annual report

2009

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

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

CHASHMA SUGAR MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that 22nd Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on 30 January, 2010 at 11.30 AM at the Registered Office of the Company at Nowshehra Road, Mardan for transacting the following business: -

ORDINARY BUSINESS

(1) To confirm the minutes of the last Annual General Meeting held on 31 January, 2009.

(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, 2009

(3) To appoint the Auditors and to fix their remuneration for the financial year ending 30 September,2010. 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.

SPECIAL BUSINESS

To consider and if thought fit, to authorize the Company, subject to the approval of Securities and Exchange Commission of Pakistan, to transmit its quarterly financial statements by placing them on its website in compliance with Section 245 of the Companies Ordinance, 1984 and under the guidelines provided by the Securities and Exchange Commission of Pakistan (SECP) Circular No. 19 of 2004 dated 14 April, 2004 and in that connection to pass the following resolution as a special resolution.

"Resolved that the Company may henceforth place its quarterly financial statements on its website instead of sending the same to the individual members by post, as allowed by the Securities and Exchange Commission of Pakistan (SECP) Circular No. 19 of 2004 dated 14 April, 2004."

The share transfer books of the Company will remain closed from 20 January to 29 January, 2010 (Both days inclusive).inclusive)

BY ORDER OF THE BOARD

Mardan:
29 December, 2009

(Mujahid Bashir)
Company Secretary

Statement of Material Facts Under Section 160(1) (b) of the Companies Ordinance, 1984.

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 19 of 2004 dated 14 April, 2004 has allowed listed companies to place the quarterly financial statements on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the financial statements by post.

Prior permission of the SECP would be sought for transmitting the quarterly statements on Company's website after the approval of the shareholders. The Company, however, will make available printed copies of the financial statements to the shareholders on demand at their registered address free of charge, within one week of receiving such request.

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 any change in address immediately.

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

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

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Board of Directors of Chashma Sugar Mills Limited are pleased to present the 22nd Annual Report together with the Director's Report and Audited Financial Statements of the Company for the year ended 30 September, 2009.

SUMMARISED FINANCIAL RESULTS

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

	2009	2008
	(Rupees in thousands)	
(Loss) before taxation	**(140,786)**	(57,172)
Provision for taxation		
Current year	**19,912**	8,447
Prior	**57,212**	(2,456)
	77,124	5,119
(Loss) after taxation	**(217,910)**	(63,163)
(Loss) per share	**(7.59)**	(3.15)

The Peshawar High Court, in its decision of August, 20 2009 introduced district wise quotas and permit system. Due to these procedures, the Company could not achieve the sale targets and carried massive inventories resulting in accounting loss. However, subsequently as the sugar rates increased in the market, the Company financials have improved. Furthermore, the Company complied with the Supreme Court of Pakistan's decision made in the light of Memorandum signed by the PSMA and Ministry of Finance, and supplied 30% of stocks held at the date of decision at Rs.36 for domestic consumers.

GENERAL

1. SUGARCANE SEASON 2008-2009

The sugarcane crushing season commenced on 22 November, 2008, and lasted until 02 March, 2009. We crushed 1,050,807 tons of sugarcane and produced 85,234 tons of sugar at an average recovery of 8.20 % as compared to last year's 1,466,133 tons, 111,330 tons and 7.60% respectively. The severe frost during the year 2007-08 affected the sugarcane crop and this year's ratoon crop was reduced by 30% as compared to the last year, however, the Factory's crushing was reduced only by 21%. The increase in sugar recovery from 7.60% (2008) to 8.20% (2009) is due to the efforts of the management towards the development of quality/variety sugarcane in the area.

2. CURRENT SEASON 2009-2010

The sugarcane crushing season started on December 02, 2009, we have crushed 241,688 tons of sugarcane to produce 17,157 tons of sugar at an average recovery of 7.67 % up to 28 December, 2009. The Government has increased the sugarcane support price from Rs.80/- to Rs.100/- per 40 kg. (25% increase) for the crushing season 2009-10. This increase in the sugarcane prices will increase the cost of sugar production that would be reflected in sugar prices. The sugarcane crop is almost same as that of last year, however the middleman is purchasing the sugarcane at the illegal weighbridges and supplying the sugarcane to the surrounding area factories. We foresee a severe competition between the mills for the sugarcane procurement resulting further increase in cost of sugar production.

3. DIVIDEND

The Directors do not recommend any dividend due to loss suffered by the Company.

4. REPLY TO AUDITORS OBSERVATION

As stated in note 20.1, the Company had complied with the adopted accounting policies for valuation of finished sugar inventory.

5. STAFF

The Labour and Management relations remained cordial during the year.

6. AUDITORS

As recommended by the Audit Committee, the Board of Directors has recommended to re-appoint Messrs Hameed Chaudhri & Co. Chartered Accountants, Lahore as Auditors of the Company for the financial year ending 30 September 2010.

7. PATTERN OF SHAREHOLDING

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

8. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- Proper books of account have been maintained.

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

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

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

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

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

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

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2009, 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.

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

  Attendance by each Director is as follow:-

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

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

9. COM PLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules, relevant to the year ended 30 September, 2009 have been duly complied with. A statement to this effect is annexed with the review report from the auditors

10. ROLE OF SHAREHOLDERS

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

11. ACKNOWLEDGEMENT

The Directors would like to express their gratitude for the hard work and dedication displayed by Staff and Executives of the Organization and the invaluable continuing 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
29 December, 2009

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

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

MISSION STATEMENT

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

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

Commitment to building Safe, Healthy and Environment friendly atmosphere.

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

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

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

STRATEGIC GOALS

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

CORE VALUES

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

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

For and on behalf of the Board of Directors

(KHAN AZIZ SARFARAZ KHAN)
CHAIRMAN/CHIEF EXECUTIVE

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2009

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
111	From	1	to	100	Shares	10,231
582	From	101	to	500	Shares	262,708
160	From	501	to	1,000	Shares	150,881
201	From	1,001	to	5,000	Shares	538,556
48	From	5,001	to	10,000	Shares	368,000
16	From	10,001	to	15,000	Shares	210,600
16	From	15,001	to	20,000	Shares	280,100
9	From	20,001	to	25,000	Shares	208,699
5	From	25,001	to	30,000	Shares	136,500
4	From	30,001	to	35,000	Shares	135,100
4	From	35,001	to	40,000	Shares	148,400
5	From	40,001	to	45,000	Shares	220,500
3	From	45,001	to	55,000	Shares	146,000
1	From	55,001	to	60,000	Shares	59,800
1	From	60,000	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
3	From	125,001	to	150,000	Shares	429,500
4	From	250,001	to	310,000	Shares	1,195,000
2	From	320,001	to	465,000	Shares	798,250
1	From	600,001	to	725,000	Shares	721,250
3	From	825,001	to	2,000,000	Shares	5,103,150
2	From	2,000,001	to	above	Shares	17,341,475
1,183						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines	4	19,141,475	66.72
NIT and ICP	-	-	-
Directors & Relatives	12	3,980,750	13.87
Executive	-	-	-
Public Sector Companies & Corporation	22	222,200	0.77
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds	3	1,998,000	6.96
Individuals	1,140	3,054,575	10.65
Charitable Trusts	2	295,000	1.03
	1,183	**28,692,000**	**100.00**

Categories of Shareholders	Numbers		Shares Held	
Associated Companies, Undertakings and Related Parties	**4**		**19,141,475**	
Phipson & Co. (Pak) Limited		307,500		1.07
Azlak Enterprises (Pvt) Limited		1,492,500		5.20
The Premier Sugar Mills & Distillery Co,Limited		13,751,000		47.93
Syntronics Limited.		3,590,475		12.51
NIT and ICP	**-**		**-**	
Directors & Relatives	**12**		**3,980,750**	
Execcutive	**-**		**-**	
Public Sector Companies and Corporation	**22**		**222,200**	
Asif Mushtaq & Company		1,500		0.01
Neelum Textile Mills (Pvt) Limited		12,400		0.04
Shakil Express (Pvt) Limited		17,700		0.07
Saphire Agencies (Pvt) Limited		35,000		0.12
Paramount Spnning Mills Limited		200		0.00
Ameer Cotton Mills (Pvt) Limited		59,800		0.21
Time Securities (Pvt) Limited		1,000		0.00
Bulk Management Pakistan (Pvt) Limited		24,500		0.10
S.H Bukhari Securities (Pvt) Limited		400		0.00
Valika Art Fabrics Limited		400		0.00
Kai Securities (Pvt) Limited		500		0.00
Muhammad Ahmed Nadeem Securities (Pvt) Limited		300		0.00
ZHV securities (Pvt) Limited		3,000		0.01
Westbury (Pvt) Limited		32,600		0.12
Azee Securities (Pvt) Limited		3,300		0.01
Mazhar Hussain Securities (Pvt) Limited		2,500		0.00
CMA Securities Limited		10,000		0.04
Durvesh Securities (Pvt) Limited		3,000		0.01
Fair Edge Securities (Pvt) Limited.		2,000		0.00
B & B Securities (Pvt) Limited		6,600		0.03
AWJ Ssecurities (Pvt) Limited		5,000		0.01
Tariq Saeed Securities (Pvt) Limited		500		0.00
Banks, Development Finance Instituions, Non Banking Financial Instituitions, Insurance Companies, Modarabas and Mutual Funds	**3**		**1,998,000**	
National Bank of Pakistan		1,912,800		
IDBP (ICP Unit)		3,400		
State Life Insurance Corporation of Pakistan		81,800		
				-
Individuals	**1,140**		**3,054,575**	
Charitable Trusts	**2**		**295,000**	
Sarfaraz District Housepital		290,000		1.52
Trustees Moosa Lawari Foundation		5,000		0.03
	1,183		**28,692,000**	

Shareholders holding 10% or more voting Intesrest in the Company

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

CHASHMA SUGAR MILLS LIMITED

TEN YEARS GROWTH AT A GLANCE

PARTICULARS	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
					(RUPEES IN THOUSAND)					
Sales	3,963,602	2,579,812	1,638,595	1,187,913	1,250,551	1,453,370	576,598	1,286,688	712,165	1,181,589
Cost of sales	3,595,629	2,233,798	1,709,629	1,132,589	1,023,674	1,369,614	577,039	1,106,529	695,170	868,964
Operating profit/(Loss)	285,415	270,343	(128,111)	12,327	180,256	48,878	(29,261)	152,317	(4,886)	290,320
Profit/(Loss) before tax	(140,786)	(57,172)	(377,451)	(71,919)	138,086	33,246	(42,646)	124,183	(50,741)	224,129
Profit/(Loss) After tax	(217,910)	(63,163)	(358,007)	(32,338)	80,472	21,144	(43,348)	103,470	(61,218)	224,129
Share capital	286,920	286,920	191,280	191,280	191,280	191,280	191,280	191,280	191,280	191,280
Shareholders' equity	66,712	203,438	128,232	486,239	537,705	457,355	436,211	479,558	414,884	476,101
Fixed assets - net	2,519,639	2,723,775	1,850,560	893,731	934,125	322,811	355,405	365,272	392,576	424,009
Total assets	3,535,462	4,509,239	3,460,459	2,422,106	1,444,253	996,908	1,014,280	628,082	780,345	678,032
Long term liabilities	1,229,686	1,464,166	949,167	1,245,000	370,833	263,868	-	-	-	20,186
Dividend										
Cash dividend		0	0	0	10%	-	-	30%	-	50%
Ratios:										
Profitability (%)										
Operating profit	7.20	10.48	(4.34)	4.66	18.14	3.36	(5.07)	11.84	(0.69)	24.57
Profit/ (Loss) before tax	(3.55)	(2.22)	23.04	(4.90)	11.04	2.29	(7.40)	9.65	(7.12)	18.97
Profit/(Loss) after tax	(5.50)	(2.45)	21.85	(2.72)	6.43	1.45	(7.52)	8.04	(8.60)	18.97
Return to Shareholders										
ROE - Before tax	(211.04)	(28.10)	(294.35)	(11.99)	25.68	7.27	(9.78)	25.90	(12.23)	47.08
ROE - After tax	(326.64)	(31.05)	(279.19)	(6.65)	14.96	4.62	(9.94)	21.58	(14.76)	47.08
Return on Capital Employed	(14.23)	(3.79)	(187.16)	(0.16)	8.85	2.93	(9.93)	21.55	(14.75)	45.06
E. P. S. - After tax	(7.59)	(2.20)	(18.72)	(1.69)	4.2	1.11	(2.27)	5.41	(3.20)	11.72
Activity										
Income to total assets	1.12	0.57	10.34	(0.01)	0.86	1.46	0.57	2.05	0.91	1.74
Income to fixed assets	1.57	0.95	18.79	(0.02)	1.34	4.50	1.62	3.52	1.81	2.79
Liquidity/Leverage										
Current ratio	1.30	1.30	1.53	1.07	1.1	1.06	1.10	1.63	1.03	1.29
Break up value per share	2.33	7.09	0.67	25.42	28.11	23.91	22.80	25.07	21.69	24.89
Total Liabilities to equity (Times)	21.17	21.17	25.66	3.98	1.69	1.18	1.31	0.31	0.88	0.42

TEN YEARS REVIEW

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2000	668,578	8.00	53,495
2001	575,031	6.82	40,646
2002	845,048	8.07	68,185
2003	889,074	7.28	64,698
2004	908,130	8.03	72,918
2005	695,884	8.03	55,888
2006	579,512	7.64	44,295
2007	1,277,817	8.09	102,496
2008	1,466,133	7.60	111,330
2009	1,050,807	8.20	85,234

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF COMPLAINCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

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

10. There were no new appointments of CFO/ Company Secretary during the year.

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

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

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

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

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

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

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

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

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

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

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

For and on behalf of the Board

Mardan
29 December, 2009

(KHAN AZIZ SARFARAZ KAHN)
CHAIRMAN/CHIEF EXECUTIVE

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

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

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

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub Regulation (xiii) of Listing Regulations 37 (now35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 September, 2009.

LAHORE;
30 December, 2009

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

CHASHMA SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHASHMA SUGAR MILLS LIMITED** as at 30 September, 2009 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, except for the contents of note 20.1 and the extent to which this may affect the annexed financial statements, respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2009 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).

LAHORE;
30 December, 2009

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

CHASHMA SUGAR MILLS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER, 2009

	Note	2009 Rupees in thousand	2008 Rupees in thousand
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 (2008: 50,000,000) ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up capital 28,692,000 (2008: 28,692,000) ordinary shares of Rs.10 each fully paid in cash	7	286,920	286,920
General reserve		327,000	327,000
ACCUMULATED LOSS		(547,208)	(410,482)
		66,712	203,438
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	833,789	914,973
NON-CURRENT LIABILITIES			
Term and demand finances	9	789,999	928,333
Loans from Associated Companies	10	439,687	535,833
		1,229,686	1,464,166
CURRENT LIABILITIES			
Current portion of:			
- term and demand finances	9	198,333	170,833
- loans from Associated Companies	10	62,813	16,667
- liabilities against assets subject to finance lease	11	0	415
Short term finances	12	700,913	1,411,256
Trade and other payables	13	251,285	197,431
Accrued mark-up and interest	14	142,909	112,432
Sales tax and federal excise duty payable		29,110	5,423
Taxation	15	19,912	12,205
		1,405,275	1,926,662
CONTINGENCIES AND COMMITMENTS	16		
		3,535,462	4,509,239

	Note	2009 Rupees in thousand	2008 Rupees in thousand
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	2,515,056	2,719,575
Intangible assets	18	900	787
Security deposits		3,683	3,413
		2,519,639	2,723,775
CURRENT ASSETS			
Stores and spares	19	141,017	137,444
Stock-in-trade	20	701,368	1,438,063
Trade debts - unsecured - considered good		54,007	19,373
Loans and advances	21	41,276	48,092
Deposits, prepayments and other receivable	22	27,161	4,911
Income tax refundable		21,845	37,365
Advance income tax and tax deducted at source		8,178	53,898
Bank balances	23	20,971	46,318
		1,015,823	1,785,464
		3,535,462	4,509,239

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, 2009

	Note	2009	2008
		Rupees in thousand	
SALES - Net	24	**3,963,602**	2,579,812
COST OF SALES	25	**3,595,629**	2,233,798
GROSS PROFIT		**367,973**	346,014
DISTRIBUTION COST	26	**10,447**	11,493
ADMINISTRATIVE EXPENSES	27	**72,014**	64,084
OTHER OPERATING EXPENSES	28	**97**	94
		82,558	75,671
		285,415	270,343
OTHER OPERATING INCOME	29	**12,520**	11,246
		297,935	281,589
FINANCE COST	30	**438,721**	338,761
LOSS BEFORE TAXATION		**(140,786)**	(57,172)
TAXATION			
Current	15	**19,912**	8,447
Prior years'	15	**57,212**	(2,456)
		77,124	5,991
LOSS AFTER TAXATION		**(217,910)**	(63,163)
LOSS PER SHARE	31	**(7.59)**	(3.15)

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, 2009

	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES	**Rupees in thousand**	
Loss for the year - before taxation	**(140,786)**	(57,172)
Adjustments for non-cash and other charges:		
Depreciation	**257,133**	227,521
Amortisation of intangible assets	**647**	668
Profit on deposit accounts - net	**(9,889)**	(914)
Gain on sale of vehicle	**(39)**	(108)
Finance cost	**434,640**	336,916
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	**541,706**	506,911
(Increase) / decrease in current assets:		
Stores and spares	**(3,573)**	(14,335)
Stock-in-trade	**736,695**	(306,820)
Trade debts	**(34,634)**	130,214
Loans and advances	**6,816**	(21,013)
Deposits, prepayments and other receivable	**(22,250)**	(4,566)
Increase / (decrease) in current liabilities:		
Trade and other payables	**53,854**	48,753
Sales tax and federal excise duty payable	**23,687**	(30,982)
	760,595	(198,749)
CASH FLOW FROM OPERATING ACTIVITIES - Before taxation	**1,302,301**	308,162
Income tax paid	**(8,177)**	(16,009)
CASH FLOW FROM OPERATING ACTIVITIES - After taxation	**1,294,124**	292,153
Security deposits	**(270)**	0
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,293,854**	292,153
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	**(52,825)**	(87,568)
Sale proceeds of vehicle	**250**	239
Intangible assets acquired	**(760)**	(1,180)
Profit on bank deposits received	**9,889**	944
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(43,446)**	(87,565)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of right shares	**0**	95,640
Term and demand finances repaid	**(110,834)**	(175,834)
Lease finances - net	**(415)**	(3,163)
Loans from Associated Companies - (repaid) / obtained	**(50,000)**	552,500
Short term finances - net	**(685,064)**	(365,033)
Dividend paid	**0**	(4)
Finance cost paid	**(404,163)**	(313,268)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(1,250,476)**	(209,162)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(68)**	(4,574)
CASH AND CASH EQUIVALENTS - At the beginning of the year	**20,705**	25,279
CASH AND CASH EQUIVALENTS - At the end of the year	**20,637**	20,705
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Bank balances	**20,971**	46,318
Temporary bank overdrafts	**(334)**	(25,613)
	20,637	20,705

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, 2009

	Share capital	General reserve	Accumulated loss	Total
	------------------ Rupees in thousand ------------------			
Balance as at 30 September, 2007	191,280	327,000	(390,048)	128,232
Nominal value of ordinary right shares issued	95,640	0	0	95,640
Loss for the year ended 30 September, 2008	0	0	(63,163)	(63,163)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	42,729	42,729
Balance as at 30 September, 2008	286,920	327,000	(410,482)	203,438
Loss for the year ended 30 September, 2009	0	0	(217,910)	(217,910)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year	0	0	81,184	81,184
Balance as at 30 September, 2009	**286,920**	**327,000**	**(547,208)**	**66,712**

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, 2009

1. CORPORATE INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

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

3.2 Functional and presentation currency

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

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

a) provisions and contingencies;

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

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

d) taxation.

5. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

5.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current financial year

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Company's accounting year beginning on 01 October, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The SECP, vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7, which is mandatory for the Company's accounting periods beginning on or after the date of notification. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 October, 2008, which are not considered relevant nor have any significant effect on the Company's operations are not detailed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October, 2009:

(a) IAS 1 (Revised), ‘Presentation of Financial Statements’ (effective from 01 January, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

(b) IAS 16, 'Property, Plant and Equipment' (effective from 01 January, 2009); it replaces the term 'net selling price' with 'fair value less cost to sell'.

(c) IAS 19 (Amendment), ‘Employee Benefits’ (effective from 01 January, 2009).

(i) The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

(ii) The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

(iii) The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

(iv) IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The aforementioned amendments in IAS 19 will have no impact on the Company's financial statements as the Company only operates a defined contribution provident fund scheme.

(d) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Company's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

(e) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1, 'Presentation of Financial Statements' (effective from 01 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Company.

(f) IAS 36 (Amendment), ‘Impairment of Assets’ (effective from 01 January, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Company's financial statements.

(g) IAS 38 (Amendment), ‘Intangible Assets’ (effective from 01 January, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 October, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Equity instruments

These are recorded at their face value.

6.2 Borrowings

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

6.3 Foreign currency translations

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

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

6.4 Staff retirement benefits (defined contribution plan)

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

6.5 Taxation

(a) Current

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

(b) Deferred

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

6.6 Trade and other payables

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

6.7 Provisions

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

6.8 Property, plant and equipment

Owned assets

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

Depreciation is charged to income applying reducing balance method to write-off the cost and capitalised exchange fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 17.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month of disposal. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

Assets subject to finance lease

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

Depreciation is charged to income at the rates stated in note 17.1 applying reducing balance method to write-off cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

6.9 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over a period of three years. Full year amortisation is charged in the year of acquisition whereas no amortisation is charged in the year of disposal.

6.10 Stores and spares

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date. Obsolete and used items are recorded at nil value.

6.11 Stock-in-trade

Basis of valuation are as follows:

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

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

6.12 Trade debts

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

6.13 Loans and advances

These are stated at cost.

6.14 Cash and cash equivalents

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

6.15 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

6.16 Revenue recognition

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

6.17 Development expenditure

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

6.18 Borrowing costs

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

6.19 Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value. The Company derecognises the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. Any gains or losses on derecognition of financial assets and liabilities are included in profit and loss account currently.

Financial assets are security deposits, loans & advances, trade debts, deposits & other receivables and bank balances. These are stated at their nominal value or fair value as applicable and reduced by appropriate allowances for estimated irrecoverable amounts, if any.

Financial liabilities are classified according to the contractual agreements entered into. Significant financial liabilities are term & demand finances, loans from Associated Companies, short term finances, trade & other payables and accrued mark-up & interest.

6.20 Off setting of financial instruments

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

6.21 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

6.22 Dividend distribution

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

7. SHARE CAPITAL

Ordinary shares held by the Associated Companies at the year-end are as follows:	**2009**	2008
	Number of shares	
- The Premier Sugar Mills & Distillery Co. Ltd.	**13,751,000**	13,751,000
- Azlak Enterprises (Pvt.) Ltd.	**1,492,500**	1,717,250
- Phipson & Co. Pakistan (Pvt.) Ltd.	**307,500**	307,500
- Syntronics Ltd.	**3,590,475**	3,590,475
	19,141,475	19,366,225

8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

	2009	2008
	Rupees in thousand	
Balance at beginning of the year	**914,973**	0
Net surplus arisen on revaluation carried-out during the preceding year	**0**	957,702
Less: transferred to accumulated loss on account of incremental depreciation for the year	**81,184**	42,729
	833,789	914,973

9. TERM AND DEMAND FINANCES - Secured	Note	2009	2008
		Rupees in thousand	
Bank Alfalah Limited: (BAL)			
- Term finance - I	9.1	**83,332**	116,666
- Term finance - II	9.1	**200,000**	200,000
		283,332	316,666
MCB Bank Limited: (MCB)			
- Demand finance	9.2	**0**	62,500
Bank Al-Habib Limited: (BAH)			
- Term finance - I	9.3	**270,000**	270,000
- Term finance - II	9.4	**315,000**	315,000
		585,000	585,000
Silkbank Limited: (SBL)			
(Formerly Saudi Pak Commercial Bank Limited)			
- Term finance	9.5	**120,000**	135,000
		988,332	1,099,166
Less: current portion grouped under current liabilities		**198,333**	170,833
		789,999	928,333

9.1 Term finance facilities utilised from BAL aggregated Rs.400 million. Term finance-I carries mark-up at the rate of 6-months KIBOR plus 2% with a floor of 9% per annum; the effective mark-up rate during the year ranged between 14.54% to 17.68% (2008: 11.99% to 16.13%) per annum. Term finance-II carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged between 14.54% to 17.68% (2008: 11.99% to 16.13%) per annum. Term finance-I is repayable in 12 equal half-yearly instalments commenced from April, 2006 whereas term finance-II is repayable in 10 equal half-yearly instalments commencing January, 2010. These term finance facilities are secured against first pari passu charge on fixed assets of the Company for Rs. 533.334 million.

9.2 Demand finance facility utilised from MCB under mark-up arrangements amounted to Rs.250 million and was secured against first pari passu charge over all present and future fixed assets of the Company. It was repayable in 8 equal half-yearly instalments commenced from 26 February, 2006; the balance of this finance facility was fully repaid during the current financial year. MCB, during the year, has charged mark-up on this finance facility at the rates ranging from 13.79% to 16.93% (2008: 11.24% to 15.38%) per annum.

9.3 This term finance facility of Rs.300 million has been obtained for establishment of Unit- 2 and is secured against joint pari passu charge over fixed assets of the Company; BAH's share amounts to Rs.866.667 million. This finance facility, during the year, has carried mark-up at the rates ranging from 14.57% to 17.49% (2008: 11.79% to 15.93%) per annum. The year-end outstanding balance of this finance facility is repayable in 9 equal half-yearly instalments commencing February, 2010.

9.4 This term finance facility of Rs.350 million has also been obtained for establishment of Unit-2 and is secured against the securities as stated in note 9.3. This finance facility, during the year, has carried mark-up at the rates ranging from 14.77% to 17.69% (2008: 11.99% to 16.13%) per annum. The year-end outstanding balance of this finance facility is repayable in 9 equal half-yearly instalments commencing May, 2010.

9.5 This term facility of Rs.150 million has been obtained to finance the acquisition of plant and machinery for Unit-2 and is secured against ranking charge on current and fixed assets of the Company for Rs.200 million and first registered pari passu charge on fixed assets of Unit-2 for Rs.200 million. This finance facility carries mark-up at the rate of 6-months KIBOR plus 2%; the effective mark-up rate during the year ranged between 14.76% to 17.70% (2008: 11.99% to 16.13%) per annum. The year-end outstanding balance of this term finance facility is repayable in 8 equal half-yearly instalments ending April, 2013.

10. LOANS FROM ASSOCIATED COMPANIES - Secured	**Note**	**2009**	2008
		Rupees in thousand	
The Premier Sugar Mills & Distillery Co. Ltd. **(PSM)**	**10.1**	**322,500**	322,500
The Frontier Sugar Mills & Distillery Ltd. **(FSM)**	**10.2**	**0**	50,000
Premier Board Mills Ltd. **(PBM)**	**10.3**	**130,000**	130,000
Arpak International Investments Ltd. **(AIIL)**	**10.4**	**50,000**	50,000
		502,500	552,500
Less: current portion grouped under current liabilities		**62,813**	16,667
		439,687	535,833

10.1 The Company and PSM have entered into a loan agreement on 20 May, 2008 whereby PSM has advanced amounts aggregating Rs.322.500 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PSM during the year ranged between 13.54% to 16.50% (2008: 13.83% to 14.74%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing September, 2010 and is secured against a promissory note of Rs.397.810 million.

10.2 The Company and FSM had entered into a loan agreement on 10 April, 2008 whereby FSM advanced Rs.50 million to the Company. The loan carried mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by FSM during the year ranged between 12.39% to 15.85% (2008: 11.19% to 14.63%) per annum. The outstanding loan balance was fully repaid during August, 2009 and it was secured against a promissory note of Rs.55.720 million.

10.3 The Company and PBM have entered into a loan agreement on 20 May, 2008 whereby PBM has advanced amounts aggregating Rs.130 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by PBM during the year ranged between 12.39% to 15.85% (2008: 13.77% to 14.66%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing August, 2010 and is secured against a promissory note of Rs.268.031 million.

10.4 The Company and AIIL have entered into a loan agreement on 20 May, 2008 whereby AIIL has advanced amounts aggregating Rs.50 million to the Company. The loan carries mark-up at the rate of one month KIBOR+1.25% per annum; the effective mark-up rate charged by AIIL during the year ranged between 12.39% to 15.85% (2008: 11.23% to 14.63%) per annum. The loan is repayable in 8 equal half-yearly instalments commencing May, 2010 and is secured against a promissory note of Rs.55.615 million.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

The Company had entered into lease agreements with ORIX Leasing Pakistan Limited for lease of vehicles. The liabilities under these agreements were fully paid during the year and were subject to finance cost at the rates ranging from 21.48% to 21.51% (2008: 13.82% to 13.89%) per annum. The Company has exercised its option to purchase the leased vehicles upon completion of the respective lease terms. The lease liabilities were secured against demand promissory notes and title of the leased vehicles in the name of leasing company.

12. SHORT TERM FINANCES

	Note	2009	2008
		Rupees in thousand	
Cash and running finances - secured	**12.1**	**700,579**	1,385,643
Temporary bank overdrafts - unsecured	**12.2**	**334**	25,613
		700,913	1,411,256

12.1 Short term finance facilities under mark-up arrangements available from commercial banks aggregate Rs.1.275 billion (2008: Rs.1.600 billion). These facilities, during the year, carried mark-up at the rates ranging from 13.67% to 17.50% (2008: 10.64% to 15.24%) per annum. Facilities available for opening letters of credit and guarantee aggregate Rs.91 million (2008: Rs.25 million). These facilities are secured against pledge of stock-in-trade, hypothecation charge over present and future current assets and banks' lien on import documents. These facilities are expiring on various dates by 30 April, 2010.

12.2 These have arisen due to issuance of cheques for amounts in excess of balance in the bank accounts.

13. TRADE AND OTHER PAYABLES

	Note	2009	2008
		Rupees in thousand	
Due to related parties (Associated Companies)	**13.1**	**56,443**	47,335
Creditors		**54,975**	86,747
Accrued expenses		**19,483**	17,285
Retention money		**3,027**	15,737
Security deposits - interest free repayable on demand		**789**	897
Advance payments		**113,304**	25,611
Income tax deducted at source		**696**	1,245
Unclaimed dividends		**2,496**	2,496
Due to employees		**72**	78
		251,285	197,431

13.1 The balance represents amounts due to:

	2009	2008
- The Premier Sugar Mills & Distillery Co. Ltd.	**11,067**	10,249
- Syntron Ltd.	**44,921**	36,321
- Phipson & Co. Pakistan (Pvt.) Ltd.	**191**	190
- Azlak Enterprises (Pvt.) Ltd.	**99**	575
- Syntronics Ltd.	**165**	0
	56,443	47,335

14. ACCRUED MARK-UP AND INTEREST	**Note**	**2009**	2008
		Rupees in thousand	
Mark-up accrued on:			
- term and demand finances		**36,300**	45,012
- loans from Associated Companies		**76,019**	16,381
- short term finances		**30,590**	51,031
Accrued lease finance charges		**0**	8
		142,909	112,432

15. TAXATION - Net	**Note**	**2009**	2008
Opening balance		**12,205**	11,977
Add: provision / (reversal) made during the year:			
current	**15.7**	**19,912**	8,447
prior years:			
- for the Assessment Year 2001-02	**15.4(b)**	**49,465**	0
- for other Assessment Years - net		**7,747**	(2,456)
		77,124	5,991
		89,329	17,968
Less: payments / adjustments made against completed assessments		**69,417**	5,763
		19,912	12,205

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

15.2 The Assessing Officer (AO), during the financial year ended 30 September, 2005 in framing the assessment for the Assessment Year 2002-03, had rejected the declared trading results of the Company and raised income tax, additional tax and workers' welfare fund demands aggregating Rs.86.014 million. The Commissioner of Income Tax (Appeals) - CIT (A), vide his order dated 31 December, 2005, had accepted the Company's appeal except maintaining profit and loss additions aggregating Rs.450 thousand. The Company and the Department had filed appeals with the Income Tax Appellate Tribunal (ITAT), Peshawar against the order of the CIT (A). The ITAT, vide its order dated 19 July, 2007, had set-aside the orders of CIT (A) with the directions that after scrutinizing the facts of the case the issues be decided accordingly.

The Company, during the preceding financial year, had preferred a reference application under section 133 of the Ordinance before the Peshawar High Court, Peshawar (PHC) against the order of ITAT by raising a number of questions of law. The PHC, vide its order dated 04 December, 2008, has dismissed the reference application filed by the Company and ordered that judgment of the ITAT be given effect under the relevant provisions of law.

In framing the re-assessment for the Assessment Year 2002-03, the AO has mainly disallowed expenses aggregating Rs.7.888 million and payment of machinery lease rentals of Rs.3.400 million on account of alleged non-deduction of tax. The Company has filed an appeal before the CIT(A) against the re-assessment order passed by the AO, which is pending adjudication. The Department, for the Assessment Year 2002-03, has determined a net refund amounting Rs.6.591 million, which has been adjusted against other tax demands of the Company.

15.3 The ITAT for the Assessment Year 1999-2000, vide its order dated 16 December, 2003, had accepted the departmental appeal and vacated the order of CIT (A) by restoring the order of the AO. The ITAT had rejected the Company's submissions of treating the Assessment Year 1994-95 as first year of exemption. The Company had filed a reference application under section 133 of the Ordinance before the ITAT to refer the questions of law, arising out of the aforesaid order, to the High Court. The ITAT, vide its order dated 13 July, 2005, had proposed to refer the following two questions of law to the PHC:

(a) *whether on the facts and in the circumstances of the case trial production in the case of Sugar Mill can be treated its commercial production in relation to determination of exemption period under Clause 118C of the Part-I of the Second Schedule to the Income Tax Ordinance, 1979; and*

(b) *whether on the facts and in the circumstances of the case the Income Tax Appellate Tribunal was justified in confirming that Assessment Year 1999-2000 was seventh year and not sixth year of the exemption under the said Clause118C.*

The PHC, vide its judgment announced on 02 December, 2008, had decided both the questions of law against the Company and upheld the judgment of ITAT. The Company, against the judgment of PHC, filed a civil petition for leave to appeal before the Supreme Court of Pakistan, which vide its combined judgment dated 04 August, 2009, for the Assessment Years 1999-2000 and 2001-2002, dismissed the said petition and leave refused.

15.4 **(a)** The AO, while making the Company's assessment for the Assessment Year 2001-02, had denied exemption from tax under clause 118C of the Second Schedule to the repealed Income Tax Ordinance, 1979 (the repealed Ordinance) treating Assessment Year 2000-01 as last year of exemption. The AO had raised income tax and workers' welfare fund demands aggregating Rs.86.432 million for the said year. The Company had filed an appeal with the CIT (A), who, vide his order dated 08 December, 2004, had declined to interfere in this matter on the grounds that the ITAT had already rejected the Company's submissions of treating Assessment Year 1994-95 as the first year of exemption. The CIT (A), however, had allowed certain reliefs; accordingly, the AO had reduced the magnitude of demands to Rs.80.581 million. The Company has filed a Rectification Application under section 221 of the Ordinance with the Department against the revised assessment framed by the AO. The ITAT, vide order dated 28 April, 2007, had rejected the Company's appeal.

A reference, by referring the questions of law, was filed before the PHC, which, vide its judgment announced on 02 December, 2008, dismissed the reference and the points of law formulated therein were answered in the negative and against the Company. The Company against the judgment of PHC filed a civil petition for leave to appeal before the Supreme Court of Pakistan, which vide its combined judgment dated 04 August, 2009, for the Assessment Years 1999-2000 and 2001-2002, dismissed the said petition and leave refused.

(b) The AO, vide his order dated 23 July, 2009 in finalising re-assessment for the Assessment Year 2001-02, has raised total tax demands aggregating Rs.49.465 million, which have been fully provided for in the books of account and adjusted against tax refunds available to the Company.

15.5 The ITAT, for the Assessment Year 1999-2000 through a unanimous decision of 08 October, 2007, had decided the appeal in favour of the Company by cancelling the original assessment for non-invocation of the provisions of section 12(9A) of the repealed Ordinance. The Commissioner of Income Tax, during the preceding financial year, had filed a reference application under section 133 of the Ordinance before the PHC against order of the ITAT raising the following questions of law:

(a) *whether Tribunal was justified to offer interpretation of the term reserves on its own whereas reserves have been defined in explanation to Section 12(9A);*

(b) *whether the definition given in the explanation covers the reserves of the earlier orders, being the inclusive definition; and*

(c) *whether Tribunal erred to hold that the statute cannot tax the same amount again in a different year.*

15.6 The Deputy Commissioner of Income Tax, for the Tax Year 2006, has raised tax demands aggregating Rs.6.881 million under section 161 of the Ordinance and additional tax demands aggregating Rs.2.201 million under section 205 of the Ordinance. The Company filed an appeal with the CIT (A), who, vide his order dated 25 June, 2009, deleted demands aggregating Rs.3.553 million under various heads. The Company and the Department have filed appeals with the ITAT, against the order of the CIT (A), which are pending adjudication.

15.7 No numeric tax rate reconciliation is given in these financial statements as provision made during the current year represents minimum tax payable under section 113 of the Ordinance; (2008 provision represented final tax deducted at source on realisation of foreign exchange proceeds under section 154 of the Ordinance).

15.8 Deferred tax asset on available unused tax losses has not been recognised in these financial statements due to uncertainty about the availability of taxable profits in the foreseeable future. Available unused tax losses as per the return for Tax Year 2009 aggregated Rs.1.189 billion.

16. CONTINGENCIES AND COMMITMENTS

16.1 Bank Alfalah Ltd., during the current year, on behalf of the Company, has issued a performance guarantee amounting Rs.66 million to Trading Corporation of Pakistan (Pvt.) Ltd.; the bank guarantee is valid upto 15 January, 2010.

16.2 No commitments for letters of credit were outstanding as at 30 September, 2009 and 30 September, 2008.

16.3 Commitments for capital expenditure outstanding as at 30 September, 2009 were for Rs.1.470 million (2008: Rs.Nil).

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

16.5 Also refer contents of taxation notes.

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2009	2008
		Rupees in thousand	
Operating fixed assets - tangible	17.1	**2,450,768**	2,697,927
Capital work-in-progress	17.5	**45,813**	1,840
Stores held for capital expenditure		**18,475**	19,808
		2,515,056	2,719,575

17.1 Operating fixed assets - tangible

	Owned							Leased	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Furniture and fixtures	Vehicles	Vehicles	Total
	Rupees in thousand								
At 30 September, 2007									
Cost	40,746	426,013	2,135,011	142,185	14,563	14,458	14,380	13,156	2,800,512
Accumulated depreciation	0	148,823	741,223	30,939	6,354	6,680	9,366	6,567	949,952
Book value	40,746	277,190	1,393,788	111,246	8,209	7,778	5,014	6,589	1,850,560
Year ended 30 September, 2008									
Additions	0	65,323	39,578	9,740	1,986	690	0	0	117,317
Revaluation surplus	103,131	81,940	0	0	0	0	0	0	185,071
Disposals:									
- Cost	0	0	0	0	0	0	919	0	919
- Depreciation	0	0	0	0	0	0	(788)	0	(788)
	0	0	0	0	0	0	131	0	131
	143,877	424,453	1,433,366	120,986	10,195	8,468	4,883	6,589	2,152,817
Depreciation charge	0	40,730	171,160	11,595	910	813	995	1,318	227,521
Elimination against gross carrying amount	0	(143,534)	(629,097)	0	0	0	0	0	(772,631)
Book value at 30 September, 2008	143,877	527,257	1,891,303	109,391	9,285	7,655	3,888	5,271	2,697,927

Year ended 30 September, 2009									
Additions	311	0	917	1,988	1,900	849	4,220	0	10,185
Transfers									
- Cost	0	0	0	0	0	0	13,156	(13,156)	0
- Depreciation	0	0	0	0	0	0	(8,017)	8,017	0
	0	0	0	0	0	0	5,139	(5,139)	0
	144,188	527,257	1,892,220	111,379	11,185	8,504	13,247	132	2,708,112
Disposals:									
- Cost	0	0	0	0	0	0	1,228	0	1,228
- Depreciation	0	0	0	0	0	0	(1,017)	0	(1,017)
	0	0	0	0	0	0	211	0	211
	144,188	527,257	1,892,220	111,379	11,185	8,504	13,036	132	2,707,901
Depreciation charge	0	52,726	189,182	11,032	1,027	825	2,209	132	257,133
Book value at 30 September, 2009	144,188	474,531	1,703,038	100,347	10,158	7,679	10,827	0	2,450,768
At 30 September, 2008									
Cost / revaluation	143,877	573,276	2,174,589	151,925	16,549	15,148	13,461	13,156	3,101,981
Accumulated depreciation	0	46,019	283,286	42,534	7,264	7,493	9,573	7,885	404,054
Book value	143,877	527,257	1,891,303	109,391	9,285	7,655	3,888	5,271	2,697,927
At 30 September, 2009									
Cost / revaluation	144,188	573,276	2,175,506	153,913	18,449	15,997	29,609	0	3,110,938
Accumulated depreciation	0	98,745	472,468	53,566	8,291	8,318	18,782	0	660,170
Book value	144,188	474,531	1,703,038	100,347	10,158	7,679	10,827	0	2,450,768
Depreciation rate (%)		10	10	10	10	10	20	20	

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

	2009	2008
	Rupees in thousand	
- freehold land	**41,057**	40,746
- buildings and roads	**281,750**	312,719
- plant and machinery	**1,165,161**	1,292,162
	1,487,968	1,645,627

17.3 Depreciation for the year has been allocated as follows:

	Note	2009	2008
		Rupees in thousand	
Cost of sales		**252,940**	223,485
Administrative expenses		**4,193**	4,036
		257,133	227,521

17.4 Sale of vehicle through negotiation

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Particulars of buyer
	------------ Rupees in thousand ------------					
Honda Civic	1,228	1,017	211	250	39	Mr. Faheem-ud-Din, House # 7, Street # 9, Gulshan Daden, Rawalpindi.

17.5 Capital work-in-progress

	2009	2008
Freehold land - advance payments	**421**	421
Buildings on freehold land:		
- cost of materials	**12,068**	700
Plant and machinery:		
- cost	**27,759**	0
- advance payments	**490**	0
	28,249	0
Electric installations - cost	**2,347**	0
Vehicles - advance payments	**2,728**	719
	45,813	1,840

18. INTANGIBLE ASSETS
(Computer softwares)

	2009	2008
Cost at beginning of the year	**5,532**	4,352
Additions during the year	**760**	1,180
Cost at the end of the year	**6,292**	5,532
Less: amortisation:		
- at beginning of the year	**4,745**	4,077
- charge for the year	**647**	668
- at end of the year	**5,392**	4,745
Net book value as at 30 September,	**900**	787

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

	Note	2009	2008
		Rupees in thousand	
19. STORES AND SPARES			
Stores including in-transit inventory valuing Rs.Nil (2008: Rs.6.700 million)		**122,573**	120,709
Spares		**18,444**	16,735
		141,017	137,444
20. STOCK-IN-TRADE			
Finished goods	**20.1**	**696,574**	1,433,444
Sugar-in-process		**4,794**	4,619
		701,368	1,438,063

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

20.2 Complete stock-in-trade inventory is pledged with commercial banks as security for short term finances.

	Note	2009	2008
21. LOANS AND ADVANCES			
Advance payments to:			
- employees		**1,663**	1,161
- suppliers and contractors	**21.1**	**41,143**	48,269
Due from related parties (Associated Companies)	**21.2**	**907**	1,099
		43,713	50,529
Less: provision for doubtful advances		**2,437**	2,437
		41,276	48,092

21.1 These are unsecured and considered good except for Rs.2.437 million (2008: Rs.2.437 million), which have been fully provided for in the books of account.

21.2 Due from Associated Companies in respect of current account transactions:

	Note	2009	2008
		Rupees in thousand	
The Frontier Sugar Mills & Distillery Ltd.		**907**	979
Syntronics Ltd.		**0**	120
		907	1,099

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

	2009	2008
- purchase of goods and services	**38,749**	39,193
- machinery lease rentals	**1,818**	1,800
- sale of goods	**559**	511
- mark-up on loans from Associated Companies	**80,835**	16,381

(b) Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.3.861 million (2008: Rs.1.444 million).

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

	2009	2008
Security deposits:		
- with Trading Corporation of Pakistan (Pvt.) Ltd.	**20,940**	4,032
- others	**0**	5
Bank guarantee margin	**3,300**	0
Prepayments	**2,671**	874
Other receivables	**250**	0
	27,161	4,911

23. BANK BALANCES

	Note	2009	2008
Cash at banks on:			
- current accounts	**23.1**	**16,105**	30,554
- PLS accounts		**1,230**	11,827
- deposit accounts		**3,636**	3,937
		20,971	46,318

23.1 These include dividend account balance of Rs.22 thousand (2008: Rs.22 thousand).

23.2 PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 2% to 5% (2008: 4% to 7%) per annum.

24. SALES - Net

	Note	2009	2008
		Rupees in thousand	
Turnover:			
Local		**4,436,337**	2,093,306
Export		**0**	765,623
		4,436,337	2,858,929
Less:			
Commission		**5,071**	5,902
Sales tax		**429,891**	261,154
Federal excise duty		**37,773**	12,061
		472,735	279,117
		3,963,602	2,579,812

25. COST OF SALES

	Note	2009	2008
Raw materials consumed		**2,345,472**	2,083,829
Chemicals and stores consumed		**57,965**	59,298
Salaries, wages and benefits	**25.1**	**127,852**	106,302
Power and fuel		**14,964**	12,817
Repair and maintenance		**52,015**	48,068
Insurance		**5,908**	5,019
Machinery lease rentals	**16.4**	**1,818**	1,800
Depreciation		**252,940**	223,485
		2,858,934	2,540,618
Adjustment of sugar-in-process:			
Opening		**4,619**	2,917
Closing		**(4,794)**	(4,619)
		(175)	(1,702)
Cost of goods manufactured		**2,858,759**	2,538,916
Adjustment of finished goods :			
Opening stock		**1,433,444**	1,128,326
Closing stock		**(696,574)**	(1,433,444)
		736,870	(305,118)
		3,595,629	2,233,798

25.1 These include Rs.932 thousand (2008: Rs.912 thousand) in respect of staff retirement benefits.

26. DISTRIBUTION COST

	Note	2009	2008
Loading and stacking		**7,324**	6,507
Salaries and benefits	**26.1**	**3,123**	3,007
Export development surcharge		**0**	1,979
		10,447	11,493

26.1 These include Rs.15 thousand (2008: Rs.12 thousand) in respect of staff retirement benefits.

27. ADMINISTRATIVE EXPENSES

	Note	2009	2008
		Rupees in thousand	
Salaries and benefits	**27.2**	**45,132**	39,095
Travelling and conveyance:			
- directors'		**1,910**	2,229
- others		**1,107**	1,213
Vehicles' running / maintenance and lease rentals		**4,624**	4,079
Rent, rates and taxes		**666**	965
Communication		**1,637**	1,540
Printing and stationery		**3,559**	1,204
Insurance		**327**	442
Repair and maintenance		**3,192**	3,543
Fees and subscription		**1,303**	2,773
Depreciation		**4,193**	4,036
Amortisation of intangible assets		**647**	668
Auditors' remuneration	**27.3**	**716**	605
Legal and professional charges (other than Auditors')		**2,161**	623
General		**840**	1,069
		72,014	64,084

27.1 The Company, during the year, has shared expenses aggregating Rs.7.063 million (2008: Rs.15.372 million) with its Associated Companies on account of combined office expenses. These expenses have been booked in the respective heads of account.

27.2 These include Rs.428 thousand (2008: Rs.507 thousand) in respect of staff retirement benefits.

27.3 Auditors' remuneration:

	2009	2008
	Rupees in thousand	
Hameed Chaudhri & Co.		
- statutory audit		
- current year	**200**	200
- short provision for the preceding year	**0**	75
- half yearly review	**100**	100
- code of corporate governance		
- current year	**25**	25
- short provision for the preceding year	**0**	25
- consultancy, tax services and certification charges	**330**	90
- out-of-pocket expenses	**25**	51
	680	566
Munawar Associates		
- cost audit fee	**30**	30
- provident fund's audit fee	**5**	0
- out-of-pocket expenses	**1**	9
	36	39
	716	605

28. OTHER OPERATING EXPENSES

Donations (without directors' interest)	**97**	94

29. OTHER OPERATING INCOME

Income from financial assets		
Profit on deposit accounts - net of zakat	**9,889**	914
Income from other than financial assets		
Sale of press mud - net of sales tax amounting Rs.108 thousand (2008: Rs.142 thousand) and excise duty amounting Rs.7 thousand (2008: Rs.8 thousand)	**675**	947
Sale of scrap (2008: net of sales tax amounting Rs.1,381 thousand and excise duty amounting Rs.92 thousand)	**0**	9,204
Gain on sale of a vehicle	**39**	108
Exchange fluctuation gain	**1,917**	0
Miscellaneous	**0**	73
	12,520	11,246

30. FINANCE COST

	2009	2008
	Rupees in thousand	
Mark-up on:		
- term and demand finances	**173,623**	152,955
- loans from Associated Companies	**80,835**	16,381
- short term finances	**180,164**	167,315
Lease finance charges	**18**	265
Bank charges	**4,081**	1,845
	438,721	338,761

31. LOSS PER SHARE - Basic

	2009	2008
Loss after taxation attributable to ordinary shareholders	**(217,910)**	(63,163)
	Number of shares	
Weighted average number of shares outstanding during the year	**28,692,000**	20,068,721
	-------- Rupees --------	
Loss per share	**(7.59)**	(3.15)

31.1 There were no convertible dilutive potential ordinary shares outstanding on 30 September, 2009 and 2008.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2009	2008	**2009**	2008	**2009**	2008
	------------------------------ **Rupees in thousand** ------------------------------					
Managerial remuneration including bonus	**1,200**	1,200	**2,088**	1,899	**6,011**	1,877
Allowances and utilities	**0**	0	**0**	0	**3,356**	428
Contribution to provident fund	**0**	0	**0**	0	**289**	139
Medical expenses reimbursed	**155**	39	**0**	0	**0**	43
	1,355	1,239	**2,088**	1,899	**9,656**	2,487
No. of persons	**1**	1	**1**	1	**7**	1

32.1 The Chief Executive and all the Executives have been provided with free use of the Company maintained cars. Four (2008:one) of the Executives have also been provided with free housing (with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound).

33. FINANCIAL INSTRUMENTS

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

- credit risk;
- liquidity risk; and
- market risk.

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

33.1 Credit risk

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

Credit risk arises from cash equivalents, deposits with banks, as well as credit exposures to customers and other counter parties, which include trade debts and other receivables. All of the Company's financial assets were subject to credit risk as at 30 September, 2009 and 2008.

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 factors. Where considered necessary, advance payments are obtained from certain parties.

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

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

The maximum exposure to credit risk as at 30 September, 2009 along with comparative is tabulated below:

	2009	2008
	(Rupees in thousand)	
Security deposits	**3,683**	3,413
Trade debts	**54,007**	19,373
Loans and advances	**39,613**	46,931
Deposits and other receivables	**24,490**	4,037
Bank balances	**20,971**	46,318
	142,764	120,072

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

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

Not past due	**51,957**	16,422
Past due 1-30 days	**3**	2,337
Past due 31-60 days	**0**	556
Past due over 60 days	**2,047**	58
	54,007	19,373

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts as 67% of the amount is due from Trading Corporation of Pakistan (Pvt.) Ltd., which has been received subsequent to the year-end. For other trade debts, there are reasonable grounds to believe that the amounts will be recovered in short course of time.

33.2 Liquidity risk

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

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

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

	2008				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	------------------------- Rupees in thousand -------------------------				
Term and demand finances	1,099,166	1,459,675	234,490	1,119,772	105,413
Loans from Associated Companies	552,500	843,522	0	776,687	66,835
Liabilities against assets subject to finance lease	415	432	432	0	0
Short term finances	1,385,643	1,436,804	1,436,804	0	0
Trade and other payables	170,497	170,497	170,497	0	0
Accrued mark-up and interest	112,432	112,432	112,432	0	0
	3,320,653	4,023,362	1,954,655	1,896,459	172,248

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.

33.3 Market risk

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

(a) Currency risk

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

(b) Interest rate risk

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

	2009	2008	**2009**	2008
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**2% to 5%**	4% to 7%	**4,866**	15,764
Variable rate instruments				
Financial liabilities				
Term and demand finances	**13.79% to 17.70%**	11.24% to 16.13%	**988,332**	1,099,166
Loans from Associated Companies	**12.39% to 16.50%**	11.19% to 14.74%	**502,500**	552,500
Liabilities against assets subject to finance lease	**-**	13.82% to 13.89%	**0**	415
Short term finances	**13.67% to 17.50%**	10.64% to 15.24%	**700,579**	1,385,643

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 and loss. Therefore, a change in interest and mark-up rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest and mark-up rates at the balance sheet date would have (increased) / decreased loss for the year by the amounts shown below. The analysis is performed on the same basis for the year 2008.

	Increase	Decrease
	(Rupees in thousand)	
As at 30 September, 2009		
Cash flow sensitivity-variable rate financial liabilities	**(21,914)**	**21,914**
As at 30 September, 2008		
Cash flow sensitivity-variable rate financial liabilities	(30,377)	30,377

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

33.4 Fair value of financial instruments

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

34. CAPACITY AND PRODUCTION

	2009	2008
	--------- M.Tons ---------	
Rated crushing capacity (based on 150 working days)	**2,700,000**	2,700,000
Cane crushed	**1,050,807**	1,466,133
Sugar produced	**85,234**	111,330
	--------- Number ---------	
Days worked	**100**	124

35. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the ordinary shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2009	2008
	(Rupees in thousand)	
Total borrowings	**2,191,745**	3,063,337
Less: Cash and bank balances	**20,971**	46,318
Net debt	**2,170,774**	3,017,019
Total equity	**66,712**	203,438
Total capital	**2,237,486**	3,220,457
Gearing ratio	**97%**	94%

For the purpose of calculating the gearing ratio, the amount of total borrowings has been determined by including the effect of liabilities against assets subject to finance lease and short term finances under mark-up arrangements.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 29 December, 2009 by the board of directors of the Company.

37. FIGURES

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have been rearranged and reclassified , wherever necessary, for the purposes of comparison; however, no material rearrangements / reclassifications have been made in these financial statements.

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

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

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

hereby appoint..of...

or failing him...of...

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

be held on 30 January, 2010 and at any adjournment thereof.

As witness my hand this ....day of 2010

Signed by the said
in the presence of

Revenue
Stamp

Address.......................................

....

....

Signature