,999
Loans from related parties	10	502,500	439,687
		1,059,164	1,229,686
CURRENT LIABILITIES			
Trade and other payables	11	317,017	251,285
Accrued mark-up and interest	12	90,793	142,909
Short term finances	13	0	700,913
Current portion of:			
- long term finances	9	233,334	198,333
- loans from related parties	10	0	62,813
Sales tax and federal excise duty payable		26,831	29,110
Taxation	14	63,664	19,912
		731,639	1,405,275
CONTINGENCIES AND COMMITMENTS	15		
		2,975,098	3,535,462

	Note	2010	2009
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,335,101	2,515,056
Intangible assets	17	253	900
Security deposits		3,684	3,683
		2,339,038	2,519,639
CURRENT ASSETS			
Stores and spares	18	144,615	141,017
Stock-in-trade	19	256,658	701,368
Trade debts - unsecured - considered good		79,534	54,007
Loans and advances	20	55,463	41,276
Deposits, prepayments and other receivable	21	1,854	27,161
Investments	22	26,608	0
Income tax refundable		9,770	21,845
Advance income tax and tax deducted at source		15,761	8,178
Bank balances	23	45,797	20,971
		636,060	1,015,823
		2,975,098	3,535,462

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

	Note	2010	2009
		Rupees in thousand	
SALES	24	**6,362,700**	3,968,673
COST OF SALES	25	**5,597,467**	3,595,629
GROSS PROFIT		**765,233**	373,044
DISTRIBUTION COST	26	**14,251**	15,518
ADMINISTRATIVE EXPENSES	27	**84,156**	72,014
OTHER OPERATING EXPENSES	28	**25,870**	97
OTHER OPERATING INCOME	29	**(6,984)**	(12,520)
		117,293	75,109
PROFIT FROM OPERATIONS		**647,940**	297,935
FINANCE COST	30	**300,141**	438,721
PROFIT / (LOSS) BEFORE TAXATION		**347,799**	(140,786)
TAXATION			
Current	14	**63,664**	19,912
Prior years'	14	**341**	57,212
		64,005	77,124
PROFIT / (LOSS) AFTER TAXATION		**283,794**	(217,910)
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME / (LOSS)		**283,794**	(217,910)
EARNINGS / (LOSS) PER SHARE	31	**9.89**	(7.59)

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES	**Rupees in thousand**	
Profit / (loss) for the year - before taxation	**347,799**	(140,786)
Adjustments for non-cash and other charges:		
Depreciation	**236,640**	257,133
Amortisation of intangible assets	**647**	647
Profit on deposit accounts	**(1,451)**	(9,889)
Gain on re-measurement of investments	**(208)**	0
Gain on sale of vehicles	**(740)**	(39)
Finance cost	**297,573**	434,640
CASH FLOW FROM OPERATING ACTIVITIES - Before working capital changes	**880,260**	541,706
(Increase) / decrease in current assets:		
Stores and spares	**(3,598)**	(3,573)
Stock-in-trade	**444,710**	736,695
Trade debts	**(25,527)**	(34,634)
Loans and advances	**(14,187)**	6,816
Deposits, prepayments and other receivable	**25,320**	(22,250)
Increase / (decrease) in current liabilities:		
Trade and other payables	**65,732**	53,854
Sales tax and federal excise duty payable	**(2,279)**	23,687
	490,171	760,595
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	**1,370,431**	1,302,301
Income tax paid	**(15,761)**	(8,177)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	**1,354,670**	1,294,124
Security deposits	**(1)**	(270)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,354,669**	1,293,854
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	**(57,400)**	(52,825)
Sale proceeds of vehicles	**1,455**	250
Intangible assets acquired	**0**	(760)
Investments made	**(26,400)**	0
Profit on bank deposits received	**1,438**	9,889
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(80,907)**	(43,446)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances repaid	**(198,334)**	(110,834)
Lease finances - net	**0**	(415)
Loans from related parties repaid	**0**	(50,000)
Short term finances - net	**(700,579)**	(685,064)
Finance cost paid	**(349,689)**	(404,163)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(1,248,602)**	(1,250,476)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**25,160**	(68)
CASH AND CASH EQUIVALENTS - At beginning of the year	**20,637**	20,705
CASH AND CASH EQUIVALENTS - At end of the year	**45,797**	20,637
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Bank balances	**45,797**	20,971
Temporary bank overdrafts	**0**	(334)
	45,797	20,637

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

	Share capital	General reserve	Accumulated loss	Total
	----------------- Rupees in thousand -----------------			
Balance as at 30 September, 2008	286,920	327,000	(410,482)	203,438
Loss after taxation for the year ended 30 September, 2009	0	0	(217,910)	(217,910)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	81,184	81,184
Balance as at 30 September, 2009	286,920	327,000	(547,208)	66,712
Profit after taxation for the year ended 30 September, 2010	0	0	283,794	283,794
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	73,066	73,066
Balance as at 30 September, 2010	**286,920**	**327,000**	**(190,348)**	**423,572**

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER, 2010

1. CORPORATE INFORMATION

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

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

2. STATEMENT OF COMPLIANCE

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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

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

3.2 Functional and presentation currency

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

a) provisions and contingencies;

b) useful life of property, plant and equipment / intangible assets;

c) provision for impairment of trade debts and other receivables; and

d) taxation.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

(a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 01 October, 2009 and has elected to present one performance statement (i.e. profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

(b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.

(c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings / (loss) per share.

(d) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the financial statements of the Company.

5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 October, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 October, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).

- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).

- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company’s 2011 financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Equity instruments

These are recorded at their face value.

6.2 Borrowings

Loans and borrowings are initially recognised at the proceeds received; subsequent to initial recognition, these are stated at amortised cost.

6.3 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates.

In prior years, exchange fluctuations on principal loans were transferred to the cost of respective assets acquired out of the proceeds of such loans; effective from the financial year ended 30 September, 2004, all exchange fluctuations are charged to income currently.

6.4 Staff retirement benefits (defined contribution plan)

The Company operates a defined contribution provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.25% of the basic salary are made to the fund both by the Company and employees.

6.5 Taxation

(a) Current

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

(b) Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

6.6 Trade and other payables

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

6.7 Provisions

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

6.8 Property, plant and equipment

Owned assets

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

Depreciation is charged to income applying reducing balance method to write-off the cost and capitalised exchange fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 16.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month of disposal. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

Assets subject to finance lease

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

Depreciation is charged to income at the rates stated in note 16.1 applying reducing balance method to write-off cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

6.9 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 17.1.

Gain / loss on retirement / disposal of intangible assets is taken to profit and loss account.

6.10 Stores and spares

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

6.11 Stock-in-trade

Basis of valuation are as follows:

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

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

6.12 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

6.13 Loans and advances

These are stated at cost.

6.14 Short term investments

Short term investments, at inception, are designated at fair value through profit or loss. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

6.15 Cash and cash equivalents

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

6.16 Impairment loss

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

6.17 Revenue recognition

- Sales are recorded on dispatch of goods.

- Income on deposit / saving accounts is accounted for on `accrual basis'.

6.18 Development expenditure

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

6.19 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of property, plant and equipment are capitalised up to the date of commissioning of the respective assets. All other borrowing costs are taken to profit and loss account.

6.20 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.21 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

6.22 Dividend distribution

Dividend distribution (including stock dividend) to the Company's shareholders is accounted for in the period in which the dividends are declared.

7. SHARE CAPITAL

	2010	2009
	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**	1,492,500
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,111,834	19,141,475

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

The Company had revalued freehold land, buildings & roads and plant & machinery of its Unit - I on 31 March, 2008. The revaluation exercise was carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. (Consulting Engineers, Surveyors & Loss Adjusters, Valuation Consultants, Lahore) to replace the carrying amounts of these assets with their replacement value / depreciated market values. The aggregated net appraisal surplus arisen on the revaluation amounting Rs.957.702 million was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	**2010**	2009
		Rupees in thousand	
Balance at beginning of the year		**833,789**	914,973
Less: transferred to accumulated loss on account of incremental depreciation for the year		**73,066**	81,184
		760,723	833,789

9. LONG TERM FINANCES - Secured

	Note	2010	2009
Bank Alfalah Limited: (BAL)			
- Term finance - I	**9.1**	**49,998**	83,332
- Term finance - II	**9.1**	**160,000**	200,000
		209,998	283,332
Bank Al-Habib Limited: (BAH)			
- Term finance - I	**9.2**	**210,000**	270,000
- Term finance - II	**9.3**	**280,000**	315,000
		490,000	585,000
Silkbank Limited: (SBL)			
- Term finance	**9.4**	**90,000**	120,000
		789,998	988,332
Less: current portion grouped under current liabilities		**233,334**	198,333
		556,664	789,999

9.1 Term finance facilities utilised from BAL aggregated Rs.400 million. Term finance-I carries mark-up at the rate of 6-months KIBOR plus 2% with a floor of 9% per annum; the effective mark-up rate during the year ranged from 14.35% to 14.54% (2009: 14.54% to 17.68%) per annum. Term finance-II carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.35% to 14.54% (2009: 14.54% to 17.68%) per annum. Term finance-I is repayable in 12 equal half-yearly instalments commenced from April, 2006 whereas term finance-II is repayable in 10 equal half-yearly instalments commenced from January, 2010. These term finance facilities are secured against first pari passu charge on fixed assets of the Company for Rs. 533.334 million.

9.2 Term finance facility utilised from BAH aggregated Rs.300 million; the facility has been obtained for establishment of Unit- 2 and is secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.866.667 million. This finance facility, during the year, has carried mark-up at the rates ranging from 14.17% to 14.57% (2009: 14.57% to 17.49%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from February, 2010.

9.3 Term finance facility utilised from BAH aggregated Rs.350 million; the facility has also been obtained for establishment of Unit-2 and is secured against the securities as stated in note 9.2. This finance facility, during the year, has carried mark-up at the rates ranging from 14.37% to 14.77% (2009: 14.77% to 17.69%) per annum. This finance facility is repayable in 9 equal half-yearly instalments commenced from May, 2010.

9.4 Term finance facility utilised from SBL aggregated Rs.150 million; the facility has been obtained to finance the acquisition of plant and machinery for Unit-2 and is secured against ranking charge on current and fixed assets of the Company for Rs.200 million and first registered pari passu charge on fixed assets of Unit-2 for Rs.200 million. This finance facility carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged from 14.37% to 14.76% (2009: 14.76% to 17.70%) per annum. The year-end outstanding balance of this finance facility is repayable in 6 equal half-yearly instalments ending April, 2013.

10. LOANS FROM RELATED PARTIES - Secured

	Note	2010	2009
		Rupees in thousand	
Holding Company			
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**10.1**	**322,500**	322,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	**10.2**	**130,000**	130,000
Arpak International Investments Ltd. **(AIIL)**	**10.3**	**50,000**	50,000
		502,500	502,500
Less: current portion grouped under current liabilities		**0**	62,813
		502,500	439,687

10.1 The Company and PSM have entered into a loan agreement on 20 May, 2008 whereby PSM has advanced amounts aggregating Rs.322.500 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PSM during the year ranged from 13.34% to 14.34% (2009: 13.54% to 16.50%) per annum. PSM, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing August, 2013. The loan is secured against a promissory note of Rs.397.810 million.

10.2 The Company and PBM have entered into a loan agreement on 20 May, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PBM during the year ranged from 13.28% to 14.04% (2009: 12.39% to 15.85%) per annum. PBM, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.268.031 million.

10.3 The Company and AIIL have entered into a loan agreement on 20 May, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by AIIL during the year ranged from 13.28% to 14.04% (2009: 12.39% to 15.85%) per annum. AIIL, during the year, has extended the grace period for further three years; accordingly, the loan is repayable in 8 equal half-yearly instalments commencing May, 2013. The loan is secured against a promissory note of Rs.55.615 million.

11. TRADE AND OTHER PAYABLES

	Note	2010	2009
		Rupees in thousand	
Due to related parties	**11.1**	**2,038**	56,443
Creditors		**60,152**	54,975
Accrued expenses		**64,034**	19,483
Retention money		**2,675**	3,027
Security deposits - interest free repayable on demand		**713**	789
Advance payments		**158,575**	113,304
Income tax deducted at source		**512**	696
Workers' (profit) participation fund - allocation for the year		**18,679**	0
Workers' welfare fund		**7,098**	0
Unclaimed dividends		**2,496**	2,496
Due to employees		**45**	72
		317,017	251,285

11.1 The balance represents amounts due to:

	2010	2009
Holding Company		
- The Premier Sugar Mills & Distillery Co. Ltd.	**0**	11,067
Associated Companies		
- Syntron Ltd.	**2,017**	44,921
- Phipson & Co. Pakistan (Pvt.) Ltd.	**0**	191
- Azlak Enterprises (Pvt.) Ltd.	**21**	99
- Syntronics Ltd.	**0**	165
	2,038	56,443

12. ACCRUED MARK-UP AND INTEREST

	Note	2010	2009
		Rupees in thousand	
Mark-up accrued on:			
- long term finances		**29,081**	36,300
- loans from related parties		**52,004**	76,019
- short term finances		**9,708**	30,590
		90,793	142,909

13. SHORT TERM FINANCES

	Note	2010	2009
Cash and running finances - secured	**13.1**	**0**	700,579
Temporary bank overdrafts - unsecured		**0**	334
		0	700,913

13.1 Short term finance facilities under mark-up arrangements available from commercial banks aggregate Rs.1.550 billion (2009: Rs.1.275 billion). These facilities, during the year, carried mark-up at the rates ranging from 13.50% to 14.85% (2009: 13.67% to 17.50%) per annum. Facility available for opening letters of credit amounts to Rs.25 million (2009: facilities available for opening letters of credit and guarantee aggregated Rs.91 million). These facilities are secured against pledge of stock-in-trade, hypothecation charge over present and future current assets and banks' lien on import documents. These facilities have remained unutilised at the year-end and are expiring on various dates by 30 April, 2011.

14. TAXATION - Net

	Note	2010	2009
Opening balance		**19,912**	12,205
Add: provision made during the year for:			
current	**14.6**	**63,664**	19,912
prior years:			
- for the Assessment Year 2001-02		**0**	49,465
- for other Assessment Years - net		**341**	7,747
		64,005	77,124
		83,917	89,329
Less: payments / adjustments made against completed assessments		**20,253**	69,417
		63,664	19,912

14.1 Returns filed by the Company for Tax Years 2004 to 2010 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance). The Company has not received any notice from the Tax Department for selection of its cases for detailed scrutiny.

14.2 The Appellate Tribunal, Inland Revenue, Peshawar (the Tribunal), vide its order dated 06 April, 2010, has rejected the Department's appeal and upheld the reliefs allowed by the Commissioner of Income Tax (Appeals) - CIT (A) - for the Assessment Year 2002-03. The CIT (A) had given the following reliefs to the Company:

- restricted additions made under the head 'cane development & procurement' from Rs.2.822 million to Rs.0.164 million;

- deleted additions made under the heads 'repair of building' at Rs.3.502 million and 'investing charges' at Rs.1.564 million; and

- deleted additions made under the head 'machinery lease rentals' at Rs.3.400 million.

The Department has filed a reference application under section 133 of the Ordinance before the Peshawar High Court, Peshawar (PHC), which has been decided in favour of the Company.

14.3 The Tribunal, for the Assessment Year 1999-2000 through a unanimous decision of 08 October, 2007, had decided the appeal in favour of the Company by cancelling the original assessment for non-invocation of the provisions of section 12(9A) of the repealed Income Tax Ordinance, 1979. The Commissioner of Income Tax, during the financial year ended 30 September, 2008, had filed a reference application under section 133 of the Ordinance before the PHC against order of the Tribunal. The reference is pending adjudication.

14.4 The Tribunal, vide its order dated 11 December, 2009 for the Tax Year 2006, has deleted the tax charged by the Taxation Officer aggregating Rs.9.082 million under sections 161/205 of the Ordinance and annulled the order passed by him. The Department, against the order of the Tribunal, has filed a reference application under section 133 of the Ordinance before the PHC, which is pending adjudication.

14.5 The Commissioner Inland Revenue (Appeals), for the Tax Year 2005, has allowed reliefs and tax charged by the Assessing Officer under section 161/205 of the Ordinance aggregating Rs.269 thousand was deleted to the extent of Rs.257 thousand. The Department, against the Commissioner's order, has filed an appeal before the Tribunal, which is pending adjudication.

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

14.7 Deferred tax asset on available unused tax losses has not been recognised in these financial statements due to uncertainty about the availability of taxable profits in the foreseeable future. Available unused tax losses as per the return for Tax Year 2010 aggregated Rs.1.195 billion.

15. CONTINGENCIES AND COMMITMENTS

15.1 Commitments for irrevocable letters of credit outstanding as at 30 September, 2010 were for Rs.2.718 million; (no commitments for irrevocable letters of credit were outstanding as at 30 September, 2009).

15.2 No commitments for capital expenditure were outstanding as at 30 September, 2010; (commitments for capital expenditure outstanding as at 30 September, 2009 aggregated Rs.1.470 million).

15.3 The Company had entered into a lease agreement with The Premier Sugar Mills & Distillery Company Limited (PSM) - the Holding Company - during December, 1994 to acquire machinery, i.e. 4,000 K.W. Horizontal Multi Stage Turbo Alternator Set, complete with all equipment on lease at prime cost of Rs.30.000 million at an annual lease rent of Rs.6.000 million for a period of three years. PSM, during the years ended 30 September, 2001 and 30 September, 2004, had extended the lease periods of the said machinery for further periods of three years at annual rentals of Rs.3.400 million and Rs.3.000 million per annum respectively. PSM, during the financial year ended 30 September, 2007, had again extended the lease period expired on 31 December, 2006 for a further period of three years at lease rentals of Rs.1.800 million per annum. The agreement was secured against demand promissory note of Rs.18.000 million. The Company, during the current financial year, has acquired the aforementioned machinery for Rs.5.700 million.

15.4 Also refer contents of taxation notes.

16. PROPERTY, PLANT AND EQUIPMENT

	Note	**2010**	2009
		Rupees in thousand	
Operating fixed assets - tangible	**16.1**	**2,313,897**	2,450,768
Capital work-in-progress	**16.5**	**2,463**	45,813
Stores held for capital expenditure		**18,741**	18,475
		2,335,101	2,515,056

16.1 Operating fixed assets - tangible

	Owned								Leased	Total
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles	Vehicles	
	---------- Rupees in thousand ----------									
At 30 September, 2008										
Cost / revaluation	143,877	573,276	2,174,589	151,925	16,549	0	15,148	13,461	13,156	3,101,981
Accumulated depreciation	0	46,019	283,286	42,534	7,264	0	7,493	9,573	7,885	404,054
Book value	143,877	527,257	1,891,303	109,391	9,285	0	7,655	3,888	5,271	2,697,927
Year ended 30 September, 2009										
Additions	311	0	917	1,988	1,900	0	849	4,220	0	10,185
Transfers										
- Cost	0	0	0	0	0	0	0	13,156	(13,156)	0
- Depreciation	0	0	0	0	0	0	0	(8,017)	8,017	0
Disposals:										
- Cost	0	0	0	0	0	0	0	(1,228)	0	(1,228)
- Depreciation	0	0	0	0	0	0	0	1,017	0	1,017
Depreciation charge	0	52,726	189,182	11,032	1,027	0	825	2,209	132	257,133
Book value at 30 September, 2009	144,188	474,531	1,703,038	100,347	10,158	0	7,679	10,827	0	2,450,768
Year ended 30 September, 2010										
Additions	0	18,640	61,957	6,033	2,217	1,017	669	9,951	0	100,484
Disposals:										
- Cost	0	0	0	0	0	0	0	(1,730)	0	(1,730)
- Depreciation	0	0	0	0	0	0	0	1,015	0	1,015
Depreciation charge	0	48,086	173,125	10,260	1,141	39	805	3,184	0	236,640
Book value at 30 September, 2010	144,188	445,085	1,591,870	96,120	11,234	978	7,543	16,879	0	2,313,897
At 30 September, 2009										
Cost / revaluation	144,188	573,276	2,175,506	153,913	18,449	0	15,997	29,609	0	3,110,938
Accumulated depreciation	0	98,745	472,468	53,566	8,291	0	8,318	18,782	0	660,170
Book value	144,188	474,531	1,703,038	100,347	10,158	0	7,679	10,827	0	2,450,768
At 30 September, 2010										
Cost / revaluation	144,188	591,916	2,237,463	159,946	20,666	1,017	16,666	37,830	0	3,209,692

16.2 As detailed in note 8, items of property, plant and machinery were revalued during the financial year ended 30 September, 2008. Had there been no revaluation, the book value of revalued assets would have been as follows:

	2010	2009
	Rupees in thousand	
- freehold land	**41,057**	41,057
- buildings and roads	**271,582**	281,750
- plant and machinery	**1,107,780**	1,165,161
	1,420,419	1,487,968

16.3 Depreciation for the year has been allocated as follows:

Cost of sales	**231,509**	252,940
Administrative expenses	**5,131**	4,193
	236,640	257,133

16.4 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to / insurance claim received from:
	------------ Rupees in thousand ------------					
Land Cruiser	800	181	619	755	136	Mr. Adnan Aziz, House # 138, Street # 72, G-9/3, Islamabad.
Toyota Corolla	930	834	96	700	604	IGI Insurance Ltd.
	1,730	**1,015**	**715**	**1,455**	**740**	

16.5 Capital work-in-progress

Freehold land - advance payments	**421**	421
Buildings on freehold land:		
- cost of materials	**1,816**	12,068
Plant and machinery:		
- cost	**226**	27,759
- advance payments	**0**	490
	226	28,249
Electric installations - cost	**0**	2,347
Vehicles - advance payments	**0**	2,728
	2,463	45,813

17. INTANGIBLE ASSETS

(Computer softwares)	Note	2010	2009
		Rupees in thousand	
Cost at beginning of the year		**6,292**	5,532
Additions during the year		**0**	760
Cost at end of the year		**6,292**	6,292
Less: amortisation:			
- at beginning of the year		**5,392**	4,745
- charge for the year		**647**	647
- at end of the year		**6,039**	5,392
Book value as at 30 September,		**253**	900

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

18. STORES AND SPARES

		2010	2009
Stores including in-transit inventory valuing Rs.3.540 million (2009: Rs.Nil)		**127,365**	122,573
Spares		**17,250**	18,444
		144,615	141,017

19. STOCK-IN-TRADE

		2010	2009
Finished goods		**247,805**	696,574
Sugar-in-process		**8,853**	4,794
		256,658	701,368

19.1 Finished sugar inventory as at 30 September, 2008 was measured at net realisable value being higher than the cost thereby increasing the valuation of finished sugar inventory on the aforesaid date by Rs.501.473 million approximately and reducing loss for the financial year ended 30 September, 2008 by the said amount; the aforementioned accounting treatment had converted profit for the financial year ended 30 September, 2009 amounting Rs.283.563 million into loss amounting Rs.217.910 million. Valuation of finished sugar inventory as at 30 September, 2009, however, was made as per the policy stated in note 6.11.

20. LOANS AND ADVANCES

	Note	2010	2009
Advance payments to:			
- employees		**1,935**	1,663
- suppliers and contractors	**20.1**	**55,089**	41,143
Due from an Associated Company	**20.2**	**872**	907
Letters of credit		**4**	0
		57,900	43,713
Less: provision for doubtful advances		**2,437**	2,437
		55,463	41,276

20.1 These are unsecured and considered good except for Rs.2.437 million (2009: Rs.2.437 million), which have been fully provided for in the books of account.

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

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

	2010	2009
	Rupees in thousand	
- purchase of goods	**35,853**	38,749
- machinery lease rentals	**1,200**	1,818
- purchase of plant & machinery	**5,700**	0
- sale of goods	**13,740**	559
- mark-up on long term loans	**69,540**	80,835

(b) Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.1.057 million (2009: Rs.3.861 million).

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

Security deposits with Trading Corporation of Pakistan (Pvt.) Ltd.	**0**	20,940
Bank guarantee margin	**0**	3,300
Prepayments	**1,591**	2,671
Mark-up accrued on bank deposits	**13**	0
Other receivables	**250**	250
	1,854	27,161

22. INVESTMENTS - At fair value through profit or loss

	2010 Rupees in thousand
ABL Asset Management Co. Ltd. - 2,003,208 Growth Units	**20,000**
UBL Fund Managers Ltd. - 63,974 Units	**6,400**
	26,400
Add: adjustment on re-measurement to fair value	**208**
	26,608

23. BANK BALANCES

	Note	2010	2009
		Rupees in thousand	
Cash at banks on:			
- current accounts	**23.1**	**27,858**	16,105
- PLS accounts		**17,872**	1,230
- deposit accounts		**67**	3,636
		45,797	20,971

23.1 These include dividend account balance of Rs.22 thousand (2009: Rs.22 thousand).

23.2 PLS and deposit accounts during the year carried profit / mark-up at the rate of 5% (2009: at the rates ranging from 2% to 5%) per annum.

24. SALES - Net

		2010	2009
Turnover - local		**6,688,438**	4,436,337
Less:			
Sales tax		**264,491**	429,891
Federal excise duty		**61,247**	37,773
		325,738	467,664
		6,362,700	3,968,673

25. COST OF SALES

	Note	2010	2009
Raw materials consumed		**4,620,036**	2,345,472
Chemicals and stores consumed		**52,271**	57,965
Salaries, wages and benefits	**25.1**	**158,775**	127,852
Power and fuel		**15,628**	14,964
Repair and maintenance		**69,528**	52,015
Insurance		**3,810**	5,908
Machinery lease rentals	**15.3**	**1,200**	1,818
Depreciation		**231,509**	252,940
		5,152,757	2,858,934
Adjustment of sugar-in-process:			
Opening		**4,794**	4,619
Closing		**(8,853)**	(4,794)
		(4,059)	(175)
Cost of goods manufactured		**5,148,698**	2,858,759
Adjustment of finished goods :			
Opening stock		**696,574**	1,433,444
Closing stock		**(247,805)**	(696,574)
		448,769	736,870
		5,597,467	3,595,629

25.1 These include Rs.1,830 thousand (2009: Rs.932 thousand) in respect of staff retirement benefits.

	Note	2010	2009
		Rupees in thousand	
26. DISTRIBUTION COST			
Salaries and benefits	**26.1**	**2,495**	3,123
Commission		**7,425**	5,071
Loading and stacking		**4,331**	7,324
		14,251	15,518

26.1 These include Rs.31 thousand (2009: Rs.15 thousand) in respect of staff retirement benefits.

27. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries and benefits	**27.2**	**58,909**	45,132
Travelling and conveyance:			
- directors'		**2,091**	1,910
- others		**844**	1,107
Vehicles' running / maintenance and lease rentals		**3,713**	4,624
Rent, rates and taxes		**934**	666
Communication		**1,605**	1,637
Printing and stationery		**2,302**	3,559
Insurance		**348**	327
Repair and maintenance		**2,746**	3,192
Fees and subscription		**1,348**	1,303
Depreciation		**5,131**	4,193
Amortisation of intangible assets		**647**	647
Auditors' remuneration	**27.3**	**1,476**	716
Legal and professional charges (other than Auditors')		**1,736**	2,161
General		**326**	840
		84,156	72,014

27.1 The Company, during the year, has shared expenses amounting Rs.0.522 million with its Holding Company on account of the Technical Director's salary. (2009: the Company had shared expenses aggregating Rs.7.063 million with its Associated Companies on account of combined office expenses).

27.2 These include Rs.676 thousand (2009: Rs.428 thousand) in respect of staff retirement benefits.

27.3 Auditors' remuneration:	Note	2010	2009
		Rupees in thousand	
Hameed Chaudhri & Co.			
- statutory audit			
- current year		**1,000**	200
- short provision for the preceding year		**175**	0
- half yearly review		**100**	100
- code of corporate governance		**25**	25
- consultancy and certification charges		**45**	330
- out-of-pocket expenses		**91**	25
		1,436	680
Munawar Associates			
- cost audit fee		**30**	30
- provident fund's audit fee		**5**	5
- out-of-pocket expenses		**5**	1
		40	36
		1,476	716

28. OTHER OPERATING EXPENSES

Workers' (profit) participation fund	**18,679**	0
Workers' welfare fund	**7,098**	0
Donations (without directors' interest)	**93**	97
	25,870	97

29. OTHER OPERATING INCOME

Income from financial assets		
Profit on deposit accounts	**1,451**	9,889
Gain on re-measurement of investments	**208**	0
Income from other than financial assets		
Sale of press mud - net of sales tax amounting Rs.150 thousand (2009: Rs.108 thousand) and excise duty amounting Rs.9 thousand (2009: Rs.7 thousand)	**939**	675
Sale of scrap - net of sales tax amounting Rs.35 thousand and excise duty amounting Rs.2 thousand	**218**	0
Gain on sale of vehicles	**740**	39
Insurance claim received against damage of stock of baggase due to fire	**2,350**	0
Agricultural income - net	**1,078**	0
Exchange fluctuation gain	**0**	1,917
	6,984	12,520

30. FINANCE COST

	2010	2009
	Rupees in thousand	
Mark-up on:		
- long term finances	**128,777**	173,623
- loans from related parties	**69,540**	80,835
- short term finances	**99,256**	180,164
Lease finance charges	**0**	18
Bank charges	**2,568**	4,081
	300,141	438,721

31. EARNINGS / (LOSS) PER SHARE

	2010	2009
Profit / (loss) after taxation attributable to ordinary shareholders	**283,794**	(217,910)
	Number of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
Earnings / (loss) per share	**9.89**	(7.59)

31.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2010 and 30 September, 2009, which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	------------------------------ **Rupees in thousand** ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**1,722**	2,088	**11,904**	6,011
Allowances and utilities	**0**	0	**0**	0	**5,439**	3,356
Contribution to provident fund	**0**	0	**0**	0	**430**	289
Medical expenses reimbursed	**59**	155	**0**	0	**0**	0
	1,259	1,355	**1,722**	2,088	**17,773**	9,656
No. of persons	**1**	1	**1**	1	**10**	7

32.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Seven (2009: four) 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).

33. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk; and
- market risk.

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

33.1 Credit risk

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

Credit risk arises from cash equivalents, deposits with banks, as well as credit exposures to customers and other counter parties, which include trade debts and other receivables. All of the Company's financial assets were subject to credit risk as at 30 September, 2010 and 2009.

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties.

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

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

The maximum exposure to credit risk as at 30 September, 2010 along with comparative is tabulated below:

	2010	2009
	Rupees in thousand	
Security deposits	**3,684**	3,683
Trade debts	**79,534**	54,007
Loans and advances	**53,524**	39,613
Deposits and other receivables	**263**	24,490
Investments	**26,608**	0
Bank balances	**45,797**	20,971
	209,410	142,764

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

The ageing of trade debts, all of which are domestic parties, at the balance sheet date is as follows:

	2010	2009
	Rupees in thousand	
Not past due	**49,822**	51,957
Past due 1-30 days	**0**	3
Past due more than 30 days	**29,712**	2,047
	79,534	54,007

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

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

	Fund stability rating assigned by JCR-VIS
- ABL Asset Management Co. Ltd.	**AM3**
- UBL Fund Managers Ltd.	**AM2**

33.2 Liquidity risk

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

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

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

	2009				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	Rupees in thousand				
Long term finances	988,332	1,266,508	327,833	938,675	0
Loans from related parties	502,500	694,264	132,205	562,059	0
Short term finances	700,579	725,710	725,710	0	0
Trade and other payables	137,213	137,213	137,213	0	0
Accrued mark-up and interest	142,909	142,909	142,909	0	0
	2,471,533	2,966,604	1,465,870	1,500,734	0

	2009				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	------------------------- Rupees in thousand -------------------------				
Long term finances	988,332	1,266,508	327,833	938,675	0
Loans from related parties	502,500	694,264	132,205	562,059	0
Short term finances	700,579	725,710	725,710	0	0
Trade and other payables	137,213	137,213	137,213	0	0
Accrued mark-up and interest	142,909	142,909	142,909	0	0
	2,471,533	2,966,604	1,465,870	1,500,734	0

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

33.3 Market risk

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

(a) Currency risk

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

(b) Mark-up rate risk

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

	2010	2009	**2010**	2009
	Effective rate		**Carrying amount**	
	%	**%**	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	2 to 5	**17,939**	4,866
Variable rate instruments				
Financial liabilities				
Long term finances	**14.17 to 14.77**	13.79 to 17.70	**789,998**	988,332
Loans from related parties	**13.28 to 14.34**	12.39 to 16.50	**502,500**	502,500
Short term finances	**13.50 to 14.85**	13.67 to 17.50	**0**	700,579

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest and mark-up rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2009.

	Decrease	Increase
	Rupees in thousand	
As at 30 September, 2010		
Cash flow sensitivity-variable rate financial liabilities	**(12,925)**	**12,925**
As at 30 September, 2009		
Cash flow sensitivity-variable rate financial liabilities	21,914	(21,914)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit (2009: loss) for the year and liabilities of the Company.

33.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

33.5 Capital risk management

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

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

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

34. CAPACITY AND PRODUCTION

	2010	2009
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,046,061**	1,050,807
Sugar produced	**88,086**	85,234
	--------- Number ---------	
Days worked:		
Unit - I	**89**	100
Unit - II	**95**	101

35. OPERATING SEGMENTS

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

35.1 Sugar sales represent 94% (2009: 94%) of the total sales of the Company.

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

35.3 All non-current assets of the Company as at 30 September, 2010 are located in Pakistan.

35.4 The Company sells sugar to commission agents (2009: the Company had sold sugar to commission agents and a Government Institution). Sugar sales to five (2009: three) of the Company's customers during the year aggregated Rs.5.998 billion (2009: Rs.3.731 billion) constituting 99.85% (2009: 99.87%) of the total sugar sales. Four (2009: three) of the Company's customers individually exceeded 10% of the sugar sales.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 06 January, 2011 by the board of directors of the Company.

37. FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

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

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

hereby appoint...of..

or failing him...of...

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

be held on 31 January, 2011 and at any adjournment thereof.

As witness my hand this ....day of 2011

Signed by the said
in the presence of

Address..

....

....

Revenue
Stamp

Signature