annual report

2014

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

Company Profile

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

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

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

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

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

Board of Directors

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

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Auditors

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

Cost Auditors

M/s. Munawar Associates
Chartered Accountants

Tax Consultants

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

Legal Advisor

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

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
Faysal Bank Limited
National Bank of Pakistan
Habib Bank Limited
United 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. Iskander M. (Non-Executive Director)	Chairman
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) The overall system of remuneration and benefits for senior management and functional heads.

ii) Succession and career development within the senior management.

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

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

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

- To ensure attractive returns to business associates and optimizing the shareholders value as per their expectations.

MISSION STATEMENT

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

- To be a good corporate citizen to fulfil the social responsibilities.

- Commitment to building, Safe, Healthy and Environment friendly atmosphere.

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

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

STRATEGIC GOALS

- Providing customer satisfaction by serving with superior quality production of white sugar and industrial alcohol at lowest cost.

- Ensuring security and accountability by creating an environment of security and accountability for employees, production facilities and products.

- Expanding customer base by exploring new national and international markets and undertaking product research and development in sugar industry.

- Ensuring Efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

- Striving for continuous improvement and innovation with commitment and responsibility.

- Treating stakeholders with respect, courtesy and competence.

- Practicing highest personal and professional integrity.

- Maintaining teamwork, trust and support with open and candid communication; and.

- Ensuring cost consciousness in all decision and operations.

CHASHMA SUGAR MILLS LIMITED

Code of Conduct

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

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

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

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

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

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

General Principles

- Compliance with the law, regulations, statutory provisions, ethical integrity and fairness is a constant commitment and duty of all the employees and characterizes the Conduct of the organization.
- The Company's business and activities have to be carried out in a transparent, honest and fair way, in good faith and in full compliance. Any form of discrimination, corruption, forced or child labor is rejected. Particular attention is paid to the acknowledgment and safeguarding of the dignity, freedom and equality of human beings.

- All employees, without any distinction or exception whatsoever, respect the principles and contents of the Code in their actions and behaviors while performing their functions according to their responsibilities, because compliance with the Code is fundamental for the quality of their working and professional performance. Relationships among employees, at all levels, must be characterized by honesty, fairness, cooperation, loyalty and mutual respect.
- The belief that one is acting in favor or to the advantage of the Company can never, in any way, justify-not even in part any behavior that conflict with the principles and content of the Code.
- The Code of Conduct aims at guiding the Company 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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	(RUPEES IN THOUSAND)									
Sales	5,831,752	6,673,731	5,848,891	5,882,738	6,362,700	3,968,673	2,579,812	1,638,595	1,187,913	1,250,551
Cost of sales	5,725,768	6,173,254	5,702,814	5,186,437	5,597,467	3,595,629	2,233,798	1,709,629	1,132,589	1,023,674
Operating profit/(Loss)	84,272	481,250	97,323	612,225	647,940	297,935	270,343	(128,111)	12,327	180,256
Profit/(Loss) before tax	(275,026)	56,728	(239,067)	165,491	347,799	(140,786)	(57,172)	(377,451)	(71,919)	138,086
Profit/(Loss) After tax	(128,619)	32,972	(218,971)	140,610	283,794	(217,910)	(63,163)	(358,007)	(32,338)	80,472
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	286,920	191,280	191,280	191,280
Shareholders' equity	2,423,137	2,524,899	1,397,464	1,645,127	423,572	66,712	203,438	128,232	486,239	537,705
Fixed assets - net	6,372,848	5,014,393	3,171,414	3,103,002	2,335,101	2,515,056	2,723,775	1,850,560	893,731	934,125
Total assets	9,303,424	7,485,951	5,835,443	5,647,181	2,975,098	3,535,462	4,509,239	3,460,459	2,422,106	1,444,253
Long term liabilities	3,223,672	2,270,940	1,451,512	1,357,532	1,059,164	1,229,686	1,464,166	949,167	1,245,000	370,833
Dividend										
Cash dividend	0	0	0	10%	10%	0	0	0	0	10%
Ratios:										
Profitability (%)										
Operating profit	1.45	7.21	1.66	10.41	10.18	7.51	10.48	(4.34)	4.66	18.14
Profit/ (Loss) before tax	(4.72)	0.85	(4.09)	2.81	5.47	(3.55)	(2.22)	23.04	(4.90)	11.04
Profit/(Loss) after tax	(2.21)	0.49	(3.74)	2.39	4.46	(5.49)	(2.45)	21.85	(2.72)	6.43
Return to Shareholders										
ROE - Before tax	(11.35)	2.25	(17.11)	10.06	82.11	(211.04)	(28.10)	(294.35)	(11.99)	25.68
ROE - After tax	(5.31)	1.31	(15.67)	8.55	67.00	(326.64)	(31.05)	(279.19)	(6.65)	14.96
Return on Capital Employed	(3.31)	0.83	(7.65)	4.52	15.03	(14.23)	(3.79)	(187.16)	(0.16)	8.85
E. P. S. - After tax	(4.48)	1.15	(7.63)	4.90	9.89	(7.59)	(2.20)	(18.72)	(1.69)	4.2
Activity										
Income to total assets	0.63	0.89	1.00	1.36	2.14	1.12	0.57	10.34	(0.01)	0.86
Income to fixed assets	0.92	1.33	1.84	2.16	2.72	1.58	0.95	18.79	(0.02)	1.34
Liquidity/Leverage										
Current ratio	0.80	0.92	0.87	0.96	0.87	0.92	0.93	1.53	1.07	1.1
Break up value per share	84.45	88.00	48.71	5.73	14.76	2.33	7.09	0.67	25.42	28.11
Total Liabilities to equity (Times)	2.83	1.96	3.17	2.43	6.02	20.06	21.17	25.66	3.98	1.69

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2005	695,884	8.03	55,888
2006	579,512	7.64	44,295
2007	1,277,817	8.09	102,496
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234
2010	1,046,061	8.42	88,086
2011	1,353,553	8.69	117,474
2012	1,196,202	8.65	103,478
2013	1,326,905	9.18	121,771
2014	1,294,435	8.33	107,775

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that 27th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 31 January, 2015 at 11:30 a.m., at the Registered Office of the Company at Nowshera Road, Mardan for transacting the following business: -

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2014.

(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, 2014.

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September, 2015. The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from 21 January to 31 January, 2015 (Both days inclusive).

BY ORDER OF THE BOARD

Mardan:
02 January, 2015

(Mujahid Bashir)
Company Secretary

N.B:

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Directors of Chashma Sugar Mills Limited are pleased to present Directors' Report of the Company together with the audited financial statements for the year ended 30 September, 2014.

1. SUMMARISED FINANCIAL RESULTS

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

	2014	2013
	(Rupees in thousands)	
(Loss)/ Profit before taxation	**(275,026)**	56,728
Taxation		
- Current	**0**	69,144
- Prior	**(2,349)**	(902)
- Deferred	**(144,058)**	(44,486)
	(146,407)	23,756
(Loss)/ Profit after taxation	**(128,619)**	32,972
	---------- (Rupees) ----------	
(Loss) / Earnings per share	**(4.48)**	1.15

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2013-14

The sugarcane crushing season 2013-14 commenced on 27 November, 2013 and continued till 17 March, 2014. The Mills crushed 1,294,435 tons (2013: 1,326,905 tons) of sugarcane and produced 107,775 tons (2013: 121,771 tons) of sugar. The sugarcane crop in our area was severely damaged due to the Pyrila attack and prolonged dry weather during grand growth period. Due to this the sucrose contents dropped and hampered the sugar recovery process resulting in financial loss.

2.2 CURRENT SEASON 2014-2015

The sugarcane crushing season started on 04 December, 2014 and the Mills have crushed 266,341 tons of sugarcane, producing 20,505 tons of sugar at average recovery of 7.97 % up to 25 December, 2014. We worked along with the farmers to change the Indian variety and hopeful for the improved results; weather remained favorable and rains were on time.

3. SUGAR PRICE

Excessive production of sugar in the country, low international sugar prices and delayed decisions to export surplus sugar resulted in depressed selling prices in local market throughout the year

4. ETHANOL FUEL PLANT AT UNIT-II

The Ethanol fuel plant of 125,000 Liters per day commenced operation during March 2014. The installation of Bio-Gas Plant is in progress.

5. STAFF

The Management and Labor relations remained cordial during the year. No bonus was paid during the year due to huge losses suffered by the Company.

6. 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 accounts have been maintained.

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

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

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

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

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

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

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2014, 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. 37.7 million as at 30 September, 2013.

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

- Attendance by each Director is as follow:-

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

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

7. **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.

8. **DIVIDEND**

The Directors do not recommend any dividend due to application of funds in the installation of Ethanol Fuel Plant and Bio-Gas Plant.

9. **EXTERNAL AUDITORS**

The Audit Committee and Board of Directors have recommended to re-appoint M/s Hameed Chaudhri & Co., Chartered Accountants, Lahore as External Auditors for the financial year 2014-15. The Board has recommended to approve the minimum audit fee as required by ATR-14 (Revised) issued by the ICAP.

10. **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.

11. **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules, relevant for the year ended 30 September, 2014 have been duly complied with. A statement to this effect is annexed with the report.

12. PATTERN OF SHAREHOLDING

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

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
02 January, 2015

(AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

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 Compay's equity shares are listed on Lahore, Karachi and Islamabad Stock Exchanges.

Listing Fees
The annual listing fee for the financial year 2014-15 has been paid to the stock exchanges within the prescribed time limit.

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

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

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from 21.01.2015 to 31.01.2015.

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, 2014

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
144	From	1	to	100	Shares	10,584
531	From	101	to	500	Shares	236,623
123	From	501	to	1,000	Shares	116,977
130	From	1,001	to	5,000	Shares	350,035
26	From	5,001	to	10,000	Shares	196,500
26	From	10,001	to	20,000	Shares	394,206
7	From	20,001	to	25,000	Shares	158,264
3	From	25,001	to	30,000	Shares	83,000
5	From	30,001	to	35,000	Shares	166,000
4	From	35,001	to	40,000	Shares	148,400
4	From	40,001	to	60,000	Shares	190,000
1	From	60,001	to	70,000	Shares	69,000
1	From	70,001	to	80,000	Shares	76,500
1	From	80,001	to	85,000	Shares	81,800
5	From	85,001	to	125,000	Shares	495,986
7	From	125,001	to	200,000	Shares	1,011,500
3	From	200,001	to	310,000	Shares	872,000
5	From	310,001	to	450,000	Shares	1,958,964
5	From	625,001	to	2,000,000	Shares	4,734,186
2	From	2,000,001	to	above	Shares	17,341,475
1,033						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines	4	19,111,834	66.61
NIT and ICP			
Directors & Relatives	12	4,175,719	14.55
Executive			
Public Sector Companies & Corporation	7	1,051,185	3.66
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and	10	45,600	0.16
Individuals	998	4,012,662	13.99
Charitable Trusts	2	295,000	1.03
	1,033	**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**		**4,175,719**		**14.55**
Public Sector Companies and Corporations	**10**		**45,600**		**0.16**
Asif Mushtaq & Company		1,500		0.01	
Shakil Express (Pvt) Ltd.		17,700		0.06	
Neelam Textile Mills Ltd.		12,400		0.04	
Amer Cotton Mills (Pvt) Ltd.		300		0.00	
Muhammad Ahmed Nadeem Securities (Pvt) Ltd.		300		0.00	
Standard Capital Securities (Pvt) Limited		5,000		0.02	
Akhai Securities (Pvt) Limited		3,000		0.01	
Sherman Securities (Pvt) Limited		2,000		0.01	
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	**7**		**1,051,185**		**3.67**
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	
National Bank of Pakistan Trustee Department		852,227		2.97	
IDBP (ICP) Unit		3,200		0.01	
State life Insurance Co. of Pakistan		81,800		0.29	
NIT & ICP		24,264		0.08	
Individuals	**998**		**4,012,662**		**13.98**
Charitable Trusts	**2**		**295,000**		**1.03**
Sarfaraz District Hospital Charity Fund		290,000		1.01	
Trustees Moosa Lawari Foundation		5,000		0.02	
	1,033		**28,692,000**		**100.00**

Shareholders holding 10% or more voting Intesrest in the Company

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

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

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

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

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

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

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

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

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

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

6. 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 decisions on material transactions.

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

9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly apprised with the amendments in the corporate and other laws if any. One Director has acquired certification under the “Code of Corporate Governance Leadership Skills” programme conducted by the “Institute of Chartered Accountants of Pakistan”.

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

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

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

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

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

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

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

17. The Board ensures arrangement of orientation courses for its Directors to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.

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

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

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

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

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

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

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

For and on behalf of the Board

Islamabad
02 January, 2015

(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 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, 2014 to comply with the requirements of Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended September 30, 2014.

Hameed Chaudhri & Co.

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

LAHORE;
03 January, 2015

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** (the Company) as at September 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2014 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Hameed Chaudhri & Co.

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

LAHORE;
03 January, 2015

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2014

	Note	2014	2013
ASSETS		**(Rupees in thousand)**	
Non-current assets			
Property, plant and equipment	5	**6,368,487**	5,010,389
Intangible assets	6	**233**	0
Security deposits		**4,128**	4,004
		6,372,848	5,014,393
Current assets			
Stores and spares	7	**294,389**	461,159
Stock-in-trade	8	**1,703,189**	1,318,668
Trade debts	9	**177,856**	319,517
Loans and advances	10	**185,188**	154,341
Prepayments and other receivables	11	**152,088**	88,166
Tax refunds due from the Government	12	**295,576**	102,583
Bank balances	13	**122,290**	27,124
		2,930,576	2,471,558
TOTAL ASSETS		**9,303,424**	7,485,951
EQUITY AND LIABILITIES			
Equity			
Authorised capital			
50,000,000 (2013: 50,000,000) ordinary shares of Rs.10 each		**500,000**	500,000
Issued, subscribed and paid-up capital			
28,692,000 (2013: 28,692,000) ordinary shares of Rs.10 each	14	**286,920**	286,920
General reserve		**327,000**	327,000
Accumulated loss		**(18,206)**	(69,526)
Shareholders' Equity		**595,714**	544,394
Surplus on revaluation of property, plant and equipment	15	**1,827,423**	1,980,505
Non-current liabilities			
Long term finances	16	**2,027,408**	911,845
Loans from related parties	17	**437,000**	437,000
Liabilities against assets subject to finance lease	18	**17,054**	8,970
Deferred taxation	19	**742,210**	913,125
		3,223,672	2,270,940
Current liabilities			
Trade and other payables	20	**367,373**	275,689
Accrued mark-up	21	**203,522**	120,236
Short term borrowings	22	**2,930,723**	1,999,468
Current maturity of non-current liabilities	23	**154,997**	225,575
Taxation	24	**0**	69,144
		3,656,615	2,690,112
Total liabilities		**6,880,287**	4,961,052
TOTAL EQUITY AND LIABILITIES		**9,303,424**	7,485,951
Contingencies and commitments	25		

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, 2014

	Note	2014	2013
		(Rupees in thousand)	
Sales - net	26	**5,831,752**	6,673,731
Cost of Sales	27	**(5,725,768)**	(6,173,254)
Gross Profit		**105,984**	500,477
Distribution Cost	28	**(67,121)**	(89,830)
Administrative Expenses	29	**(175,782)**	(157,038)
Other Income	30	**222,229**	231,938
Other Expenses	31	**(1,038)**	(4,297)
Profit from Operations		**84,272**	481,250
Finance Cost	32	**(359,298)**	(424,522)
(Loss) / Profit before Taxation		**(275,026)**	56,728
Taxation	33	**146,407**	(23,756)
(Loss) / Profit after Taxation		**(128,619)**	32,972
Other Comprehensive Income		**0**	0
Total Comprehensive (Loss) / Income		**(128,619)**	32,972
		------- Rupees -------	
(Loss) / Earnings per Share	34	**(4.48)**	1.15

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, 2014

	2014	2013
Cash flow from operating activities	**(Rupees in thousand)**	
(Loss) / profit for the year - before taxation	**(275,026)**	56,728
Adjustments for non-cash charges and other items:		
Depreciation	**392,662**	261,793
Amortisation of intangible assets	**117**	100
Profit on deposit accounts	**(4,765)**	(4,575)
Gain on redemption of investments	**0**	(16,556)
Gain on sale of vehicles	**(223)**	(774)
Finance cost	**355,501**	420,738
Profit before working capital changes	**468,266**	717,454
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Stores and spares	**166,770**	(283,993)
Stock-in-trade	**(384,521)**	28,995
Trade debts	**141,661**	362,143
Loans and advances	**(30,847)**	(29,554)
Prepayments and other receivables	**(63,922)**	(84,845)
Sales tax refundable - net	**(166,687)**	(29,543)
Increase / (decrease) in trade and other payables	**91,686**	(543,998)
	(245,860)	(580,795)
Cash generated from operations	**222,406**	136,659
Income tax paid	**(93,101)**	(48,010)
Security deposits	**(124)**	(70)
Net cash generated from operating activities	**129,181**	88,579
Cash flow from investing activities		
Purchase of property, plant and equipment	**(1,753,373)**	(512,396)
Intangible assets acquired	**(350)**	0
Sale proceeds of vehicles	**2,836**	2,499
Investments redeemed	**0**	218,710
Profit on bank deposits received	**4,765**	4,575
Net cash used in investing activities	**(1,746,122)**	(286,612)
Cash flow from financing activities		
Long term finances - net	**1,040,414**	310,509
Loans from related parties repaid	**0**	(45,500)
Lease finances - net	**12,655**	1,359
Short term borrowings - net	**979,245**	233,099
Dividend paid	**(2)**	(7)
Finance cost paid	**(272,215)**	(399,340)
Net cash generated from financing activities	**1,760,097**	100,120
Net increase / (decrease) in cash and cash equivalents	**143,156**	(97,913)
Cash and cash equivalents - at beginning of the year	**(29,240)**	68,673
Cash and cash equivalents - at end of the year	**113,916**	(29,240)
Cash and cash equivalents comprised of:		
Bank balances	**122,290**	27,124
Temporary bank overdrafts	**(8,374)**	(56,364)
	113,916	(29,240)

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, 2014

	Share capital	General reserve	Accumulated loss	Total
	---------------- Rupees in thousand ----------------			
Balance as at September 30, 2012	286,920	327,000	(188,853)	425,067
Total comprehensive income for the year ended September 30, 2013	0	0	32,972	32,972
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	86,355	86,355
Balance as at September 30, 2013	286,920	327,000	(69,526)	544,394
Total comprehensive loss for the year ended September 30, 2014	0	0	(128,619)	(128,619)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net of deferred taxation	0	0	179,939	179,939
Balance as at September 30, 2014	**286,920**	**327,000**	**(18,206)**	**595,714**

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, 2014

1. LEAGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

(a) Property, plant and equipment

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

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

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

(c) Provision for impairment of trade debts

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

(d) Income taxes

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

e) Contingencies

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

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

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to approved accounting standards that became effective during the year

There are amendments to the approved standards and new interpretations that are mandatory for accounting periods beginning on or after October 01, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and therefore not detailed in these financial statements.

3.2 Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to published standards are effective for the Company's accounting periods beginning on or after October 01, 2014 (although available for early adoption) and have not been early adopted by the Company:

(a) IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable on accounting periods beginning on or after January 01, 2014. This amendment updates the application guidance in IAS 32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The Company shall apply this amendment from October 01, 2014 and does not expect to have a material impact on its financial statements.

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

(c) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company shall apply this amendment from October 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

(d) IFRIC 21 - Levies is effective from accounting periods beginning on or after January 01, 2014. IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The interpretations are not likely to have an impact on the Company's financial statements.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment and depreciation

Owned assets

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

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

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

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

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

Assets subject to finance lease

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

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

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

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

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

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

4.2 Intangible assets and amortisation thereon

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

4.3 Stores and spares

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

4.4 Stock-in-trade

Basis of valuation are as follows:

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

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

4.5 Trade debts and other receivables

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

4.6 Cash and cash equivalents

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

4.7 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

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

4.8 Staff retirement benefits (defined contribution plan)

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

4.9 Trade and other payables

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

4.10 Provisions

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

4.11 Taxation

Current

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

Deferred

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

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

4.12 Dividend and appropriation to reserves

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

4.13 Financial instruments

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

4.14 Offsetting

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

4.15 Foreign currency translations

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

4.16 Impairment loss

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

4.17 Revenue recognition

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

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

4.18 Development expenditure

Expenditure incurred on development of sugar cane is expensed in the year of 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 organised into two operating segments i.e. sugar and spirit.

5. PROPERTY, PLANT AND EQUIPMENT	**Note**	**2014**	2013
		(Rupees in thousand)	
Operating fixed assets - tangible	**5.1**	**3,765,102**	4,112,223
Capital work-in-progress	**5.5**	**2,601,473**	896,121
Stores held for capital expenditure		**1,912**	2,045
		6,368,487	5,010,389

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, 2012											
Cost / revaluation	163,319	591,916	2,231,045	8,676	163,689	27,090	1,017	18,775	42,471	18,625	3,266,623
Accumulated depreciation	0	(145,465)	(256,699)	(1,883)	(82,534)	(12,284)	(225)	(10,766)	(26,433)	(3,009)	(539,298)
Book value as at September 30, 2012	163,319	446,451	1,974,346	6,793	81,155	14,806	792	8,009	16,038	15,616	2,727,325
Year ended September 30, 2013:											
Additions	30,298	0	0	0	1,442	4,641	0	1,250	11,431	5,223	54,285
Revaluation adjustments:											
- cost / revaluation	86,037	21,009	840,280	0	0	0	0	0	0	0	947,326
- depreciation	0	190,110	454,133	2,562	0	0	0	0	0	0	646,805
Disposals:											
-cost	0	0	0	0	0	0	(55)	0	(2,580)	0	(2,635)
-depreciation	0	0	0	0	0	0	16	0	894	0	910
Depreciation charge for the year	0	(44,645)	(197,435)	(679)	(8,166)	(1,768)	(79)	(870)	(4,750)	(3,401)	(261,793)
Book value as at September 30, 2013	279,654	612,925	3,071,324	8,676	74,431	17,679	674	8,389	21,033	17,438	4,112,223
Year ended September 30, 2014:											
Additions	110	0	0	6,833	4,138	5,255	0	2,361	799	28,658	48,154
Disposals:											
- cost	0	0	0	0	0	0	0	0	(2,599)	(3,472)	(6,071)
- depreciation	0	0	0	0	0	0	0	0	2,097	1,361	3,458
Depreciation charge for the year	0	(61,293)	(307,132)	(1,551)	(7,630)	(2,106)	(67)	(970)	(4,246)	(7,667)	(392,662)
Book value as at September 30, 2014	279,764	551,632	2,764,192	13,958	70,939	20,828	607	9,780	17,084	36,318	3,765,102
As at September 30, 2013											
Cost / revaluation	279,654	803,035	3,525,458	11,238	165,131	31,731	962	20,025	51,322	23,848	4,912,404
Accumulated depreciation	0	(190,110)	(454,134)	(2,562)	(90,700)	(14,052)	(288)	(11,636)	(30,289)	(6,410)	(800,181)
Book value	279,654	612,925	3,071,324	8,676	74,431	17,679	674	8,389	21,033	17,438	4,112,223
As at September 30, 2014											
Cost / revaluation	279,764	803,035	3,525,458	18,071	169,269	36,986	962	22,386	49,522	49,034	4,954,487
Accumulated depreciation	0	(251,403)	(761,266)	(4,113)	(98,330)	(16,158)	(355)	(12,606)	(32,438)	(12,716)	(1,189,385)
Book value	279,764	551,632	2,764,192	13,958	70,939	20,828	607	9,780	17,084	36,318	3,765,102
Depreciation rate (%)	0	10	10	10	10	10	10	10	20	20	

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

	2014	2013
	(Rupees in thousand)	
- freehold land	**71,795**	71,685
- buildings & roads	**178,185**	197,984
- plant and machinery	**722,850**	803,166
- generator	**11,652**	6,114
	984,482	1,078,949

5.3 Depreciation for the year has been allocated as follows:

Cost of sales	**376,860**	251,004
Administrative expenses	**15,802**	10,789
	392,662	261,793

5.4 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Sold through negotiation to:
	------- Rupees in thousand -------					
Owned						
Honda City	705	435	270	352	82	Mr. Sher Afzal Khan, Kark.
Toyota Land Cruiser	1,285	1,072	213	825	612	Mr. Nasir Ameen, Gilgit.
Suzuki Khyber	509	490	19	142	123	Mr. Saad-ul-Haq, Bhakar.
Toyota Jeep	100	100	0	185	185	Muhammad Zaman, Dera Ismail Khan.
	2,599	2,097	502	1,504	1,002	
Leased						
Toyota Corolla	2,039	799	1,240	533	(707)	Sayed Asif Gillani, Rawalpindi.
Toyota Corolla	1,433	562	871	799	(72)	Mr. Amjad, Pakpatan.
	3,472	1,361	2,111	1,332	(779)	
	6,071	**3,458**	**2,613**	**2,836**	**223**	
2013	2,635	910	1,725	2,499	774	

5.5 Capital work-in-progress

	Note	2014	2013
		(Rupees in thousand)	
Buildings on freehold land		**384,165**	174,336
Plant and machinery	5.6	**1,874,070**	658,420
Electric installations		**152,080**	43,440
Office equipment		**0**	297
Furniture and fixtures		**0**	111
Vehicles		**1,827**	1,014
Un-allocated capital expenditure - net	5.7	**171,395**	18,082
Advance payments:			
-freehold land		**421**	421
-buildings on freehold land		**12,604**	0
-plant and machinery		**4,911**	0
		17,936	421
		2,601,473	896,121

5.6 The balance includes mark-up aggregating Rs.178.937 million (2013: Rs.15.157 million) on long term finances; rates of mark-up have been disclosed in note 16.

5.7 Un-allocated capital expenditure - net

	2014	2013
Salaries and benefits	**37,002**	7,134
Fee for soil testing	**750**	750
Consultancy fee for Ethanol Fuel Plant (EFP) and other charges	**6,483**	5,229
Damages to buildings, plant & machinery and stores due to riots - net of insurance claim amounting Rs.17 million	**30,623**	0
Compensation paid to affectees	**29,003**	0
Mark-up on short term borrowings	**29,377**	0
Penalty imposed by the State Bank of Pakistan due to non-export of spirit - net	**5,517**	0
Other expenses	**42,141**	4,969
	180,896	18,082
Less: sale of spirit during trial run operations	**9,501**	0
	171,395	18,082

5.8 The newly installed Ethanol Fuel Plant's (EFP) trial run operations commenced from April 01, 2014; however, these operations had to be stopped due to Ramak tragedy in which some persons drowned six kilometers away from the factory in waste water drain. The management, to resume EFP operations, is in the process of installing new Biogas Plant, which will consume waste of EFP as its input.

6. INTANGIBLE ASSETS - Computer softwares

	2014	2013
	(Rupees in thousand)	
Cost at beginning of the year	**6,592**	6,592
Additions during the year	**350**	0
Cost at end of the year	**6,942**	6,592
Less: amortisation:		
- at beginning of the year	**6,592**	6,492
- charge for the year	**117**	100
-at end of the year	**6,709**	6,592
Book value as at September 30 ,	**233**	0

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

7. STORES AND SPARES

Stores including in-transit inventory valuing Rs.4.955 million (2013: Rs.239.987 million)	**264,158**	431,708
Spares	**30,231**	29,451
	294,389	461,159

8. STOCK-IN-TRADE

Finished goods	**1,690,948**	1,314,744
Sugar-in-process	**12,241**	3,924
	1,703,189	1,318,668

9. TRADE DEBTS - Unsecured, considered good

Year-end balance of trade debts includes a debt amounting Rs.32.300 million, which is overdue since September 30, 2011. 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.

10. LOANS AND ADVANCES

	Note	2014	2013
		(Rupees in thousand)	
Advance payments to:			
- employees		**6,732**	3,329
- suppliers and contractors	**10.1**	**180,874**	128,652
Due from an Associated Company	**10.2**	**19**	19
Letters of credit		**0**	24,778
		187,625	156,778
Less: provision for doubtful advances		**2,437**	2,437
		185,188	154,341

10.1 These are unsecured and considered good except for Rs.2.437 million (2013: Rs.2.437 million), which have been fully provided for in the books of account.

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

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

	2014	2013
The Holding Company		
- sale of goods	**1,893**	4,990
- sale of stores	**2,651**	4,838
- purchase of stores	**2,991**	0
- mark-up expensed	**32,159**	31,730
Associated Companies		
- purchase of goods	**76,897**	35,403
- mark-up expensed	**17,904**	18,323

(b) Maximum aggregate debit balance of the Holding Company and Associated Companies at any month-end during the year was Rs.2.536 million (2013: Rs.8.587 million).

11. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
Prepayments		**2,454**	2,846
Sugar export subsidy receivable	**11.1**	**146,889**	84,833
Others		**2,745**	487
		152,088	88,166

11.1 This represents subsidy receivable from the Ministry of Commerce, Government of Pakistan against export of sugar during the preceding financial year at the rate of Rs.1.75 per Kg and at the rate of Re. 1 per Kg during the current financial year.

12. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2014	2013
		(Rupees in thousand)	
Income tax refundable, advance tax and tax deducted at source		**103,135**	76,829
Sales tax refundable		**192,441**	25,754
		295,576	102,583

13. BANK BALANCES

	Note	2014	2013
Cash at banks on:			
- current accounts	**13.1**	**31,842**	21,144
- PLS accounts	**13.2**	**71,828**	5,751
- deposit accounts	**13.2**	**18,620**	229
		122,290	27,124

13.1 These include dividend account balance of Rs.1.722 million (2013: Rs.1.722 million).

13.2 These carry profit at the rate of 7% (2013: 6%) per annum.

14. SHARE CAPITAL

	2014	2013
	(Number of shares)	
Ordinary shares held by the related parties at the year-end are as follows:		
Holding Company		
- The Premier Sugar Mills & Distillery Co. Ltd.	**13,751,000**	13,751,000
Associated Companies		
- Azlak Enterprises (Pvt.) Ltd.	**1,462,859**	1,462,859
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,111,834	19,111,834

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

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

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

	2014	2013
	(Rupees in thousand)	
Opening balance	**2,893,630**	1,430,340
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	1,594,131
Less: transferred to accumulated loss on account of incremental depreciation for the year	**(268,566)**	(130,841)
	2,625,064	2,893,630
Less: deferred tax on:		
- opening balance of surplus	**913,125**	457,943
- surplus on revaluation carried-out during the preceding year	**0**	512,752
- incremental depreciation for the year	**(88,627)**	(44,486)
	824,498	926,209
	1,800,566	1,967,421
Resultant adjustment due to reduction in tax rate	**26,857**	13,084
Closing balance	**1,827,423**	1,980,505

16. LONG TERM FINANCES - Secured

From banking companies	Note	2014	2013
		(Rupees in thousand)	
Bank Alfalah Limited: (BAL)			
- Term finance - II	16.1	0	40,000
- Term finance - III	16.1	250,000	250,000
		250,000	290,000
Bank Al-Habib Limited: (BAH)			
- Term finance - I	16.2	0	30,000
- Term finance - II	16.2	0	70,000
- Fixed loan	16.3	113,204	55,230
- Long term finance [(LTFF) - SBP]	16.3	364,810	172,713
		478,014	327,943
Faysal Bank Limited: (FBL)			
- Term finance	16.4	499,964	0
Soneri Bank Limited: (SBL)			
- Term finance	16.5	130,674	2,292
- LTFF (ERF)	16.5	240,595	24,325
		371,269	26,617
The Bank of Khyber: (BoK)			
- Demand finance	16.6	124,013	179,130
The Bank of Punjab: (BoP)			
- Demand finance	16.7	92,472	92,472
- LTFF	16.7	356,644	215,800
		449,116	308,272
		2,172,376	1,131,962
Less: current maturity grouped under current liabilities (2014 balance includes an overdue instalment amounting Rs.25 million)		144,968	220,117
		2,027,408	911,845

16.1 The outstanding balance of term finance II was fully repaid during the year. Term finance III has been obtained for purchase of plant and machinery and is repayable in 10 equal half-yearly instalments with effect from September, 2014. These finances carry mark-up at the rate of 6-months KIBOR plus 2% per annum; the effective mark-up rates during the year ranged from 11.06% to 12.18% (2013: 11.06% to 14%) 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 The outstanding balances of these finance facilities were fully repaid during the year. The effective mark-up rates charged on these facilities during the year ranged from 10.96% to 12.15% (2013: 10.96% to 14.04%) per annum.

16.3 Fixed loan and LTFF (SBP) finance facilities aggregate Rs.500 million and are being utilised for establishment of ethanol plant. The finance facilities tenor is seven years with two years grace period from the date of first disbursement and are secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.933.333 million. Fixed loan carries mark-up at the rate of 6-months average KIBOR plus 1.5%; the effective mark-up rates during the year ranged from 10.52% to 11.67% (2013: 10.52% to 11.12%) per annum. LTFF (SBP) finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2013: 11.40%) 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's tenor is five years including two years grace period and is secured against joint pari passu hypothecation and mortgage charge over all fixed assets of the Company for Rs. 667 million. The finance facility carries mark-up at the rate of 6-months KIBOR plus 1.5% per annum; the effective mark-up rates during the year ranged from 11.05% to 11.69% 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. The finance facilities tenor is seven years with two years grace period and are secured against joint pari passu charge of Rs.666.667 million over present and future fixed assets of the Company. Term finance carries mark-up at the rate of 6-months KIBOR + 1.75%; the effective mark-up rates during the year ranged from 10.92% to 11.93% (2013: 10.92%) 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% (2013: 11.40%) per annum.

16.6 Demand finance facility available from BoK for purchase of plant & machinery amounts to Rs.250 million and carries mark-up at the rate of 6-months KIBOR plus 2% with no floor and no cap; the effective mark-up rates during the year ranged from 11.06% to 12.18% (2013: 11.06% to 14%) per annum. The finance facility is repayable in 16 equal quarterly instalments commenced from January, 2013 and is secured against first registered pari passu charge for Rs.350 million over all present and future fixed assets of the Company.

16.7 Demand finance and LTFF finance facilities available from BoP aggregate Rs.500 million and have been obtained to finance distillery / ethanol plant being established by the Company. The finance facilities tenor is seven years with two years grace period and are secured against joint pari passu hypothecation charge over fixed assets of the Company for Rs.666.670 million. Demand finance carries mark-up at the rate of 6-months KIBOR + 1.3%; the effective mark-up rates during the year ranged from 10.62% to 11.48% (2013: 10.16% to 10.89%) per annum. LTFF carries mark-up at SBP rate + 3%; the effective mark-up rate during the year was 11.40% (2013: 11.40%) per annum.

17. LOANS FROM RELATED PARTIES - Secured

	Note	2014	2013
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	17.1	**279,500**	279,500
Associated Companies			
Premier Board Mills Ltd. **(PBM)**	17.2	**113,750**	113,750
Arpak International Investments Ltd. **(AIIL)**	17.3	**43,750**	43,750
		437,000	437,000

17.1 The Company and PSM have entered into a loan agreement on May 20, 2008 whereby PSM has advanced amounts aggregating Rs.322.500 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rates charged by PSM during the year ranged from 10.94% to 11.67% (2013: 10.53% to 11.68%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from August, 2013; however, the Company has made repayments aggregating Rs.43 million upto September 30, 2013. The Company and PSM have entered into a revised agreement on September 30, 2013 whereby the balance of loan is repayable in seven half-yearly instalments commencing February, 2017. The loan is secured against a promissory note of Rs.397.810 million.

17.2 The Company and PBM have entered into a loan agreement on May 20, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rates charged by PBM during the year ranged from 10.44% to 11.63% (2013: 10.26% to 11.54%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. The Company and PBM have entered into a revised agreement on September 30, 2013 whereby the balance of loan is repayable in seven half-yearly instalments commencing November, 2016. The loan is secured against a promissory note of Rs.268.031 million.

17.3 The Company and AIIL have entered into a loan agreement on May 20, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rates charged by AIIL during the year ranged from 10.44% to 11.63% (2013: 10.26% to 11.54%) per annum. As per the previous loan agreement, the loan was repayable in 8 equal half-yearly instalments with effect from May, 2013. The Company and AIIL have entered into a revised agreement on September 30, 2013 whereby the balance of loan is repayable in seven half-yearly instalments commencing November, 2016. The loan is secured against a promissory note of Rs.55.615 million.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2014			2013		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	Rupees in thousand					
Minimum lease payments	**13,372**	**25,915**	**39,287**	6,821	12,556	19,377
Less: finance cost allocated to future periods	**2,774**	**2,922**	**5,696**	1,363	1,187	2,550
	10,598	**22,993**	**33,591**	5,458	11,369	16,827
Less: security deposits adjustable on expiry of lease terms	**569**	**5,939**	**6,508**	0	2,399	2,399
Present value of minimum lease payments	**10,029**	**17,054**	**27,083**	5,458	8,970	14,428

18.1 The Company has entered into lease agreements with Bank Al-Habib Ltd., Faysal Bank Ltd. and MCB Bank Ltd. (2013: Bank Al-Habib Ltd.) for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by September, 2018 and are subject to finance cost at the rates ranging from 6.03% to 17.00% (2013: 9.16% to 11.76%) 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	2014	2013
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**207,066**	229,831
- surplus on revaluation of property, plant and equipment		**797,641**	913,125
- lease finances		**900**	208
		1,005,607	1,143,164
Deductible temporary differences arising in respect of:			
- provision for doubtful advances		**(804)**	(829)
- unused tax losses	**19.1**	**0**	(13,931)
- minimum tax recoverable against normal tax charge in future years	**19.1**	**(207,162)**	(215,279)
- tax credit for investment in plant and machinery		**(55,431)**	0
		(263,397)	(230,039)
		742,210	913,125

19.1 As at September 30, 2014, deferred tax asset amounting Rs.202.509 million (2013: Rs.176.020 million) on unused tax losses and Rs.36.205 million (2013: Rs. Nil) on minimum tax recoverable against normal tax charge in future years has not been recognised 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, 2015.

Deferred tax liability as at September 30, 2014 represents deferred tax on surplus on revaluation of property, plant and equipment and on tax credit available under section 65B of the Income Tax Ordinance, 2001 (2013: deferred tax liability represented deferred tax on surplus on revaluation of property, plant and equipment).

20. TRADE AND OTHER PAYABLES

	Note	2014	2013
		(Rupees in thousand)	
Creditors		**252,101**	137,174
Due to related parties	**20.1**	**28,005**	0
Accrued expenses		**35,124**	37,767
Retention money		**21,616**	9,034
Security deposits - interest free repayable on demand		**743**	732
Advance payments		**4,498**	70,050
Income tax deducted at source		**814**	627
Workers' (profit) participation fund	**20.2**	**3,439**	3,046
Workers' welfare fund		**11,633**	11,633
Unclaimed dividends		**3,274**	3,276
Due to employees		**6,126**	2,350
		367,373	275,689

20.1 This represents amounts due to:

	2014	2013
The Holding Company		
- The Premier Sugar Mills & Distillery Company Ltd.	**846**	0
Associated Companies		
- Phipson & Co. Pakistan (Pvt.) Ltd.	**185**	0
- Syntronics Ltd.	**26,897**	0
- The Frontier Sugar Mills & Distillery Ltd.	**77**	0
	28,005	0

20.2 Workers' (profit) participation fund

	2014	2013
Opening balance	**3,046**	2,023
Add: interest on funds utilised in the Company's business	**393**	0
	3,439	2,023
Less: payments made during the year	**0**	2,023
	3,439	0
Add: allocation for the year	**0**	3,046
Closing balance	**3,439**	3,046

21. ACCRUED MARK-UP

	Note	2014	2013
		(Rupees in thousand)	
Mark-up accrued on:			
- long term finances		**74,677**	28,473
- loans from related parties		**38,170**	11,714
- lease finances		**0**	48
- short term borrowings		**90,675**	80,001
		203,522	120,236

22. SHORT TERM BORROWINGS

	Note	2014	2013
Secured	**22.1**	**2,922,349**	1,943,104
Un-secured	**22.2**	**8,374**	56,364
		2,930,723	1,999,468

22.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.5,850 million (2013: Rs.4,150 million) and, during the year, carried mark-up at the rates ranging from 8.50% to 12.18% (2013: 10.22% to 12.95%) per annum. Facilities available for opening letters of credit aggregate Rs.625 million (2013: Rs.625 million). These facilities are secured against charge over the Company's current assets, lien over export documents, pledge of stock-in-trade and banks' lien over import documents. These facilities are expiring on various dates by September 30, 2015.

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	2014	2013
Long term finances	**16**	**144,968**	220,117
Liabilities against assets subject to finance lease	**18**	**10,029**	5,458
		154,997	225,575

24. TAXATION - Net

	Note	2014	2013
Opening balance		**69,144**	30,688
Add: provision / (reversal) made during the year for:			
- current year	**24.2**	**0**	69,144
- prior years		**(2,349)**	(902)
		(2,349)	68,242
		66,795	98,930
Less: payments / adjustments made against completed assessments		**66,795**	29,786
		0	69,144

24.1 Returns filed by the Company for tax years 2004 to 2014, 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).

24.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under sections 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance aggregating Rs 56.977 million. The required provision for the current year has been fully adjusted against current year's tax credit for investment in plant & machinery aggregating Rs.112.409 million available under section 65B of the Ordinance.

24.3 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.

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

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

24.6 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.

24.7 The PHC, during the year, has accepted the Company's appeal and the Department has been restrained from tax audit under section 177 of the Ordinance for tax year 2009.

24.8 The PHC, during the year for tax year 2011, has stayed the Department from finalising the proceedings under section 177 of the Ordinance till the next hearing to be held in February, 2015.

24.9 The Department for the tax year 2012 has passed order for recovery of workers' welfare fund demand of Rs. 3.310 million. The appeal was unsuccessful at CIR(A) forum. The Company against the CIR(A)'s order has filed an appeal before the ATIR, which is pending adjudication.

24.10 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.

25. CONTINGENCIES AND COMMITMENTS

25.1 No bank guarantee was outstanding as at September 30, 2014. (2013: two commercial banks, on behalf of the Company, had issued guarantees aggregating Rs.40.904 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 15,750 metric tons of sugar. These guarantees had expired on various dates by June 19, 2014.)

25.2 The Company, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue 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 (DC), who had rejected the application. The Company had filed an appeal before the CIR(A) against the impugned order. The CIR(A), during the preceding year, had upheld the order of DC. The Company, thereafter, has filed an appeal before the 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.

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

	2014	2013
Commitments in respect of :	**(Rupees in million)**	
- foreign letters of credit for purchase of stores & spares	**0.000**	194.176
- in land letters of credit for capital expenditure	**100.755**	543.482
- capital expenditure other than for letters of credit	**97.612**	0.000

25.4 Also refer contents of taxation notes.

26. SALES - Net

	(Rupees in thousand)	
Turnover:		
Local	**2,839,491**	4,648,317
Export	**3,035,726**	2,300,606
	5,875,217	6,948,923
Less: sales tax	**43,465**	275,192
	5,831,752	6,673,731

27. COST OF SALES

	Note	2014	2013
		(Rupees in thousand)	
Raw materials consumed		**5,233,444**	5,422,077
Chemicals and stores consumed		**132,492**	124,510
Salaries, wages and benefits	**27.1**	**257,994**	239,060
Power and fuel		**30,437**	23,262
Repair and maintenance		**66,962**	74,156
Insurance		**8,795**	7,987
Machinery lease rentals		**3,305**	2,203
Depreciation	**5.3**	**376,860**	251,004
		6,110,289	6,144,259
Adjustment of sugar-in-process:			
Opening		**3,924**	7,091
Closing		**(12,241)**	(3,924)
		(8,317)	3,167
Cost of goods manufactured		**6,101,972**	6,147,426
Adjustment of finished goods :			
Opening stock		**1,314,744**	1,340,572
Closing stock		**(1,690,948)**	(1,314,744)
		(376,204)	25,828
		5,725,768	6,173,254

27.1 These include Rs.3.361 million (2013: Rs.2.700 million) in respect of contribution to staff provident fund.

28. DISTRIBUTION COST

	Note	2014	2013
Salaries and benefits	**28.1**	**5,119**	5,358
Commission		**2,816**	3,592
Loading and stacking		**12,268**	20,025
Export development surcharge		**7,041**	6,290
Freight expenses on export of sugar		**26,606**	29,266
Other expenses on export of sugar		**13,271**	25,299
		67,121	89,830

28.1 These include Rs.49 thousand (2013: Rs.50 thousand) in respect of contribution to staff provident fund.

29. ADMINISTRATIVE EXPENSES	**Note**	**2014**	2013
		(Rupees in thousand)	
Salaries and benefits	**29.1**	**112,901**	109,861
Travelling and conveyance:			
- directors'		**9,354**	4,218
- others		**3,431**	3,003
Vehicles' running / maintenance and lease rentals		**7,351**	7,089
Rent, rates and taxes		**2,721**	2,025
Communication		**4,666**	3,733
Printing and stationery		**3,677**	3,515
Insurance		**1,272**	991
Repair and maintenance		**9,203**	6,659
Fees and subscription		**1,756**	1,377
Depreciation	**5.3**	**15,802**	10,789
Amortisation of intangible assets	**6**	**117**	100
Auditors' remuneration	**29.2**	**1,484**	1,337
Legal and professional charges (other than Auditors)		**1,417**	1,798
General		**630**	543
		175,782	157,038

29.1 **(a)** These include Rs.1.485 million (2013: Rs.1.088 million) in respect of contribution to staff provident fund.

(b) The Group management, during the preceding year, has transferred gratuity benefits of the Resident Director aggregating Rs.10 million accrued in the books of The Premier Sugar Mills & Distillery Co. Ltd. (the Holding Company) to the Company as the Resident Director is rendering his services to the Company since incorporation. The board of directors of both the Companies passed necessary resolutions in this regard. The balance of benefits transferred to the Company aggregating Rs.10 million have been accounted for in the preceding year's financial statements under the head of salaries and benefits.

	Note	2014	2013
		(Rupees in thousand)	
29.2 Auditors' remuneration:			
Hameed Chaudhri & Co.			
- statutory audit		**1,000**	1,000
- half yearly review		**190**	100
- consultancy and certification charges		**124**	83
- out-of-pocket expenses		**55**	110
		1,369	1,293
Other Auditors			
- cost audit fee		**40**	35
- provident fund's audit fee		**7**	0
- workers' (profit) participation fund's audit fee		**52**	0
- out-of-pocket expenses		**16**	9
		115	44
		1,484	1,337

30. OTHER INCOME

	Note	2014	2013
Income from financial assets			
Profit on deposit accounts		**4,765**	4,575
Gain on redemption of investments		**0**	16,556
Income from other than financial assets			
Sale of press mud - net of sales tax amounting Rs.310 thousand (2013: Rs.275 thousand)		**1,825**	1,716
Gain on sale of vehicles	**5.4**	**223**	774
Seed sales net of expenses		**151,873**	123,484
Sugar export subsidy	**11.1**	**62,056**	84,833
Sale of scrap- net of sales tax amounting Rs.253 thousand		**1,487**	0
		222,229	231,938

31. OTHER EXPENSES

	Note	2014	2013
Donations (without directors' interest)		**1,038**	93
Workers' (profit) participation fund		**0**	3,046
Workers' welfare fund		**0**	1,158
		1,038	4,297

32. FINANCE COST

	Note		
Mark-up on:			
- long term finances		**55,986**	84,887
- loans from related parties		**50,063**	50,053
- short term borrowings		**246,219**	284,207
Lease finance charges		**2,840**	1,591
Interest on workers' (profit) participation fund	**20.2**	**393**	0
Bank charges		**3,797**	3,784
		359,298	424,522

33. TAXATION

	Note		
Current:			
- for the year	**24**	**0**	69,144
- for prior years	**24**	**(2,349)**	(902)
		(2,349)	68,242
Deferred:			
- resultant adjustment due to reduction in tax rate	**15.2**	**26,857**	13,084
- on account of temporary differences	**19**	**(170,915)**	(57,570)
		(144,058)	(44,486)
		(146,407)	23,756

34. (LOSS) / EARNINGS PER SHARE

(Loss) / profit after taxation attributable to ordinary shareholders	**(128,619)**	32,972
	No. of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	28,692,000
	-------- Rupees --------	
(Loss) / earnings per share	**(4.48)**	1.15

34.1 Diluted (loss) / earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2014 and September 30, 2013, which would have any effect on the (loss) / earnings per share of the Company if the option to convert is exercised.

35. SEGMENT INFORMATION

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

Information on assets and liabilities by segment is as follows:

As at September 30, 2014	Sugar	Ethanol	Total
	-------Rupees in thousand-------		
Segment assets	7,302,758	2,000,666	9,303,424
Segment liabilities	4,389,873	2,490,414	6,880,287

35.1 Sugar sales represent 95.52% (2013: 92%) of the total sales of the Company.

35.2 47.94% (2013: 66.89%) of the Company's sales relate to customers in Pakistan.

35.3 All non-current assets of the Company as at September 30, 2014 are located in Pakistan.

35.4 The Company sells sugar to commission agents. Sugar sales to five (2013: five) of the Company's customers during the year aggregated Rs.2,562 million (2013: Rs.4,082 million) constituting 46% (2013: 63.95%) of the total sugar sales. Two (2013: three) of the Company's customers individually exceeded 10% of the sugar sales.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 Financial Risk Factors

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

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

36.2 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:

(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 and stores & spares mainly denominated in U.S.$, Euro, U.K Pound (GBP) and Japanese Yen. The Company's unfunded exposure to foreign currency risk at the year-end is as follows:

	2014	2013
	(Rupees in thousand)	
Outstanding letters of credit	**0**	194,176

The following significant average exchange rates have been applied:

	2014	2013
U.S. $ to Rupee	**103.90**	99.90
Euro to Rupee	**136.42**	131.95
GBP to Rupee	**168.76**	161.65
Yen to Rupee	**1.0082**	1.1465

The Company is not exposed to currency risk at the year-end as it has no funded foreign currency liabilities as at September 30, 2014 and September 30, 2013.

(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:

	2014	2013	**2014**	2013
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**7**	6	**90,448**	5,980
Variable rate instruments				
Financial liabilities				
Long term finances	**10.52 to 12.18**	10.16 to 14.06	**2,172,376**	1,131,962
Loans from related parties	**10.44 to 11.67**	10.26 to 11.68	**437,000**	437,000
Liabilities against assets subject to finance lease	**6.03 to 17.00**	9.16 to 11.76	**27,083**	14,428
Short term borrowings	**8.50 to 12.18**	10.22 to 12.95	**2,922,349**	1,943,104

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, 2014, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.55.588 million higher / lower mainly as a result of higher / lower interest expense on variable rate financial liabilities (2013: profit after taxation would have been lower / higher by Rs.35.265 million).

(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, 2014.

36.3 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, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in thousand)	
Security deposits	**4,128**	4,004
Trade debts	**177,856**	319,517
Loans and advances	**178,456**	126,234
Other receivables	**149,634**	85,320
Bank balances	**122,290**	27,124
	632,364	562,199

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

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

	2014	2013
	(Rupees in thousand)	
Not past due	**108,601**	284,267
Past due less than 3 months	**0**	525
Past due less than 6 months	**1,865**	1,065
Past due more than 6 months	**67,390**	33,660
	177,856	319,517

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.105.361 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.

36.4 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:

2014	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	---------------- Rupees in thousand ----------------				
Long term finances	**2,172,376**	**6,442,364**	**198,913**	**5,163,917**	**1,079,534**
Loans from related parties	**437,000**	**782,271**	**50,734**	**518,492**	**213,045**
Liabilities against assets subject to finance lease	**27,083**	**27,083**	**10,029**	**17,054**	**0**
Trade and other payables	**340,863**	**340,863**	**340,863**	**0**	**0**
Accrued mark-up	**203,522**	**203,522**	**203,522**	**0**	**0**
Short term borrowings	**2,930,723**	**3,020,659**	**3,020,659**	**0**	**0**
	6,111,567	**10,816,762**	**3,824,720**	**5,699,463**	**1,292,579**
2013					
Long term finances	1,131,962	4,400,390	270,057	3,855,805	274,528
Loans from related parties	437,000	661,514	45,591	414,738	201,185
Liabilities against assets subject to finance lease	14,428	14,428	5,458	8,970	0
Trade and other payables	187,983	187,983	187,983	0	0
Accrued mark-up	120,236	120,236	120,236	0	0
Short term borrowings	1,999,468	2,066,608	2,066,608	0	0
	3,891,077	7,451,159	2,695,933	4,279,513	475,713

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.

36.5 Fair values of financial instruments and hierarchy

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

At September 30, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which have been valued at their original costs less repayments.

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	
	2014	2013	**2014**	2013	**2014**	2013
	------------------------------ **Rupees in thousand**					
Managerial remuneration including bonus	**1,200**	1,200	**1,200**	13,960	**35,839**	30,548
Allowances and utilities	**0**	0	**0**	0	**12,812**	10,926
Contribution to provident fund	**0**	0	**0**	0	**1,155**	840
Medical expenses reimbursed	**500**	358	**108**	143	**0**	0
	1,700	1,558	**1,308**	14,103	**49,806**	42,314
No. of persons	**1**	1	**4**	4	**23**	18

38.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Nineteen (2013: 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).

38.2 Also refer contents of note 29.1(b).

39. CAPACITY AND PRODUCTION

	2014	2013
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,294,435**	1,326,905
Sugar produced	**107,775**	121,771
	--------- Number ---------	
Days worked:		
Unit - I	**109**	115
Unit - II	**111**	120

40. NUMBER OF EMPLOYEES

Number of persons employed as at September 30,		
- permanent	**849**	495
- contractual	**767**	375
Average number of employees during the year		
- permanent	**860**	256
- contractual	**1,106**	216

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, 2014 and audited financial statements of the provident fund for the year ended September 30, 2013:

	(Rupees in thousand)	
Size of the fund - total assets	**59,145**	49,241
Cost of investments made	**44,824**	37,781
Percentage of investments made	**75.79%**	76.73%
Fair value of investments made	**58,314**	48,599

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

	2014	2013	**2014**	2013
	----------- % -----------		**(Rupees in thousand)**	
Saving account in a scheduled bank	**7.93%**	19.71%	**4,624**	9,581
Deposit certificates	**68.94%**	58.03%	**40,200**	28,200
Accrued profit	**23.13%**	22.26%	**13,490**	10,818
	100.00%	100.00%	**58,314**	48,599

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

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on January 02, 2015 by the board of directors of the Company.

43. FIGURES

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

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

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

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

hereby appoint..of..

or failing him..of..

as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 31 January, 2015 and at any adjournment thereof.

As witness my/our hand this ....day of .... 2015.

Signed by the said
In the presence of

Address...

....

....

Revenue Stamp (Rs. 5.00)

Signature

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