annual report

2019

CHASHMA SUGAR MILLS LIMITED

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CHASHMA SUGAR MILLS LIMITED

Company Profile

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

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

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

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

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

COMPANY INFORMATION

Board of Directors

Mr. Aziz Sarfaraz Khan	Chief Executive
Mr. Abbas Sarfaraz Khan	Chairman
Ms. Zarmine Sarfaraz	Director
Mr. Iskander M. Khan	Director
Mr. Abdul Qadar Khattak	Director
Mr. Sher Ali Jafar Khan	Independent Director
Mr. Feisal Kemal Khan	Independent Director

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Head of Internal Audit

Mr. Zaheer Mir

Auditors

M/s. A.F Ferguson & Co.
Chartered Accountants

Tax Consultants

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

Legal Advisor

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

Shares Registrar

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

Bankers

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

CHASHMA SUGAR MILLS LIMITED

Management Committees

Executive Committee

Mr. Abbas Sarfaraz Khan (Executive Director)	Chairman
Mr. Iskander M. Khan (Non-Executive Director)	Member
Mr. Feisal Kemal Khan (Independent Director)	Member

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

Audit Committee

Mr. Sher Ali Jafar Khan (Independent Director)	Chairman
Mr. Iskander M. Khan (Non-Executive Director)	Member
Mr. Abdul Qadir Khattak (Non-Executive Director)	Member
Mr. Mujahid Bashir	Secretary

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

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

a) determination of appropriate measures to safeguard the Company's assets;

b) review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
- major judgmental areas;
- significant adjustments resulting from the audit;
- going-concern assumption;
- any changes in accounting policies and practices;

- compliance with applicable accounting standards;
- compliance with these regulations and other statutory and regulatory requirements; and
- all related party transactions.

c) review of preliminary announcements of results prior to external communication and publication;

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

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

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

g) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

i) ascertaining that the internal control system including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

j) review of the Company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;

k) instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;

l) determination of compliance with relevant statutory requirements;

m) monitoring compliance with these regulations and identification of significant violations thereof;

n) review of arrangement for staff and management to report to audit committee in confidence, concerns, if any about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;

o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.

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

Human Resource and Remuneration Committee

Mr. Sher Ali Jafar Khan (Independent Director)	Chairman
Mr. Abdul Qadir Khattak (Non-Executive Director)	Member
Mr. Iskander M. Khan (Non-Executive Director)	Member
Mr. Mujahid Bashir	Secretary

The Committee is responsible for:

i) recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the board which shall normally include the first layer of management below the chief executive officer level;

ii) undertaking annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualification and major terms of appointment;

iii) recommending human resource management policies to the board;

iv) recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;

v) consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer; and

vi) where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company.

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

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

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

MISSION STATEMENT

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

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

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

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

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

STRATEGIC GOALS

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

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

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

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

CORE VALUES

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

- Treating stakeholders with respect, courtesy and competence.

- Practicing highest personal and professional integrity.

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

- Ensuring cost consciousness in all decision and operations.

CHASHMA SUGAR MILLS LIMITED

Code of Conduct

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

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

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

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

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

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

General Principles

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

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

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

Statement of Ethical Practices

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

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

TEN YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2019	2018	2017	2016	2015	2014	2013	2012	2011
				(RUPEES IN THOUSAND)					
Sales	12,420,711	10,383,833	11,332,390	11,206,209	7,559,896	5,831,752	6,673,731	5,848,891	5,882,738
Cost of sales	10,183,656	9,004,826	10,224,316	10,100,778	7,102,310	5,725,768	6,173,254	5,702,814	5,186,437
Operating profit/(Loss)	1,386,048	737,524	625,256	716,714	586,046	84,272	481,250	97,323	612,225
Profit/(Loss) before tax	636,500	253,164	132,299	215,151	125,969	(275,026)	56,728	(239,067)	165,491
Profit/(Loss) After tax	578,648	193,623	92,152	297,450	174,097	(128,619)	32,972	(218,971)	140,610
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920
Shareholders' equity	6,321,459	5,805,480	4,065,179	4,075,359	2,621,405	2,423,137	2,524,899	1,397,464	1,645,127
Fixed assets - net	9,223,953	9,531,791	7,789,577	8,169,406	6,764,869	6,368,487	5,010,389	3,167,380	3,099,093
Current assets	4,187,304	4,170,076	2,770,411	1,898,319	3,495,029	2,930,576	2,471,558	2,664,029	2,544,179
Total assets	13,526,341	13,815,725	10,573,906	10,072,321	10,265,039	9,303,424	7,485,951	5,835,443	5,647,181
Long term liabilities	2,672,716	2,825,549	2,792,674	3,370,510	2,890,982	3,223,672	2,270,940	1,451,512	1,357,532
Dividend									
Cash dividend	50%	15%	15%	45%	25%	0%	0%	0%	10%
Ratios:									
Profitability (%)									
Operating profit	11.16	7.10	5.52	6.40	7.75	1.45	7.21	1.66	10.41
Profit/ (Loss) before tax	5.12	2.44	1.17	1.92	1.67	(4.72)	0.85	(4.09)	2.81
Profit/(Loss) after tax	4.66	1.86	0.81	2.65	2.30	(2.21)	0.49	(3.74)	2.39
Return to Shareholders									
ROE - Before tax	10.07	4.36	3.25	5.28	4.81	(11.35)	2.25	(17.11)	10.06
ROE - After tax	9.15	3.34	2.27	7.30	6.64	(5.31)	1.31	(15.67)	8.55
Return on Capital Employed	6.43	2.24	1.34	3.99	3.16	(2.28)	0.69	(7.69)	4.68
E. P. S. - After tax	20.17	6.75	3.21	10.37	6.07	(4.48)	1.15	(7.63)	4.90
Activity									
Income to total assets	0.92	0.75	1.07	1.11	0.74	0.63	0.89	1.00	1.04
Income to fixed assets	1.35	1.09	1.45	1.37	1.12	0.92	1.33	1.85	1.90
Liquidity/Leverage									
Current ratio	0.92	0.80	0.75	0.72	0.74	0.80	0.92	0.89	0.96
Break up value per share	220.32	202.34	141.68	142.04	91.36	84.45	88.00	48.71	57.34
Total Liabilities to equity (Times)	1.14	1.38	1.60	1.47	2.92	2.84	1.96	3.18	2.43

CHASHMA SUGAR MILLS LIMITED

TEN YEARS REVIEW

PRODUCTION OF SUGAR

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
2010	1,046,061	8.42	88,086
2011	1,353,553	8.69	117,474
2012	1,196,202	8.65	103,478
2013	1,326,905	9.18	121,771
2014	1,294,435	8.33	107,775
2015	1,588,226	9.16	145,502
2016	1,689,633	9.20	155,443
2017	2,224,494	9.16	203,687
2018	2,040,734	9.47	193,323
2019	**1,562,413**	**10.64**	**166,252**

PRODUCTION OF ETHANOL

YEAR	MOLASSES CONSUMED TONS	RECOVERY %	PRODUCTION (LITRES)
2014	19,590	18.54	4,540,945
2015	36,277	18.24	8,272,982
2016	111,385	18.58	25,870,308
2017	129,384	18.32	29,623,876
2018	184,282	19.37	44,617,163
2019	**191,494**	**18.07**	**43,260,426**

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

Notice is hereby given that 32nd Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on January 27, 2020 at 11:00 AM at the Registered Office of the Company at Nowshera Road, Mardan, for transacting the following business: -

1. To confirm the minutes of the Extra Ordinary General Meeting held on December 27, 2019.

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' reports for the year ended September 30, 2019.

3. To consider and approve the payment of final cash dividend. The Board of Directors has recommended payment of final cash dividend of Rs. 5.00 per share (50%) for the year ended September 30, 2019.

4. To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2020. The present auditors' M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

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

The share transfer books of the Company will remain closed from January 17, 2020 to January 27, 2020 (both days inclusive).

BY ORDER OF THE BOARD

Mardan:
January 02, 2020

(Mujahid Bashir)
Company Secretary

N.B:

1. A member, eligible to attend and vote at this meeting, may appoint another member as his/her proxy to attend, speak and vote instead of himself/herself. Proxies in order to be effective must be valid and received by the Company not less than 48 hours before the time for holding of the Meeting and must be duly stamped, signed and witnessed. A member shall not be entitled to appoint more than one proxy.

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

3. CDC shareholders are requested to bring their original computerized national identity card, account, sub account number and participant's number in the Central Depository System for identification purpose for attending the Meeting. In case of a corporate entity, the Board of Directors' resolution/power of attorney with

specimen signature specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

4. The SECP vide SRO 787 (1)/2014 dated September 08, 2014 has provided an option for shareholders to receive audited financial statements along with notice of Annual General Meeting electronically through email. Hence, members who are interested in receiving the annual reports and notice of Annual General Meeting electronically in future are requested to send their email addresses on the consent form placed on the Company's website www.chashmasugarmills.com to the Company's Share Registrar. The Company shall, however additionally provide hard copies of the annual report to such members, on request, free of cost.

5. The Financial Statements of the Company for the year ended September 30, 2019 along with reports have been placed on website of the Company www.chashmasugarmills.com.

6. In accordance with Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility a request is to be submitted to the Company Secretary of the Company on given address:

"The Company Secretary, Chashma Sugar Mills Limited,
Kings Arcade 20-A, Markaz F-7, Islamabad."

7. Currently Section 150 of the Income Tax Ordinance, 2001 prescribed following rates for deduction of withholding tax on the amount of dividend paid by the companies:

Rate of tax deduction for filer of income tax returns	15%
Rate of tax deduction for non-filer of income tax returns	30%

In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/CDS Account No	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No	(No. of Shares)	Name & CNIC No	(No. of Shares)

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

8. Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat.

9. Pursuant to section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it become due payable shall vest with the Federal Government after compliance of procedure prescribed under the Companies Act, 2017. Shareholders are hereby informed that a list of all unclaimed dividend has been added on the Company's website http://www.chashmasugarmills.com. Any member effected by this notice is advised to write to or call at the office of the Company's Share Registrar M/s Hameed Majeed Associates (Pvt.) Ltd., H.M-House, 7-Bank Square Road, Lahore during normal working hours.

10. As per Section 72 of the Companies Act, 2017 every existing Listed Company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding 4 years from the commencement of this Act, i.e. May 30, 2017.

    The Shareholders having physical shareholding are encouraged to open CDC Sub- account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares will not be permitted as per regulations of the Pakistan Stock Exchange.

CHASHMA SUGAR MILLS LIMITED
CHAIRMAN'S REVIEW REPORT

I am pleased to welcome you to the 32nd Annual General Meeting of your Company and present on behalf of the Board of Directors, the Audited Financial Statements for the year ended September 30, 2019 along with my review on the performance of your Company.

As required under Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation of the Board of the Company is carried out. The purpose of this exercise is to ensure that the Board's overall performance and effectiveness is measured and bench marked against expectations in the context of objectives set for the Company.

The year 2018-19 was a difficult year for Sugar Sector in general, due to slowing down of economic growth, increasing input costs, surging interest rates and massive devaluation of Pak Rupee, due to which the profitability ratio of Sugar Mills / Industry / Sector was badly affected.

The Board met the duties as required under the Companies Act, 2017 and Listed Companies (Code of Corporate Governance), Regulations 2019, which include approval of significant policies, establishing a sound system of internal controls, approval of budgets and financial results, along with approval of significant investments. During the year the Board met six times. The Board is compliant with all the regulatory requirements and acted in accordance with applicable laws & best practices.

Being the Chairman of the Board, I ensured that the management is actively working on different options to ensure appropriate returns on available funds in the agenda of the Board meetings held during the year. All written notices, including the agenda, supporting documents and other working papers of meetings were circulated prior to the meetings. Further, I ensured that the Board plays an effective role in fulfilling its responsibilities. The non-executive and independent directors are equally involved in important decisions.

On the behalf of the Board of Directors of your Company, I would like to take this opportunity to express my appreciation for the untiring efforts of our sincere services of employees of the Company. I am also thankful for the valuable stakeholders including our valued customers, banks, suppliers and also shareholders for their patronage and confidence reposed in the Company.

(Abbas Sarfaraz Khan)
Chairman

Mardan: January 02, 2020

چشمہ شوگر ملز لمیٹڈ

چیئرمین کی جائزہ رپورٹ

میں آپ کی کمپنی کے 32ویں سالانہ جنرل میٹنگ میں آپ کو خوش آمدید کہتاہوں اور میں اپنی اور بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی آڈیٹڈ فنانشل سٹیٹمنٹس برائے سال 30 ستمبر، 2019 اور مجموعی کارکردگی اپنے جائزہ کے ساتھ پیش کررہاہوں۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے مطابق اور کمپنی کے بورڈ کی سالانہ جائزہ لیاجاچکاہے۔اس جائزہ کا بنیادی مقصد یہ ہے کہ کمپنی کے طے شدہ مقاصد کے تناظر میں بورڈ کی مجموعی کارکردگی کا اور تاثیر کو ناپاجائے۔

سال 2018-19 عمومی طور پر چینی کی صنعت کے لیے ایک مشکل سال تھا، جس کی وجہ معیشیت نمو کی سست روی، ان پٹ کاسٹ میں اضافہ، شرح سود کا بڑھنا اور روپے کی قدر میں بڑے پیمانے پر گراوٹ، جس کی وجہ سے شوگر ملز، صنعت، سیکٹر کے منافع کا تناسب بری طرح متاثر ہوا۔

بورڈ کی جانب سے کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی شرائط کے مطابق اپنے فرائض منصبی کی ادائیگی کی گئی جن میں اہمیت حامل پالیسیوں کی منظوری، موثر اندرانی کنڑول کے نظام کے نظام کا قیام، بجٹ اور مالیاتی نتائج کی منظوری اور اہمیت کی حامل سرمایہ کاری کی منظوری جیسے امور شامل ہیں۔زیر نظر مالی سال کے دوران بورڈ کی جانب سے چھ اجلاس منعقد کئے گئے۔بورڈ تمام قانونی شرائط وضوابط پر پورااترتاہے، مروجہ قوانین اور بہترین روایات کی پاسداری کرتے ہوئے اپنے فرائض منصبی کی ادائیگی کرتاہے۔

بورڈ کے چیئرمین ہونے کے ناطے اس بات کی یقین دہانی کرواتاہوں کہ انتظامیہ فعال طور پر مختلف آپشنز کو مد نظر رکھتے ہوئے دستیاب فنڈز کے مناسب ریٹرنز کے ایجنڈہ پر سال کے دوران ہونے والی بورڈ میٹنگ میں کام کرتی رہی ہے۔ تمام لکھے گئے نوٹس، بشمول ایجنڈہ، متعلقہ دستاویزات اور دیگر ورکنگ پیپرز میٹنگ کے دوران مہیا کیے گئے تھے۔مزید براں میں اس بات کی یقین دہانی کرواتاہوں کہ بورڈ اپنی زمہ داریوں کو پورا کرنے میں موئثر کردار ادا کررہاہے۔ غیر ایگزیکٹو اور آزاد ڈائریکٹرز اہم فیصلوں میں یکساں شریک ہوتے ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے، میں اس موقع سے فائدہ اٹھاتے ہوئے کمپنی کے ملازمین کی مخلص خدمات اور انتھک کاوشوں کو سراہتاہوں۔ میں ان قابل قدر اسٹیک ہولڈرز کا بھی شکر گزار ہوں جن میں معزز کسٹمرز، بینکس، سپلائرز اور حصص یافتگان شامل ہیں جنہوں نے کمپنی کی سرپرستی اور مکمل بھروسا کیا۔

عباس سرفراز خان

چیئرمین

مردان، 02 جنوری، 2020

CHASHMA SUGAR MILLS LIMITED

DIRECTORS' REPORT

The Board of Directors of Chashma Sugar Mills Limited is pleased to present Directors' Report of the Company together with the audited financial statements for the year ended September 30, 2019.

1. SUMMARISED FINANCIAL RESULTS

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

	2019	2018
	(Rupees in thousands)	
Profit before taxation	**636,500**	253,164
Taxation		
- Current	**(173,752)**	(123,731)
- Prior	**(897)**	(669)
- Deferred	**116,797**	64,859
	(57,852)	(59,541)
Profit after taxation	**578,648**	193,623
	---------- (Rupees) ----------	
Earnings per Share	**20.17**	6.75

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2018-19

The sugarcane crushing season 2018-19 commenced on November 30, 2018 and continued till March 24, 2019. The mills have crushed 1,562,413 tons. (2018: 2,040,734 tons) of sugar cane and have produced 166,252 tons (2018: 193,323 tons) of sugar at an average recovery of 10.64% (2018: 9.47%). The Federal Government in order to artificially suppress the sugar prices, devised the ineffective sugar export policy, the mills could not pass on the competitive sugarcane rates and the growers rooted out the crop, this resulted in reduced crushing this year. The Company earned profits due to our continued BMR and the improved sugar prices.

2.2 CRUSHING SEASON 2019-20

The sugarcane crushing season 2019-20 commenced on November 29, 2019. The mills have crushed 463,198 tons of sugarcane and have produced 44,885 tons of sugar till December 31, 2019. The Provincial Government of Punjab and Khyber Pakhtunkhwa (KPK) fixed sugar cane price @190 per maund. The Growers are reluctant to supply at these rates and sugar industry has started price war to maintain the crushing.

3. **SUGAR PRICE**

3.1- SUGAR SEASON 2018-19

The sugar prices increased after closing of the crushing season due to less production as compared to last year.

3.2- SUGAR SEASON 2019-20

We expect that the prices of sugar will cover the cost of production.

4. **ETHANOL FUEL PLANT AT UNIT-II**

The Ethanol Fuel Plant produced 34,608 MT of Ethanol during the year and contributed towards the profitability of the Company.

5. **BMR SCHEME**

During the current year, the Company has started Balancing, Modernization and Replacement (BMR).

6. **SILOS PROJECT**

During the current year, construction of Silos at both sites i.e. Notak Centre, District Bhakkar and Head Varery Centre, District Layyah has started and installation of Silos is in-process by Buhler Pakistan (Pvt.) Limited.

7. **STAFF**

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

8. **PATTERN OF SHAREHOLDING**

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

9. **CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- The financial statements, prepared by the management of Chashma Sugar Mills Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- All appropriate accounting policies have been consistently applied while preparing financial statements and accounting estimates are based on reasonable and prudent judgment.-
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon Company's ability to continue as a 'going concern'.
- The Company has followed corporate governance as detailed in the listed Companies (CCG) regulations 2017 and 2019.
- Key operating and financial data for the last decade in summarized form is annexed.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at September 30, 2019, except for those disclosed in the financial statements.

- The value of investments of staff provident fund, based on audited accounts, was Rs. 110.369 million as at September 30, 2019.

10. CORPORATE GUARANTEE

Subsequent to the year end, the shareholders of the Company approved and authorized to issue Corporate Guarantee amounting to Rs. 1.50 billion to bank(s) on behalf of its holding Company "The Premier Sugar Mills & Distillery Company Limited" in the Extra Ordinary General Meeting held at Mardan, on December 27, 2019.

11. TRADING IN SHARES

During the year, no trade in the shares of the Company were carried-out by the Directors, CFO, Company Secretary and their spouses and minor children.

12. RELATED PARTY TRANSACTION

The Related Parties transactions mentioned in 42 to the financial statements were placed before the Board Audit Committee and were approved by the Board. These transactions were in-line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a complete record of all such transactions. All transactions entered into with the related parties will also be placed before shareholders in their AGM for approval purposes.

13. BOARD MEETINGS

During the year, total thirteen (13) meetings were held and the attendance of each director was as follows;

Name of Directors	Board Meetings	Board Audit Committee Meetings	Human Resource and Remuneration Committee
	Attended	Attended	Attended
Non- Executive Directors			
Ms. Zarmine Sarfaraz	5	-	-
Mr. Abdul Qadar Khattak	2	3	-
Begum Laila Sarfaraz	2	-	-
Ms. Najda Sarfaraz	3	3	-
Mr. Baber Ali Khan	4	3	-
Mr. Iskander M. Khan	6	6	1
Executive Directors			
Mr. Aziz Sarfaraz Khan	6	-	-
Mr. Abbas Sarfaraz Khan	5	-	1
Independent Directors			
Mr.Sher Ali Jaffar Khan	5	5	1
Mr. Feisal Kemal Khan	2	-	-

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

14. ROLE OF SHAREHOLDERS

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

15. DIVIDEND

The Directors have recommended payment of Final Cash Dividend for the year ended September 30, 2019 @ Rs. 5.00 per share (50%) to all the shareholders of the Company.

16. ELECTION OF DIRECTORS

The directors retired and election held during the year in accordance with the provision of Section 159(3) of the Companies Act, 2017. Total seven directors including two independent directors were elected by the shareholders in Annual General Meeting held on March 29, 2019.

17. EXTERNAL AUDITORS

The present Auditors, M/s A. F. Fergusons & Co., Chartered Accountants, Islamabad, retire at the conclusion of forthcoming Annual General Meeting and being eligible, have offered themselves for reappointment. As suggested by the Audit Committee in terms of the Code of Corporate Governance, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending September 30, 2020.

18. STATUS OF THE COMPANY

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

19. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by SECP in Listed Companies (Code of Corporate Governance) Regulations, 2017 and 2019, relevant for the year ended September 30, 2019 have been duly complied with. A statement to this effect is annexed with the report.

20. ACKNOWLEDGEMENT

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

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

FOR AND ON BEHALF OF THE BOARD

(ISKANDER M. KHAN)
DIRECTOR

(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE

Mardan: January 02, 2020

چشمہ شوگر ملز لمیٹڈ
ڈائریکٹرز کی رپوٹ

چشمہ شوگر ملز لمیٹڈ کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور 30 ستمبر 2019 کو ختم ہونے والے سال کے آڈٹ شدہ مالیاتی گوشوارے، پیش کرنے پر مسرت محسوس کرتے ہیں۔

1۔ خلاصہ مالیاتی نتائج

کمپنی کی مالیاتی کارکردگی کا ذیل میں خلاصہ پیش ہے۔

	2019	2018
	(ہزار روپے)	
ٹیکس سے پہلے منافع	**636,500**	253,164
ٹیکسیشن		
موجودہ سال کا ٹیکس	**(173,752)**	(123,731)
گزشتہ سال کا ٹیکس	**(897)**	(669)
ڈیفرڈ ٹیکس	**116,797**	64,859
	(57,852)	(59,541)
بعداز ٹیکس منافع	**(578,648)**	(193,623)
	روپے	
منافع فی شیئر	**20.17**	6.75

2۔ آپریشن کا جائزہ

2.1۔ کرشنگ سیزن 19-2018

گنے کا کرشنگ سیزن 19-2018، 30 نومبر 2018 کو شروع ہوا اور 24 مارچ 2019 تک جاری رہا۔ ملز نے 1,562,413 ٹن (2018 میں 2,040,734 ٹن) گنا کرش کیا اور 10.64 فیصد اوسط (2018: 9.47 فیصد) کے حساب سے چینی کی پیداوار 166,252 ٹن (2018: 193,323 ٹن) رہی۔ وفاقی حکومت نے چینی کی قیمتوں کو مصنوعی طریقے سے کنٹرول کرنے کے لئے زور دیا، چینی کی برآمد کی غیر موثر پالیسی واضع کی گئی، ملز کاشتکاروں کو مناسب ریٹ نہ دے سکیں جس کے نتیجے میں کاشتکاروں نے گنے کی فصل اجاڑ دی، جس کی وجہ اس سال کرشنگ میں کمی ہوئی۔

2.2۔ کرشنگ سیزن2019-20

گنے کا کرشنگ سیزن2019-20 کا آغاز29 نومبر 2019 کو شروع ہوا۔ 31دسمبر 2019 تک ملز نے463,198 ٹن گنے کو کرش کرتے ہوئے44,885 ٹن چینی کی پیداوار کی۔ وفاقی حکومت اور خیبر پختون خواہ حکومت نے گنے کی -/190 روپے فی من مقرر کی ہے۔ کاشتکاران نرخوں پہ سپلائی دینے میں ہچکچاہٹ کا شکار ہیں اور شوگر انڈسٹری / چینی کی صنعت میں کرشنگ برقرار رکھنے کے لئے قیمتوں میں کشمکش جاری ہے۔

3۔ چینی کی قیمت

3.1۔ چینی کا سیزن2018-19

چینی کی قیمت میں اضافہ کرشنگ سیزن ختم ہونے کے بعد ہوا جس کی وجہ پچھلے سال میں پیداوار کی کمی تھی۔

3.2۔ چینی کا سیزن2019-20

ہم امید کرتے ہیں کہ چینی کی قیمتیں پیداواری لاگت کو پورا کریں گی۔

4۔ ایتھانول فیول پلانٹ یونٹ نمبرII

ایتھانول فیول پلانٹ نے اس سال کے دوران MT34,608 ایتھانول کی پیداوار ہوئی اور کمپنی کے منافع میں اپنا حصہ ڈالا۔

5۔ بی ایم آر سکیم

رواں سال کے دوران، کمپنی نے بیلنسنگ، ماڈرنائزیشن اور ریپلیسمنٹ (BMR) سکیم شروع کی۔

6۔ سائیلوز پروجیکٹ

رواں سال کے دوران، سائیلوز کا تعمیراتی کام دونوں سائیٹس نوٹک سنٹر، ضلع بھکر اور ہیڈ واریری سنٹر، ضلع لیہ پر شروع ہے اور سائیلوز کی تنصیب کا کام بوہلر پاکستان (پرائیویٹ) لمیٹڈ کمپنی کے ذریعہ جاری ہے۔

7۔ سٹاف

سال کے دوران انتظامیہ اور مزدوروں کے تعلقات مثالی رہے۔ ملازمین کو سال کے دوران تین ماہ کی تنخواہ کی شرح کے برابر بونس کی ادائیگی کی گئی۔

8۔ حصص داران کی ترتیب

کمپنی ایکٹ 2017 کے سیکشن227 کے سب سیکشن(2)(f) کے مطابق، حصص داران کی ترتیب منسلک ہے۔

9۔کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک

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

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

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

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

۔اندرونی کنٹرول کے نظام کی شکل مضبوط ہے اور موثر طریقے سے نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔

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

۔ کمپنی باقاعدگی سے کارپوریٹ گورننس کے قواعد وضوابط، جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 اور 2019 میں واضح کیے گئے ہیں کی مکمل پاسداری کرتی ہے۔

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

۔30 ستمبر 2019 تک کسی بھی قسم کی کوئی ٹیکس، فرائض، لیویز، چارجز، بقایاجات نہیں ہیں، سوائے ان کے جو مالیاتی بیانات میں بتائی گئیں ہیں۔

۔30 ستمبر 2019 کو آڈٹ شدہ اکاؤنٹس پر مبنی، اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 110.369 ملین تھی۔

10۔کارپوریٹ گارنٹی

موجودہ سال کے اختتام کے بعد شئیرز ہولڈرز نے 27 دسمبر 2019 کو مردان میں ہونے والے کمپنی کے غیر معمولی اجلاس عام میں کمپنی کو اپنی ہولڈنگ کمپنی "پریمئر شوگر ملز اینڈ ڈسٹلری کمپنی لمیٹڈ" کی جانب سے بینک کو 1.50 بلین کی کارپوریٹ گارنٹی دینے کی منظوری دی ہے۔

11۔شیئرز کی تجارت

رواں سال کے دوران ڈائریکٹرز، سی ای او، سی ایف او، کمپنی کے سیکرٹری، ان کے ازواج اور چھوٹے بچوں کی جانب سے کمپنی کے حصص میں کوئی لین دین نہیں ہوا۔

12۔ متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں سے لین دین کے معاملے جو نوٹ 42 میں بیان کئے گئے ہیں ان کو بورڈ آف آڈٹ کمیٹی کے سامنے منظوری کے لئے پیش کیا گیا تھا اور بورڈ سے باقاعدہ منظوری لی گئی تھی۔ لین دین کے یہ معاملات انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈرز (آئی ایف آر ایس) اور کمپنیز ایکٹ 2017 کے قواعد کے عین مطابق ہیں۔ کمپنی کی جانب سے اس قسم کے تمام معاملات/لین دین کا ریکارڈ رکھا جاتا ہے۔ متعلقہ پارٹیوں سے عمومی کاروباری طریقہ کار کے مطابق تمام لین دین کے معاملات کی شیئر ہولڈرز سے سالانہ اجلاس عام میں منظوری لی جائے گی۔

13۔ بورڈ اجلاس

۔ سال کے دوران کل تیرا اجلاس منعقد ہوئے جن میں ہر ڈائریکٹر کی شمولیت کی تفصیل مندرجہ ذیل ہے۔

ڈائیریکٹرز کے نام نان۔ ایگزیکٹوڈائریکٹرز	بورڈ آف ڈائریکٹرز کے اجلاس حاضری	آڈٹ کمیٹی کے اجلاس حاضری	ہیومن ریسورس اور معاوضہ کی کمیٹی حاضری
جناب عبدالقادر خٹک	2	3	--
بیگم لیلیٰ سرفراز	2	--	--
محترمہ زرمین سرفراز	5	--	--
محترمہ مجدہ سرفراز	5	4	--
جناب بابر علی خان	4	3	--
جناب اسکندر محمد خان	6	6	1
ایگزیکٹوڈائریکٹرز			
جناب عزیز سرفراز خان	6	4	--
جناب عباس سرفراز خان	5	--	1
آزادڈائریکٹرز			
جناب شیر علی جعفر خان	5	5	1
جناب فیصل کمال خان	2	--	--

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

14۔ حصص داران کا کردار

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

15۔ڈیویڈنڈ

بورڈ نے 30 ستمبر 2019 کو ختم ہونے والے مالی سال کے لئے 5 روپے (50%) فی حصص کے حساب سے حتمی نقد ڈیویڈنڈ کی ادائیگی کی سفارش کی ہے۔

16۔ڈائیریکٹرز کے انتخابات

رواں سال کے دوران کمپنیز ایکٹ 2017 کے سیکشن 159(3) کے تحت ہونے والے الیکشن میں ڈائریکٹرز ریٹائرڈ ہو گئے تھے۔ 29 مارچ 2019 کو سالانہ اجلاس عام کے موقع پر نئے انتخابات کا انعقاد کیا گیا جس میں سات ڈائیریکٹرز منتخب ہوئے جس میں سے دو آزاد ڈائیریکٹرز شامل ہیں۔

17۔آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاونٹنٹ، اسلام آباد، سالانہ اجلاس عام تک ریٹائرڈ ہو جائیں گے اور انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ کوڈ آف کارپوریٹ گورننس کے ضابطہ کے مطابق، بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش کے مطابق ان کو 30 ستمبر 2020 مالی سال کے اختتام تک مقرر کرنے کی گزارش کی ہے۔

18۔ کمپنی کی حیثیت

سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان کی ہدایت کی روشنی میں کمپنی کو سال 2010 سے ''دی پریمیر شوگر ملز اینڈ ڈسٹلری کمپنی لمیٹڈ'' کی ذیلی کمپنی مانا گیا ہے۔

19۔ضابطہ برائے کاروباری نظم و نسق

کمپنی کوڈ آف کارپوریٹ گورننس کے ضابطے جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2017 اور 2019 میں دیئے گئے ہیں اور 30 ستمبر 2019 کو ختم ہونے والے سال سے متعلقہ ہیں پر پوری طرح عمل پیرا ہے اس سے متعلق بیان اس رپورٹ کے ساتھ منسلک ہے۔

20۔اعتراف

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

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

منجانب بورڈ

اسکندر محمد خان
ڈائریکٹر

عزیز سرفراز خان
چیف ایگزیکٹو

مردان

بتاریخ:02 جنوری 2020

Shareholders' Information

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

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

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

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

Listing on Stock Exchange
Chashma Sugar Mills Limited Company's equity shares are listed on Pakistan Stock Exchange.

Listing Fees
The annual listing fee for the financial year 2019-20 has been paid to the stock exchanges within the prescribed time limit.

Statutory Compliance
During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Act, 2017 and allied rules, the regulations of Securities and Exchange Commission of Pakistan (SECP) and the PSX rule book.

Stock Code
The stock code for dealing in equity shares of Chashma Sugar Mills Limited at PSX is **Chas**.

Book Closure Dates
The Register of Members and Share Transfer books of the Company will remain closed from January 17, 2020 to January 27, 2020.

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

CHASHMA SUGAR MILLS LIMITED

FORM - 34

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 30 SEPTEMBER, 2019

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
158	From	1	to	100	Shares	11,230
528	From	101	to	500	Shares	235,750
138	From	501	to	1,000	Shares	130,338
147	From	1,001	to	5,000	Shares	375,763
45	From	5,001	to	10,000	Shares	349,100
35	From	10,001	to	20,000	Shares	538,006
11	From	20,001	to	25,000	Shares	245,000
7	From	25,001	to	30,000	Shares	193,900
3	From	30,001	to	35,000	Shares	99,000
5	From	35,001	to	40,000	Shares	188,300
8	From	40,001	to	60,000	Shares	373,500
2	From	60,001	to	70,000	Shares	139,000
3	From	70,001	to	80,000	Shares	227,500
3	From	85,001	to	125,000	Shares	295,642
5	From	125,001	to	310,000	Shares	1,082,500
2	From	310,001	to	450,000	Shares	768,150
1	From	450,001	to	625,000	Shares	484,069
6	From	625,001	to	2,000,000	Shares	5,613,777
2	From	2,000,001	to	above	Shares	17,341,475
1,109						**28,692,000**

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Compaines, undertakings and related parties	4	19,111,834	66.61
Directors & Relatives	13	4,406,055	15.36
Public Sector Companies, Corporation Banks, and Development Finance Institutions.	10	179,300	0.62
Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds.	7	773,421	2.70
Charitable Trusts	3	17,000	0.06
Individuals	1,072	4,204,390	14.65
	1,109	**28,692,000**	**100.00**

Categories of Shareholders	Numbers		Shares Held		Percentage of Paid-up Capital
Associated Companies, Undertakings and Related Parties	**4**		**19,111,834**		**66.61**
The Premier Sugar Mills & Distillery Co., Ltd.		13,751,000		47.93	
Syntronics Limited		3,590,475		12.51	
Azlak Enterprises (Pvt) Limited		1,462,859		5.10	
Phipson & Co. (Pak) (Pvt.) Limited		307,500		1.07	
Directors & Relatives	**13**		**4,406,055**		**15.36**
Public Sector Companies and Corporations	**10**		**179,300**		**0.62**
Asif Mushtaq & Company		1,500		0.01	
Neelum Taxtlile Mills (pvt) Limited.		12,400		0.04	
Shakil Express (pvt) Limited.		17,700		0.06	
Muhammad Ahmed Nadeem Seurities (pvt) Limited.		300		0.00	
S.H Bukhari Securities (pvt) Limited.		400		0.00	
MRA Securities Limited.		51,000		0.18	
Multiline Securities (pvt) Limited.		11,000		0.04	
Topline Securities (pvt) Limited.		76,000		0.26	
Creative Capital (pvt) Limited.		6,000		0.02	
Fikree's (SMS)(pvt) Limited.		3,000		0.00	
Banks, Development Finance Instituions, Non Banking Financial Instituitions, Insurance Companies, Modarabas and Mutual Funds	**7**		**773,421**		**2.70**
National Bank of Pakistan, (Pension Fund).		86,142		0.30	
National Bank of Pakistan, (Emp. Benevolent Fund).		3,023		0.01	
National Bank of Pakistan,		529		0.00	
Trustee National Investment (unit) Trust		677,227		2.36	
Fancy Petroleum Services (pvt) Limited.		3,000		0.01	
IDBL (ICP Units)		3,200		0.01	
State Life Insurance Corporation of Pakistan Limited		300		0.00	
Charitable Trusts	**3**		**17,000**		**0.06**
Trustees of Friends Eductional and Medical Trust		11,000		0.04	
Al Abbas Eductional and Welfare Society		1,000		0.00	
Trustees Moosa Lawari Foundation		5,000		0.02	
Individuals	**1,072**		**4,204,390**		**14.65**
	1,109		**28,692,000**		**100.00**

Shareholders holding 10% or more voting Intesrest in the Company

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

CHASHMA SUGAR MILLS LIMITED

STATEMENT OF COMPLIANCE WITH REPEALED LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 AND LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: Chashma Sugar Mills Limited.

Year ended: September 30, 2019

The Company has complied with the requirements of the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'Regulations') in the following manner:

1. The total numbers of Directors are eight as per the following:
   a) Male: 6
   b) Female: 1
2. The composition of the Board of Directors (the Board) is as follows:

Category	**Names**
Independent Directors	Mr. Sher Ali Jaffar Khan. Mr. Feisal Kemal Khan.
Non-executive Directors	Mr. Iskander M. Khan Mr. Abdul Qadar
Executive Directors	Mr. Aziz Sarfaraz Khan Mr. Abbas Sarfaraz Khan
Female Director	Ms. Zarmine Sarfaraz **(Non-executive Director)**

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.

8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. Majority of the Directors of the Company are exempted from the requirement of Directors' Training Program.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed Committees comprising of members given below:

Board Audit Committee

a)	Ms. Sher Ali Jaffar Khan	**Chairman**
b)	Mr. Iskander M. Khan	**Member**
c)	Mr. Abdul Qadir	**Member**

Human Resource and Remuneration Committee

a)	Mr. Sher Ali Jaffar Khan	**Chairman**
b)	Mr. Abdul Qadir	**Member**
c)	Mr. Iskander M. Khan	**Member**

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.

14. The frequency of meetings of the Committee**s** were as per following**:**

a)	Board Audit Committee	**Quarterly**
b)	Human Resource and Remuneration Committee	**Yearly**

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

16. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close

relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company.

17. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with.

19. We confirm that all the requirements of repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 have been complied with.

Mardan:
January 02, 2020

(ABBAS SARFARAZ KHAN)
CHAIRMAN

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CHASHMA SUGAR MILLS LIMITED
INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chashma Sugar Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Chashma Sugar Mills Limited for the year ended September 30, 2019 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended September 30, 2019.

-sd-
Chartered Accountants
Place: Islamabad
Date: January 02, 2020

pwc

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHASHMA SUGAR MILLS LIMITED

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Chashma Sugar Mills Limited (the Company), which comprise the statement of financial position as at September 30, 2019, and the statement of profit or loss account and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss account and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following is the Key Audit Matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
(i)	**Contingencies** *(Refer note 25 to the financial statements)* Contingencies disclosed in the annexed financial statements relate to various matters which are pending in litigations including matters in respect of income tax and sales tax, which are pending adjudication before the appellate authorities and the courts. Contingencies require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provision that may be required against such contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgements and estimates to assess the same including related financial impacts, we considered contingencies a key audit matter.	Our audit procedures in relation to the matter included: - Obtained and reviewed details of pending legal and tax matters and discussed the same with the Company's management. - Obtained view of the Company's legal and tax counsels related to open litigations. - Reviewed correspondence of the Company with the relevant authorities including judgements or orders passed by the competent authorities in relation to the issues involved or the matters which have similarities with the issues involved. - Reviewed disclosures made in respect of the contingencies.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material
uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. JehanZeb Amin.

-sd-
Chartered Accountants
Islamabad
Date: January 02, 2020

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
NON CURRENT ASSETS			
Property, plant and equipment	7	9,223,953	9,531,791
Long term investment	8	100,000	100,000
Long term security deposits - considered good		15,084	13,858
		9,339,037	9,645,649
CURRENT ASSETS			
Stores and spares	9	469,713	342,702
Stock-in-trade	10	1,724,824	2,242,638
Trade debts	11	57,011	219,126
Loans and advances	12	1,392,880	331,743
Trade deposits, prepayments and other receivables	13	338,945	812,028
Income tax refundable	14	-	33,057
Cash and bank balances	15	203,931	188,782
		4,187,304	4,170,076
TOTAL ASSETS		13,526,341	13,815,725
SHARE CAPITAL AND RESERVES			
Authorized capital	16	500,000	500,000
Issued, subscribed and paid-up capital	16	286,920	286,920
Capital reserve			
General reserve		327,000	327,000
Revenue reserve			
Unappropriated profits		1,994,085	1,172,533
Surplus on revaluation of property, plant and equipment	17	3,713,454	4,019,029
Shareholders' equity		6,321,459	5,805,482
NON-CURRENT LIABILITIES			
Long term finances - secured	18	1,183,821	1,177,828
Loans from related parties - secured	19	337,023	458,825
Liabilities against assets subject to finance lease	20	94,970	34,102
Deferred liabilities	21	1,056,902	1,154,794
		2,672,716	2,825,549
CURRENT LIABILITIES			
Trade and other payables	22	688,982	712,298
Unclaimed dividend		8,688	7,990
Short term running finance	23	3,100,942	3,796,204
Current maturity of non-current liabilities	24	712,757	668,202
Provision for taxation - net		20,797	-
		4,532,166	5,184,694
TOTAL LIABILITIES		7,204,882	8,010,243
Contingencies and commitments	25		
TOTAL EQUITY AND LIABILITIES		13,526,341	13,815,725

The annexed notes 1 to 47 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	AZIZ SARFARAZ KHAN	ISKANDER M KHAN
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Gross sales	26	13,428,169	11,268,243
Sales tax, other government levies and discounts	27	(1,007,458)	(884,410)
Sales - net		12,420,711	10,383,833
Cost of sales	28	(10,183,656)	(9,004,826)
Gross profit		2,237,055	1,379,007
Selling and distribution expenses	29	(344,695)	(324,206)
Administrative and general expenses	30	(509,603)	(397,318)
Other income	31	44,009	98,116
Other expenses	32	(40,718)	(18,075)
Operating profit		1,386,048	737,524
Finance cost	33	(749,548)	(484,360)
Profit before taxation		636,500	253,164
Taxation	34	(57,852)	(59,541)
Profit for the year		578,648	193,623
Earnings per share - basic and diluted (Rs)	35	20.17	6.75

The annexed notes 1 to 47 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	AZIZ SARFARAZ KHAN	ISKANDER M KHAN
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Profit for the year		578,648	193,623
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement gain / (loss) on staff retirement benefit plans	21.2	312	(813)
Less: Deferred tax on remeasurement (loss)/gain on staff retirement benefit plans		(90)	220
		222	(593)
Surplus on revaluation of property, plant and equipment		-	2,079,452
Less: Deferred tax on surplus on revaluation of property, plant and equipment		(19,855)	(561,452)
		(19,855)	1,518,000
Total comprehensive income for the year		559,015	1,711,030

The annexed notes 1 to 47 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	**AZIZ SARFARAZ KHAN**	**ISKANDER M KHAN**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE**	**DIRECTOR**

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Cash flow from operating activities			
Profit for the year - before taxation		636,500	253,164
Adjustments for non-cash items:			
Depreciation		827,519	667,978
Gain on sale of operating fixed assets		(5,407)	(980)
Finance cost		749,548	507,277
Provision for doubtful debts		224	1,528
Provision for doubtful advances		1,499	26,401
Provision for obsolete items		-	35,948
Provision for gratuity		2,500	8,429
		2,212,383	1,499,745
Changes in working capital			
Decrease / (Increase) in			
stores and spares		(127,011)	(33,311)
stock-in-trade		517,814	(889,104)
trade debts		161,891	(35,282)
loans and advances		(1,062,636)	(87,207)
trade deposits, prepayments and other receivables		473,083	(280,502)
(Decrease) / increase in trade and other payables		(23,316)	242,078
		(60,175)	(1,083,328)
		2,152,208	416,417
Income tax paid		(120,795)	(183,264)
Gratuity paid		(3,231)	(804)
Net cash generated from operating activities		2,028,182	232,349
Cash flow from investing activities			
Purchase of property, plant and equipment		(500,933)	(312,628)
Sale proceeds of operating fixed assets		12,458	6,689
(Increase) / decrease in long term security deposits		(1,226)	60
Long term investment made		-	(100,000)
Net cash used in investing activities		(489,701)	(405,879)
Cash flow from financing activities			
Long term finances repaid		(30,033)	(496,136)
Short term loan repaid		(3,999)	(362,000)
Increase in loan from related party		9,015	70,000
Obligations under finance leases		(47,695)	(27,670)
Dividends paid		(42,340)	(42,210)
Finance cost paid		(703,274)	(479,967)
Net cash used in financing activities		(818,326)	(1,337,983)
Net increase / (decrease) in cash and cash equivalents		720,155	(1,511,513)
Cash and cash equivalents - at beginning of the year		(2,559,217)	(1,047,704)
Cash and cash equivalents - at end of the year		(1,839,062)	(2,559,217)
Cash and cash equivalents comprised of:			
Cash and bank balances	15	203,931	188,782
Short term running finance - secured	23	(2,042,992)	(2,747,999)
		(1,839,061)	(2,559,217)

The annexed notes 1 to 47 form an integral part of these financial statements.

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CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Share capital	General reserve	Unappropriated profits	Surplus on revaluation of property, plant and equipment	Total
	---- Rupees in thousand ----				
Balance as at October 1, 2017	286,920	327,000	846,585	2,604,674	4,065,179
Total comprehensive income for the year ended September 30, 2018					
Income for the year	-	-	193,623	-	193,623
Other comprehensive income for the year	-	-	(593)	1,518,000	1,517,407
	-	-	193,030	1,518,000	1,711,030
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	-	-	175,956	(175,956)	-
Deferred tax adjustment due to reduction in tax rate	-	-	-	72,311	72,311
Final cash dividend at rate of Rs 1.50 per ordinary share for the year ended September 30, 2017	-	-	(43,038)	-	(43,038)
Balance as at September 30, 2018	286,920	327,000	1,172,533	4,019,029	5,805,482
Total comprehensive income for the year ended September 30, 2019					
Income for the year	-	-	578,648	-	578,648
Other comprehensive income for the year	-	-	222	(19,855)	(19,633)
	-	-	578,870	(19,855)	559,015
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	-	-	285,720	(285,720)	-
Final cash dividend at rate of Rs 1.50 per ordinary share for the year ended September 30, 2018	-	-	(43,038)	-	(43,038)
Balance as at September 30, 2019	286,920	327,000	1,994,085	3,713,454	6,321,459

The annexed notes 1 to 47 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	AZIZ SARFARAZ KHAN	ISKANDER M KHAN
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CHASHMA SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. Legal status and operations

Chashma Sugar Mills Limited (the Company) was incorporated in Pakistan on May 5, 1988 as a public limited company, under the repealed Companies Ordinance, 1984 (repealed upon enactment of the Companies Act, 2017 on May 30, 2017) and commenced its commercial production from July 9, 1988. The Company has its shares quoted on the Pakistan Stock Exchange Limited. The Company is principally engaged in manufacturing, production, processing, compounding, preparation and sale of sugar, other allied compound, intermediates and allied products. The Company is a subsidiary of The Premier Sugar Mills and Distillery Company Limited. The head office of the Company is situated at King's Arcade, 20-A, Markaz F-7, Islamabad and its manufacturing facilities are located at Dera Ismail Khan, Khyber Pakhtunkhwa.

2. Statement of compliance

These are the separate financial statements which have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act) ; and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

3. New and revised standards and interpretations

3.1 IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” became applicable to the Company from October 1, 2018. For related changes in accounting policies and impact on the Company’s financial statements refer note 5 to these financial statements.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
IAS 12	Income Taxes (Amendments)	January 1, 2019
IAS 19	Employee Benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs (Amendments)	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IFRS 9	Financial Instruments (Amendments)	January 1, 2019
IFRS 11	Joint Arrangements (Amendments)	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation / disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 16 on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived off by SECP:

IFRIC 4	Determining Whether an Arrangement Contains Lease
IFRIC 12	Service Concession Arrangements

4. Summary of significant accounting policies

4.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except as otherwise stated in respective accounting policies notes.

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

These financial statements are the separate financial statements of the Company. In addition to these separate financial statements, the Company also prepares consolidated financial statements.

4.2 Property, plant and equipment

Owned assets

a) Cost

Operating fixed assets except freehold land, building and roads and plant & machinery are stated at cost less accumulated depreciation and impairment losses. Freehold land is stated at revalued amount, where as building & roads and plant & machinery are stated at revalued amount less accumulated depreciation and impairment losses. Revaluation is carried out by independent expert. The Company carries out triennial revaluations, considering the change in circumstances and assumptions from prior year. Capital work-in-progress and major spare parts and standby equipment are stated at cost. Cost in relation to certain plant and machinery items include borrowing cost related to the financing of major projects during construction phase.

Subsequent cost, if reliably measurable, are included in the asset's carrying amount or recognized as separate amount as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company. The carrying amount of any replaced parts as well as other repair and maintenance costs are charged to statement of profit or loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of freehold land, building and roads and plant & machinery are recognized in other comprehensive income and accumulated in shareholders' equity under the heading surplus on revaluation of property, plant and equipment. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss.

Depreciation on operating assets is calculated using the reducing balance method to allocate their cost over their estimated useful life at the rates specified in note 7.1.

Depreciation on additions to property, plant and equipment is charged from the date asset is available for intended use till date of disposal.

The gain or loss on disposal of an asset, calculated as difference between the sale proceed and carrying amount of the asset, is recognized in statement of profit or loss account for the year

Assets subject to finance lease

At its inception, a lease is classified as either a finance lease or an operating lease. Finance leases transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Finance leases are capitalized at the lease commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in liabilities in the statement of financial position.

Rentals payable under operating leases are charged to profit or loss account on a straight-line basis over the term of the relevant lease. Minimum lease payments receivable under operating leases are recognized on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to depreciation/ amortisation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversals of the impairment losses are restricted to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss account.

4.3 Long term investments

4.3.1 Investment in subsidiaries

Investment in subsidiary is initially recognised at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognised as expense in the statement of profit or loss. Where impairment loss is subsequently reversed, the carrying amounts of investment are increased to its revised recoverable amount, limited to the extent of initial cost of investment. Reversal of impairment losses are recognised in the statement of profit or loss account.

The profits or losses of subsidiaries are carried forward in their financial statements and are not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gains and losses on disposal of investment are included in other income. When the disposal on investment in subsidiary results in loss of control such that it becomes an associate, the retained investment is carried at cost.

4.3.2 Investment in associates

Investments in associates and jointly controlled entities are initially recognised at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the statement of profit or loss. Where impairment losses are subsequently reversed, the carrying amounts of these investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the statement of profit or loss. The profits and losses of associates and jointly controlled entities are carried forward in their financial statements and are not dealt within these financial statements except to the extent of dividend declared by the associates and jointly controlled entities. Gains and losses on disposal of investments are included in the statement of profit or loss account.

4.4 Stores and spares

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred up to the date of the statement of financial position date.

4.5 Stock-in-trade

Sugar and Ethanol are stated at the lower of cost and net realisable value. Cost is determined using the average manufacturing cost method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads.

Cost of own produced molasses, a by product, is determined on the basis of average cost of molasses purchased from third parties.

Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and costs necessary to be incurred to make the sale.

4.6 Trade debts

Trade debts are recognised and carried at the original invoice amounts, being the fair value, less an allowance for uncollectible amounts, if any. As explained in note 4.19 to these financial statements, for measurement of loss allowance for trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39.

4.7 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise balances with banks in current, deposit and saving accounts, bank overdrafts and cash / running finance. Bank overdrafts are shown in current liabilities on the statement of financial position.

4.8 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to statement of profit or loss account.

4.9 Employee retirement benefits

The Company operates a provident fund and an unfunded gratuity scheme for its employees per details below:

4.9.1 Defined contribution plan

The Company operates a recognized contributory provident fund for its permanent employees. Equal monthly contributions are made, both by the Company and the employees to the fund at the specified rate of basic salary and charged to statement of profit or loss account.

4.9.2 Defined benefit plan

The Company operates an unfunded gratuity scheme covering eligible employees under their employment contract. The liability for gratuity is recognized on the basis of actuarial valuation using Projected Unit Credit Method. The latest actuarial valuation was conducted on September 30, 2019.

4.10 Trade and other payables

Liabilities for trade and other amounts payable including payable to related parties are carried at cost, which is the fair value of the consideration to be paid in future for goods and/or services received, whether or not billed to the Company.

4.11 Provisions

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

4.12 Taxation

Income tax comprises of current and deferred tax.

(i) Current

Provision for current taxation is based on taxable income for the year determined in accordance with prevailing law for taxation on income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(ii) Deferred

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

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity.

4.13 Dividend and revenue reserve appropriation

Dividend and movement in revenue reserves are recognised in the financial statements in the period in which these are approved.

4.14 Foreign currency transactions and translation

Foreign currency transactions are translated into the rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the statement of profit or loss account.

4.15 Revenue recognition

The Company recognises revenue at point of time when control of product is transferred to customer. Control is considered to be transferred in case of local sales when the finished goods are directly uplifted by customer from the warehouse or when it is delivered by the Company at customer premises. In case of export sales, control is considered to be transferred when the finished goods are shipped to the customer.

Revenue is measured based on the consideration agreed with a customer and excludes amounts collected on behalf of third parties. Revenue is disclosed net of discounts, rebates and returns.

4.16 Development expenditure

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

4.17 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has two reportable segments i.e. sugar and ethanol.

4.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.19 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss account.

a) Financial assets

Classification

Effective October 1, 2018, the Company classifies its financial assets in the following measurement categories:

i) amortized cost where the effective interest rate method will apply;

ii) fair value through profit or loss;

iii) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investment in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commit to purchase or sell the asset. Further financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company can classifies its debt instruments:

a) **Amortised cost**

Assets that are held for collection of contractual cash flows where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of profit or loss account and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss account.

b) **Fair value through other comprehensive income (FVTOCI)**

Debt securities, where the contractual cashflows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cashflows and selling financial assets are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of profit or loss account. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss account and recognised in other income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statement of profit or loss account.

c) **Fair value through profit and loss (FVTPL)**

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented in finance income/cost in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statement of profit or loss account following the derecognition of the investment. Dividends from such investments continue to be recognised in statement of profit or loss account as other income when the Company's right to receive payments is established.

Impairment of financial assets

Effective October 1, 2018, the Company assess on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its debt instruments, trade debts, short term investment and deposits and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Loans and advances
- Trade deposits, prepayments and other receivables
- Cash and bank balances

i) **General approach for loans and advances, trade deposits, prepayments and other receivables and cash and bank balances.**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and

- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, in case of trade debts, the Company considers that default has occurred when a the debt is more than 365 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit - impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

ii) Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts balance are separately assessed for ECL measurement. All other trade debts are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these financial assets are estimated using a provision matrix approach based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- external credit ratings where available.

Recognition of loss allowance

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Write-off

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

b) Financial Liabilities

Classification, initial recognition and subsequent measurement

Financial liabilities are classified in the following categories:

- fair value through profit or loss; and
- other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in profit or loss for the year, when the liabilities are derecognized as well as through effective interest rate amortisation process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled or they expire.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Board determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.21 Other Income

The Company recognises following in other income:

(i) Income on deposit / saving accounts using the effective yield method.
(ii) Dividend income when the right to receive dividend is established.
(iii) Income from other non-recurring goods and services is recognised when the control is transferred and performance obligations are fulfilled

5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Company’s financial statements that have been applied with effect from October 1, 2018.

5.1 Financial Instruments

IFRS 9 "Financial Instruments" (IFRS 9) replaces IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) and effective for reporting year ending on June 30, 2019.

IFRS 9 introduces new requirements for (i) classification and measurement of financial assets and financial liabilities (ii) impairment for financial assets and (iii) hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption has been recognised in unappropriated profit as of October 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company’s financial statements are described below:

i) Classification and measurement of financial assets and financial liabilities

The new standard requires the Company to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

IFRS 9 no longer has an "Available-for-sale" classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured at either:

- Amortised cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Except for change in classification of financial assets and liabilities, the IFRS 9 had no material impact on the financial statements of the Company.

On the date of initial application, October 1, 2018, the financial instruments of the Company were as follows, with any reclassification noted:

	Classification		Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Current financial assets					--------------------Rupees in thousand-------------		
Trade debts	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	219,126	219,126	-
Loans and advances	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	112,590	112,590	-
Trade deposits, prepayments and other receivables	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	374,259	374,259	-
Cash and bank balances	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	188,782	188,782	-
Non-current financial liabilities							
Long term finances - secured	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	1,177,828	1,177,828	-
Loans from related parties - secured	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	458,825	458,825	-
Liabilities against assets subject to finance lease	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	34,102	34,102	-
Deferred liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities	7,625	7,625	-
Current financial liabilities							
Current maturity of non-current liabilities	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	668,202	668,202	-
Short term running finance	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	3,796,204	3,796,204	-
Trade and other payables	Other financial liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities	380,165	380,165	-

ii) Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets, carried at amortised cost (including, for example, trade debts and other receivables) as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets (advances, other receivables and bank balances) i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition as explained in note 4.19 to these financial statements.

5.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Company with effect from October 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption, if any, is to be recognised in unappropriated profit as of October 1, 2018 and comparatives are not restated. As explained in note 4.15, the Company recognises revenue at point of time when control of product is transferred to customer. Control is considered to be transferred in case of local sales when the finished goods are directly uplifted by customer from the warehouse or when it is delivered by the Company at customer premises. In case of export sales, control is considered to be transferred when the finished goods are shipped to the customer.

The changes laid down by IFRS 15 do not have any significant impact on these financial statements of the Company.

6. Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting and reporting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Estimated useful life of operating assets - note 4.2
ii) Surplus on revaluation of property, plant and equipment - note 4.2
iii) Provision for stores and spares - note 4.4
iv) Write down of stock in trade to net realizable value - note 4.5
v) Provision for doubtful debts - note 4.6
vi) Provision for employees’ defined benefit plans - note 4.9
vii) Provision for current and deferred tax - note 4.12
viii) Contingencies - note 25

	Note	2019	2018
		(Rupees in thousand)	
7. Property, plant and equipment			
Operating fixed assets	7.1	9,091,077	9,058,808
Capital work-in-progress	7.7	132,876	472,983
		9,223,953	9,531,791

7.1 Operating fixed assets

	Owned								Leased	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles	Vehicles	Total
	Rupees in thousand									
As at October 1, 2017										
Cost / revalued amount	1,020,453	1,480,898	6,484,360	418,753	70,612	947	33,145	46,858	115,770	9,671,796
Accumulated depreciation	-	(403,620)	(1,427,896)	(156,990)	(25,797)	(496)	(16,321)	(36,112)	(36,969)	(2,104,201)
Net book value	1,020,453	1,077,278	5,056,464	261,763	44,815	451	16,824	10,746	78,801	7,567,595
Year ended September 30, 2018										
Opening net book value	1,020,453	1,077,278	5,056,464	261,763	44,815	451	16,824	10,746	78,801	7,567,595
Additions	35,185	3,650	-	100	5,498	-	5,363	3,908	31,744	85,448
Disposals										
Cost	-	-	-	-	-	-	-	(11,300)	-	(11,300)
Accumulated depreciation	-	-	-	-	-	-	-	5,591	-	5,591
	-	-	-	-	-	-	-	(5,709)	-	(5,709)
Transfers from leased to owned										
Cost	-	-	-	-	-	-	-	10,588	(10,588)	-
Depreciation	-	-	-	-	-	-	-	(5,137)	5,137	-
	-	-	-	-	-	-	-	5,451	(5,451)	-
Depreciation charge	-	(107,758)	(505,647)	(26,186)	(4,758)	(45)	(1,940)	(2,664)	(18,980)	(667,978)
Revaluation adjustments:										
Cost or valuation	224,549	83,478	-	-	-	-	-	-	-	308,027
Depreciation	-	511,378	1,260,047	-	-	-	-	-	-	1,771,425
	224,549	594,856	1,260,047	-	-	-	-	-	-	2,079,452
Closing net book value	1,280,187	1,568,026	5,810,864	235,677	45,555	406	20,247	11,732	86,114	9,058,808
As at October 1, 2018										
Cost or revalued amount	1,280,187	1,568,026	6,484,360	418,853	76,110	947	38,508	50,054	136,926	10,053,971
Accumulated depreciation	-	-	(673,496)	(183,176)	(30,555)	(541)	(18,261)	(38,322)	(50,812)	(995,163)
Net book value	1,280,187	1,568,026	5,810,864	235,677	45,555	406	20,247	11,732	86,114	9,058,808
Year ended September 30, 2019										
Opening net book value	1,280,187	1,568,026	5,810,864	235,677	45,555	406	20,247	11,732	86,114	9,058,808
Additions	1,603	156,069	537,391	63,752	6,111	-	3,757	8,029	90,127	866,839
Disposals (Note 7.6)										
Cost	-	-	(3,000)	-	-	-	-	(19,416)	-	(22,416)
Depreciation	-	-	2,381	-	-	-	-	12,984	-	15,365
	-	-	(619)	-	-	-	-	(6,432)	-	(7,051)
Transfers from leased to owned										
Cost	-	-	-	-	-	-	-	10,783	(10,783)	-
Depreciation	-	-	-	-	-	-	-	(6,088)	6,088	-
	-	-	-	-	-	-	-	4,695	(4,695)	-
Depreciation charge	-	(160,222)	(605,410)	(26,960)	(4,840)	(41)	(2,219)	(2,872)	(24,955)	(827,519)
Closing net book value	1,281,790	1,563,873	5,742,226	272,469	46,826	365	21,785	15,152	146,591	9,091,077
As at September 30, 2019										
Cost or revalued amount	1,281,790	1,724,095	7,018,751	482,605	82,221	947	42,265	49,450	216,270	10,898,394
Accumulated depreciation	-	(160,222)	(1,276,525)	(210,136)	(35,395)	(582)	(20,480)	(34,298)	(69,679)	(1,807,317)
Net book value	1,281,790	1,563,873	5,742,226	272,469	46,826	365	21,785	15,152	146,591	9,091,077
Annual rate of depreciation (%)	-	10	10	10	10	10	10	20	20	

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

	2019	2018
	(Rupees in thousand)	
Freehold land	139,816	138,213
Buildings & roads	728,514	639,850
Plant & machinery	2,955,784	2,714,817
	3,824,114	3,492,880

7.3 Forced sales value of the fixed assets based on valuation conducted during 2018 and comparative figures are for valuation conducted during 2016, were as follows:

Freehold land	1,088,159	791,374
Buildings & roads	1,332,822	939,514
Plant & machinery	4,358,148	3,895,500
	6,779,129	5,626,388

7.4 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of immovable property	Total Area	Covered Area
		(Kanals)	
CSM-1, D.I.Khan	Factory Building	1,111.25	98.86
CSM-2, Ramak	Factory Building	1,488.15	144.72

7.5 Depreciation for the year has been allocated as follows:

Cost of sales	28	792,634	639,636
Administrative and general expenses	30	34,887	28,342
		827,521	667,978

7.6 Disposal of operating fixed assets having net value in excess of Rs 500,000 are shown below:

Particulars of assets	Sold to	Cost / Carrying amount	Accumulated Depreciation	Net book value	Sale proceeds	Profit / (loss) on disposal	Mode of disposal
		Rupees in thousand					
OWNED VEHICLES							
	IGI Insurance	1,703	590	1,113	1,330	217	Insurance Claim
	Syed Muhammad Athar Hussain	1,363	809	554	881	327	As per Company policy
	Muhammad Usman Mehboob	1,144	431	713	985	272	------do-------
	Nusrat Ali Khan	1,852	1,113	739	926	187	------do-------
	Nusrat Ali Khan	2,597	1,870	727	1,500	772	------do-------
		8,659	4,813	3,846	5,622	1,775	
PLANT AND MACHINERY							
Centrifugal machines	The Premier Sugar Mills and Distillery Company Limited	3,000	2,381	619	1,600	981	Negotiation
		11,659	7,194	4,465	7,222	2,756	

7.7 Capital work-in-progress:

	Buildings on freehold land	Plant and machinery	Electric installations	Office equipments	Vehicles - leased	Plant and machinery - leased	Advance payments to Contractors	Total
	Rupees in thousand							
As at October 1, 2017	34,821	151,828	11,192	-	16,442	-	6,854	221,137
Additions during the year	59,470	178,516	25,525	-	24,666	-	33,958	322,135
Capitalized during the year	(3,650)	-	-	-	(31,407)	-	(35,232)	(70,289)
Balance as at September 30, 2018	90,641	330,344	36,717	-	9,701	-	5,580	472,983
As at October 1, 2018	90,641	330,344	36,717	-	9,701	-	5,580	472,983
Additions during the year	94,858	315,780	58,276	6,557	89,965	35,416	2,120	602,972
Capitalized during the year	(158,244)	(535,215)	(61,521)	-	(86,950)		(1,567)	(843,497)
Other adjustments	-	(78,010)	(21,571)	-	-	-	-	(99,581)
Balance as at September 30, 2019	27,255	32,899	11,901	6,557	12,716	35,416	6,133	132,877

		Note	2019	2018
			(Rupees in thousand)	
8.	**Long term investment**			
	Balance at beginning of the year		100,000	-
	Purchase of shares during the year	8.1	99,997	3
	Advance for purchase of shares		(99,997)	99,997
	Balance as at end of the year		100,000	100,000
		% age holding		
8.1	Whole Foods (Private) Limited (WFL) - Un-quoted	100%	100,000	3

WFL was incorporated in Pakistan on October 26, 2017. The principal activity of WFL is to setup, manage, supervise and control the storage facilities for agricultural produce. WFL is yet to commence its operations. During the year, shares have been issued by WFL in furtherance of the advance for shares previsouly extended by the Company.

8.2 The tables below provide summarised financial information for WFL that are material to the Company. The information disclosed reflects the amounts presented in the unaudited financial statements for the period ended September 30, 2019 of WFL. The latest available audited financial statements of WFL have been prepared for the year ended June 30, 2019.

	2019	2018
Summarised statement of financial position		
Current assets	84,304	107,661
Non- current assets	312,258	26,964
Current liabilities	(155,734)	(36,096)
Net assets	240,828	98,529
Reconciliation to carrying amounts:		
Net assets as at September 30, 2018	98,529	3
Advance received for issuance of share capital	-	99,997
Loss for the year / period	(2,532)	(1,471)
Net assets as at September 30, 2019	95,997	98,529
Company's percentage shareholding in the associate	100%	0.003%
Company's share in net assets at cost	95,997	2.96
Summarised statements of comprehensive income		
Net revenue	-	-
Loss for the year / period	(7,560)	(1,471)
Other comprehensive income / (loss)	-	-
Total comprehensive loss	(7,560)	(1,471)

		Note	2019	2018
9.	**Stores and spares**			
	Stores and spares		505,661	378,650
	Less: Provision for obsolete items		(35,948)	(35,948)
			469,713	342,702
10.	**Stock-in-trade**			
	Finished goods			
	- Sugar		1,384,164	1,653,935
	- Molasses		220,572	391,264
	- Ethanol		110,948	189,656
			1,715,684	2,234,855
	Work-in-process		9,140	7,783
		10.1	1,724,824	2,242,638

10.1 Certain short term and long term borrowings of the Company are secured by way of collateral charge on stock-in-trade.

	Note	2019	2018
		(Rupees in thousand)	

11. Trade debts - unsecured

	Note	2019	2018
Considered good	11.1	57,011	219,126
Considered doubtful		1,752	1,528
		58,763	220,654
Less: loss allowance	11.2	(1,752)	(1,528)
		57,011	219,126

11.1 Trade debts includes amount relating to export sales to United Arab Emirates and Netherlands amounting to Rs 44.303 million and Rs 12.731 million respectively (2018: Hong Kong Rs 10.760 million)

11.2 Movement in loss allowance

	2019	2018
Opening balance under IAS 39	1,528	-
Effect of change in accounting policy due to adoption of IFRS 9 - note 5.1	-	-
Opening balance under IFRS 9	1,528	-
ECL for the year	224	1,528
Closing Balance	1,752	1,528

12. Loans and advances - unsecured and considered good

	Note	2019	2018
Advances to:			
Employees	12.1	3,579	6,050
Suppliers and contractors		999,250	241,941
		1,002,829	247,991
Due from associated companies	12.2	216,384	107,854
Letters of credit		204,004	4,736
		1,423,217	360,581
Less:			
- Provision for doubtful advances	12.3	(28,838)	(28,838)
- Loss allowance	12.4	(1,499)	-
		1,392,880	331,743

12.1 This includes advances to following related parties extended in accordance with the Company's policy and secured against retirement benefits of respective employees.

	2019	2018
Rizwan Ullah Khan	-	1,250

12.2 This represents amounts due from the associated companies:

	2019	2018
Due from holding company:		
The Premier Sugar Mills and Distillery Company Limited	107,157	72,270
Due from subsidary company:		
Whole Foods (Private) Limited	109,227	35,584
	216,384	107,854

Maximum aggregate amount outstanding in respect of related parties at any month-end during the year was Rs 216.38 million (2018: Rs 187.78 million).

Age analysis of balance due from associated companies, past due but not impaired:

	2019	2018
0 to 6 months	216,384	107,854

12.3 Provision for doubtful advances

	2019	2018
Opening Balance	28,838	2,437
Provision during the year	-	26,401
Closing Balance	28,838	28,838

12.4 Movement in loss allowance

	Note	2019	2018
		(Rupees in thousand)	
Opening balance under IAS 39		-	-
Effect of change in accounting policy due to adoption of IFRS 9 - note 5.1		-	-
Opening balance under IFRS 9		-	-
ECL for the year		1,499	-
Closing Balance		1,499	-

13. Trade deposits, prepayments and other receivables

	Note	2019	2018
Deposits		-	5,500
Prepayments		5,074	6,965
Export subsidy receivable	13.1	305,519	339,893
Insurance claim receivable		-	142
Sales tax		26,526	430,804
Others		1,826	28,724
		338,945	812,028

13.1 This represents subsidy receivable from the Government of Khyber Pakhtunkhwa (KPK) and Federal Government on account of subsidy on sugar exports. During the year Rs Nil (2018: Rs 86.67 million) has been recognized in this respect.

14. Income tax refundable

Income tax refundable is net of provision for taxation.

15. Cash and bank balances

	Note	2019	2018
At banks in			
Current accounts	15.1	190,706	151,406
Savings accounts	15.2	10,545	35,248
Deposit accounts	15.2	2,680	2,128
		203,931	188,782

15.1 These include dividend account balance of Rs 0.303 million (2018: Rs 3.16 million).

15.2 These carry profit at the rates ranging from 3.25% to 11.25% (2018: 3.75% to 6.50%) per annum.

15.3 Lien is marked on bank balances for an amount of Rs 8.17 million (2018: Rs 9.67 million) in respect of the various guarantees extended by the banks.

16. Share capital

16.1 Authorised share capital

2019	2018		2019	2018
(Number of shares)			(Rupees in thousand)	
50,000,000	50,000,000	Ordinary shares of Rs 10 each	500,000	500,000

16.2 Issued, subscribed and paid up capital

2019	2018		2019	2018
(Number of shares)		Ordinary shares of Rs 10 each	(Rupees in thousand)	
28,692,000	28,692,000	Fully paid in cash	286,920	286,920

The holding company The Premier Sugar Mills and Distillery Company Limited held 13,751,000 (2018: 13,751,000) ordinary shares and the associated companies held 5,360,834 (2018: 5,360,834) ordinary shares at the year end.

17. Surplus on revaluation of Property, Plant and equipment

17.1 The Company follows revaluation model for freehold land, buildings & roads and plant & machinery. The fair value of freehold land, buildings & roads and plant & machinery of its units was assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2018. For valuation of buildings, the depreciated replacement cost method was used, whereby, current cost of construction of similar buildings in similar locations had been adjusted using suitable depreciation rates to arrive at present market value. This technique required significant judgment as to estimate value of property, plant and equipment in terms of their quality, structure, layout and locations. During the current year, the management has assessed that there are no significant change in underlying assumptions requiring a fresh valuation. Movement during the year is as follows:

	2019	2018
	(Rupees in thousand)	
Balance at the beginning of the year	5,166,196	3,327,780
Add: surplus on revaluation carried-out during the year	-	2,079,452
Less: transferred to unappropriated profits on account of incremental depreciation for the year	(402,422)	(241,036)
	4,763,774	5,166,196
Less: deferred tax on:		
- opening balance of surplus	1,147,167	723,106
- surplus during the year	-	561,452
- incremental depreciation for the year	(116,702)	(65,080)
others	19,855	(72,311)
	1,050,320	1,147,167
Balance at the end of the year	3,713,454	4,019,029

18. Long term finances - secured

Lending Institutions	Interest rate (per annum)	Note	Total available facility	September 30, 2019 Long-term portion	September 30, 2019 Current portion	September 30, 2019 Total outstanding amount	September 30, 2018 Total outstanding amount	Collateral
			(Rupees in thousand)					
Loans from banking companies and other financial institutions								
Bank Al Falah Limited	6 month KIBOR +2%		250,000	-	-	-	25,000	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 386.667 million.
Bank Al Habib Limited	6 month KIBOR + 1.5 %		700,000	170,206	127,504	297,710	331,316	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 933.33 million.
Faysal Bank Limited	6 month KIBOR + 1.5 %		500,000	-	-	-	83,327	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 667 million.
Soneri Bank Limited	6 month KIBOR + 1.5 % 3 month KIBOR + 1.75 %		1,400,000	264,402	97,344	361,746	256,320	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 667 million. Ranking charge of Rs. 1.667 billion on present & future fixed assets of the company
The Bank of Punjab	6 month KIBOR + 1.3 %		500,000	14,130	89,036	103,166	193,019	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 666.667million.
Dubai Islamic Bank Pakistan Limited	6 month KIBOR + 2 %		1,000,000	487,466	194,986	682,452	877,438	Secured against pari passu hypothecation charge over all fixed assets of the Company for Rs. 1.33 billion.
MCB Bank Limited	3 month KIBOR + 1.10 %		306,000	247,617	43,696	291,313	-	Secured against ranking charge of Rs.438 million on company entire fixed assets.
Total				1,183,821	552,566	1,736,387	1,766,420	
Accrued mark-up						70,441	48,606	
						1,806,828	1,815,026	
Less: amount payable within next 12 months								
Principal		18.1				552,566	588,592	
Accrued mark-up						70,441	48,606	
Amount due after September 30, 2020		18.2				1,183,821	1,177,828	

18.1 This includes installments due on September 30, 2019 for an aggregate amount of Rs 5.96 million which have been paid subsequently on October 1, 2019.

18.2 In case of various loan arrangements, the concerned lenders have waived the requirements of certain covenants of the respective loan agreements. Accordingly, the liabilities under those loan agreements continue to be classified as per the repayment schedule applicable in respect of the respective loan agreements.

19. Loans from related parties - secured

	Note	2019	2018
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills and Distillery Company Limited	19.1	173,934	279,500
Associated Companies			
Premier Board Mills Limited	19.2	65,575	65,575
Arpak International Investments Limited	19.3	43,750	43,750
Azlak Enterprises (Private) Limited	19.4	85,000	70,000
Accrued mark-up		17,012	6,320
		385,271	465,145
Less: amount payable within next 12 months			
Principal		31,236	-
Accrued mark-up		17,012	6,320
		337,023	458,825

19.1 The long term finance facility had been renewed on February 9, 2017. The principal is repayable in 7 semi annual installments commencing from February 2020. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the holding company is not less than the borrowing cost of the holding company. These loans are secured against promissory note from the Company. During the year, the amount has been adjusted against purchases made by the Company on behalf of The Premier Sugar Mills and Distillery Company Limited.

19.2 The long term finance facility had been renewed on November 04, 2016. The principal is repayable is repayable in 7 semi annual installments commencing from November 2019. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. These loans are secured against promissory note from the Company.

19.3 The long term finance facility had been renewed on November 04, 2016. The principal is repayable in 7 semi annual installments commencing from November 2019. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. These loans are secured against promissory note from the Company.

19.4 The long term finance facility was obtained in previous year. The principal is repayable in 8 semi annual installments commencing from December 2021. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. These loans are secured against promissory note from the Company.

Subsequent to the year end, the Company has agreed extension of grace period with Arpak International Investments Limited and Premier Board Mills Limited for three years.

20. Liabilities against assets subject to finance lease - secured

	2019	2018
Present value of minimum lease payments	136,472	58,786
Less: Current portion shown under current liabilities	(41,502)	(24,684)
	94,970	34,102
Due within one year		
Minimum lease payments	57,701	28,759
Less: Financial charges not yet due	(16,199)	(4,075)
Present value of minimum lease payments	41,502	24,684
Due after one year but not later than five years		
Minimum lease payments	114,595	37,577
Less: Financial charges not yet due	(19,625)	(3,475)
Present value of minimum lease payments	94,970	34,102
	136,472	58,786

20.1 The Company has acquired vehicles under finance lease from commercial banks. The financing is repayable in equal monthly installments over a period of four years and carries finance charge ranging from 7.82% to 13.13% (2018: 4.72% to 8.45%) per annum.

	Note	2019	2018
		(Rupees in thousand)	
21. Deferred liabilities			
Deferred taxation	21.1	1,050,320	1,147,169
Provision for gratuity	21.2	6,582	7,625
		1,056,902	1,154,794

21.1 Deferred tax comprises of the following:

Taxable temporary differences arising in respect of:		
Accelerated tax depreciation allowances	368,865	272,336
Surplus on revaluation of property, plant and equipment	1,050,320	1,147,169
Lease finances	26,581	7,379
	1,445,766	1,426,884
Deductible temporary differences arising in respect of:		
Provision for doubtful advances	(8,363)	(7,786)
Provision for obsolete items	(10,425)	(9,706)
Loss allowance on trade debts	(475)	(412)
Provision for gratuity	(1,909)	(2,059)
Unused tax losses	(104,566)	(144,447)
Minimum tax recoverable against normal tax charge in future years	(269,708)	(115,305)
	(395,446)	(279,715)
	1,050,320	1,147,169

Deferred tax asset, the potential tax benefit of which amounts to Rs 112 million has not been recognized on balance representing tax credits as at September 30, 2019. The aforesaid tax credits will expire as follows:

Tax year	Rupees is thousand
2021	61,374
2022	50,785

21.2 The latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2019 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

Present value of defined benefit obligation	6,582	7,625
Fair value of plan assets	-	-
Net liability	6,582	7,625

21.2.1 Movement in net liability recognised

Opening net liability		7,625	-
Expense for the year recognised in statement of profit or loss account	21.2.2	2,500	7,616
Remeasurement (gain) / loss recognised in Statement of Other Comprehensive Income (OCI)	21.2.5	(312)	813
Benefits Paid		(3,231)	(804)
		6,582	7,625

21.2.2 Expense for the year

Current service cost	1,899	7,202
Net interest expense	601	414
	2,500	7,616

21.2.3 Changes in the present value of defined benefit obligation:

Opening defined benefit obligation	7,625	-
Current service cost	1,899	7,202
Interest cost	601	414
Benefits paid	(3,231)	(804)
Remeasurement loss on defined benefit obligation	(312)	813
Closing defined benefit obligation	6,582	7,625

21.2.4 Principal actuarial assumptions used in the actuarial valuation:

The "Projected Unit Credit Method" using the following significant assumptions was used for the valuation of the scheme:

	2019	**2018**
	%	%
Discount rate used for interest cost	10.00	9.00
Discount rate used for year end obligation	13.25	9.00
Salary increase rate - long term	12.25	9.00
Salary increase rate - short term	12.25	9.00
Demographic assumptions		
Mortality rates	SLIC 2001-05	SLIC 2001-05

During the year 2020, the Company expects to contribute Rs 573 thousand to its gratuity scheme.

21.2.5 Remeasurement recognised in OCI during the year:

Remeasurement (gain) / loss on defined benefit obligation	(312)	813

The weighted average number of years of defined benefit obligation is given below:

Plan duration	Years
September 30, 2019	9.8
September 30, 2018	9.7

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in respective assumptions by one percent.

	Effect of 1 percent increase	Effect of 1 percent decrease
2019	(Rupees in thousand)	
Discount rate	(591)	693
Future salary growth	682	(590)
2018		
Discount rate	(676)	798
Future salary growth	785	(676)

The above sensitivity analyses are based on the changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected credit unit method at the end of the reporting period) has been applied when calculating the liability recognized within the statement of financial position.

The defined benefit obligation exposes the Company to the following risks:

Final salary risks:

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Withdrawal risks:

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

Mortality risks:

The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

22. Trade and other payables

	Note	2019	2018
		(Rupees in thousand)	
Creditors		217,602	219,447
Due to related parties	22.1	19,226	22,336
Accrued expenses		69,355	91,001
Retention money		12,725	15,962
Security deposits	22.2	894	774
Advance payments from customers		263,302	297,802
Income tax deducted at source		22,771	17,761
Payable for workers welfare obligations	22.3	44,912	16,570
Payable to employees		30,068	22,544
Payable to provident fund		2,598	2,201
Others		5,529	5,900
		688,982	712,298

22.1 This represents amounts due to the following related parties and are payable on demand:

Associated Companies

	2019	2018
The Frontier Sugar Mills & Distillery Limited	81	81
Syntronics Limited	943	4,685
Azlak Enterprises (Private) Limited	18,202	17,570
	19,226	22,336

22.2 These are repayable on demand and cannot be utilised for the purpose of business in accordance with the terms of written agreements with these parties. No amount in this respect has been kept in separate bank account.

22.3 Payable for workers welfare obligations

	2019	2018
Balance at the beginning of the year	16,570	6,615
Charge for the year	40,148	16,570
	56,718	23,185
Interest on funds utilized in the Company's business	1,228	557
Payments made during the year	(13,034)	(7,172)
Balance at the end of the year	44,912	16,570

23. Short term running finance - secured

	Note	2019	2018
Secured			
Cash / running finance		2,042,992	2,747,999
Export re finance		955,001	959,000
		2,997,993	3,706,999
Accrued mark-up		102,949	89,205
	23.1	3,100,942	3,796,204

23.1 Short term running finance

Lending Institution	Interest rate (per annum)	September 30, 2019 Total available facility	September 30, 2019 Facility availed	September 30, 2019 Total outstanding amount	September 30, 2018 Total outstanding amount	Collateral
		(Rupees in thousand)				
Secured						
Bank Alfalah Limited	3 month KIBOR +1.1 %	-	-	-	449,500	Pledged on Sugar Stocks with 15% margin Pledge charge of Rs. 647.059 Million
Bank Al-Habib Limited	3 month KIBOR +1 %	900,000	795,000	795,000	686,500	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 823.530 million First joint pari passu charge on present and future current assets of the Company for Rs 266.667 million.
The Bank of Punjab	3 month KIBOR +1.1 %	800,000	780,000	780,000	300,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 555.556 Million Ranking hypothecation on current assets of the company with 25% margin. First joint pari passu charge on present and future current assets of the Company for Rs 400 million.
MCB Bank Limited	3 month KIBOR +1.1 %	700,000	600,000	600,000	840,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 555.560 Million Ranking hypothecation on current assets of the company with 25% margin. First joint pari passu charge on present and future current assets of the Company for Rs 534 million.
Askari Bank Limited	3 month KIBOR +0.9 %	700,000	168,002	168,002	625,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 823.529 million Ranking hypothecation on current assets of the company with 25% margin.
Dubai Islamic Bank Pakistan Limited	9 month KIBOR +1.25 %	300,000	124,988	124,988	225,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 353.00 million
Soneri Bank Limited	3 month KIBOR +1 % 6 month KIBOR + 1.25%	800,000	280,000	280,000	300,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 588.235 million First joint pari passu charge on present and future current assets of the Company for Rs 400 million.
United Bank Limited	1 month KIBOR +1 %	400,000	-	-	280,999	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 471.00 Million Ranking hypothecation on current assets of the company with 25% margin.
Meezan Bank Limited	1 month KIBOR +1.2 %	400,000	-	-	-	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 471.00 Million Ranking charges on all present and future current assets of the company with 25% margin.
Habib Metropolitan Bank	3 month KIBOR + 0.90 %	500,000	-	-	-	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 555.560 Million
Al-Baraka Bank Limited	9 month Kibor + 1.75%	500,000	250,003	250,003	-	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 588.235 million Ranking hypothecation on current assets of the company with 25% margin.
Total				2,997,993	3,706,999	
Accrued mark-up				102,949	89,205	
				3,100,942	3,796,204	

24.	Current maturity of non-current liabilities	Note	2019	2018
			(Rupees in thousand)	
	Long term finances	18	623,007	637,198
	Loans from related parties	19	48,248	6,320
	Liabilities against assets subject to finance lease	20	41,502	24,684
			712,757	668,202

25. Contingencies and commitments

Contingencies

25.1 The Assistant Commissioner Inland Revenue (ACIR) vide show cause notice dated May 12, 2014 alleged that Company has claimed inadmissible input tax adjustment on building material including cements & bricks during the tax periods in year 2013-14. Further the ACIR ordered the Company to pay alleged demand of Rs 36.84 million representing principal amount and default surcharge for the aforesaid tax period. The Company filed appeal before Commissioner Inland Revenue Appeals [CIR(A)] wherein amount was reduced to Rs. 28.06 million vide order-in-appeal dated March 24, 2015. The Company preferred an appeal against the aforesaid order before the Appellate Tribunal Inland Revenue (ATIR), whereby ATIR vide its order dated January 25, 2016 upheld the Company's contention. The tax department filed a reference in this respect before the Honorable Peshawar High Court which is yet to be decided.

25.2 The Commissioner Inland Revenue (CIR), Peshawar vide order dated May 26, 2015 alleged that the Company has not undertaken appropriate stock taking and raised a demand of Rs 10 million in respect of FED on the alleged differential stock. The Company preferred an appeal before Appellate Tribunal Inland Revenue (ATIR) which was accepted vide order dated January 25, 2016. In this respect, the tax department filed reference before the Honorable Peshawar High Court which is yet to be decided.

25.3 During the year, the Assistant Commissioner Inland Revenue issued show cause notice dated October 3, 2018 in respect of non charging of further tax for an amount of Rs 174 million on sales made to unregistered persons. The Company filed writ petition before the Honorable Peshawar High Court, challenging the said notice and accordingly stay was granted in this respect by Honorable Peshawar High Court vide order dated November 2, 2018. Subsequently, the Peshawar High Court dismissed the petition citing procedural matters involved and observed that forum including the concerned Commissioner and other preliminary appellate forums should first be reached out for any relief and to determine facts. The Company is assessing its available options and is in process of filing an appeal before Supreme Court of Pakistan. The Company is of the view that no tax demand is yet established in its case as the first proceeding in the instant notice have not yet been completed. Further various appellate forum can be reached out to seek relief, if so necessitated. In addition, related matter is already decided per Company's contention in identical matters of certain other entities.

25.4 During the year, the Director General, Environmental Protection Agency (EPA) filed complaints against the Company before Environmental Protection Tribunal, Khyber Pakhtunkhwa, Peshawar alleging that the Company has violated the provisions of the Environmental Protection Agency Act, 2014. There were 8 complaints in aggregate against Chashma Unit I, Chashma Unit II and Ethanol Fuel Plant. The case is pending for hearing at EPA tribunal.

No provision on account of contingencies disclosed in note 25.1 - 25.4 above has been made in these financial statements as the management and its tax and legal advisors are of the view, that these matters will eventually be settled in favor of the Company.

25.5 The Company has letter of guarantee facilities aggregating Rs 100 million (2018: Rs 100 million) available from Bank Al Habib. The amount availed on these facilities as at September 30, 2019 is Rs 8.17 million (2018: Rs 9.67 million). These facilities are secured by master counter guarantee and 100% cash margin.

25.6 The Company has obtained letter of credit facilities aggregating Rs 1,050 million (2018: Rs 231 million) from Bank Al Habib, Habib Metropolitan Bank, Soneri Bank Limited, MCB Bank Limited. The amount availed on these facilities as at September 30, 2019 is Rs 204 million (2018: Rs 4.73 million). These facilities are secured by lien on shipping documents.

25.7 The Company has cash finance facility available from various banks aggregating to Rs 4.80 billion (2018: Rs 5.85 billion), out of which Rs 2.04 billion (2018: Rs 2.75 billion) has been availed by the Company as at September 30, 2019. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10%.

25.8 The Company has Export Re Finance/Finance Against Pecking Credit (ERF / FAPC) facility from various commercial banks for Rs 1,200 million (2018: Rs 1,200 million), out of which Rs 955 million (2018: Rs 959 million) has been availed by the Company as at September 30, 2019. These facilities are secured by the joint parri passu hypothecation charge over current assets of the Company and lien over export documents.

25.9 The Company is defending its stance before the courts of law against various parties including individuals, corporate entities, federal and provincial revenue / regulatory authorities etc. The management of the Company is of the view that the ultimate outcome of these cases are expected to be favorable and a liability, if any, arising on the settlement of these cases is not likely to be material. Accordingly, no provision has been made in the financial statements in this regard.

		Note	2019	2018
			(Rupees in thousand)	
	Commitments			
25.10	The Company has following commitments in respect of:			
	Foreign letters of credit for purchase of plant and machinery		41,231	68,041
	Capital expenditure other than for letters of credit		2,778	30,240
26.	**Gross sales**			
	Local		10,778,110	8,761,917
	Export	26.1	2,650,059	2,506,326
			13,428,169	11,268,243
26.1	Export sales comprise of the sales made in the following regions:			
	Afghanistan		-	318,793
	Japan		890,950	1,202,553
	Singapore		714,268	650,862
	Spain		258,136	201,012
	Hong Kong		222,294	87,587
	Switzerland		247,292	-
	United Arab Emirates		204,674	45,519
	Netherland		93,548	-
	Tajikistan		18,897	-
			2,650,059	2,506,326
27.	**Sales tax, other government levies and discounts**			
	Indirect taxes		995,312	873,802
	Discounts		12,146	10,608
			1,007,458	884,410
28.	**Cost of sales**			
	Raw material consumed		7,792,099	8,292,442
	Chemicals and stores consumed		233,928	228,422
	Salaries, wages and benefits	28.1	489,775	440,129
	Power and fuel		65,424	58,435
	Repair and maintenance		280,479	185,750
	Insurance		11,503	13,168
	Depreciation		792,634	639,636
	Provision for obsolete items		-	35,948
			9,665,842	9,893,930
	Adjustment of work-in-process:			
	Opening		7,783	7,948
	Closing		(9,140)	(7,783)
			(1,357)	165
	Cost of goods manufactured		9,664,485	9,894,095
	Adjustment of finished goods:			
	Opening stock		2,234,855	1,345,586
	Closing stock		(1,715,684)	(2,234,855)
			519,171	(889,269)
			10,183,656	9,004,826

28.1 Salaries, wages and benefits include Rs 11.76 million (2018: Rs 10.12 million) in respect of retirement benefits.

		Note	2019	2018
29.	**Selling and distribution expenses**		(Rupees in thousand)	
	Salaries, wages and benefits	29.1	12,204	11,261
	Loading and stacking		13,963	17,001
	Export development surcharge		6,568	6,841
	Freight and other expenses on export		311,960	289,103
			344,695	324,206

29.1 Salaries, wages and benefits include Rs 172 thousand (2018: Rs 157 thousand) in respect of retirement benefits.

		Note	2019	2018
30.	**Administrative and general expenses**			
	Salaries, wages and benefits	30.1	311,620	245,594
	Travelling and conveyance		36,602	9,936
	Vehicles running and maintenance		15,352	12,056
	Rent, rates and taxes		23,297	12,434
	Communication		10,134	6,287
	Printing and stationery		6,923	7,360
	Insurance		3,350	2,857
	Repair and maintenance		22,892	12,924
	Fees and subscription		4,789	4,650
	Depreciation		34,887	28,342
	Provision for doubtful advances		1,499	26,401
	Provision for doubtful debts		224	1,528
	Auditors' remuneration	30.2	2,710	2,665
	Legal and professional charges		7,105	5,406
	Others		28,219	18,878
			509,603	397,318

30.1 Salaries, wages and benefits include Rs 5.74 million (2018: Rs 10.51 million) in respect of retirement benefits.

30.2 Auditors' remuneration

	2019	2018
Statutory audit	1,600	1,600
Half year review	400	315
Consolidation	200	200
Group reporting	150	150
Certification and others	300	150
Out-of-pocket expenses	60	250
	2,710	2,665

		2019	2018
31.	**Other income**		
	Income from financial assets		
	Return on bank deposits	6,391	4,105
	Income from other than financial assets		
	Sale of press mud - net of sales tax	2,930	4,795
	Sale of fusel oil - net of sales tax	1,434	513
	Gain on disposal of operating fixed assets	5,407	980
	Export subsidy	-	86,670
	Seed sales - net of expenses	11,491	911
	Scrap sales - net of expenses	16,164	-
	Insurance claim	-	142
	Rental income	192	-
		37,618	94,011
		44,009	98,116

32. Other expenses

Donations - without directors' interest	32.1	570	1,505
Workers' profit participation and workers welfare obligations		40,148	16,570
		40,718	18,075

32.1 This includes donation amounting to Rs. Nil (2018: Shandana Humayun Khan Rs.1 million).

33. Finance cost

Mark-up on:		
Long term finances	212,312	155,893
Loans from related parties	53,908	31,588
Short term borrowings	486,681	314,453
	752,901	501,934
Lease finance charges	10,369	4,786
Interest on workers' profit participation	1,228	557
Bank charges	20,842	4,437
Exchange gain - net	(35,792)	(27,354)
	749,548	484,360

34. Taxation

Current:		
- for the year	173,752	123,731
- prior year	897	669
	174,649	124,400
Deferred:		
Change in tax rate	-	72,311
On account of temporary differences	(116,797)	(137,170)
	(116,797)	(64,859)
	57,852	59,541

34.1 Reconciliation of taxation with accounting profit

Profit before taxation	636,500	253,164
Tax rate	29%	30%
Tax on profit	184,585	75,949
Tax effect of:		
Lower rate income	46,145	46,393
Deferred tax asset recoginized in respect of prior year temporary differences	(195,785)	(55,374)
Others	22,907	(7,427)
	57,852	59,541

34.2 By virtue of amendments introduced through Finance Act 2017, the provisions of section 5A of the Income Tax Ordinance, 2001 were amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the said tax year through cash or bonus shares, shall be liable to pay tax at the rate of 7.5% of its accounting profit before tax. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires. The Company has distributed 40% of its after tax profits for the Tax Year 2018.

35. Earnings per share

Profit after taxation attributable to ordinary shareholders	578,648	193,623
Weighted average number of shares outstanding during the year (No. of shares '000')	28,692	28,692
Earnings per share (Rs)	20.17	6.75

35.1 There is no dilutive effect on basic earnings per share.

36. Segment operating results for the year ended September 30, 2019

	Sugar Division		Ethanol Division		Total	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Sales						
-External Customers	10,112,064	8,659,059	3,316,105	2,609,184	13,428,169	11,268,243
-Inter segment	614,977	804,180	-	-	614,977	804,180
	10,727,041	9,463,239	3,316,105	2,609,184	14,043,146	12,072,423
Less : sales tax & others	(903,905)	(825,177)	(103,553)	(168,062)	(1,007,458)	(993,239)
Sales - net	9,823,136	8,638,062	3,212,552	2,441,122	13,035,688	11,079,184
Segment expenses:						
Cost of sales						
Cost of Sales	(8,548,785)	(7,900,398)	(1,634,871)	(1,104,428)	(10,183,656)	(9,004,826)
less: Inter segment cost	-	-	(614,977)	(804,180)	(614,977)	(804,180)
	(8,548,785)	(7,900,398)	(2,249,848)	(1,908,608)	(10,798,633)	(9,809,006)
Gross profit	1,274,351	737,664	962,704	532,514	2,237,055	1,270,178
Selling and distribution expenses	(175,145)	60,645	(169,550)	(276,022)	(344,695)	(215,377)
Administrative and general expenses	(462,784)	(354,291)	(46,819)	(43,027)	(509,603)	(397,318)
	(637,929)	(293,646)	(216,369)	(319,049)	(854,298)	(612,695)
Profit from operations	636,422	444,018	746,335	213,465	1,382,757	657,483
Other income	42,121	95,104	1,888	30,366	44,009	125,470
Other expenses	(40,718)	(18,075)	-	-	(40,718)	(18,075)
	1,403	77,029	1,888	30,366	3,291	107,395
Segment results	637,825	521,047	748,223	243,831	1,386,048	764,878
Finance cost					(749,548)	(484,360)
Profit before tax					636,500	280,518
Taxation					(57,852)	(59,541)
Profit for the year					578,648	220,977

36.1 Segment assets and liabilities

	2019		2018	
	(Rupees in thousand)			
	Assets	Liabilities	Assets	Liabilities
Sugar	9,263,004	3,283,262	7,973,976	3,088,678
Ethanol	4,263,337	2,403,240	5,841,749	3,265,854
Total for reportable segment	13,526,341	5,686,502	13,815,725	6,354,532
Others	-	1,518,380	-	1,655,711
Total assets / liabilities	13,526,341	7,204,882	13,815,725	8,010,243

37 Financial instruments

37.1 Financial assets and liabilities

As at September 30, 2019

Financial assets:	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
	--------------------------Rupees in thousand---------------------------			
Maturity upto one year				
Loans and receivables				
Trade debts	57,011	-	-	57,011
Loans and advances	216,384	-	-	216,384
Trade deposits and other receivables	307,345	-	-	307,345
Cash and bank balances	203,931	-	-	203,931
Maturity after one year				
Long term security deposits	15,084	-	-	15,084
	899,755	-	-	899,755

Financial liabilities:	Amortised Cost	Fair value through profit and loss	Total
	--------------------------Rupees in thousand--------------------		
Other financial liabilities			
Maturity upto one year			
Trade and other payables	357,997	-	357,997
Unclaimed dividends	8,688	-	8,688
Current maturity of non current liabilities	671,255	-	671,255
Short term running finance	3,100,942	-	3,100,942
Liabilities against assets subject to finance lease	41,502	-	41,502
Maturity after one year			
Long term finances - secured	1,183,821	-	1,183,821
Loans from related parties - secured	337,023	-	337,023
Liabilities against assets subject to finance lease	94,970	-	94,970
Deferred liabilities	6,582	-	6,582
	5,802,780	-	5,802,780

As at September 30, 2018

Financial assets:	Loans and receivables	Total
	(Rupees in thousand)	
Maturity upto one year		
Loans and receivables		
Trade debts	219,126	219,126
Loans and advances	56,228	56,228
Trade deposits and other receivables	374,259	374,259
Cash and bank balances	188,782	188,782
Maturity after one year		
Long term security deposits	13,858	13,858
	852,253	852,253

	Amortised Cost	Other financial liabilities	Total
Financial liabilities:		(Rupees in thousand)	
Other financial liabilities			
Maturity upto one year			
Trade and other payables	-	380,165	380,165
Unclaimed dividends	7,990	-	7,990
Current portion of non current liabilities - secured	643,518	-	643,518
Short term running finance	3,796,204	-	3,796,204
Liabilities against assets subject to finance lease	24,684	-	24,684
Maturity after one year			
Long term finances - secured	1,177,828	-	1,177,828
Loans from related parties - secured	458,825	-	458,825
Liabilities against assets subject to finance lease	34,102	-	34,102
Deferred liabilities	-	7,625	7,625
	6,143,151	387,790	6,530,941

38 Financial risk management

38.1.1 Financial risk factors

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

- credit risk
- liquidity risk
- market risk

The Board of Directors (the Board) has the overall responsibility for the establishment and oversight of the Company’s risk management framework.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of the Company oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

a) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

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

Credit risk primarily arises from trade debts, loans and advances, other receivables and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set an allowed credit period to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings. In respect of other counter parties, due to the Company's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Company.

The Company recognises ECL for trade debts using the simplified apprach as explained in note 4.19. As per the aforementioned approach, the loss allowance as at September 30, 2019 and October 1, 2018 (on adoption of IFRS 9) was determined as follows:

	1-180 days	**181-365 days**	**More than 365 days**	**Total**
	---------------------------Rupees in thousand----------------------------			
September 30, 2019				
Gross carrying value	57,125	1	1,637	58,763
Loss allowance	113	1	1,637	1,751
October 1, 2018				
Gross carrying value	219,017	110	1,528	220,655
Loss allowance	434	110	1,528	2,072

The loss allowances for trade debts as of September 30, 2019 reconcile to the opening loss allowance as follows:

	2019
	(Rupees in thousand)
Amount calculated under IAS 39 as at September 30, 2018	1,528
Amounts adjusted in opening retained earnings	-
Opening loss allowance as at 1 October calculated under IFRS 9	1,528
Increase in loss allowance recognised in statement of profit or loss account - net	223
Loss allowance as at September 30, 2019	1,751

The restatement on transitions to IFRS 9 as a result of applying the ECL model was insignificant so the impact of loss allowance is taken in the current period.

ECL on other receivables is calculated using general approach (as explained in note 4.19). As at the reporting date, Company envisages that default risk on account of non-realisation of other receivables is minimal and thus based on historical trends adjusted to reflect current and forward looking information loss allowance has been estimated by the Company using a range of probable recovery pattern of related other receivables and assigning a time value of money to same. As per the aforementioned approach, the loss allowance for other receivables as at September 30, 2019 and October 1, 2018 (on adoption of IFRS 9) is determined as follows:

	2019
	(Rupees in thousand)
September 30, 2019	
Gross carrying value	216,384
Loss allowance	1,499
October 1, 2018	
Gross carrying value	56,228
Loss allowance	

The closing loss allowances for other receivables as at September 30, 2019 reconciles to the opening loss allowance as follows:

	2019
	(Rupees in thousand)
Amount calculated under IAS 39 as at September 30, 2018	-
Amounts adjusted in opening retained earnings	-
Opening loss allowance as at 1 October calculated under IFRS 9	-
Increase in loss allowance recognised in statement of profit or loss account - net	1,499
Loss allowance as at September 30, 2019	1,499

Based on past experience, the management believes that no further impairment allowance is necessary in respect of trade debts, loans and advances and other financial assets.

The credit quality of Company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	Rating	2019	2018
		(Rupees in thousand)	
Counterparties without external credit rating			
Trade debts		57,011	219,126
Loans and advances		216,384	56,228
Trade deposits and other receivables		307,345	374,259
		580,740	649,613
Counterparties with external credit rating			
Bank balances			
	A1+	-	128,288
	A1	-	3,542
	A-1+	200,843	56,198
	A-1	3,088	754
		203,931	188,782

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below analyses the contractual maturities of the Company’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the maturity date. The amounts disclosed in the table are undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
			(Rupees in thousand)		
As at September 30, 2019					
Long term finance - secured	1,806,828	1,806,828	623,007	1,183,821	-
Loans from related parties	385,271	385,271	48,248	385,271	-
Liabilities against assets subject to finance lease	136,472	172,296	57,701	114,595	-
Trade and other payables	357,997	357,997	357,997	-	-
Unclaimed dividend	8,688	8,688	8,688	-	-
Deferred liabilities	6,582	6,582	-	-	6,582
Short term running finance	3,100,942	3,100,942	3,100,942	-	-
As at September 30, 2018					
Long term finance - secured	1,815,026	1,815,026	637,198	1,177,828	-
Loans from related parties	465,145	465,145	-	465,145	-
Liabilities against assets subject to finance lease	58,786	66,336	28,759	37,577	-
Trade and other payables	380,165	380,165	380,165	-	-
Unclaimed dividend	7,990	7,990	7,990	-	-
Deferred liabilities	7,625	7,625	7,625	-	-
Short term running finance	3,796,204	3,796,204	3,796,204	-	-

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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

c) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is exposed to interest rate risk, currency risk and market price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. Financial assets include Rs 57.03 million (2018: Rs 10.76 million) which were subject to currency risk.

	2019	2018
Rupees per USD		
Average rate	140.28	114.6
Reporting date rate	156.37	124.20

Sensitivity analysis

As at September 30, 2019, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, profit after tax for the year would have been Rs 4.04 million (2018: Rs 0.76 million) lower/ higher.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no long term interest bearing financial assets whose fair value or future cash flows will fluctuate because of changes in market interest rates. Financial assets and liabilities include balances of Rs 13.23 million (2018: Rs 37.38 million) and Rs 5,342 million (2018: Rs 6,080 million) respectively, which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities have been indicated in respective notes.

Sensitivity analysis

As at September 30, 2019, if interest rates had been 1% higher/ lower with all other variables held constant, profit after tax for the year would have been Rs 37.84 million (2018: Rs 42.90 million) higher/ lower, mainly as a result of higher/ lower interest income/ expense from these financial assets and liabilities.

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

38.1.2 Capital risk management

The Company is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and the level of dividend to ordinary shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares. There was no change to the Company's approach to the capital management during the year.

The Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity and current ratios under the financing agreements. In case of various loan arrangements, the concerned lenders have waived the requirements of certain covenants of the respective financing agreements. Accordingly, the liabilities under these financing agreements have been classified as per the repayment schedule applicable in respect of the aforesaid financing agreements.

The Company monitors capital using a gearing ratio, which is calculated as net debt divided by total capital plus net debt. Net debt is calculated as amounts payable by the Company less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The Company's gearing ratio is as follows:

	2019	2018
	(Rupees in thousand)	
Long term finances - secured	1,806,828	1,815,026
Loans from related parties - secured	385,271	465,145
Liabilities against assets subject to finance lease	136,472	58,786
Trade and other payables	688,982	712,298
Short term running finance	3,100,942	3,796,204
Less: cash and cash equivalents	(203,931)	(188,782)
Net debt	5,914,564	6,658,677
Issued, subscribed and paid-up capital	286,920	286,920
Capital reserve	327,000	327,000
Revenue reserve	1,994,085	1,172,533
Total capital	2,608,005	1,786,453
Capital and net debt	8,522,569	8,445,130
Gearing ratio	69%	79%

39 Fair value of financial assets and liabilities

The carrying values of financial assets and liabilities approximate their fair value.

39.1 Fair value hierarchy

Certain property, plant and equipment of the Company was valued by independent valuer to determine the fair value of property, plant and equipment as at September 30, 2019. The revaluation surplus was credited to other comprehensive income and is shown as ‘surplus on revaluation of property, plant and equipment’. The different levels have been defined as follows:

- Level 1

  Quoted prices (unadjusted) in active market for identical assets/ liabilities.

- Level 2

  Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3

  Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Level 2 fair value of certain property, plant and equipment has been derived using the comparison approach. Sales prices of comparable property, plant and equipment in identical circumstances or close proximity are adjusted for differences in key attributes such as property size, structure, location, capacity etc. The most significant inputs into this valuation approach are price per marla, price per square feet, depreciated replacement cost etc.

40. Reconciliation of movement of liabilities to cash flow arising from financing activities

	Liabilities						Total
	Long term finance	Loans from related parties	Liabilities against assets subject to	Accrude Markup	Short term running finance	Unclaimed dividend	
	-----------Rupees in thousand-----------						
Balance at October 1, 2018	1,766,420	458,825	58,786	144,131	959,000	7,990	3,395,152
Cash flows	(30,033)	9,015	(47,695)	(703,274)	(3,999)	(42,340)	(818,326)
Acquisition - finance lease	-	-	125,381	-	-	-	125,381
Other non-cash movements	-	(99,581)	-	749,548	-	43,038	693,005
Balance at September 30, 2019	1,736,387	368,259	136,472	190,405	955,001	8,688	3,395,212

41. Provident Fund

Details of the provident funds based on audited financial statements for the year ended September 30, 2019 are as follows:

	2019	2018
	(Rupees in thousand)	
Staff provident fund		
Size of the fund	135,063	105,460
Cost of investment made	110,369	78,584
Fair value of investment made	132,465	103,259
	%	%
Percentage of investment made	81.72	74.52

	2019		2018	
	Rupees '000'	%	Rupees '000'	%
Breakup of investment - at cost				
Term deposit	108,400	98.22	51,400	65.41
Bank deposits	1,969	1.78	27,184	34.59
	110,369	100.00	78,584	100.00

41.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of Companies Act, 2017 and applicable rules.

42. Transactions and balances with related parties

42.1 The Premier Sugar Mills & Distillery Company Limited holds 47.93% (2018: 47.93%) shares of the Company at the year end. Therefore, all subsidiaries and associated undertakings of The Premier Sugar Mills & Distillery Co. Limited are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' funds. Amount due from and due to these undertakings are shown under receivables and payables. The remuneration of Chief Executive, Directors and Executives is disclosed in note 43 to the statement of financial statements.

	2019	2018
	(Rupees in thousand)	
The Premier Sugar Mills and Distillery Company Limited		
Purchases	27,007	114,841
Sales	11,910	3,057
Mark-up charged	30,140	22,363
Expenses paid by the Company	108,284	91
Expenses paid on behalf of the Company	15,307	15,225
Dividend paid	20,627	20,627
Rent expense	19,800	9,900
Rent income	192	-
Syntronics Limited		
Purchase of store items	943	26,182
Dividend paid	5,386	5,386
Syntron Limited		
Purchase of store items	122,499	70,617
Azlak Enterprises (Private) Limited		
Services on behalf of the Company	27,030	-
Mark-up charged	10,069	477
Expenses paid on behalf of the Company	2,052	4,307
Dividend paid	2,194	2,194

	2019	2018
	(Rupees in thousand)	
Phipson & Company Pakistan (Private) Limited		
Dividend paid	461	461
Arpak International Investments Limited		
Markup charged	5,482	-
Premier Board Mills Limited		
Markup charged	8,217	-
Whole Foods (Pvt.) Limited		
Expenses paid by the Company	28,643	-
Funds transferred	45,000	-
The Frontier Sugar Mills & Distillery Limited		
Expenses paid	-	17
Provident fund		
Contribution to provident fund	15,175	13,201

42.2 Following are the related parties with whom the Company had entered into transactions or have arrangement/agreement in place.

Sr No	Company Name	Basis of Association	Aggregate % of Shareholding
1	The Premier Sugar Mills and Distillery Company Limited	Holding Company	47.93%
2	Premier Board Mills Limited	Associated Company	0.00%
3	Azlak Enterprises (Private) Limited	Associated Company	5.10%
4	Arpak International Investments Limited	Associated Company	0.00%
5	Phipson & Company Pakistan (Private) Limited	Associated Company	1.07%
6	Syntronics Limited	Associated Company	12.51%
7	The Frontier Sugar Mills & Distillery Limited	Associated Company	0.00%
8	Syntron Limited	Associated Company	0.00%
9	Whole Foods (Private) Limited	Subsidiary Company	100.00%

43. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for remuneration, including all benefits, to Executive Directors and Chief Executives of the Company is as follows:

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Managerial remuneration	12,000	1,200	8,000	-	26,066	16,725
Bonus	3,000	-	-	-	7,104	1,209
Housing and utilities	-	-	-	-	17,377	11,150
Company's contribution to provident fund	-	-	-	-	1,686	1,197
Medical	1,546	2,396	1,560	-	473	133
Other expenses	-	-	23,229	-	-	-
	16,546	3,596	32,789	-	52,706	30,414
Number of persons	1	1	3	3	15	10

43.1 In addition to above, the Chief Executive and Executives were provided with the Company maintained cars for official and personal use. All the Executives based at factory compounds are also provided with free housing with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound.

43.2 Mr Abbas Sarfraz Khan, Director of the Company, holds office of profit for performing extra services, for which approval was obtained vide Extraordinary general meeting dated June 21, 2019 under section 171 of the Companies Act, 2017. His remuneration includes monthly salary, bonus as per company policy, company maintained vehicle and reimbursement of all travelling and medical expenses. The Board of Directors are also entitled to reimbursement of all travelling, telephone and medical expenses, as approved vide 31st annual general meeting of members dated March 29, 2019.

44. General

44.1 Geographical location and addresses of business units

The business units of the Company include the following:

Business Units	Location
Sugar - unit I	University Road, Dera Ismail Khan, KPK
Sugar - unit II	Ramak, Dera Ismail Khan, KPK
Ethanol fuel plant	Ramak, Dera Ismail Khan, KPK

44.2 Capacity and production

	2019	2018
Sugar plants		
Rated crushing capacity (Metric Ton / day)	18,000	18,000
On the basis of average number of 98 days (2018: 131 days)	1,764,000	2,358,000
Actual cane crushed (Metric Ton)	1,562,413	2,040,734
Sugar produced (Metric Ton)	166,252	193,322
Ethanol fuel plant		
Rated production capacity (Litres / day)	125,000	125,000
On the basis of average number of 355 days (2018: 257 days) (Litres)	44,375,000	44,625,000
Actual production (Litres)	43,260,426	44,617,163
Days worked	Days	
Sugar - unit I	97	133
Sugar - unit II	99	129
Ethanol fuel plant	355	357

Reasons for Shortfall

Sugar division performed at less than installed capacity due to non availability of sugar cane, strike of growers and atmospheric effect. Capacity of ethanol unit was under utilized due to overhauling and cleaning shut downs.

44.3 Number of employees

	2019	2018
Number of employees at September 30		
Permanent	914	938
Contractual	941	921
	1,855	1,859
Average number of employees for the year		
Permanent	913	928
Contractual	1,290	1,259
	2,203	2,187

44.4 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

45. Corresponding figures

Corresponding figures have been re-arranged and re-classified as follows, for the purposes of comparison and better presentation as per reporting framework. However, the change in corresponding figures has no material impact on previously reported financial position, financial performance and cash flow of the Company.

Reclassified from	Reclassified to	Rupees in thousands
Sales tax, other government levies and discounts	Selling and distribution expenses	108,829
Other income	Finance cost	27,354

46. Non-adjusting events after the statement of financial position date

The Board of Directors in its meeting held on January 2, 2020 has proposed a final cash dividend for the year ended September 30, 2019 @ Rs 5 per ordinary share (2018 @ Rs 1.50 per ordinary share), amounting to Rs 143,460 thousand (2018: Rs 43,038 thousand) for approval of the members in the annual general meeting to be held on January 27, 2020.

47. Date of Authorisation for Issue

These financial statements have been authorised for issue by the Board of Directors of the Company on January 02, 2020.

RIZWAN ULLAH KHAN **CHIEF FINANCIAL OFFICER**	**AZIZ SARFARAZ KHAN** **CHIEF EXECUTIVE**	**ISKANDER M KHAN** **DIRECTOR**

annual
report
2019

CHASHMA SUGAR MILLS LIMITED
CONSOLADITED FINANCIAL STATEMENTS

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A·F·FERGUSON&Co.

Independent Auditor's Report To the members of Chashma Sugar Mills Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Chashma Sugar Mills Limited (the Company) and its subsidiary Whole Foods (Private) Limited (the Group), which comprise the consolidated statement of financial position as at September 30, 2019, the consolidated statement of profit or loss account, consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at September 30, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following is the Key Audit Matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
(i)	**Contingencies** *(Refer note 24 to the financial statements)* Contingencies disclosed in the annexed financial statements relate to various matters which are pending in litigations including matters in respect of income tax and sales tax, which are pending adjudication before the appellate authorities and the courts. Contingencies require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Group for disclosure and recognition and measurement of any provision that may be required against such contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgements and estimates to assess the same including related financial impacts, we considered contingencies a key audit matter.	Our audit procedures in relation to the matter included: - Obtained and reviewed details of pending legal and tax matters and discussed the same with the Group's management. - Obtained view of the Group's legal and tax counsels related to open litigations. - Reviewed correspondence of the Group with the relevant authorities including judgements or orders passed by the competent authorities in relation to the issues involved or the matters which have similarities with the issues involved. - Reviewed disclosures made in respect of the contingencies.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the consolidated financial statements of the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. JehanZeb Amin.

- sd -
Chartered Accountants
Islamabad
Date: January 02, 2020

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
NON CURRENT ASSETS			
Property, plant and equipment	7	9,536,212	9,558,755
Long term security deposits - considered good		15,084	13,858
		9,551,296	9,572,613
CURRENT ASSETS			
Stores and spares	8	469,712	342,702
Stock-in-trade	9	1,724,824	2,242,638
Trade debts	10	57,011	219,126
Loans and advances	11	1,283,676	296,159
Trade deposits, prepayments and other receivables	12	387,458	828,206
Income tax refundable	13	-	33,717
Cash and bank balances	14	228,648	279,605
		4,151,329	4,242,153
TOTAL ASSETS		13,702,625	13,814,766
SHARE CAPITAL AND RESERVES			
Authorized capital	15	500,000	500,000
Issued, subscribed and paid-up capital	15	286,920	286,920
Capital reserve			
General reserve		327,000	327,000
Revenue reserve			
Unappropriated profits		1,985,055	1,171,063
Surplus on revaluation of property, plant and equipment	16	3,713,454	4,019,029
Shareholders' equity		6,312,429	5,804,012
NON-CURRENT LIABILITIES			
Long term finances - secured	17	1,312,000	1,177,828
Loans from related parties - secured	18	337,023	458,825
Liabilities against assets subject to finance lease	19	94,970	34,102
Deferred liabilities	20	1,078,582	1,154,794
		2,822,575	2,825,549
CURRENT LIABILITIES			
Trade and other payables	21	705,196	712,809
Unclaimed dividend		8,688	7,990
Short term borrowings	22	3,100,942	3,796,204
Current maturity of non-current liabilities	23	743,051	668,202
Provision for taxation - net		9,744	-
		4,567,621	5,185,205
TOTAL LIABILITIES		7,390,196	8,010,754
Contingencies and commitments	24		
TOTAL EQUITY AND LIABILITIES		13,702,625	13,814,766

The annexed notes 1 to 46 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	**AZIZ SARFARAZ KHAN**	**ISKANDER M KHAN**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE**	**DIRECTOR**

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Gross sales	25	13,428,169	11,268,243
Sales tax, other government levies and discounts	26	(1,007,458)	(884,410)
Sales - net		12,420,711	10,383,833
Cost of sales	27	(10,183,656)	(9,004,826)
Gross profit		2,237,055	1,379,007
Selling and distribution expenses	28	(344,695)	(324,206)
Administrative and general expenses	29	(517,163)	(398,788)
Other income	30	44,009	98,116
Other expenses	31	(40,718)	(18,075)
Operating profit		1,378,488	736,054
Finance cost	32	(749,548)	(484,360)
Profit before taxation		628,940	251,694
Taxation	33	(57,852)	(59,541)
Profit for the year		571,088	192,153
Earnings per share - basic and diluted (Rs)	34	19.90	6.70

The annexed notes 1 to 46 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	**AZIZ SARFARAZ KHAN**	**ISKANDER M KHAN**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE**	**DIRECTOR**

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Profit for the year		571,088	192,153
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement gain / (loss) on staff retirement benefit plans	20.2	312	(813)
Less: Deferred tax on remeasurement (gain) / loss on staff retirement benefit plans		(90)	220
		222	(593)
Surplus on revaluation of property, plant and equipment		-	2,079,452
Less: Deferred tax on surplus on revaluation of property, plant and equipment		(19,855)	(561,452)
		(19,855)	1,518,000
Total comprehensive income for the year		551,455	1,709,560

The annexed notes 1 to 46 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	AZIZ SARFARAZ KHAN	ISKANDER M KHAN
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Cash flow from operating activities			
Profit for the year - before taxation		628,940	251,694
Adjustments for non-cash items:			
Depreciation		827,611	667,978
Gain on sale of operating fixed assets		(5,407)	(980)
Finance cost		771,228	507,277
Provision for doubtful debts		224	1,528
Provision for doubtful advances		1,499	26,401
Provision for obsolete items		-	35,948
Provision for gratuity		2,500	8,429
		2,226,595	1,498,275
Changes in working capital			
Increase in stores and spares		(127,010)	(33,311)
Decrease / (Increase) in stock-in-trade		517,814	(889,104)
Decrease / (Increase) in trade debts		161,891	(35,282)
Increase in loans and advances		(989,016)	(51,623)
Decrease / (Increase) in trade deposits, prepayments and other receivables		440,748	(296,680)
Decrease in trade and other payables		(7,613)	242,589
		(3,186)	(1,063,411)
		2,223,409	434,864
Income tax paid		(131,188)	(183,924)
Gratuity paid		(3,231)	(804)
Net cash generated from operating activities		2,088,990	250,136
Cash flow from investing activities			
Purchase of property, plant and equipment		(807,999)	(339,592)
Sale proceeds of operating fixed assets		12,458	6,689
(Increase) / decrease in long term security deposits		(1,226)	60
Net cash used in investing activities		(796,767)	(332,843)
Cash flow from financing activities			
Long term finances repaid		147,073	(496,136)
Short term loan repaid		(3,999)	(362,000)
Increase in loan from related party		9,015	70,000
Obligations under finance leases		(47,695)	(27,670)
Dividends paid		(42,340)	(42,210)
Finance cost paid		(700,226)	(479,967)
Net cash used in financing activities		(638,172)	(1,337,983)
Net increase / (decrease) in cash and cash equivalents		654,051	(1,420,690)
Cash and cash equivalents - at beginning of the year		(2,468,394)	(1,047,704)
Cash and cash equivalents - at end of the year		(1,814,343)	(2,468,394)
Cash and cash equivalents comprised of:			
Cash and bank balances	14	228,648	279,605
Short term running finance - secured	22	(2,042,992)	(2,747,999)
		(1,814,344)	(2,468,394)

The annexed notes 1 to 46 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	AZIZ SARFARAZ KHAN	ISKANDER M KHAN
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Share capital	General reserve	Unappropriated profits	Surplus on revaluation of property, plant and equipment	Total
	----------	----------	Rupees in thousand	----------	----------
Balance as at October 1, 2017	286,920	327,000	846,585	2,604,674	4,065,179
Total comprehensive income for the year ended September 30, 2018					
Income for the year	-	-	192,153	-	192,153
Other comprehensive income for the year	-	-	(593)	1,518,000	1,517,407
	-	-	191,560	1,518,000	1,709,560
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	-	-	175,956	(175,956)	-
Deferred tax adjustment due to reduction in tax rate	-	-	-	72,311	72,311
Final cash dividend at rate of Rs 1.50 per ordinary share for the year ended September 30, 2017	-	-	(43,038)	-	(43,038)
Balance as at September 30, 2018	286,920	327,000	1,171,063	4,019,029	5,804,012
Total comprehensive income for the year ended September 30, 2019					
Income for the year	-	-	571,088	-	571,088
Other comprehensive income for the year	-	-	222	(19,855)	(19,633)
	-	-	571,310	(19,855)	551,455
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	-	-	285,720	(285,720)	-
Deferred tax adjustment - net	-	-	-		-
Final cash dividend at rate of Rs 1.50 per ordinary share for the year ended September 30, 2018	-	-	(43,038)	-	(43,038)
Balance as at September 30, 2019	**286,920**	**327,000**	**1,985,055**	**3,713,454**	**6,312,429**

The annexed notes 1 to 46 form an integral part of these financial statements.

RIZWAN ULLAH KHAN	AZIZ SARFARAZ KHAN	ISKANDER M KHAN
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CHASHMA SUGAR MILLS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. Legal status and operations

Chashma Sugar Mills Limited (the Company) was incorporated in Pakistan on May 5, 1988 as a public limited company, under the Companies Ordinance, 1984 (which is repealed upon enactment of the Companies Act, 2017 on May 30, 2017) and commenced its commercial production from July 9, 1988. The Company has its shares quoted on the Pakistan Stock Exchange Limited. The Company is principally engaged in manufacturing, production, processing, compounding, preparation and sale of sugar, other allied compound, intermediates and allied products. The Company is a subsidiary of The Premier Sugar Mills and Distillery Company Limited. The head office of the Company is situated at King's Arcade, 20-A, Markaz F-7, Islamabad and its manufacturing facilities are located at Dera Ismail Khan, Khyber Pakhtunkhwa.

Whole Foods (Private) Limited (100% owned subsidiary of the Company) was incorporated in Pakistan as a Private Limited Company under Companies Act, 2017 on October 26, 2017. The principal activity of the subsidiary is to setup, manage, supervise and control the storage facilities for agricultural produce.

These set of consolidated financial statements include the financial statements of Chashma Sugar Mills Limited (the Company) and its subsidiary company Whole Foods (Private) Limited. The corresponding figures presented in these financial statements are the same as presented in the financial statements of the Company. For the purpose of these consolidated financial statements Chashma Sugar Mills Limited and its subsidiary are referred to as the Group.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act) ; and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

3. New and revised standards and interpretations

3.1 IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” became applicable to the Group from October 1, 2018. For related changes in accounting policies and impact on the Group’s financial statements refer note 5 to these financial statements.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

		Effective date (annual reporting periods beginning on or after)
IAS 12	Income Taxes (Amendments)	January 1, 2019
IAS 19	Employee Benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs (Amendments)	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IFRS 9	Financial Instruments (Amendments)	January 1, 2019
IFRS 11	Joint Arrangements (Amendments)	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation / disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 16 on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived off by SECP:

IFRIC 4	Determining Whether an Arrangement Contains Lease
IFRIC 12	Service Concession Arrangements

4. Summary of significant accounting policies

4.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention except as otherwise stated in respective accounting policies notes.

4.2 Basis of consolidation

Subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies, etc.

Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The reporting period end of subsidiary is June 30, 2019. The subsidiary financial statements used for preparation of consolidated financial statements corresponds with period of the Company.

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

4.3 Property, plant and equipment

Owned assets

a) Cost

Operating fixed assets except freehold land, building and roads and plant & machinery are stated at cost less accumulated depreciation and impairment losses. Freehold land is stated at revalued amount, where as building & roads and plant & machinery are stated at revalued amount less accumulated depreciation and impairment losses. Revaluation is carried out by independent expert. The Group carries out triennial revaluations, considering the change in circumstances and assumptions from prior year. Capital work-in-progress and major spare parts and standby equipment are stated at cost. Cost in relation to certain plant and machinery items include borrowing cost related to the financing of major projects during construction phase.

Subsequent cost, if reliably measurable, are included in the asset's carrying amount or recognized as separate amount as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Group. The carrying amount of any replaced parts as well as other repair and maintenance costs are charged to statement of profit or loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of freehold land, building and roads and plant & machinery are recognized in other comprehensive income and accumulated in shareholders' equity under the heading surplus on revaluation of property, plant and equipment. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss account.

Depreciation on operating assets is calculated using the reducing balance method to allocate their cost over their estimated useful life at the rates specified in note 7.1.

Depreciation on additions to property, plant and equipment is charged from the date asset is available for intended use till date of disposal.

The gain or loss on disposal of an asset, calculated as difference between the sale proceed and carrying amount of the asset, is recognized in statement of profit or loss account for the year.

Assets subject to finance lease

At its inception, a lease is classified as either a finance lease or an operating lease. Finance leases transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Finance leases are capitalized at the lease commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in liabilities in the statement of financial position.

Rentals payable under operating leases are charged to profit or loss account on a straight-line basis over the term of the relevant lease. Minimum lease payments receivable under operating leases are recognized on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to depreciation/ amortisation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversals of the impairment losses are restricted to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss account.

4.4 Stores and spares

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred up to the date of the statement of financial position date.

4.5 Stock-in-trade

Sugar and Ethanol are stated at the lower of cost and net realisable value. Cost is determined using the average manufacturing cost method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads.

Cost of own produced molasses, a by product, is determined on the basis of average cost of molasses purchased from third parties.

Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and costs necessary to be incurred to make the sale.

4.6 Trade debts

Trade debts are recognised and carried at the original invoice amounts, being the fair value, less an allowance for uncollectible amounts, if any. As explained in note 4.19 to these financial statements, for measurement of loss allowance for trade debts, The Group applies IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39.

4.7 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise balances with banks in current, deposit and saving accounts, bank overdrafts and cash / running finance. Bank overdrafts are shown in current liabilities on the statement of financial position.

4.8 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to statement of profit or loss account.

4.9 Employee retirement benefits

The Company operates a provident fund and an unfunded gratuity scheme for its employees per details below:

4.9.1 Defined contribution plan

The Company operates a recognized contributory provident fund for its permanent employees. Equal monthly contributions are made, both by the Company and the employees to the fund at the specified rate of basic salary and charged to statement of profit or loss account.

4.9.2 Defined benefit plan

The Company operates an unfunded gratuity scheme covering eligible employees under their employment contract. The liability for gratuity is recognized on the basis of actuarial valuation using Projected Unit Credit Method. The latest actuarial valuation was conducted on September 30, 2019.

4.10 Trade and other payables

Liabilities for trade and other amounts payable including payable to related parties are carried at cost, which is the fair value of the consideration to be paid in future for goods and/or services received, whether or not billed to the Group.

4.11 Provisions

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

4.12 Taxation

Income tax comprises of current and deferred tax.

(i) Current

Provision for current taxation is based on taxable income for the year determined in accordance with prevailing law for taxation on income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(ii) Deferred

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

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity.

4.13 Dividend and revenue reserve appropriation

Dividend and movement in revenue reserves are recognised in the financial statements in the period in which these are approved.

4.14 Foreign currency transactions and translation

Foreign currency transactions are translated into the rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the statement of profit or loss account.

4.15 Revenue recognition

The Group recognizes revenue at point of time when control of product is transferred to the customer. Control is considered to be transferred in case of local sales when the finished goods are directly uplifted by customer from the warehouse or when it is delivered by the Group at customer premises. In case of export sales, control is considered to be transferred when the finished goods are shipped to the customer.

Revenue is measured based on the consideration agreed with the customer and excludes the amounts collected on behalf of third parties. Revenue is disclosed net of discount rebates and returns.

4.16 Development expenditure

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

4.17 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Group has two reportable segments i.e. sugar and ethanol.

4.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.19 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Group losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss account.

a) Financial assets

Classification

Effective October 1, 2018, the Group classifies its financial assets in the following measurement categories:

i) amortized cost where the effective interest rate method will apply;
ii) fair value through profit or loss;
iii) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investment in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). the Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commit to purchase or sell the asset. Further financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group can classifies its debt instruments:

a) **Amortised cost**

Assets that are held for collection of contractual cash flows where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of profit or loss account and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss account.

b) **Fair value through other comprehensive income (FVTOCI)**

Debt securities, where the contractual cashflows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cashflows and selling financial assets are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of profit or loss account. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss account and recognised in other income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statement of profit or loss account.

c) **Fair value through profit and loss (FVTPL)**

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented in finance income/cost in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where The Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statement of profit or loss account following the derecognition of the investment. Dividends from such investments continue to be recognised in statement of profit or loss account as other income when the Group's right to receive payments is established.

Impairment of financial assets

Effective October 1, 2018, the Group assess on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its debt instruments, trade debts, short term investment and deposits and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Loans and advances
- Trade deposits, prepayments and other receivables
- Cash and bank balances

i) **General approach for loans and advances, trade deposits, prepayments and other receivables and cash and bank balances.**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, in case of trade debts, the Group considers that default has occurred when a the debt is more than 365 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit - impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

ii) Simplified approach for trade debts

The Group recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts balance are separately assessed for ECL measurement. All other trade debts are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these financial assets are estimated using a provision matrix approach based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- external credit ratings where available.

Recognition of loss allowance

The Group recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

b) Financial Liabilities

Classification, initial recognition and subsequent measurement

Financial liabilities are classified in the following categories:

- fair value through profit or loss; and
- other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Group has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in profit or loss for the year, when the liabilities are derecognized as well as through effective interest rate amortisation process.

Derecognition of financial liabilities

the Group derecognises financial liabilities when and only when the Group's obligations are discharged, cancelled or they expire.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Board determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.21 Other Income

The Group recognises following in other income:

(i) Income on deposit / saving accounts using the effective yield method.
(ii) Dividend income when the right to receive dividend is established.
(iii) Income from other non-recurring goods and services is recognised when the control is transferred and performance obligations are fulfilled

5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group’s financial statements that have been applied with effect from October 1, 2018.

5.1 Financial Instruments

IFRS 9 "Financial Instruments" (IFRS 9) replaces IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) and effective for reporting year ending on June 30, 2019.

IFRS 9 introduces new requirements for (i) classification and measurement of financial assets and financial liabilities (ii) impairment for financial assets and (iii) hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption has been recognised in unappropriated profit as of October 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Group’s financial statements are described below:

i) Classification and measurement of financial assets and financial liabilities

The new standard requires The Group to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that The Group has for a specific class of financial assets.

IFRS 9 no longer has an "Available-for-sale" classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured at either:

- Amortised cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Except for change in classification of financial assets and liabilities, the IFRS 9 had no material impact on the financial statements of the Group.

On the date of initial application, October 1, 2018, the financial instruments of the Group were as follows, with any reclassification noted:

	Classification		Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
					--------Rupees in thousand--------		
Current financial assets							
Trade debts	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	219,126	219,126	-
Loans and advances	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	72,270	72,270	-
Trade deposits, prepayments and other receivables	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	390,437	390,437	-
Cash and bank balances	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	279,605	279,605	-
Non-current financial liabilities							
Long term finances - secured	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	1,177,828	1,177,828	-
Loans from related parties - secured	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	458,825	458,825	-
Liabilities against assets subject to finance lease	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	34,102	34,102	-
Deferred liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities	7,625	7,625	-
Current financial liabilities							
Current maturity of non-current liabilities	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	668,202	668,202	-
Short term borrowings	Other financial liabilities	Amortised cost	Amortised cost	Amortised cost	3,796,204	3,796,204	-
Trade and other payables	Other financial liabilities	Other financial liabilities	Other financial liabilities	Other financial liabilities	380,676	380,676	-

ii) Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Group to recognize an allowance for doubtful debt on all financial assets, carried at amortised cost (including, for example, trade debts and other receivables) as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets (advances, other receivables and bank balances) i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition as explained in note 4.19 to these financial statements.

5.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Group with effect from October 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption, if any, is to be recognized in unappropriated profit as of October 1, 2018 and comparatives are not restated. As explained in note 4.15, the Group recognizes revenue at point of time when control of product is transferred to customer. Control is considered to be transferred in case of local sales when the finished goods are directly uplifted by the customer from the warehouse or when it is delivered by the Group at customer premises. In case of exports control is considered to be transferred when finished goods are shipped to the customer.

The changes laid down by IFRS 15 do not have any significant impact on these consolidated financial statements of the Group.

6. Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting and reporting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Estimated useful life of operating assets - note 4.2
ii) Surplus on revaluation of property, plant and equipment - note 4.2
iii) Provision for stores and spares - note 4.4
iv) Write down of stock in trade to net realizable value - note 4.5
v) Provision for doubtful debts - note 4.6
vi) Provision for employees' defined benefit plans - note 4.9
vii) Provision for current and deferred tax - note 4.12
viii) Contingencies - note 24

	Note	2019	2018
		(Rupees in thousand)	
7. Property, plant and equipment			
Operating fixed assets	7.1	9,119,317	9,085,772
Capital work-in-progress	7.7	416,895	472,983
		9,536,212	9,558,755

7.1 Operating fixed assets

	Owned								Leased	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles	Vehicles	Total
	Rupees in thousand									
As at October 1, 2017										
Cost / revalued amount	1,020,453	1,480,898	6,484,360	418,753	70,612	947	33,145	46,858	115,770	9,671,796
Accumulated depreciation	-	(403,620)	(1,427,896)	(156,990)	(25,797)	(496)	(16,321)	(36,112)	(36,969)	(2,104,201)
Net book value	1,020,453	1,077,278	5,056,464	261,763	44,815	451	16,824	10,746	78,801	7,567,595
Year ended September 30, 2018										
Opening net book value	1,020,453	1,077,278	5,056,464	261,763	44,815	451	16,824	10,746	78,801	7,567,595
Additions	62,149	3,650	-	100	5,498	-	5,363	3,908	31,744	112,412
Disposals										
Cost	-	-	-	-	-	-	-	(11,300)	-	(11,300)
Accumulated depreciation	-	-	-	-	-	-	-	5,591	-	5,591
	-	-	-	-	-	-	-	(5,709)	-	(5,709)
Transfers from leased to owned										
Cost	-	-	-	-	-	-	-	10,588	(10,588)	-
Depreciation	-	-	-	-	-	-	-	(5,137)	5,137	-
	-	-	-	-	-	-	-	5,451	(5,451)	-
Depreciation charge	-	(107,758)	(505,647)	(26,186)	(4,758)	(45)	(1,940)	(2,664)	(18,980)	(667,978)
Revaluation adjustments:										
Cost or valuation	224,549	83,478	-	-	-	-	-	-	-	308,027
Depreciation	-	511,378	1,260,047	-	-	-	-	-	-	1,771,425
	224,549	594,856	1,260,047	-	-	-	-	-	-	2,079,452
Closing net book value	1,307,151	1,568,026	5,810,864	235,677	45,555	406	20,247	11,732	86,114	9,085,772
As at October 1, 2018										
Cost or revalued amount	1,307,151	1,568,026	6,484,360	418,853	76,110	947	38,508	50,054	136,926	10,080,935
Accumulated depreciation	-	-	(673,496)	(183,176)	(30,555)	(541)	(18,261)	(38,322)	(50,812)	(995,163)
Net book value	1,307,151	1,568,026	5,810,864	235,677	45,555	406	20,247	11,732	86,114	9,085,772
Year ended September 30, 2019										
Opening net book value	1,307,151	1,568,026	5,810,864	235,677	45,555	406	20,247	11,732	86,114	9,085,772
Additions	1,603	156,069	537,391	64,580	6,414	-	3,948	8,075	90,127	868,207
Disposals (Note 7.6)										
Cost	-	-	(3,000)	-	-	-	-	(19,416)	-	(22,416)
Depreciation	-	-	2,381	-	-	-	-	12,984	-	15,365
	-	-	(619)	-	-	-	-	(6,432)	-	(7,051)
Transfers from leased to owned										
Cost	-	-	-	-	-	-	-	10,783	(10,783)	-
Depreciation	-	-	-	-	-	-	-	(6,088)	6,088	-
	-	-	-	-	-	-	-	4,695	(4,695)	-
Depreciation charge	-	(160,222)	(605,410)	(27,022)	(4,856)	(41)	(2,229)	(2,876)	(24,955)	(827,611)
Closing net book value	1,308,754	1,563,873	5,742,226	273,235	47,113	365	21,966	15,194	146,591	9,119,317
As at September 30, 2019										
Cost or revalued amount	1,308,754	1,724,095	7,018,751	483,433	82,524	947	42,456	49,496	216,270	10,926,726
Accumulated depreciation	-	(160,222)	(1,276,525)	(210,198)	(35,411)	(582)	(20,490)	(34,302)	(69,679)	(1,807,409)
Net book value	1,308,754	1,563,873	5,742,226	273,235	47,113	365	21,966	15,194	146,591	9,119,317
Annual rate of depreciation (%)	-	10	10	10	10	10	10	20	20	

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

		2019	2018
		(Rupees in thousand)	
Freehold land		139,816	138,213
Buildings & roads		728,514	639,850
Plant & machinery		2,955,784	2,714,817
		3,824,114	3,492,880

7.3 Forced sales value of the fixed assets based on valuation conducted during 2018 and comparative figures are for valuation conducted during 2016, were as follows:

Freehold land		1,088,159	791,374
Buildings & roads		1,332,822	939,514
Plant & machinery		4,358,148	3,895,500
		6,779,129	5,626,388

7.4 Particulars of immovable property (i.e. land and building) in the name of the Group are as follows:

Location	Usage of immovable property	Total Area	Covered Area
		(Kanals)	
CSM-1, D.I.Khan	Factory Building	1,111.25	98.86
CSM-2, Ramak	Factory Building	1,488.15	144.72
Whole Foods - Land	Storage Facility	32	-

7.5 Depreciation for the year has been allocated as follows:

Cost of sales	27	792,634	639,636
Administrative and general expenses	29	34,977	28,342
		827,611	667,978

7.6 Disposal of operating fixed assets having net value in excess of Rs 500,000 are shown below:

Particulars of assets	Sold to	Cost / Carrying amount	Accumulated Depreciation	Net book value	Sale proceeds	Profit / (loss) on disposal	Mode of disposal
		---- Rupees in thousand ----					
OWNED VEHICLES							
	IGI Insurance	1,703	590	1,113	1,330	217	Insurance Claim
	Syed Muhammad Athar Hussain	1,363	809	554	881	327	As per Company policy
	Muhammad Usman Mehboob	1,144	431	713	985	272	------do-------
	Nusrat Ali Khan	1,852	1,113	740	926	186	------do-------
	Nusrat Ali Khan	2,597	1,870	728	1,500	772	------do-------
		8,659	4,813	3,848	5,622	1,774	
PLANT AND MACHINERY							
Centrifugal machines	The Premier Sugar Mills and Distillery Company Limited	3,000	2,381	619	1,600	981	Negotiation
		11,659	7,194	4,467	7,222	2,755	

7.7 Capital work-in-progress:

	Buildings on freehold land	Plant and machinery	Electric installations	Office equipments	Vehicles - leased	Plant and machinery - leased	Advance payments to Contractors	Total
	---- Rupees in thousand ----							
As at October 1, 2017	34,821	151,828	11,192	-	16,442	-	6,854	221,137
Additions during the year	59,470	178,516	25,525	-	24,666	-	33,958	322,135
Capitalized during the year	(3,650)	-	-	-	(31,407)	-	(35,232)	(70,289)
Balance as at September 30, 2018	90,641	330,344	36,717	-	9,701	-	5,580	472,983
As at October 1, 2018	90,641	330,344	36,717	-	9,701	-	5,580	472,983
Additions during the year 7.7.1	169,901	494,961	58,276	6,557	89,965	35,416	31,914	886,990
Capitalized during the year	(158,244)	(535,215)	(61,521)	-	(86,950)	-	(1,567)	(843,497)
Other adjustments	-	(78,010)	(21,571)	-	-	-	-	(99,581)
Balance as at September 30, 2019	102,298	212,080	11,901	6,557	12,716	35,416	35,927	416,895

7.7.1 Additions in plant and machinery includes an amount of Rs 6,067,488 capitalised in respect of borrowing cost on long term loans obtained for the purpose of importing and setting up of plant and machinery.

		Note	2019	2018
			(Rupees in thousand)	
8.	**Stores and spares**			
	Stores and Spares		505,660	378,650
	Less: Provision for obsolete items		(35,948)	(35,948)
			469,712	342,702
9.	**Stock-in-trade**			
	Finished goods			
	- Sugar		1,384,164	1,653,935
	- Molasses		220,572	391,264
	- Ethanol		110,948	189,656
			1,715,684	2,234,855
	Work-in-process		9,140	7,783
		9.1	1,724,824	2,242,638

9.1 Certain short term and long term borrowings of the Group are secured by way of collateral charge on stock-in-trade.

		Note	2019	2018
10.	**Trade debts - unsecured**			
	Considered good	10.1	57,011	219,126
	Considered doubtful		1,752	1,528
			58,763	220,654
	Less: loss allowance	10.2	(1,752)	(1,528)
			57,011	219,126

10.1 Trade debts includes amount relating to export sales to United Arab Emirates and Netherland amounting to Rs 44.303 million and Rs 12.731 million respectively (2018: Hong Kong Rs 10.760 million)

10.2 Movement in loss allowance

	2019	2018
Opening balance under IAS 39	1,528	-
Effect of change in accounting policy due to adoption of IFRS 9 - note 5.1	-	-
Opening balance under IFRS 9	1,528	-
ECL for the year	224	1,528
Closing Balance	1,752	1,528

		Note	2019	2018
11.	**Loans and advances - unsecured and considered good**			
	Advances to:			
	Employees	11.1	3,602	6,050
	Suppliers and contractors		999,250	241,941
			1,002,852	247,991
	Due from associated companies	11.2	107,157	72,270
	Letters of credit		204,004	4,736
			1,314,013	324,997
	Less:			
	- Provision for doubtful advances	11.3	(28,838)	(28,838)
	- Loss allowance	11.4	(1,499)	-
			1,283,676	296,159

11.1 This includes advances to following related parties extended in accordance with the Group's policy and secured against retirement benefits of respective employees.

	2019	2018
Rizwan Ullah Khan	-	1,250

11.2 This represents amounts due from the associated companies:

	2019	2018
Due from holding company:		
The Premier Sugar Mills and Distillery Company Limited	107,157	72,270

Maximum aggregate amount outstanding in respect of related parties at any month-end during the year was Rs 107.16 million (2018: Rs 152.20 million).

Age analysis of balance due from associated companies, past due but not impaired:

	Note	2019	2018
		(Rupees in thousand)	
0 to 6 months		107,157	72,270

11.3 Provision for doubtful advances

Opening balance		28,838	2,437
Provision during the year		-	26,401
Closing balance		28,838	28,838

11.4 Movement in loss allowance

Opening balance under IAS 39		-	-
Effect of change in accounting policy due to adoption of IFRS 9 - note 5.1		-	-
Opening balance under IFRS 9		-	-
ECL for the year		1,499	-
Closing balance		1,499	-

12. Trade deposits, prepayments and other receivables

	Note	2019	2018
Deposits		33	5,500
Prepayments		5,099	6,965
Export subsidy receivable	12.1	305,519	339,893
Insurance claim receivable		-	142
Sales tax		46,254	430,804
Guarantees issued	12.2	19,000	15,000
Letter of credit		9,726	-
Others		1,827	29,902
		387,458	828,206

12.1 This represents subsidy receivable from the Government of Khyber Pakhtunkhwa (KPK) and Federal Government on account of subsidy on sugar exports. During the year Rs Nil (2018: Rs 86.67 million) has been recognized in this respect.

12.2 This represents guarantee given by the Group for performance of its obligations in respect of agreements entered into with Food Department, Government of Punjab.

13. Income tax refundable

Income tax refundable is net of provision for taxation.

14. Cash and bank balances

	Note	2019	2018
At banks in			
Current accounts	14.1	215,423	242,229
Savings accounts	14.2	10,545	35,248
Deposit accounts	14.2	2,680	2,128
		228,648	279,605

14.1 These include dividend account balance of Rs 0.303 million (2018: Rs 3.16 million).

14.2 These carry profit at the rates ranging from 3.25% to 11.25% (2018: 3.75% to 6.50%) per annum.

14.3 Lien is marked on bank balances for an amount of Rs 8.17 million (2018: Rs 9.67 million) in respect of the various guarantees extended by the banks.

15. Share capital

15.1 Authorised share capital

2019	2018		2019	2018
(Number of shares)			(Rupees in thousand)	
50,000,000	50,000,000	Ordinary shares of Rs 10 each	500,000	500,000

15.2 Issued, subscribed and paid up capital

2019	2018		2019	2018
(Number of shares)		Ordinary shares of Rs 10 each	(Rupees in thousand)	
28,692,000	28,692,000	Fully paid in cash	286,920	286,920

The holding company The Premier Sugar Mills and Distillery Company Limited held 13,751,000 (2018: 13,751,000) ordinary shares and the associated companies held 5,360,834 (2018: 5,360,834) ordinary shares at the year end.

16. Surplus on revaluation of Property, Plant and equipment

16.1 The Group follows revaluation model for freehold land, buildings & roads and plant & machinery. The fair value of freehold land, buildings & roads and plant & machinery of its units was assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2018. For valuation of buildings, the depreciated replacement cost method was used, whereby, current cost of construction of similar buildings in similar locations had been adjusted using suitable depreciation rates to arrive at present market value. This technique required significant judgment as to estimate value of property, plant and equipment in terms of their quality, structure, layout and locations. During the current year, the management has assessed that there are no significant change in underlying assumptions requiring a fresh valuation. Movement during the year is as follows:

Balance at the beginning of the year	5,166,196	3,327,780
Add: surplus on revaluation carried-out during the year	-	2,079,452
Less: transferred to unappropriated profits on account of incremental depreciation for the year	(402,422)	(241,036)
	4,763,774	5,166,196
Less: deferred tax on:		
- opening balance of surplus	1,147,167	723,106
- surplus during the year	-	561,452
- incremental depreciation for the year	(116,702)	(65,080)
- others	19,855	(72,311)
	1,050,320	1,147,167
Balance at the end of the year	3,713,454	4,019,029

17. Long term finances - secured

Lending Institutions	Interest rate (per annum)	Total available facility	September 30, 2019 Long-term portion	Current portion	Total outstanding amount	September 30, 2018 Total outstanding amount	Collateral
		(Rupees in thousand)					
Loans from banking companies and other financial institutions							
Bank Al Falah Limited	6 month KIBOR +2%	250,000	-	-	-	25,000	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 386.667 million.
Bank Al Habib Limited	6 month KIBOR + 1.5 %	700,000	170,206	127,504	297,710	331,316	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 933.33 million.
Faysal Bank Limited	6 month KIBOR + 1.5 %	500,000	-	-	-	83,327	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 667 million.
Soneri Bank Limited	6 month KIBOR + 1.5 % 3 month KIBOR + 1.75 % 6%	1,650,000	414,261	124,591	538,852	256,320	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 667 million. The loan at 6% is secured by way of first charge of Rs.334 million over all the present and future fixed assets of the Company and equitable mortgage of Rs.13.6 million on 32 kanal agricultural land. The Company has issued corporate guarantee of Rs. 250 million against these facilities. Ranking charges of Rs 1.67 billion on present and future fixed assets of the Company.
The Bank of Punjab	6 month KIBOR + 1.3 %	500,000	14,130	89,036	103,166	193,019	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 666.667million.
Dubai Islamic Bank Pakistan Limited	6 month KIBOR + 2 %	1,000,000	487,466	194,986	682,452	877,438	Secured against pari passu hypothecation charge over all fixed assets of the Company for Rs. 1.33 billion.
MCB Bank Limited	3 month KIBOR + 1.10 %	306,000	247,617	43,696	291,313	-	Secured against ranking charge of Rs.438 million on the Company entire fixed assets.
Total			1,333,680	579,813	1,913,493	1,766,420	
Accrued mark-up					73,488	48,606	
		Note			1,986,981	1,815,026	
Less: amount payable within next 12 months							
Principal		17.1			579,813	588,592	
Accrued mark-up					73,488	48,606	
Deffered Benefit of below market rate of interest on refinance facility		20.3			21,680	-	
Amount due after September 30, 2020		17.2			1,312,000	1,177,828	

17.1 This includes installments due on September 30, 2019 for an aggregate amount of Rs 5.96 million which have been paid subsequently on October 1, 2019.

17.2 In case of various loan arrangements, the concerned lenders have waived the requirements of certain covenants of the respective loan agreements. Accordingly, the liabilities under those loan agreements continue to be classified as per the repayment schedule applicable in respect of the respective loan agreements.

18. Loans from related parties - secured

	Note	2019	2018
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills and Distillery Company Limited	18.1	173,934	279,500
Associated Companies			
Premier Board Mills Limited	18.2	65,575	65,575
Arpak International Investments Limited	18.3	43,750	43,750
Azlak Enterprises (Private) Limited	18.4	85,000	70,000
Accrued mark-up		17,012	6,320
		385,271	465,145
Less: amount payable within next 12 months			
Principal		31,236	-
Accrued mark-up		17,012	6,320
		337,023	458,825

18.1 The long term finance facility had been renewed on February 9, 2017. The principal is repayable in 7 semi annual installments commencing from February 2020. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the holding company is not less than the borrowing cost of the holding company. These loans are secured against promissory note from the Group. During the year, the amount has been adjusted against purchases made by the Group on behalf of The Premier Sugar Mills and Distillery Company Limited.

18.2 The long term finance facility had been renewed on November 4, 2016. The principal is repayable is repayable in 7 semi annual installments commencing from November 2019. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. These loans are secured against promissory note from the Group.

18.3 The long term finance facility had been renewed on November 4, 2016. The principal is repayable in 7 semi annual installments commencing from November 2019. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. These loans are secured against promissory note from the Group.

18.4 The long term finance facility was obtained in prior year. The principal is repayable in 8 semi annual installments commencing from December 2021. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. These loans are secured against promissory note from the Group.

Subsequent to the year end, the Company has agreed extension of grace period with Arpak international and Premier Board Mill Limited for three years.

19. Liabilities against assets subject to finance lease - secured

	2019	2018
Present value of minimum lease payments	136,472	58,786
Less: Current portion shown under current liabilities	(41,502)	(24,684)
	94,970	34,102
Due within one year		
Minimum lease payments	57,701	28,759
Less: Financial charges not yet due	(16,199)	(4,075)
Present value of minimum lease payments	41,502	24,684
Due after one year but not later than five years		
Minimum lease payments	114,595	37,577
Less: Financial charges not yet due	(19,625)	(3,475)
Present value of minimum lease payments	94,970	34,102
	136,472	58,786

19.1 The Group has acquired vehicles under finance lease from commercial banks. The financing is repayable in equal monthly installments over a period of four years and carries finance charge ranging from 7.82% to 13.13% (2018: 4.72% to 8.45%) per annum.

	Note	2019	2018
		(Rupees in thousand)	
20. Deferred liabilities			
Deferred taxation	20.1	1,050,320	1,147,169
Provision for gratuity	20.2	6,582	7,625
Deffered Benefit of below market rate of interest on refinance facility	20.3	21,680	-
		1,078,582	1,154,794

20.1 Deferred tax comprises of the following:

	2019	2018
Taxable temporary differences arising in respect of:		
Accelerated tax depreciation allowances	368,865	272,336
Surplus on revaluation of property, plant and equipment	1,050,320	1,147,169
Lease finances	26,581	7,379
	1,445,766	1,426,884
Deductible temporary differences arising in respect of:		
Provision for doubtful advances	(8,363)	(7,786)
Provision for obsolete items	(10,425)	(9,706)
Loss allowance on trade debts	(475)	(412)
Provision for gratuity	(1,909)	(2,059)
Unused tax losses	(104,566)	(144,447)
Minimum tax recoverable against normal tax charge in future years	(269,708)	(115,305)
	(395,446)	(279,715)
	1,050,320	1,147,169

Deferred tax asset, the potential tax benefit of which amounts to Rs 112 million has not been recognized on balance representing tax credits as at September 30, 2019. The aforesaid tax credits of Rs 61 million and 51 million will expire in tax year 2021 and 2022 respectively.

Unused tax losses in respect of subsidiary as at year end amounts to Rs 1.7 million and mainly represents temporary differences due to business losses. These losses will expire in tax year 2025. Deferred tax asset in respect of these tax losses has not been recognised in the financial statements as it is not possible to determine at this stage that taxable future profits will be available against which these can be utilised.

20.2 The latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2019 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

	Note	2019	2018
Present value of defined benefit obligation		6,582	7,625
Fair value of plan assets		-	-
Net liability		6,582	7,625
20.2.1 Movement in net liability recognised			
Opening net liability		7,625	-
Expense for the year recognised in statement of profit or loss account	20.2.2	2,500	7,616
Remeasurement (gain) / loss recognised in Statement of Other Comprehensive Income (OCI)	20.2.5	(312)	813
Benefits Paid		(3,231)	(804)
		6,582	7,625

	Note	2019	2018
20.2.2 Expense for the year		(Rupees in thousand)	
Current service cost		1,899	7,202
Net interest expense		601	414
		2,500	7,616

20.2.3 Changes in the present value of defined benefit obligation:

	2019	2018
Opening defined benefit obligation	7,625	-
Current service cost	1,899	7,202
Interest cost	601	414
Benefits paid	(3,231)	(804)
Remeasurement loss on defined benefit obligation	(312)	813
Closing defined benefit obligation	6,582	7,625

20.2.4 Principal actuarial assumptions used in the actuarial valuation:

The "Projected Unit Credit Method" using the following significant assumptions was used for the valuation of the scheme:

	2019	**2018**
	%	%
Discount rate used for interest cost	10.00	9.00
Discount rate used for year end obligation	13.25	9.00
Salary increase rate - long term	12.25	9.00
Salary increase rate - short term	12.25	9.00
Demographic assumptions		
Mortality rates	SLIC 2001-05	SLIC 2001-05

During the year 2020, the Company expects to contribute Rs 573,380 to its gratuity scheme.

20.2.5 Remeasurement recognised in OCI during the year:

	2019	2018
Remeasurement (gain) / loss on defined benefit obligation	(312)	813

The weighted average number of years of defined benefit obligation is given below:

Plan duration	Years
September 30, 2019	9.8
September 30, 2018	9.7

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in respective assumptions by one percent.

	Effect of 1 percent increase	Effect of 1 percent decrease
	(Rupees in thousand)	
2019		
Discount rate	(591)	693
Future salary growth	682	(590)
2018		
Discount rate	(676)	798
Future salary growth	785	(676)

The above sensitivity analyses are based on the changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected credit unit method at the end of the reporting period) has been applied when calculating the liability recognized within the statement of financial position.

The defined benefit obligation exposes the Company to the following risks:

Final salary risks:

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Withdrawal risks:

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

Mortality risks:

The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

20.3 The loan is carried at present value computed at market based interest rate. The difference between present value and loan proceeds is recognized as deferred benefit. The deferred benefit is recognized as income using the effective interest method over the period of the loan. Movement of deferred benefit during the year is as follows:

	Note	2019	2018
		(Rupees in thousand)	
Additions during the year		22,595	-
Amortization during the year			
- charged to property, plant and equipment		(915)	-
Closing balance		21,680	-

21. Trade and other payables

	Note	2019	2018
Creditors		230,507	219,447
Due to related parties	21.1	19,226	22,336
Accrued expenses		71,408	91,512
Retention money		13,981	15,962
Security deposits	21.2	894	774
Advance payments from customers		263,302	297,802
Income tax deducted at source		22,771	17,761
Payable for workers welfare obligations	21.3	44,912	16,570
Payable to employees		30,068	22,544
Payable to provident fund		2,598	2,201
Others		5,529	5,900
		705,196	712,809

21.1 This represents amounts due to the following related parties and are payable on demand:

Associated Companies

The Frontier Sugar Mills & Distillery Limited	81	81
Syntronics Limited	943	4,685
Azlak Enterprises (Private) Limited	18,202	17,570
	19,226	22,336

21.2 These are repayable on demand and cannot be utilised for the purpose of business in accordance with the terms of written agreements with these parties. No amount in this respect has been kept in separate bank account.

21.3 Payable for workers welfare obligations

Balance at the beginning of the year	16,570	6,615
Charge for the year	40,148	16,570
	56,718	23,185
Interest on funds utilized in the business	1,228	557
Payments made during the year	(13,034)	(7,172)
Balance at the end of the year	44,912	16,570

22. Short term running finance - secured

Secured			
Cash / running finance		2,042,992	2,747,999
Export re finance		955,001	959,000
		2,997,993	3,706,999
Accrued mark-up		102,949	89,205
	22.1	3,100,942	3,796,204

22.1 Short term running finance

Lending Institution	Interest rate (per annum)	September 30, 2019 Total available facility	September 30, 2019 Facility availed	September 30, 2019 Total outstanding amount	September 30, 2018 Total outstanding amount	Collateral
		---(Rupees in thousand)---				
Secured						
Bank Alfalah Limited	3 month KIBOR +1.1 %	-	-	-	449,500	Pledged on Sugar Stocks with 15% margin Pledge charge of Rs. 647.059 Million
Bank Al-Habib Limited	3 month KIBOR +1 %	900,000	795,000	795,000	686,500	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 823.530 million First joint pari passu charge on present and future current assets of the Company for Rs 266.667 million.
The Bank of Punjab	3 month KIBOR +1.1 %	800,000	780,000	780,000	300,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 555.556 Million Ranking hypothecation on current assets of the company with 25% margin. First joint pari passu charge on present and future current assets of the Company for Rs 400 million.
MCB Bank Limited	3 month KIBOR +1.1 %	700,000	600,000	600,000	840,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 555.560 Million Ranking hypothecation on current assets of the company with 25% margin. First joint pari passu charge on present and future current assets of the Company for Rs 534 million.
Askari Bank Limited	3 month KIBOR +0.9 %	700,000	168,002	168,002	625,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 823.529 million Ranking hypothecation on current assets of the company with 25% margin.
Dubai Islamic Bank Pakistan Limited	9 month KIBOR +1.25 %	300,000	124,988	124,988	225,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 353.00 million
Soneri Bank Limited	3 month KIBOR +1 % 6 month KIBOR + 1.25%	800,000	280,000	280,000	300,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 588.235 million First joint pari passu charge on present and future current assets of the Company for Rs 400 million.
United Bank Limited	1 month KIBOR +1 %	400,000	-	-	280,999	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 471.00 Million Ranking hypothecation on current assets of the company with 25% margin.
Meezan Bank Limited	1 month KIBOR +1.2 %	400,000	-	-	-	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 471.00 Million Ranking charges on all present and future current assets of the company with 25% margin.
Habib Metropolitan Bank	3 month KIBOR + 0.90 %	500,000	-	-	-	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 555.560 Million
Al-Baraka Bank Limited	9 month Kibor + 1.75%	500,000	250,003	250,003	-	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 588.235 million Ranking hypothecation on current assets of the company with 25% margin.
Total				2,997,993	3,706,999	
Accrued mark-up				102,949	89,205	
				3,100,942	3,796,204	

23.	Current maturity of non-current liabilities	Note	2019 (Rupees in thousand)	2018
	Long term finances	17	653,301	637,198
	Loans from related parties	18	48,248	6,320
	Liabilities against assets subject to finance lease	19	41,502	24,684
			743,051	668,202

24. Contingencies and commitments

Contingencies

24.1 The Assistant Commissioner Inland Revenue (ACIR) vide show cause notice dated May 12, 2014 alleged that Company has claimed inadmissible input tax adjustment on building material including cements & bricks during the tax periods in year 2013-14. Further the ACIR ordered the Company to pay alleged demand of Rs 36.84 million representing principal amount and default surcharge for the aforesaid tax period. the Company filed appeal before Commissioner Inland Revenue Appeals [CIR(A)] wherein amount was reduced to Rs. 28.06 million vide order-in-appeal dated March 24, 2015. the Company preferred an appeal against the aforesaid order before the Appellate Tribunal Inland Revenue (ATIR), whereby ATIR vide its order dated January 25, 2016 upheld the Company's contention. The tax department filed a reference in this respect before the Honorable Peshawar High Court which is yet to be decided.

24.2 The Commissioner Inland Revenue (CIR), Peshawar vide order dated May 26, 2015 alleged that the Company has not undertaken appropriate stock taking and raised a demand of Rs 10 million in respect of FED on the alleged differential stock. the Company preferred an appeal before Appellate Tribunal Inland Revenue (ATIR) which was accepted vide order dated January 25, 2016. In this respect, the tax department filed reference before the Honorable Peshawar High Court which is yet to be decided.

24.3 During the year, the Assistant Commissioner Inland Revenue issued show cause notice dated October 3, 2018 in respect of non charging of further tax for an amount of Rs 174 million on sales made to unregistered persons. the Company filed writ petition before the Honorable Peshawar High Court, challenging the said notice and accordingly stay was granted in this respect by Honorable Peshawar High Court vide order dated November 2, 2018. Subsequently, the Peshawar High Court dismissed the petition citing procedural matters involved and observed that forum including the concerned Commissioner and other preliminary appellate forums should first be reached out for any relief and to determine facts. the Company is assessing its available options and is in process of filing an appeal before Supreme Court of Pakistan. the Company is of the view that no tax demand is yet established in its case as the first proceeding in the instant notice have not yet been completed. Further various appellate forum can be reached out to seek relief, if so necessitated. In addition, related matter is already decided per Company's contention in identical matters of certain other entities.

24.4 During the year, the Director General, Environmental Protection Agency (EPA) filed complaints against the Company before Environmental Protection Tribunal, Khyber Pakhtunkhwa, Peshawar alleging that the Company has violated the provisions of the Environmental Protection Agency Act, 2014. There were 8 complaints in aggregate against Chashma Unit I, Chashma Unit II and Ethanol Fuel Plant. The case is pending for hearing at EPA tribunal.

No provision on account of contingencies disclosed in note 25.1 - 25.4 above has been made in these financial statements as the management and its tax and legal advisors are of the view, that these matters will eventually be settled in favor of the Company.

24.5 The Group has letter of guarantee facilities aggregating Rs 100 million (2018: Rs 100 million) available from Bank Al Habib. The amount availed on these facilities as at September 30, 2019 is Rs 8.17 million (2018: Rs 9.67 million). These facilities are secured by master counter guarantee and 100% cash margin.

24.6 The Group has obtained letter of credit facilities aggregating Rs 1,050 million (2018: Rs 231 million) from Bank Al Habib, Habib Metropolitan Bank, Soneri Bank Limited, MCB Bank Limited. The amount availed on these facilities as at September 30, 2019 is Rs 204 million (2018: Rs 4.73 million). These facilities are secured by lien on shipping documents.

24.7 The Group has cash finance facility available from various banks aggregating to Rs 4.80 billion (2018: Rs 5.85 billion), out of which Rs 2.04 billion (2018: Rs 2.75 billion) has been availed by the Group as at September 30, 2019. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10%.

24.8 The Group has Export Re Finance/Finance Against Pecking Credit (ERF / FAPC) facility from various commercial banks for Rs 1,200 million (2018: Rs 1,200 million), out of which Rs 955 million (2018: Rs 959 million) has been availed by the Group as at September 30, 2019. These facilities are secured by the joint parri passu hypothecation charge over current assets of The Group and lien over export documents.

24.9 The Group is defending its stance before the courts of law against various parties including individuals, corporate entities, federal and provincial revenue / regulatory authorities etc. The management of the Group is of the view that the ultimate outcome of these cases are expected to be favorable and a liability, if any, arising on the settlement of these cases is not likely to be material. Accordingly, no provision has been made in the financial statements in this regard.

		Note	2019	2018
			(Rupees in thousand)	
	Commitments			
24.10	The Group has following commitments in respect of:			
	Foreign letters of credit for purchase of plant and machinery		79,403	68,041
	Capital expenditure other than for letters of credit		94,034	30,240
25.	**Gross sales**			
	Local		10,778,110	8,761,917
	Export	25.1	2,650,059	2,506,326
			13,428,169	11,268,243
25.1	Export sales comprise of the sales made in the following regions:			
	Afghanistan		-	318,793
	Japan		890,950	1,202,553
	Singapore		714,268	650,862
	Spain		258,136	201,012
	Hong Kong		222,294	87,587
	Switzerland		247,292	-
	United Arab Emirates		204,674	45,519
	Netherland		93,548	-
	Tajikistan		18,897	-
			2,650,059	2,506,326
26.	**Sales tax, other government levies and discounts**			
	Indirect taxes		995,312	873,802
	Discounts		12,146	10,608
			1,007,458	884,410

	Note	2019	2018
		(Rupees in thousand)	

27. Cost of sales

	Note	2019	2018
Raw material consumed		7,792,099	8,292,442
Chemicals and stores consumed		233,928	228,422
Salaries, wages and benefits	27.1	489,775	440,129
Power and fuel		65,424	58,435
Repair and maintenance		280,479	185,750
Insurance		11,503	13,168
Depreciation		792,634	639,636
Provision for obsolete items		-	35,948
		9,665,842	9,893,930
Adjustment of work-in-process:			
Opening		7,783	7,948
Closing		(9,140)	(7,783)
		(1,357)	165
Cost of goods manufactured		9,664,485	9,894,095
Adjustment of finished goods:			
Opening stock		2,234,855	1,345,586
Closing stock		(1,715,684)	(2,234,855)
		519,171	(889,269)
		10,183,656	9,004,826

27.1 Salaries, wages and benefits include Rs 11.76 million (2018: Rs 10.12 million) in respect of retirement benefits.

28. Selling and distribution expenses

	Note	2019	2018
Salaries, wages and benefits	28.1	12,204	11,261
Loading and stacking		13,963	17,001
Export development surcharge		6,568	6,841
Freight and other expenses on export		311,960	289,103
		344,695	324,206

28.1 Salaries, wages and benefits include Rs 172 thousand (2018: Rs 157 thousand) in respect of retirement benefits.

29. Administrative and general expenses

	Note	2019	2018
Salaries, wages and benefits	29.1	311,620	245,594
Travelling and conveyance		38,269	10,251
Vehicles running and maintenance		15,999	12,056
Rent, rates and taxes		23,783	12,434
Communication		10,289	6,287
Printing and stationery		7,064	7,360
Insurance		3,425	2,857
Repair and maintenance		23,036	12,924
Fees and subscription		4,842	4,650
Depreciation		34,976	28,342
Provision for doubtful advances		1,499	26,401
Provision for doubtful debts		224	1,528
Auditors' remuneration	29.2	3,265	3,176
Legal and professional charges		9,246	5,566
Others		29,626	19,362
		517,163	398,788

29.1 Salaries, wages and benefits include Rs 5.74 million (2018: Rs 10.51 million) in respect of retirement benefits.

		Note	2019	2018
29.2	Auditors' remuneration		(Rupees in thousand)	
	Statutory audit		2,043	1,957
	Half year review		400	469
	Consolidation		200	200
	Group reporting		150	150
	Certification and others		400	150
	Out-of-pocket expenses		72	250
			3,265	3,176

30. Other income

Income from financial assets			
Return on bank deposits		6,391	4,105
Income from other than financial assets			
Sale of press mud - net of sales tax		2,930	4,795
Sale of fusel oil - net of sales tax		1,434	513
Gain on disposal of operating fixed assets		5,407	980
Export subsidy		-	86,670
Seed sales - net of expenses		11,491	911
Scrap sales - net of expenses		16,164	-
Insurance claim		-	142
Rental income		192	-
		37,618	94,011
		44,009	98,116

31. Other expenses

Donations - without directors' interest	31.1	570	1,505
Workers' profit participation and workers welfare obligations		40,148	16,570
		40,718	18,075

31.1 This includes donation amounting to Rs. Nil (2018: Shandana Humayun Khan Rs.1 million).

32. Finance cost

Mark-up on:		
Long term finances	212,312	155,893
Loans from related parties	53,908	31,588
Short term borrowings	486,681	314,453
	752,901	501,934
Lease finance charges	10,369	4,786
Interest on workers' profit participation	1,228	557
Bank charges	20,842	4,437
Exchange gain - net	(35,792)	(27,354)
	749,548	484,360

33. Taxation

Current:		
- for the year	173,752	123,731
- prior year	897	669
	174,649	124,400
Deferred:		
Change in tax rate	-	72,311
On account of temporary differences	(116,797)	(137,170)
	(116,797)	(64,859)
	57,852	59,541

	Note	2019	2018
		(Rupees in thousand)	

33.1 Reconciliation of taxation with accounting profit

Profit before taxation		628,940	251,694
Tax rate		29%	30%
Tax on profit		182,393	75,508
Tax effect of:			
Lower rate income		46,145	46,393
Deferred tax asset recoginized in respect of prior year temporary differences		(195,785)	(55,374)
Others		25,099	(6,986)
		57,852	59,541

33.2 By virtue of amendments introduced through Finance Act 2017, the provisions of section 5A of the Income Tax Ordinance, 2001 were amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the said tax year through cash or bonus shares, shall be liable to pay tax at the rate of 7.5% of its accounting profit before tax. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires. The Group has distributed 40% of its after tax profits for the Tax Year 2018.

34. Earnings per share

	2019	2018
Profit after taxation attributable to ordinary shareholders	571,088	192,153
Weighted average number of shares outstanding during the year (No. of shares '000')	28,692	28,692
Earnings per share (Rs)	19.90	6.70

34.1 There is no dilutive effect on basic earnings per share.

35. Segment operating results for the year ended September 30, 2019

	Sugar Division		Ethanol Division		Total	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Sales						
-External Customers	10,112,064	8,659,059	3,316,105	2,609,184	13,428,169	11,268,243
-Intersegment	614,977	804,180	-	-	614,977	804,180
	10,727,041	9,463,239	3,316,105	2,609,184	14,043,146	12,072,423
Less : sales tax & commission	(903,905)	(825,177)	(103,553)	(168,062)	(1,007,458)	(993,239)
Sales - net	9,823,136	8,638,062	3,212,552	2,441,122	13,035,688	11,079,184
Segment expenses:						
Cost of sales						
Cost of Sales	(8,548,785)	(7,900,398)	(1,634,871)	(1,104,428)	(10,183,656)	(9,004,826)
less: Intersegment cost	-	-	(614,977)	(804,180)	(614,977)	(804,180)
	(8,548,785)	(7,900,398)	(2,249,848)	(1,908,608)	(10,798,633)	(9,809,006)
Gross profit	1,274,351	737,664	962,704	532,514	2,237,055	1,270,178
Selling and distribution expenses	(38,838)	60,645	(305,857)	(276,022)	(344,695)	(215,377)
Administrative and general expenses	(462,784)	(354,291)	(46,819)	(43,027)	(509,603)	(397,318)
Others	-	-	-	-	(7,560)	-
	(501,622)	(293,646)	(352,676)	(319,049)	(861,858)	(612,695)
Profit from operations	772,729	444,018	610,028	213,465	1,375,197	657,483
Other income	42,369	95,104	1,640	30,366	44,009	125,470
Other expenses	(40,718)	(18,075)	-	-	(40,718)	(18,075)
	1,651	77,029	1,640	30,366	3,291	107,395
Segment results	774,380	521,047	611,668	243,831	1,378,488	764,878
Finance cost					(749,548)	(484,360)
Profit before tax					628,940	280,518
Taxation					(57,852)	(59,541)
Profit for the year					571,088	220,977

35.1 Segment assets and liabilities

	2019		2018	
	(Rupees in thousand)			
	Assets	Liabilities	Assets	Liabilities
Sugar	9,042,725	3,261,581	7,995,346	3,089,189
Ethanol	4,263,337	2,403,240	5,819,420	3,265,854
Total for reportable segment	13,306,062	5,664,821	13,814,766	6,355,043
Others	396,563	1,725,375	-	1,655,711
Total assets / liabilities	13,702,625	7,390,196	13,814,766	8,010,754

36 Financial instruments

36.1 Financial assets and liabilities

As at September 30, 2019

	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets:	(Rupees in thousand)			
Maturity upto one year				
Loans and receivables				
Trade debts	57,011	-	-	57,011
Loans and advances	107,157	-	-	107,157
Trade deposits and other receivables	326,379	-	-	326,379
Cash and bank balances	228,648	-	-	228,648
Maturity after one year				
Long term security deposits	15,084	-	-	15,084
	734,279	-	-	734,279

	Amortised Cost	Fair value through profit and loss	Total
Financial liabilities:	---------------------------Rupees in thousand-------------------		
Other financial liabilities			
Maturity upto one year			
Trade and other payables	374,211	-	374,211
Unclaimed dividends	8,688	-	8,688
Current maturity of non current liabilities	701,549	-	701,549
Short term borrowings	3,100,942	-	3,100,942
Liabilities against assets subject to finance lease	41,502	-	41,502
Maturity after one year			
Long term finances - secured	1,312,000	-	1,312,000
Loans from related parties - secured	337,023	-	337,023
Liabilities against assets subject to finance lease	94,970	-	94,970
Deferred liabilities	6,582	-	6,582
	5,977,467	-	5,977,467

As at September 30, 2018

	Loans and receivables	Total
Financial assets:	**(Rupees in thousand)**	
Maturity upto one year		
Loans and receivables		
Trade debts	219,126	219,126
Loans and advances	27,218	27,218
Trade deposits and other receivables	390,437	390,437
Cash and bank balances	279,605	279,605
Maturity after one year		
Long term security deposits	13,858	13,858
	930,244	930,244

	Amortised Cost	Other financial liabilities	Total
Financial liabilities:			
Other financial liabilities			
Maturity upto one year			
Trade and other payables	-	380,676	380,676
Unclaimed dividends	7,990	-	7,990
Current portion of non current liabilities - secured	643,518	-	643,518
Short term running finance	3,796,204	-	3,796,204
Liabilities against assets subject to finance lease	24,684	-	24,684
Maturity after one year			
Long term finances - secured	1,177,828	-	1,177,828
Loans from related parties - secured	458,825	-	458,825
Liabilities against assets subject to finance lease	34,102	-	34,102
Deferred liabilities	-	7,625	7,625
	6,143,151	388,301	6,531,452

37 Financial risk management

37.1.1 Financial risk factors

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors (the Board) has the overall responsibility for the establishment and oversight of The Group’s risk management framework.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by The Group. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

a) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

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

Credit risk primarily arises from trade debts, loans and advances, other receivables and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set an allowed credit period to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings. In respect of other counter parties, due to the Group's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Group.

The Group recoginises ECL for trade debts using the simplified apprach as explained in note 4.19. As per the aforementioned approach, the loss allowance as at September 30, 2019 and October 1, 2018 (on adoption of IFRS 9) was determined as follows:

	1-180 days	**181-365 days**	**More than 365 days**	**Total**
	--------------------------Rupees in thousand---------------------------			
September 30, 2019				
Gross carrying value	57,125	1	1,637	58,763
Loss allowance	113	1	1,637	1,752
October 1, 2018				
Gross carrying value	219,017	110	1,528	220,654
Loss allowance	434	110	1,528	2,072

The loss allowances for trade debts as of September 30, 2019 reconcile to the opening loss allowance as follows:

	2019 (Rupees in thousand)
Amount calculated under IAS 39 as at September 30, 2018	1,528
Amounts adjusted in opening retained earnings	-
Opening loss allowance as at 1 October calculated under IFRS 9	1,528
Increase in loss allowance recognised in statement of profit or loss account - net	224
Loss allownce as at September 30, 2019	1,752

The restatement on transitions to IFRS 9 as a result of applying the ECL model was insignificant so the impact of loss allowance is taken in the current period.

ECL on other receivables is calculated using general approach (as explained in note 4.19). As at the reporting date, the Group envisages that default risk on account of non-realisation of other receivables is minimal and thus based on historical trends adjusted to reflect current and forward looking information loss allowance has been estimated by the Group using a range of probable recovery pattern of related other receivables and assigning a time value of money to same. As per the aforementioned approach, the loss allowance for other receivables as at September 30, 2019 and October 1, 2018 (on adoption of IFRS 9) is determined as follows:

	2019
	(Rupees in thousand)
September 30, 2019	
Gross carrying value	107,157
Loss allowance	1,499
October 1, 2018	
Gross carrying value	27,218
Loss allowance	-

The closing loss allowances for other receivables as at September 30, 2019 reconciles to the opening loss allowance as follows:

Amount calculated under IAS 39 as at September 30, 2018	-
Amounts adjusted in opening retained earnings	-
Opening loss allowance as at 1 October calculated under IFRS 9	-
Increase in loss allowance recognised in statement of profit or loss - net	1,499
Loss allownce as at September 30, 2019	1,499

Based on past experience, the management believes that no further impairment allowance is necessary in respect of trade debts, loans and advances and other financial assets.

The credit quality of the Group's financial assets have been assessed below by reference to external credit ratings of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	Rating	2019	2018
		(Rupees in thousand)	
Counterparties without external credit rating			
Trade debts		57,011	219,126
Loans and advances		107,157	27,218
Trade deposits and other receivables		326,379	390,437
		490,547	636,781
Counterparties with external credit rating			
Bank balances			
	A1+	-	128,288
	A1	-	3,542
	A-1+	225,560	56,198
	A-1	3,088	754
		228,648	188,782

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. the Group’s approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. The Group uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below analyses the contractual maturities of The Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the maturity date. The amounts disclosed in the table are undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
			(Rupees in thousand)		
As at September 30, 2019					
Long term finance - secured	1,965,301	1,965,301	653,301	1,312,000	-
Loans from related parties	385,271	385,271	48,248	385,271	-
Liabilities against assets subject to finance lease	136,472	172,296	57,701	114,595	-
Trade and other payables	374,211	374,211	374,211	-	-
Unclaimed dividend	8,688	8,688	8,688	-	-
Deferred liabilities	6,582	6,582	-	-	6,582
Short term borrowings	3,100,942	3,100,942	3,100,942	-	-
As at September 30, 2018					
Long term finance - secured	1,815,026	1,815,026	637,198	1,177,828	-
Loans from related parties	465,145	465,145	-	465,145	-
Liabilities against assets subject to finance lease	58,786	66,336	28,759	37,577	-
Trade and other payables	380,676	380,676	380,676	-	-
Unclaimed dividend	7,990	7,990	7,990	-	-
Deferred liabilities	7,625	7,625	7,625	-	-
Short term borrowings	3,796,204	3,796,204	3,796,204	-	-

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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

c) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Group is exposed to interest rate risk, currency risk and market price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. Financial assets include Rs 57.03 million (2018: Rs 10.76 million) which were subject to currency risk.

	2019	2018
Rupees per USD		
Average rate	140.28	114.6
Reporting date rate	156.37	124.20

Sensitivity analysis

As at September 30, 2019, if the currency had weakened/strengthened by 10% against US dollar with all other variables held constant, profit after tax for the year would have been Rs 4.04 million (2018: Rs 0.76 million) lower/ higher.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has no long term interest bearing financial assets whose fair value or future cash flows will fluctuate because of changes in market interest rates. Financial assets and liabilities include balances of Rs 13.23 million (2018: Rs 37.38 million) and Rs 5,342 million (2018: Rs 6,080 million) respectively, which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities have been indicated in respective notes.

Sensitivity analysis

As at September 30, 2019, if interest rates had been 1% higher/ lower with all other variables held constant, profit after tax for the year would have been Rs 38.94 million (2018: Rs 42.90 million) higher/ lower, mainly as a result of higher/ lower interest income/ expense from these financial assets and liabilities.

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end The Group is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

37.1.2 Capital risk management

The Group is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and the level of dividend to ordinary shareholders. In order to maintain or adjust the capital structure, The Group may adjust the amount of dividend paid to shareholders and / or issue new shares. There was no change to The Group's approach to the capital management during the year.

The Group is not subject to externally imposed capital requirements except for the maintenance of debt to equity and current ratios under the financing agreements. In case of various loan arrangements, the concerned lenders have waived the requirements of certain covenants of the respective financing agreements. Accordingly, the liabilities under these financing agreements have been classified as per the repayment schedule applicable in respect of the aforesaid financing agreements.

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total capital plus net debt. Net debt is calculated as amounts payable by The Group less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The Group's gearing ratio is as follows:

	2019	2018
	(Rupees in thousand)	
Long term finances - secured	1,965,301	1,815,026
Loans from related parties - secured	385,271	465,145
Liabilities against assets subject to finance lease	136,472	58,786
Trade and other payables	705,196	712,809
Short term borrowings	3,100,942	3,796,204
Less: cash and cash equivalents	(228,648)	(279,605)
Net debt	6,064,534	6,568,365
Issued, subscribed and paid-up capital	286,920	286,920
Capital reserve	327,000	327,000
Revenue reserve	1,985,055	1,171,063
Total capital	2,598,975	1,784,983
Capital and net debt	8,663,509	8,353,348
Gearing ratio	70%	79%

38 Fair value of financial assets and liabilities

The carrying values of financial assets and liabilities approximate their fair value.

38.1 Fair value hierarchy

Certain property, plant and equipment of The Group was valued by independent valuer to determine the fair value of property, plant and equipment as at September 30, 2019. The revaluation surplus was credited to other comprehensive income and is shown as 'surplus on revaluation of property, plant and equipment'. The different levels have been defined as follows:

- Level 1

Quoted prices (unadjusted) in active market for identical assets/ liabilities.

- Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Level 2 fair value of certain property, plant and equipment has been derived using the comparison approach. Sales prices of comparable property, plant and equipment in identical circumstances or close proximity are adjusted for differences in key attributes such as property size, structure, location, capacity etc. The most significant inputs into this valuation approach are price per marla, price per square feet, depreciated replacement cost etc.

39. Reconciliation of movement of liabilities to cash flow arising from financing activities

	Liabilities						Total
	Long term finance	Loans from related parties	Liabilities against assets subject to finance lease	Short term borrowings	Unclaimed dividend	Markup accrued	
	Rupees in thousand						
Balance at October 1, 2018	1,766,420	458,825	58,786	959,000	7,990	144,131	3,395,152
Cash flows	147,073	9,015	(47,695)	(3,999)	(42,340)	(700,226)	(638,172)
Acquisition - finance lease	-	-	125,381		-	-	125,381
Other non-cash movements	-	(99,581)	-	-	43,038	749,548	693,005
Balance at September 30, 2019	1,913,493	368,259	136,472	955,001	8,688	193,453	3,575,366

40. Provident Fund

Details of the provident funds based on audited financial statements for the year ended September 30, 2019 are as follows:

	2019	2018
	(Rupees in thousand)	
Staff provident fund		
Size of the fund	135,063	105,460
Cost of investment made	110,369	78,584
Fair value of investment made	132,465	103,259
	%	%
Percentage of investment made	81.72	74.52

	2019		2018	
	Rupees '000'	%	Rupees '000'	%
Breakup of investment - at cost				
Term deposit	108,400	98.22	51,400	65.41
Bank deposits	1,969	1.78	27,184	34.59
	110,369	100.00	78,584	100.00

40.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of Companies Act, 2017 and applicable rules.

41. Transactions and balances with related parties

41.1 The Premier Sugar Mills & Distillery Company Limited holds 47.93% (2018: 47.93%) shares of the Company at the year end. Therefore, all subsidiaries and associated undertakings of The Premier Sugar Mills & Distillery Co. Limited are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' funds. Amount due from and due to these undertakings are shown under receivables and payables. The remuneration of Chief Executive, Directors and Executives is disclosed in note 43 to the statement of financial statements.

	2019	2018
	(Rupees in thousand)	
The Premier Sugar Mills and Distillery Company Limited		
Purchases	27,007	114,841
Sales	11,910	3,057
Mark-up charged	30,140	22,363
Expenses paid by the Company	108,284	91
Expenses paid on behalf of the Company	15,307	15,225
Dividend paid	20,627	20,627
Rent expense	19,800	9,900
Rent income	192	-
Syntronics Limited		
Purchase of store items	943	26,182
Dividend paid	5,386	5,386
Syntron Limited		
Purchase of store items	122,499	70,617
Azlak Enterprises (Private) Limited		
Services on behalf of the Company	27,030	-
Mark-up charged	10,069	477
Expenses paid on behalf of the Company	2,052	4,307
Dividend paid	2,194	2,194
Phipson & Company Pakistan (Private) Limited		
Dividend paid	461	461
Arpak International Investments Limited		
Markup charged	5,482	-
Premier Board Mills Limited		
Markup charged	8,217	-
The Frontier Sugar Mills & Distillery Limited		
Expenses paid	-	17
Provident fund		
Contribution to provident fund	15,175	13,201

41.2 Following are the related parties with whom the Company had entered into transactions or have arrangement/agreement in place.

Sr No	Company Name	Basis of Association	Aggregate % of Shareholding
1	The Premier Sugar Mills and Distillery Company Limited	Holding Company	47.93%
2	Premier Board Mills Limited	Associated Company	0.00%
3	Azlak Enterprises (Private) Limited	Associated Company	5.10%
4	Arpak International Investments Limited	Associated Company	0.00%
5	Phipson & Company Pakistan (Private) Limited	Associated Company	1.07%
6	Syntronics Limited	Associated Company	12.51%
7	The Frontier Sugar Mills & Distillery Limited	Associated Company	0.00%
8	Syntron Limited	Associated Company	0.00%

42. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for remuneration, including all benefits, to Executive Directors and Chief Executives of the Company is as follows:

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Managerial remuneration	12,000	1,200	8,000	-	26,066	16,725
Bonus	3,000	-	-	-	7,104	1,209
Housing and utilities	-	-	-	-	17,377	11,150
Company's contribution to provident fund	-	-	-	-	1,686	1,197
Medical	1,546	2,396	1,560	-	473	133
Other expenses	-	-	23,229	-	-	-
	16,546	3,596	32,789	-	52,706	30,414
Number of persons	1	1	3	3	15	10

42.1 In addition to above, the Chief Executive and Executives were provided with the Company maintained cars for official and personal use. All the Executives based at factory compounds are also provided with free housing with the Company's generated electricity, telephone and certain household items in the residential colony within the factory compound.

42.2 Mr Abbas Sarfraz Khan, Director of the Company, holds office of profit for performing extra services, for which approval was obtained vide Extraordinary general meeting dated June 21, 2019 under section 171 of the Companies Act, 2017. His remuneration includes monthly salary, bonus as per company policy, company maintained vehicle and reimbursement of all travelling and medical expenses. The Board of Directors are also entitled to reimbursement of all travelling, telephone and medical expenses, as approved vide 31st annual general meeting of members dated March 29, 2019.

43. General

43.1 Geographical location and addresses of business units

The business units of the Company include the following:

Business Units	Location
Sugar - unit I	University Road, Dera Ismail Khan, KPK
Sugar - unit II	Ramak, Dera Ismail Khan, KPK
Ethanol fuel plant	Ramak, Dera Ismail Khan, KPK

43.2 Capacity and production

	2019	2018
Sugar plants		
Rated crushing capacity (Metric Ton / day)	18,000	18,000
On the basis of average number of 98 days (2018: 131 days)	1,764,000	2,358,000
Actual cane crushed (Metric Ton)	1,562,413	2,040,734
Sugar produced (Metric Ton)	166,252	193,322
Ethanol fuel plant		
Rated production capacity (Litres / day)	125,000	125,000
On the basis of average number of 355 days (2018: 257 days) (Litres)	44,375,000	44,625,000
Actual production (Litres)	43,260,426	44,617,163
Days worked	Days	
Sugar - unit I	97	133
Sugar - unit II	99	129
Ethanol fuel plant	355	357

Reasons for Shortfall

Sugar division performed at less than installed capacity due to non availability of sugar cane, strike of growers and atmospheric effect. Capacity of ethanol unit was under utilized due to overhauling and cleaning shut downs.

43.3 Number of employees

	2019	2018
Number of employees at September 30		
Permanent	914	938
Contractual	941	921
	1,855	1,859
Average number of employees for the year		
Permanent	913	928
Contractual	1,290	1,259
	2,203	2,187

43.4 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

44. Corresponding figures

Corresponding figures have been re-arranged and re-classified as follows, for the purposes of comparison and better presentation as per reporting framework. However, the change in corresponding figures has no material impact on previously reported financial position, financial performance and cash flow of the Company.

Reclassified from	Reclassified to	Rupees in thousands
Other income	Finance cost	27,354
Sales tax, other government levies and discounts	Selling and distribution expenses	108,829

45. Non-adjusting events after the statement of financial position date

The Board of Directors in its meeting held on January 2, 2020 has proposed a final cash dividend for the year ended September 30, 2019 @ Rs 5.00 per ordinary share (2018 @ Rs 1.50 per ordinary share), amounting to Rs 143,460 thousand (2018: Rs 43,038 thousand) for approval of the members in the annual general meeting to be held on January 27, 2020.

46. Date of Authorisation for Issue

These financial statements have been authorised for issue by the Board of Directors of the Group on January 02, 2020.

RIZWAN ULLAH KHAN
CHIEF FINANCIAL OFFICER

AZIZ SARFARAZ KHAN
CHIEF EXECUTIVE

ISKANDER M KHAN
DIRECTOR

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SECP

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

32nd Annual General Meeting

I/We... of ....being a member of **Chashma Sugar Mills Limited** and holding ....ordinary shares as per share register Folio/CDC Account No............................... hereby appoint Mr./Mrs .... of .... another member of the Company having Folio / CDC Account No .... CNIC No .... or Passport No................................. or failing him / her Mr. / Mrs .... of .... Folio / CDC Accounts No .... CNIC No........................... or Passport No .... who is also a member of the Company, as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on January 27, 2020 and at any adjournment thereof.

| Revenue Stamp Signature(Rs. 5.00) |

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

Dated this .... day of .... 2020.

Signature of Proxy __________________

1. **Witness:**
   Name: __________________________
   Signature: _______________________
   Address: ________________________
   CNIC No: ________________________

2. **Witness:**
   Name: __________________________
   Signature: _______________________
   Address: ________________________
   CNIC No: ________________________

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

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

چشمہ شوگر ملز لمیٹڈ

نوشہرہ روڈ مردان

نمائندگی کا فارم (پراکسی فارم)

32 واں سالانہ اجلاس عام

میں/ہم ____________ کا/ کی ____________ بحیثیت رکن چشمہ شوگر ملز لمیٹڈ اور بذریعہ حصص رجسٹرڈ کے

فولیو نمبر/ سی ڈی سی اکاؤنٹ نمبر ____________ عام حصص، کمپنی کے ایک دوسرے رکن ____________ حامل

____________ کا/ کی ____________ فولیو نمبر/ سی ڈی سی اکاؤنٹ نمبر ____________

شناختی کارڈ نمبر ____________ یا پاسپورٹ نمبر ____________ یا بصورت دیگر کمپنی کے اور رکن

____________ کا/ کی ____________ فولیو نمبر/ سی ڈی اکاؤنٹ نمبر ____________

شناختی کارڈ نمبر ____________ یا پاسپورٹ نمبر ____________، کو میری/ ہماری غیر حاضری میں کمپنی کے سالانہ اجلاس عام میں، جو بتاریخ 27 جنوری 2020، منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پراکسی) مقرر کرتا/ کرتے ہیں۔

____

حصص دار کے دستخط

(دستخط کمپنی میں رجسٹرڈ نمونے مطابقت رکھتے ہونے چاہے)

پانچ روپے کی ریونیو سٹامپ

بتاریخ ____________ مہینہ ____________ 2020

نمائندہ کے دستخط: ____________

1. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

2. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

نوٹ:

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

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