annual report

2020

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	Samba Bank 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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
					(R U P E E S I N T H O U S A N D)					
Sales - net	15,929,690	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	13,040,438	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)	1,646,572	1,386,048	737,524	625,256	716,714	586,046	84,272	481,250	97,323	612,225
Profit/(Loss) before tax	742,671	636,500	253,164	132,299	215,151	125,969	(275,026)	56,728	(239,067)	165,491
Profit/(Loss) After tax	746,115	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	286,920
Shareholders' equity	7,690,524	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	9,892,348	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	4,387,455	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	14,889,960	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	3,177,044	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%	50%	15%	15%	45%	25%	0%	0%	0%	10%
Ratios:										
Profitability (%)										
Operating profit	10.34	11.16	7.10	5.52	6.40	7.75	1.45	7.21	1.66	10.41
Profit/ (Loss) before tax	4.66	5.12	2.44	1.17	1.92	1.67	(4.72)	0.85	(4.09)	2.81
Profit/(Loss) after tax	4.68	4.66	1.86	0.81	2.65	2.30	(2.21)	0.49	(3.74)	2.39
Return to Shareholders										
ROE - Before tax	9.66	10.07	4.36	3.25	5.28	4.81	(11.35)	2.25	(17.11)	10.06
ROE - After tax	9.70	9.15	3.34	2.27	7.30	6.64	(5.31)	1.31	(15.67)	8.55
Return on Capital Employed	6.87	6.43	2.24	1.34	3.99	3.16	(2.28)	0.69	(7.69)	4.68
E. P. S. - After tax	26.00	20.17	6.75	3.21	10.37	6.07	(4.48)	1.15	(7.63)	4.90
Activity										
Income to total assets	1.07	0.92	0.75	1.07	1.11	0.74	0.63	0.89	1.00	1.04
Income to fixed assets	1.61	1.35	1.09	1.45	1.37	1.12	0.92	1.33	1.85	1.90
Liquidity/Leverage										
Current ratio	1.09	0.92	0.80	0.75	0.72	0.74	0.80	0.92	0.89	0.96
Break up value per share	268.04	220.32	202.34	141.68	142.04	91.36	84.45	88.00	48.71	57.34
Total Liabilities to equity (Times)	0.94	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
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
2020	**1,432,075**	**10.55**	**151,013**

PRODUCTION OF ETHANOL

YEAR	MOLASSES CONSUMED TONS	RECOVERY %	PRODUCTION (LITRES)
2014	19,590	18.56	4,540,945
2015	36,277	18.24	8,272,982
2016	111,385	18.58	25,870,308
2017	129,384	18.32	29,623,876
2018	184,282	19.37	44,617,163
2019	191,494	18.07	43,260,426
2020	189,471	18.35	43,462,330

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

Notice is hereby given that 33rd Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on February 25, 2021 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 Annual General Meeting held on January 27, 2020.

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, 2020.

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 per share (50%) for the year ended September 30, 2020.

4. To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2021. 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 February 15, 2021 to February 25, 2021 (both days inclusive).

BY ORDER OF THE BOARD

Mardan:
February 01, 2021

(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 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, 2020 along with reports have been placed at 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, with a period not exceeding 4 years from the commencement of this Act, i.e May 30, 2017.

    The Shareholders having physical shareholding are encourage 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 may 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 33rd Annual Report of your Company and it gives me great pleasure to present a Review Report along with the Audited Financial Statements for the year ended September 30, 2020, on behalf of the Board of Directors, on the performance of your Company as required by Section 192 of the Companies Act, 2017.

The financial year 2019-20 was very difficult year due to COVID-19 pandemic and economic conditions of the Country. Global and local business environment remained highly challenging, with the impact of COVID-19 spreading across the whole world which has posed serious threats and losses of lives, loss of employement, liquidity and more prominent to business continuity. Your Company is seasonal manufacturing Company, therefore, the impact of COVID-19 and post lockdown has not affected the operations / manufacturing facilities of the Company. The Board ensured that the Company take advantage of different schemes and concessions announced / allowed by the State Bank of Pakistan to conserve working capital.

As required under Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation of the Board performance is carried out. The Board Evaluation process is conducted internally by the Company Secretary who prepared an annual Evaluation Assessment Questionnaire which is circulated amongst the Board Members to provide clarification and further insights and perspective on the performance of the Board.

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 five 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 ensure that the Board plays an effective role in fulfilling its responsibilities.

I would like to place on record, my sincere appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affairs and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah. And thanks to all the Government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.

(Abbas Sarfaraz Khan)
Chairman
Mardan: February 01, 2021

چشمہ شوگر ملز لمیٹڈ

چیئرمین کی جائزہ رپورٹ

میں آپ کی کمپنی کے 33ویں سالانہ جنرل میٹنگ میں آپ کو خوش آمدید کہتا ہوں اور میں آپ کے سامنے اپنی رپورٹ کے ساتھ آڈیٹڈ فنانشل سٹیٹمنٹس برائے سال 30، ستمبر 2020 اور کمپنی کی کارکردگی بورڈ آف ڈائریکٹرز کی جانب سے پیش کر رہا ہوں جو کہ کمپنیز ایکٹ 2017 کے سیکشن 192 کے مطابق ہے۔

مالی سال 20-2019 کا دورانیہ COVID-19 اور ملک کی معاشی صورتحال کی وجہ سے انتہائی مشکل رہا مقامی اور بین الاقوامی سطح پر کاروباری حالات پیچیدہ مسائل کا شکار رہے۔ جس کی وجہ COVID-19 کے منفی اثرات تھے، ان منفی اثرات کے باعث ایک جانب قیمتی جانوں کو بہت خطرات لاحق رہے اور بہت سے لوگ اپنی قیمتی جانوں سے ہاتھ دھو بیٹھے تو دوسری جانب ملازمتوں کا فقدان پیدا ہوا اور سب سے بڑھ کر کاروبار کو جاری رکھنا انتہائی مشکل ہو گیا۔ آپ کی کمپنی ایک ایسے شعبے سے تعلق رکھتی ہے جس میں پیداواری عمل ایک خاص سیزن تک محدود ہوتا ہے لہذا COVID-19 کی وجہ سے لگائے جانے والے لاک ڈاؤن اور لاک ڈاؤن کے بعد پیدا ہونے والے حالات کے اثرات سے کمپنی کے افعال متاثر نہ ہوئے۔ بورڈ کی جانب سے اس بات کو یقینی بنایا گیا کہ اسٹیٹ بینک آف پاکستان کی جانب سے اعلان کردہ مختلف رعایتی اسکیموں سے فائدہ اٹھایا جائے تاکہ ورکنگ کیپیٹل کی بچت کو ممکن بنایا جا سکے۔

لسٹڈ کمپنیوں کی مطلوبہ شرائط کے مطابق (کوڈ آف کارپوریٹ گورننس) اور کمپنی کے بورڈ کی پرفارمنس/جانچ کا کام کیا جاتا ہے۔ بورڈ کی جانچ کے کام کا عمل کمپنی سیکریٹری کے زیر نگرانی ہے جو کہ سالانہ جانچ کا سوالنامہ تیار کر کے بورڈ کے ممبرز کو دیتے ہیں جس سے بورڈ کی کارکردگی کے بارے میں وضاحت اور مزید بصیرت اور نقطہ نظر جاننے کا موقع ملتا ہے۔

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 کنٹرول 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 پانچ اجلاس منعقد کئے گئے۔ بورڈ تمام قانونی شرائط وضوابط پر پورا اترتا ہے، مروجہ قوانین اور بہترین روایات کی پاسداری کرتے ہوئے اپنے فرائض منصبی کی ادائیگی کرتا ہے۔

بورڈ کے چیئرمین ہونے کے ناطے اس بات کی یقین دہانی کرواتا ہوں 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 کرواتا ہوں کہ بورڈ اپنی ذمہ داریوں کو پورا کرنے میں موئثر کردار ادا کر رہا ہے۔ غیر ایگزیکٹو اور آزاد ڈائریکٹرز اہم فیصلوں میں یکساں شریک ہوتے ہیں۔

میں اپنی جانب سے اس بات کو ریکارڈ کا حصہ بنانا چاہتا ہوں کہ تمام اعلی افسران دیگر افسران اور ملازمین کی جانب سے کمپنی کے معاملات کو خاش اسلوبی کے ساتھ چلانے کے لئے جس اخلاص ایمانداری اور محنت شاقہ کا مظاہرہ کیا گیا ہے وہ قابل ستائش ہے اور امید کرتا ہوں کہ آئندہ بھی اللہ رب العزت کی رحمت کے سائے تلے تمام افراد کمپنی کی پیداواری صلاحیت میں اضافے کے لئے اسی جوش وجذبے کا مظاہرہ کرتے رہیں گے۔ اس کے علاوہ اس موقع پر تمام سرکاری عمال، بینک کاروں اور غیر بینکاری مالیاتی اداروں، ترسیل کاروں اور حصص داران کا بھی تہہ دل سے شکریہ ادا کرنا چاہتا ہوں کہ کمپنی کی ترقی اور خوشحالی کے لئے ان کی حمایت اور تعاون ہمیشہ ہمارے شامل حال رہے۔

عباس سرفراز خان

چیئرمین

مردان، 01 فروری، 2021

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, 2020.

1. SUMMARISED FINANCIAL RESULTS

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

	2020	2019
	(Rupees in thousands)	
Profit before taxation	**742,671**	636,500
Taxation		
- Current	**(36,360)**	(173,752)
- Prior	**47,034**	(897)
- Deferred	**(7,230)**	116,797
	3,444	(57,852)
Profit after taxation	**746,115**	578,648
	---------- (Rupees) ----------	
Earnings per Share	**26.00**	20.17

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2019-20

The sugarcane crushing season 2019-20 commenced on November 29, 2019 and continued till March 18, 2020. The mills have crushed 1,432,075 tons. (2019: 1,562,413 tons) of sugar cane and have produced 151,013 tons (2019: 166,252 tons) of sugar at an average recovery of 10.55% (2019: 10.64%). The Provincial Government of Punjab and Khyber Pakhtunkhwa (KPK) fixed sugar cane price @ Rs.190/- per maund.

2.2 CRUSHING SEASON 2020-21

The sugarcane crushing season 2020-21 commenced on November 15, 2020. The mills have crushed 1,109,634 tons of sugarcane and have produced 106,020 tons of sugar till January 31, 2021. The Provincial Government of Punjab and Khyber Pakhtunkhwa (KPK) fixed sugar cane price @ Rs. 200/- per maund. The Khyber Pakhtunkhwa Government introduced the law for sugarcane payments to Growers through bank account and to eliminate the middleman. However, the Provincial Government has failed to implement the law and the involvement of middleman has increased the sugarcane rate to an exorbitant level of Rs. 300, increasing price of sugar manifolds.

3. **SUGAR PRICE**

3.1- SUGAR SEASON 2019-20

Overall, sugar production in the country decreased compared to last year. The Federal Government allowed import of 300,000 tons of sugar and exempted all the local taxes on this imported sugar. The sugar prices remained stable throughout the year.

3.2- SUGAR SEASON 2020-21

This year is again a deficit year and presently the sugar mills are hardly making breakeven, however, we expect the prices will improve in days to come. The Federal Government has approved to import 800,000 tons of sugar to bridge the deficit.

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

The Ethanol Fuel Plant produced 34,770 MT of Ethanol during the year and contributed towards the profitability of the Company.

5. **SILOS PROJECT**

Construction, Installation and Commercial Operations Date (COD) of Silos at both sites i.e. Notak Centre, District Bhakkar and Head Varery Centre, District Layyah has been completed. Revenue from operations to started from upcoming financial year.

6. **STAFF**

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.

7. **PATTERN OF SHAREHOLDING**

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

8. **CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- The financial statements, prepared by the management of Chashma Sugar Mills Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- 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, 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, 2020, except for those disclosed in the financial statements.

- The value of investments of staff provident fund, based on audited accounts, was Rs. 156.961 million as at September 30, 2020.

9. 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 except Mr. Abbas Sarfaraz Khan - Director of the Company who purchased 415,300 ordinary shares during the year.

10. RELATED PARTY TRANSACTIONS

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.

11. BOARD MEETINGS

During the year, total eleven (11) 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 (Female Director)	2	-	-
Mr. Abdul Qadar Khattak	3	4	1
Mr. Iskander M. Khan	6	4	1
Executive Directors			
Mr. Aziz Sarfaraz Khan	6	-	-
Mr. Abbas Sarfaraz Khan	5	-	-
Independent Directors			
Mr. Sher Ali Jaffar Khan	5	4	1
Mr. Feisal Kemal Khan	6	-	-

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

12. 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.

13. DIVIDEND

The Directors have recommended payment of Final Cash Dividend for the year ended September 30, 2020 @ Rs. 5.00 per share (50%) to all the shareholders of the Company.

14. 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, 2021.

15. 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.

16. 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, 2019, relevant for the year ended September 30, 2020 have been duly complied with. A statement to this effect is annexed with the report.

17. 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: February 01, 2021

چشمہ شوگر ملز لمیٹڈ
ڈائریکٹرز کی رپوٹ

چشمہ شوگر ملز لمیٹڈ کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور 30 ستمبر 2020 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۔

	2020	2019
	(ہزار روپے)	
ٹیکس سے پہلے منافع	**742,671**	636،500
ٹیکسیشن		
موجودہ سال کا ٹیکس	**(36،636)**	(173،752)
گزشتہ سال کا ٹیکس	**47،034**	(897)
ڈیفرڈ ٹیکس	**(7،230)**	116،797
	3،444	(57،852)
بعد از ٹیکس منافع	**746،115**	578،648
	---------- روپے ----------	
منافع فی شیئر	**26.00**	20.17

2۔ آپریشن کا جائزہ

2.1۔ کرشنگ سیزن 20-2019

گنے کا کرشنگ سیزن 20-2019، 29 نومبر 2019 کو شروع ہوا اور 18 مارچ 2020 تک جاری رہا۔ ملز نے 1،432،075 ٹن (2019 میں 1،562،413 ٹن) گنا کرش کیا اور 10.55 فیصد اوسط (2019: 10.64 فیصد) کے حساب سے چینی کی پیداوار 151،013 ٹن (2019: 166،252 ٹن) رہی۔ وفاقی حکومت پنجاب اور خیبر پختون خواہ حکومت نے گنے کی قیمت 190 روپے فی من مقرر کی تھی۔

2.2۔ کرشنگ سیزن 2020-21

گنے کا کرشنگ سیزن 2020-21 کا آغاز 15 نومبر 2020 کو شروع ہوا۔ 31 جنوری 2021 تک ملز نے 1،109،634 ٹن گنے کو کرش کرتے ہوئے 106،020 ٹن چینی کی پیداوار کی۔ وفاقی حکومت پنجاب اور خیبر پختون خواہ حکومت نے گنے کی قیمت 200 روپے فی من مقرر کی۔ خیبر پختون خواہ حکومت نے کاشتکاروں کو اپنے بنک اکاؤنٹ میں ادائیگی کرنے اور مڈل مین کو ختم کرنے کے لئے قانون پیش کیا۔ تاہم کے پی کے کی حکومت اس قانون کو نافذ العمل کرنے میں ناکام رہی اور مڈل مین کی شمولیت نے گنے کی شرح کو 300 روپے تک بڑھا دیا جس سے چینی کی قیمت میں کافی اضافہ ہوا۔

3۔ چینی کی قیمت

3.1۔ چینی کا سیزن 2019-20

مجموعی طور پر پچھلے سال کی نسبت ملک میں چینی کی پیداوار میں کمی واقع ہوئی ہے۔ وفاقی حکومت نے 300،000 ٹن چینی کی در آمد کی اجازت دی اور اس در آمد شدہ چینی پر تمام مقامی ٹیکسوں سے مستثنٰی قرار دیا۔ چینی کی قیمتیں سال بھر مستحکم رہیں۔

3.2۔ چینی کا سیزن 2020-21

یہ سال ایک بار پھر خسارے کا سال ہے اور اس وقت شوگر ملیں مشکل سے بریک تھرو بنا رہی ہیں تاہم ہمیں توقع ہے کہ آنے والے دنوں میں قیمتوں میں بہتری آئے گی۔ وفاقی حکومت نے خسارے کو دور کرنے کے لئے 800،000 ٹن چینی در آمد کرنے کی اجازت دی ہے۔

4۔ ایتھانول فیول پلانٹ یونٹ نمبر II

ایتھانول فیول پلانٹ نے اس سال کے دوران MT34,770 ایتھانول کی پیداوار ہوئی اور کمپنی کے منافع میں اپنا حصہ ڈالا۔

5۔ سائیلوز پروجیکٹ

دونوں سائٹوں یعنی نوٹک سنٹر، ڈسٹرکٹ بھکر اور ہیڈ ویری سنٹر، ڈسٹرکٹ لیہ پر سائلوس کی تعمیر، تنصیب اور تجارتی عمل کی تاریخ (سی او ڈی) مکمل ہو چکی ہے۔ آئندہ مالی سال سے آمدن کا حصول شروع ہو جائے گا۔

6۔ 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۔

7۔ حصص داران کی ترتیب

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

8۔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 ظام 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، 2019 میں واضع کیے گئے ہیں کی مکمل پاسداری کرتی ہے۔

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

۔30 ستمبر 2020 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 2020 کو آڈٹ شدہ اکاؤنٹس پر مبنی، اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 156.961 ملین تھی۔

9۔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۔ سوائے عباس سرفراز خان کمپنی ڈائریکٹر کے جنہوں نے 415،300 شیئرز خریدے تھے۔

10۔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۔

11۔بورڈ اجلاس

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

ڈائریکٹرز کے نام نان۔ایگزیکٹو ڈائریکٹرز	بورڈ آف ڈائریکٹرز کے اجلاس حاضری	آڈٹ کمیٹی کے اجلاس حاضری	ہیومن ریسورس اور معاوضہ کی کمیٹی حاضری
محترمہ زرمین سرفراز (خاتون ڈائیریکٹر)	2	--	--
جناب عبدالقادر خٹک	3	4	--
جناب اسکندر محمد خان	6	4	1
ایگزیکٹو ڈائریکٹرز			
جناب عزیز سرفراز خان	6	--	--
جناب عباس سرفراز خان	5	--	1
آزاد ڈائریکٹرز			
جناب شیر علی جعفر خان	5	4	1
جناب فیصل کمال خان	6	--	--

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

12۔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۔

13۔ڈیویڈنڈ

بورڈ نے 30 ستمبر 2020 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۔

14۔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۔

15۔ 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۔

16۔ضابطہ برائے کاروباری نظم ونسق

کمپنی کوڈ آف کارپوریٹ گورننس کے ضابطے جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 میں دیئے گئے ہیں اور 30 ستمبر 2020 کو ختم ہونے والے سال سے متعلقہ ہیں پر پوری طرح عمل پیرا ہے اس سے متعلق بیان اس رپورٹ کے ساتھ منسلک ہے۔

17۔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: 01 فروری 2021

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 2020-21 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 February 15, 2021 to February 25, 2021.

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, 2020

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
158	From	1	to	100	Shares	11,284
525	From	101	to	500	Shares	234,291
130	From	501	to	1,000	Shares	121,898
169	From	1,001	to	5,000	Shares	464,363
41	From	5,001	to	10,000	Shares	309,200
41	From	10,001	to	20,000	Shares	608,406
6	From	20,001	to	25,000	Shares	140,500
5	From	25,001	to	30,000	Shares	135,500
1	From	30,001	to	35,000	Shares	35,000
4	From	35,001	to	40,000	Shares	144,500
7	From	40,001	to	60,000	Shares	318,500
2	From	60,001	to	70,000	Shares	130,000
1	From	70,001	to	80,000	Shares	76,000
6	From	85,001	to	125,000	Shares	618,642
7	From	125,001	to	310,000	Shares	1,397,000
2	From	310,001	to	450,000	Shares	768,150
1	From	450,001	to	625,000	Shares	505,569
4	From	625,001	to	2,000,000	Shares	5,331,722
2	From	2,000,001	to	above	Shares	17,341,475
1,112						**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	4,842,855	16.88
Public Sector Companies, Corporation Banks, and Development Finance Institutions.	13	316,300	1.10
Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds.	7	726,421	2.53
Charitable Trusts	4	184,500	0.64
Individuals	1,071	3,510,090	12.23
	1,112	**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**		**4,842,855**		**16.88**
Public Sector Companies and Corporations	**13**		**316,300**		**1.09**
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	
Inter Market Securities Limited		1,000		0.00	
TS Securities (Pvt) Limited		2,000		0.01	
Akik Capital (Pvt) Limited		170,000		0.59	
B&B Securities (Pvt) Limited		3,000		0.01	
Ithaca Capital (Pvt) Limited		23,000		0.08	
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**		**726,421**		**2.53**
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		630,227		2.20	
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	**4**		**184,500**		**0.64**
Trustees of Friends Eductional and Medical Trust		61,000		0.21	
Al Abbas Eductional and Welfare Society		1,000		0.00	
Friends Eductional and Medical Trust		117,500		0.41	
Trustees Moosa Lawari Foundation		5,000		0.02	
Individuals	**1,071**		**3,510,090**		**12.23**
	1,112		**28,692,000**		**100.00**

Shareholders holding 10% or more voting Intesrest in the Company

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

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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 (the Company) for the year ended September 30, 2020 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.

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, 2020.

-sd-
Chartered Accountants
Place: Islamabad
Date: February 01, 2021

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of the Company: Chashma Sugar Mills Limited
Year ended: Sep 30, 2020

The Company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of Directors are seven 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 Director	Mr. Sher Ali Jaffar Khan. Mr. Feisal Kemal Khan.
Non-executive Director	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)

   *Best practices of corporate governance entail having an optimal number and mix of board members with adequate skills and experience. The current Board of Directors of the Company adequately meets this requirement. Further, existing independent directors play an effective part within the Board and make valuable contribution. Therefore, fraction (0.33) has not been rounded up.

3. The Directors have confirmed that they are not 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. All 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:

Audit Committee	HR and Remuneration Committee
Ms. Sher Ali Jaffar Khan (Chairman)	Mr. Sher Ali Jaffar Khan (Chairman)
Mr. Iskander M. Khan	Mr. Abdul Qadir
Mr. Abdul Qadir	Mr. Iskander M. Khan

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

14. Audit Committee meetings were held once every quarter and Human Resource and Remuneration Committee meeting was held once during the year.

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. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below.

Non-mandatory Requirement	Reg. No.	Explanation
Reponsibilities of the Board and its members. A formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its committees. The Board is responsible for the governance of risk and for determining the company's level of risk tolerance by establishing risk management policies and for this purpose the Board is encouraged to undertake at least annually, an overall review of business risks.	**10(2)**	Risk management policy is not in place. Non-mandatory provisions of the Regulations are partially complied. The Company is deliberating on full compliance with all the provisions of non-mandatory Regulations.
Reponsibilities of the Board and its members. A formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its committees.	**10(3(v))**	Non-mandatory provisions of the Regulations are partially complied. The Company is deliberating on full compliance with all the provisions of other Regulations.
Significant issues:- The chief executive officer of the company shall place significant issues for the information, consideration and decision, as the case may be of the Board or its committees.	**14**	Non-mandatory provisions of the Regulations are partially complied.
Nomination Committee: The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	**29**	Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee. The Board will consider to constitute nomination committee.
Risk Management Committee: The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effetivenss of risk management procedures and present a report to the Board.	**30**	Currently, the board has not constituted a risk Management committee and senior officers of the Company performs the requisite functions and apprises the Board accordingly. The Board will constitute risk Management committee when required.
Disclosure of significant policies on website: The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors re-muneration policy.	**35**	Although these are circulated amoung the relevant employees and directors, the Board will consider posting such policies and synopsis on its website in near future.

Mardan: **(ABBAS SARFARAZ KHAN)**
February 01, 2021 CHAIRMAN

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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, 2020, 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, 2020 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters.

Following are the Key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
i)	**Revaluation of property, plant and equipment** *(Refer note 18 to the financial statements)* Under the International Accounting Standards 16 "Property, Plant and Equipment", the management carries its freehold land, building & roads and plant & machinery under revaluation model. Under the said model, if fair value can be measured reliably, an entity may carry all items of property, plant and equipment of a class at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses; if any. As at September 30, 2020, the carrying value of free hold land, buildings & roads and plant & machinery was Rs 9,221 million. The fair value of the Company's free hold land, buildings & roads and plant & machinery were assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2020. For valuation of free hold land, buildings & roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar free hold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations. We identified valuation of property, plant and equipment as a key audit matter due to the significant carrying value and the significant management judgement and estimation involved in determining their value due to factors described above.	Our audit procedures amongst others, included the following: - Evaluated the competence, capabilities and objectivity of the independent external property valuation expert engaged by the management as management expert for valuation; - Obtained understanding of the valuation process and techniques adopted by the valuation expert to assess reasonableness of the report; - Obtained the valuation report of external valuation expert and tested mathematical accuracy of the report; - Assessed, with the assistance of our valuer as auditor's expert, the appropriateness and the reasonableness of the related assumptions and methodologies used by the management expert; and - Assessed the adequacy of the related disclosures in the annexed financial statements.

S.No.	Key audit matters	How the matter was addressed in our audit
ii)	**First time adoption of IFRS 16 "Leases"** *(Refer note 3.1 to the financial statements)*	
	IFRS 16 "Leases" became applicable to the Company for the first time for the preparation of these financial statements. IFRS 16 "Leases" replaced IAS 17 "Leases", the former lease accounting standard. Accordingly, the management has adopted the standard with effect from October 1, 2019. Under IFRS 16, assets leased by the Company are recognized on the statement of financial position of the Company with corresponding liabilities. Accordingly, the management has recorded right of use assets of Rs. 379.005 million and corresponding lease liabilities of Rs. 231.214 million as at October 1, 2019 under the allowed modified retrospective approach for the transition accounting. The application of the new standard requires management to identify and process all relevant data associated with the lease contracts entered into by the Company. The measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms, including termination and renewal options. We considered this as key audit matter due to the significance of the amounts involved and significant judgments made by management in this respect.	Our audit procedures amongst others, included the following: - Understood the management's process for identification of agreements which contain leasing arrangements; - Assessed the appropriateness of the updated accounting policy and policy elections made in accordance with IFRS 16; - Inspected a sample of contracts for identification of leases and corroborated related computations; - Checked the appropriateness of assumptions used by the management to determine the discount rates, lease term, termination and renewal options; - Recalculated the right-of-use assets and lease liabilities calculated by the management on a sample basis; and - Assessed the adequacy of the related disclosures of the impact of the new standard in the annexed financial statements.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's reports 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, 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 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.

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 account 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: February 01, 2021

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
NON CURRENT ASSETS			
Property, plant and equipment	6	9,892,348	9,223,953
Right-of-use assets	7	395,099	-
Long term investment	8	139,154	100,000
Long term deposits and other receivables	9	75,904	15,084
		10,502,505	9,339,037
CURRENT ASSETS			
Stores and spares	10	502,275	469,713
Stock-in-trade	11	1,241,999	1,724,824
Trade debts	12	143,049	57,011
Loans and advances	13	1,619,493	1,392,880
Trade deposits and other receivables	14	311,098	338,945
Income tax refundable	15	287,685	-
Cash and bank balances	16	281,856	203,931
		4,387,455	4,187,304
TOTAL ASSETS		14,889,960	13,526,341
SHARE CAPITAL AND RESERVES			
Authorized capital	17	500,000	500,000
Issued, subscribed and paid-up capital	17	286,920	286,920
Capital reserve			
General reserve		327,000	327,000
Revenue reserve			
Unappropriated profits		2,853,561	1,994,085
Surplus on revaluation of property, plant and equipment	18	4,223,043	3,713,454
Shareholders' equity		7,690,524	6,321,459
NON-CURRENT LIABILITIES			
Long term finances - secured	19	1,362,318	1,183,821
Loans from related parties - secured	20	194,325	337,023
Lease liabilities	21	278,846	94,970
Deferred liabilities	22	1,341,555	1,056,902
		3,177,044	2,672,716
CURRENT LIABILITIES			
Trade and other payables	23	942,856	688,982
Unclaimed dividend		10,539	8,688
Short term running finance	24	2,419,737	3,100,942
Current maturity of non-current liabilities	25	649,260	712,757
Provision for taxation - net		-	20,797
		4,022,392	4,532,166
TOTAL LIABILITIES		7,199,436	7,204,882
Contingencies and commitments	26		
TOTAL EQUITY AND LIABILITIES		14,889,960	13,526,341

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, 2020

	Note	2020	2019
		(Rupees in thousand)	
Gross sales	27	18,055,970	13,428,169
Sales tax, other government levies and discounts	28	(2,126,280)	(1,007,458)
Sales - net		15,929,690	12,420,711
Cost of sales	29	(13,040,438)	(10,183,656)
Gross profit		2,889,252	2,237,055
Selling and distribution expenses	30	(696,112)	(344,695)
Administrative and general expenses	31	(580,822)	(509,603)
Other income	32	87,503	44,009
Other expenses	33	(53,249)	(40,718)
Operating profit		1,646,572	1,386,048
Finance cost	34	(903,901)	(749,548)
Profit before taxation		742,671	636,500
Taxation	35	3,444	(57,852)
Profit for the year		746,115	578,648
Earnings per share - basic and diluted (Rs)	36	26.00	20.17

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, 2020

	Note	2020	2019
		(Rupees in thousand)	
Profit for the year		746,115	578,648
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement (loss) / gain on staff retirement benefit plans	22.2.5	(460)	312
Less: Deferred tax on remeasurement gain / (loss) on staff retirement benefit plans		133	(90)
		(327)	222
Surplus on revaluation of property, plant and equipment		1,026,555	-
Less: Deferred tax on surplus on revaluation of property, plant and equipment		(259,818)	(19,855)
		766,737	(19,855)
Total comprehensive income for the year		1,512,525	559,015

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 CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Share capital	General reserve	Unappropriated profits	Surplus on revaluation of property, plant and equipment	Total
	----------	----------	Rupees in thousand	----------	----------
Balance as at October 1, 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
Total comprehensive income for the year ended September 30, 2020					
Income for the year	-	-	746,115	-	746,115
Other comprehensive income for the year	-	-	(327)	766,737	766,410
	-	-	745,788	766,737	1,512,525
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	-	-	257,148	(257,148)	-
Cash dividend at rate of Rs 5.00 per ordinary share for the year ended September 30, 2019	-	-	(143,460)	-	(143,460)
Balance as at September 30, 2020	**286,920**	**327,000**	**2,853,561**	**4,223,043**	**7,690,524**

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, 2020

	Note	2020	2019
		(Rupees in thousand)	
Cash flow from operating activities			
Profit for the year - before taxation		742,671	636,500
Adjustments for non-cash items:			
Depreciation		880,295	827,519
Gain on sale of operating fixed assets		(1,459)	(5,407)
Profit on deposit accounts		(6,620)	-
Finance cost		903,901	749,548
Provision for doubtful debts		193	224
Provision for doubtful advances		2,256	1,499
Provision for gratuity		3,128	2,500
		2,524,365	2,212,383
Changes in working capital			
Decrease / (Increase) in			
stores and spares		(32,562)	(127,011)
stock-in-trade		482,825	517,814
trade debts		(86,231)	161,891
loans and advances		(228,869)	(1,062,636)
trade deposits and other receivables		27,847	473,083
Increase / (Decrease) in trade and other payables		253,874	(23,316)
		416,884	(60,175)
		2,941,249	2,152,208
Income tax paid		(297,812)	(120,795)
Gratuity paid		(539)	(3,231)
Net cash generated from operating activities		2,642,898	2,028,182
Cash flow from investing activities			
Purchase of property, plant and equipment		(580,313)	(500,933)
Sale proceeds of operating fixed assets		6,379	12,458
Increase in long term investment		(39,154)	-
Increase in long term deposits and other receivables		(60,820)	(1,226)
Profits on bank deposits received		6,620	-
Net cash used in investing activities		(667,288)	(489,701)
Cash flow from financing activities			
Long term finances received / (repaid)		102,639	(30,033)
Short term loan received / (repaid)		1,006,999	(3,999)
Loan (repaid) / received to related party		(149,696)	9,015
Lease obligation repaid		(105,576)	(47,695)
Dividends paid		(141,609)	(42,340)
Finance cost paid		(985,860)	(703,273)
Net cash used in financing activities		(273,103)	(818,325)
Net increase in cash and cash equivalents		1,702,507	720,156
Cash and cash equivalents - at beginning of the year		(1,839,061)	(2,559,217)
Cash and cash equivalents - at end of the year		(136,554)	(1,839,061)
Cash and cash equivalents comprised of:			
Cash and bank balances	16	281,856	203,931
Short term running finance - secured	24	(418,410)	(2,042,992)
		(136,554)	(1,839,061)

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, 2020

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Changes in accounting standards, interpretations and pronouncements

3.1 Adoption of IFRS 16 "Leases"

IFRS 16 “Leases” replaced IAS 17 “Leases”, the former lease accounting standard and became effective on annual reporting periods beginning on or after January 1, 2019. Accordingly the Company has adopted the standard from October 1, 2019. Under the new lease standard assets leased by the Company are being recognized on the statement of financial position of the Company with corresponding liabilities. As a rule, lease expenses are no longer recorded in the statement of profit or loss. Instead, new depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities.

In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liabilities are presented in the cash flow from operating activities. 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 the net assets as of October 1, 2019 and accordingly the comparatives are not restated. The Company has performed an assessment of IFRS 16 and the impact on its adoption is as follows:

The change in accounting policy affected the classification of following items in the statement of financial position with effect from October 1, 2019:

	As originally presented	Impact of IFRS 16	Restated
Non-current Assets:		(Rupees in thousand)	
Property, plant and equipment			
Leased vehicles	146,591	(146,591)	-
Right of use assets	-	379,005	379,005
	146,591	232,414	379,005
Current Assets:			
Short-term prepayments	1,200	(1,200)	-
	147,791	231,214	379,005

	As originally presented	Impact of IFRS 16	Restated
	(Rupees in thousand)		
Non-current Liabilities			
Lease liabilities	(94,970)	(27,961)	(122,931)
Current Liabilities			
Lease liabilities	(41,502)	(203,253)	(244,755)
	(136,472)	(231,214)	(367,686)
	11,319	-	11,319

The Company, as a lessee, recognises right of use assets and lease liabilities on the lease commencement date.

Upon initial recognition the right of use assets are measured as the amount equal to initially measured lease liabilities adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use assets are measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right of use assets or the lease term.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate or interest rate implicit in lease as of October 1, 2019. The incremental borrowing rates / interest rates implicit in lease used for discounting the future lease payments ranges from 6.64% to 15.58% per annum. Subsequently the lease liabilities are measured at amortised cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period;
- Modifications to the lease contract; or
- Reassessment of the lease term.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Transition

The Company adopted IFRS 16 from October 1, 2019 using the modified retrospective approach.

The Company used the following practical expedients upon adoption of IFRS 16 on its effective date:

- the use of hindsight in determining the lease term where contract contains option to extend or terminate the lease and;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- A single discount rate is applied to all leases with reasonably similar characteristics as permitted.

Significant judgements upon adoption of IFRS 16

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between the Company and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancellable future lease periods should be included within the lease term in determining the lease liabilities upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased assets and lease contracts.

The Company's leasing activities and how these are accounted for

The Company has obtained leased cars for its employees and machinery for its own use. The lease period for these leases ranges from 3 to 4 years. Previously these were classified under property, plant and equipment as leasehold vehicles. On adoption of IFRS 16, these have been reclassified to right of use assets.

The Company has also leased offices for administrative purposes which were previously recorded as operating lease under IAS 17. The lease period for these leases ranges from 3 to 6 years. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the respective leases. Considering the related agreement terms and the requirements of the IFRS 16, the Company has capitalised these as right to use assets with corresponding lease liabilities by discounting the lease rentals to be paid over lease term from October 1, 2019 using the Company's incremental borrowing rate.

Lease liabilities and right of use assets recognised are as follows:

Lease liabilities recognized as at October 1, 2019	(Rupees in thousand)
Of which are:	
Current lease liabilities	27,961
Non-current lease liabilities	203,253
	231,214

The following summary reconciles the Company's operating leases at September 30, 2019 to the lease liabilities recognized on initial application of IFRS 16 at October 1, 2019.

	(Rupees in thousand)
Reconciliation of operating lease commitments with the lease liabilities as at October 1, 2019	
Operating leases as at September 30, 2019	146,042
Increase in lease commitments of cancellable leases included in reasonably certain lease term	199,027
Total undiscounted lease payments which are reasonably certain	345,069
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(113,855)
Lease liabilities recognised as at October 1, 2019	231,214

The recognized ROU assets relate to following type of assets:

	2020	2019
	(Rupees in thousand)	
Vehicles	146,591	-
Building	232,414	-
Total right-of-use assets	379,005	-

The statement of profit or loss account shows the following amounts relating to leases:

	2020
	(Rupees in thousand)
Interest expense on lease liabilities	33,336
Expense related to short term leases	-

The changes laid down by other standards effective during the period have no significant impact on these financial statements of the Company.

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 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IAS 41	Agriculture (Amendments)	January 1, 2020
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IFRS 4	Insurance Contracts (Amendments)	January 1, 2023
IFRS 7	Financial Instruments : Disclosures (Amendments)	January 1, 2020
IFRS 9	Financial Instruments (Amendments)	January 1, 2020
IFRS 16	Leases (Amendments)	June 1, 2020
IASB	Conceptual Framework for Financial Reporting (Revised)	January 1, 2020

The management anticipates that, except as stated below, adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

3.3 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 17 Insurance Contracts

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

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

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 revaluations periodically, considering the change in circumstances and assumptions from latest revaluation. 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 6.1. Depreciation for factory assets is charged to cost of sales while depreciation for other property, plant and equipment is charged to administrative and general expenses and selling and distribution expenses on actual usage basis.

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 as other income in statement of profit or loss account for the year.

4.3 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease i.e. the date the underlying assets are available for use. Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities except plant and machinery for which the Company has elected to use the revaluation model.

The cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying assets' useful life.

4.4 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.

4.5 Long term investments

4.5.1 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 account. 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.

4.5.2 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 account. 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.

4.6 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.

4.7 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.

Purchased molassess is stated at lower of cost and net realisable value whereas 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.

4.8 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 4.23 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.

4.9 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.

4.10 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.

4.11 Employee retirement benefits

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

4.11.1 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.

4.11.2 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, 2020.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the year in which they arise. Past service costs are recognized immediately in profit or loss.

4.12 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable under a residual value guarantee; and
d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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 sales tax / government levies and amounts collected on behalf of third parties. Revenue is presented net of discounts, rebates and returns.

4.19 Development expenditure

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

4.20 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.

4.21 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.

4.22 Deferred government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grant includes any benefit earned on account of a government loan obtained at below-market rate of interest. The loan is recognised and measured in accordance with IFRS 9 “Financial Instruments”. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Government grant that has been awarded for the purpose of giving immediate financial support to the Company is recognised in profit or loss of the period in which the entity qualifies to receive it.

4.23 Financial instruments

Financial instruments 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

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 Company'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:

i) 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.

ii) 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.

iii) 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

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 and other receivables
- Cash and bank balances

i) General approach for loans and advances, trade deposits 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; and
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts with individually significant 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.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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:

i) 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.

ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method and are measured at present value. 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.

4.24 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

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.

4.25 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. 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

The Company annually reviews appropriateness of the method of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. Any change in these estimates in the future, might affect the carrying amount of the respective item of property and equipment, with a corresponding effect on the depreciation and impairment.

ii) Surplus on revaluation of property, plant and equipment - note 4.2

The Company carries out revaluations, considering the change in circumstances and assumptions from latest revaluation. The fair value of the Company's free hold land, buildings & roads and plant & machinery is assessed by management based on independent valuation performed by an external property valuation expert as at year end. For valuation of free hold land, buildings & roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar free hold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations.

iii) Provision for stores and spares - note 4.6

For items which are slow-moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value on a regular basis. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

iv) Write down of stock in trade to net realizable value - note 4.7

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the unconsolidated financial statements for obsolete and slow moving stock-in-trade based on management estimate.

v) Estimation of impairment loss allowance - note 4.8

The Company reviews the Expected Credit Loss (ECL) model which is based on the historical credit loss experience over the life of the trade receivables and adjusted if required. The ECL model is reviewed on a quarterly basis.

vi) Provision for employees' defined benefit plans - note 4.11

Defined benefit plans are provided for all employees of the Company. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually.

Cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the net liability/(asset) in respect of employee's service in previous years. Calculations are sensitive to changes in the underlying assumptions.

vii) Provision for current and deferred tax - note 4.15

In making the estimate for tax payable, the Company takes into account applicable tax laws, the decisions taken by the appellate authorities on certain issues in the past and professional advice of tax consultant of the Company.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

viii) Provisions and contingencies - notes 4.14 and 26

The management exercises judgement in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

ix) Estimation of lease term and incremental borrowing rate for lease liabilities and right of use assets - notes 3.1, 4.3 and 4.12.

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Company’s lease portfolio includes lease contracts which are extendable through mutual agreement between the Company and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancelable future lease periods should be included within the lease term in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts and after consideration of business plan of the Company which incorporates economic, potential demand of customers and technological changes.

	Note	2020	2019
		(Rupees in thousand)	
6. Property, plant and equipment			
Operating fixed assets	6.1	9,593,270	9,091,077
Capital work-in-progress	6.6	299,078	132,876
		9,892,348	9,223,953

6.1 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, 2018										
Cost / 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										
Cost	-	-	(3,000)	-	-	-	-	(19,416)	-	(22,416)
Accumulated 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 October 1, 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
Year ended September 30, 2020										
Opening 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
Impact of adoption of IFRS - 16 - note 3.1	-	-	-	-	-	-	-	-	(146,591)	(146,591)
Additions	-	51,521	307,042	37,016	6,465	672	5,981	5,414	-	414,111
Disposals / Adjustments										
Cost	(597)	-	-	-	-	-	-	(11,399)	-	(11,996)
Depreciation	-	-	-	-	-	-	-	7,076	-	7,076
	(597)	-	-	-	-	-	-	(4,323)	-	(4,920)
Transfers from right of use assets to owned										
Cost	-	-	-	-	-	-	-	13,667	-	13,667
Depreciation	-	-	-	-	-	-	-	(8,818)	-	(8,818)
	-	-	-	-	-	-	-	4,849	-	4,849
Depreciation charge	-	(158,993)	(592,133)	(29,325)	(5,086)	(45)	(2,427)	(3,802)	-	(791,811)
Revaluation adjustments:										
Cost or valuation	130,632	-	-	-	-	-	-	-	-	130,632
Depreciation	-	168,214	727,709	-	-	-	-	-	-	895,923
	130,632	168,214	727,709	-	-	-	-	-	-	1,026,555
Closing net book value	1,411,825	1,624,615	6,184,844	280,160	48,205	992	25,339	17,290	-	9,593,270
As at September 30, 2020										
Cost or revalued amount	1,411,825	1,775,616	7,325,793	519,621	88,686	1,619	48,246	57,132	-	11,228,538
Accumulated depreciation	-	(151,001)	(1,140,949)	(239,461)	(40,481)	(627)	(22,907)	(39,842)	-	(1,635,268)
Net book value	1,411,825	1,624,615	6,184,844	280,160	48,205	992	25,339	17,290	-	9,593,270
Annual rate of depreciation (%)	-	10	10	10	10	10	10	20	20	

6.2 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:

	2020	2019
	(Rupees in thousand)	
Freehold land	139,218	139,816
Buildings & roads	704,570	728,514
Plant & machinery	2,949,338	2,955,784
	3,793,126	3,824,114

6.3 Forced sales value of the fixed assets based on valuation conducted during 2020 and comparative figures are for valuation conducted during 2018, were as follows:

Freehold land	1,200,051	1,088,159
Buildings & roads	1,325,732	1,332,822
Plant & machinery	4,681,417	4,358,148
	7,207,200	6,779,129

6.4 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	1,490.15	144.72

6.5 Depreciation for the year has been allocated as follows:

Cost of sales	29	780,496	792,634
Administrative and general expenses	31	11,315	34,887
		791,811	827,521

6.6 Capital work-in-progress:

	Buildings on freehold land	Plant and machinery	Electric installations	Office equipments	Owned vehicles	Vehicles - leased	Plant and machinery - leased	Advance payments to Contractors	Total
	----------	----------	----------	----------	Rupees in thousand	----------	----------		
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)	(61,522)	-	-	(86,950)		(1,567)	(843,498)
Other adjustments	-	(78,010)	(21,571)	-	-	-	-	-	(99,581)
Balance as at September 30, 2019	27,255	32,899	11,900	6,557	-	12,716	35,416	6,133	132,876
As at October 1, 2019	27,255	32,899	11,900	6,557	-	12,716	35,416	6,133	132,876
Additions during the year	60,193	462,783	54,494	11,157	6,528	55,831	25,164	-	676,150
Capitalized during the year	(51,337)	(307,042)	(36,728)	-	(5,414)	(48,847)	(60,580)	-	(509,948)
Balance as at September 30, 2020	36,111	188,640	29,666	17,714	1,114	19,700	-	6,133	299,078

7. Right of Use Assets

	2020 Rupees in thousand				2019 Rupees in thousand			
	Vehicles	Plant and Machinery	Buildings and tanks	Total	Vehicles	Plant and Machinery	Buildings and tanks	Total
Impact of adoption of IFRS 16 as at October 1, 2019								
Cost	216,270	-	232,414	448,684	-	-	-	-
Accumulated depreciation	(69,679)	-	-	(69,679)	-	-	-	-
Net book value	146,591	-	232,414	379,005	-	-	-	-
Additions	48,847	60,580	-	109,427	-	-	-	-
Transferred to owned assets					-	-	-	
Cost	(13,667)	-	-	(13,667)	-	-	-	-
Accumulated depreciation	8,818	-	-	8,818	-	-	-	-
Net book value	(4,849)	-	-	(4,849)	-	-	-	-
Depreciation charge	(34,814)	(3,534)	(50,136)	(88,484)	-	-	-	-
Closing net book value	155,775	57,046	182,278	395,099	-	-	-	-
Annual rate of depreciation (%)	20	10	20-50		-	-	-	
As at September 30								
Cost or revalued amount	251,450	60,580	232,414	544,444	-	-	-	-
Accumulated depreciation	(95,675)	(3,534)	(50,136)	(149,345)	-	-	-	-
Net book value	155,775	57,046	182,278	395,099	-	-	-	-

7.1 Depreciation for the year has been allocated as follows:

	Note	2020 (Rupees in thousand)	2019
Cost of sales	29	3,534	-
Selling and distribution expenses	30	20,640	-
Administrative and general expenses	31	64,310	-
		88,484	-

8. Long term investment

	Note	2020	2019
		(Rupees in thousand)	
Balance at beginning of the year		100,000	100,000
Difference in fair value and present value on initial recognition of interest free loan	8.2	39,154	-
Purchase of shares during the year		-	99,997
Advance for purchase of shares		-	(99,997)
Balance as at end of the year		139,154	100,000

	% age holding		
8.1 Whole Foods (Private) Limited (WFL) - Un-quoted	100%	100,000	100,000

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.

8.2 The Company has subordinated an aggregate interest free loan of Rs 100 million to its subsidiary company, WFL. Pursuant to a tripartite subordination agreement dated June 29, 2020 entered into between the Company, WFL and Soneri Bank Limited (the lender), the related amount has been subordinated to the principle, markup and all other amounts that may be payable to the lender under the financing agreements and no payment of the aforesaid amount can be made, except with the prior written consent of the lender. Owing to the substance of loan at non-market interest rate (nil in this case), the difference between present value and loan proceeds is recognized as an investment in the subsidiary.

	Note	2020	2019
Amount receivable from WFL - unsecured		100,000	-
Less: Present value at market rate of interest	9.1	(60,846)	-
Additional investment in subsidiary		39,154	-

8.3 The summarised financial information for WFL is given below. The information disclosed reflects the amounts presented in the unaudited financial statements for the period ended September 30, 2020 of WFL. The latest available audited financial statements of WFL have been prepared for the year ended June 30, 2020.

	2020	2019
Summarised statement of financial position		
Current assets	79,424	84,304
Non- current assets	557,632	312,258
Current liabilities	(306,103)	(155,734)
Non-current liabilities	(251,396)	(149,859)
Net assets	79,557	90,969
Reconciliation to carrying amounts:		
Opening net assets	90,969	98,529
Advance received for issuance of share capital	-	-
Loss for the year / period	(11,412)	(7,560)
Closing net assets	79,557	90,969
Company’s percentage shareholding in the associate	100%	100%
Company’s share in net assets at cost	79,557	90,969
Summarised statements of comprehensive income		
Net revenue	-	-
Loss for the year / period	(11,412)	(7,560)
Other comprehensive income / (loss)	-	-
Total comprehensive loss	(11,412)	(7,560)

	Note	2020	2019
		(Rupees in thousand)	

9. Long term deposits and other receivables - considered good

	Note	2020	2019
Long term security deposits		15,058	15,084
Loan to subsidiary company - WFL - at amortized cost	9.1	60,846	-
		75,904	15,084

9.1 In respect of loan to WFL referred in note 8.2 subordinated to all secured finance facilities availed by the Company, the entire amount of loan has been classified as non-current asset.

	Note	2020	2019
Amount receivable from WFL - unsecured		100,000	-
Less: Additional investment in subsidiary	8.2	(39,154)	-
		60,846	-

10. Stores and spares

	Note	2020	2019
Stores and spares		538,223	505,661
Less: Provision for obsolete items		(35,948)	(35,948)
		502,275	469,713

11. Stock-in-trade

	Note	2020	2019
Finished goods			
- Sugar		278,876	1,384,164
- Molasses		701,352	220,572
- Ethanol		250,147	110,948
		1,230,375	1,715,684
Work-in-process		11,624	9,140
	11.1	1,241,999	1,724,824

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

12. Trade debts - unsecured

	Note	2020	2019
Considered good	12.1	143,049	57,011
Considered doubtful		1,945	1,752
		144,994	58,763
Less: loss allowance	12.2	(1,945)	(1,752)
		143,049	57,011

12.1 Trade debts includes amount relating to export sales to United Arab Emirates and Karachi Export Processing Zone amounting to Rs 23.028 million and Rs 11.876 million respectively (2019: United Arab Emirates and Netherlands amounting to Rs 44.303 million and Rs 12.731 million respectively).

12.2 Movement in loss allowance

	2020	2019
Opening balance	1,752	-
ECL for the year	193	1,752
Closing Balance	1,945	1,752

13. Loans and advances

	Note	2020	2019
		(Rupees in thousand)	
Advances to:			
Employees - secured	13.1	6,675	3,579
Suppliers and contractors - unsecured		1,180,198	999,250
		1,186,873	1,002,829
Due from associated companies	13.2	230,175	216,384
Letters of credit		235,038	204,004
		1,652,086	1,423,217
Less:			
- Provision for doubtful advances		(28,838)	(28,838)
- Loss allowance	13.3	(3,755)	(1,499)
		1,619,493	1,392,880

13.1 These include balances of Rs 6,675 thousand secured against retirement benefits of respective employees.

13.2 This represents amounts due from the associated companies:

	2020	2019
Due from holding company:		
The Premier Sugar Mills and Distillery Company Limited	65,947	107,157
Due from subsidiary company:		
Whole Foods (Private) Limited	164,228	109,227
	230,175	216,384

Maximum aggregate amount outstanding in respect of related parties at any month-end during the year was Rs 230.175 million (2019: Rs 216.38 million).

	2020	2019
0 to 6 months	230,175	216,384

13.3 Movement in loss allowance

	2020	2019
Opening balance	1,499	-
ECL for the year	2,256	1,499
Closing balance	3,755	1,499

14. Trade deposits and other receivables

	2020	2019
Deposits	858	-
Prepayments	4,658	5,074
Export subsidy receivable	305,519	305,519
Sales tax	-	26,526
Others	63	1,826
	311,098	338,945

15. Income tax refundable

Income tax refundable is net of provision for taxation.

16. Cash and bank balances

	Note	2020	2019
At banks in			
Current accounts	16.1	272,833	190,706
Savings accounts	16.2	8,520	10,545
Deposit accounts	16.2	503	2,680
		281,856	203,931

16.1 These include dividend account balance of Rs 1.177 million (2019: Rs 0.303 million). These balances are maintained in separate non interest bearing current bank accounts.

16.2 These carry profit at the rates ranging from 5.50% to 11.25% (2019: 3.25% to 11.25%) per annum.

16.3 Lien is marked on bank balances for an amount of Rs 4 million (2019: Rs 8.17 million) in respect of the various guarantees extended by the banks.

17. Share capital

17.1 Authorised share capital

2020	2019		2020	2019
(Number of shares)			(Rupees in thousand)	
50,000,000	50,000,000	Ordinary shares of Rs 10 each	500,000	500,000

17.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
(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 (2019: 13,751,000) ordinary shares and the associated companies held 5,360,834 (2019: 5,360,834) ordinary shares at the year end.

18. Surplus on revaluation of property, plant and equipment

18.1 The Company follows revaluation model for freehold land, buildings & roads and plant & machinery. The fair value of the Company's free hold land, buildings & roads and plant & machinery were assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2020. For valuation of free hold land, buildings & roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar free hold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations. Movement during the year is as follows:

Balance at the beginning of the year	4,763,774	5,166,196
Add: surplus on revaluation carried-out during the year	1,026,555	-
Less: transferred to unappropriated profits on account of incremental depreciation for the year	(362,180)	(402,422)
	5,428,149	4,763,774
Less: deferred tax on:		
- opening balance of surplus	1,050,320	1,147,167
- surplus during the year	259,818	-
- incremental depreciation for the year	(105,032)	(116,702)
- others	-	19,855
	1,205,106	1,050,320
Balance at the end of the year	4,223,043	3,713,454

19. Long term finances - secured

Lending Institutions	Interest rate (per annum)	Note	Total available facility	Long-term portion	Current portion	Total outstanding amount	September 30, 2019 Total outstanding amount	Collateral
			September 30, 2020					
			----------(Rupees in thousand)----------					
Loans from banking companies								
Bank Al Habib Limited	- 6 month KIBOR + 1% to 1.5 %; and - SBP rate + 1%		605,617	225,895	146,936	372,831	297,710	- Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 933.33 million. - Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 266.667 to 666.667 million.
Soneri Bank Limited	- 3 month KIBOR + 1% to 1.75 %; and - 6 month KIBOR + 1.5 %		1,400,000	652,122	48,701	700,823	361,746	- 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	-	14,100	14,100	103,166	- 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	292,480	194,986	487,466	682,452	- 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	191,821	57,292	249,113	291,313	- Secured against ranking charge of Rs.438 million on company entire fixed assets.
Total				1,362,318	462,015	1,824,333	1,736,387	
Accrued mark-up						42,356	70,441	
						1,866,689	1,806,828	
Less: amount payable within next 12 months								
Principal						462,015	552,566	
Accrued mark-up						42,356	70,441	
Amount due after September 30, 2021		19.1				1,362,318	1,183,821	

19.1 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.

20. Loans from related parties - secured

	Note	2020	2019
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills and Distillery Company Limited	20.1	24,238	173,934
Associated Companies			
Premier Board Mills Limited	20.2	65,575	65,575
Arpak International Investments Limited	20.3	43,750	43,750
Azlak Enterprises (Private) Limited	20.4	85,000	85,000
Accrued mark-up		26,760	17,012
		245,323	385,271
Less: amount payable within next 12 months			
Principal		24,238	31,236
Accrued mark-up		26,760	17,012
		194,325	337,023

20.1 The long term finance facility had been renewed on February 9, 2017. The principal is repayable in 7 semi annual installments which had commenced 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 payments made by the Company on behalf of The Premier Sugar Mills and Distillery Company Limited.

20.2 The long term finance facility had been renewed on November 4, 2019. The principal is repayable in 7 semi annual installments commencing from November 2022. 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.

20.3 The long term finance facility had been renewed on November 4, 2019. The principal is repayable in 7 semi annual installments commencing from November 2022. 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.

20.4 The long term finance facility was obtained on July 6, 2018. 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.

21. Lease liabilities

	2020	2019
Balance at beginning of the year	136,472	58,786
Lease liabilities recognized as on Oct 1, 2019 - note 3.1	231,214	-
Additions during the year	89,579	111,888
Unwinding of interest on lease liabilities	55,099	10,369
Payments made during the year	(137,851)	(41,333)
Remeasurement of lease liabilities	(1,776)	(3,238)
Balance at end of the year	372,737	136,472
Less: current portion of long term lease liabilities	(93,891)	(41,502)
	278,846	94,970

21.1 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 6.64% to 15.58% (2019: 7.82% to 13.13%) per annum.

	Note	2020	2019
22. Deferred liabilities		(Rupees in thousand)	
Deferred taxation	22.1	1,317,231	1,050,320
Provision for gratuity	22.2	9,631	6,582
Deferred government grant	22.3	14,693	-
		1,341,555	1,056,902

22.1 Deferred tax comprises of the following:

	2020	2019
Taxable temporary differences arising in respect of:		
Accelerated tax depreciation allowances	384,501	368,865
Surplus on revaluation of property, plant and equipment	1,205,108	1,050,320
Lease finances	6,345	26,581
	1,595,954	1,445,766
Deductible temporary differences arising in respect of:		
Provision for doubtful advances	(9,452)	(8,363)
Provision for obsolete items	(10,425)	(10,425)
Loss allowance on trade debts	(564)	(475)
Provision for gratuity	(2,792)	(1,909)
Unused tax losses	-	(104,566)
Minimum tax recoverable against normal tax charge in future years	(255,490)	(269,708)
	(278,723)	(395,446)
	1,317,231	1,050,320

22.2 The latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2020 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

	2020	2019
Present value of defined benefit obligation	9,631	6,582
Fair value of plan assets	-	-
Net liability	9,631	6,582

22.2.1 Movement in net liability recognised

	Note	2020	2019
Opening net liability		6,582	7,625
Expense for the year recognised in statement of profit or loss account	22.2.2	3,128	2,500
Remeasurement (gain) / loss recognised in Statement of Other Comprehensive Income (OCI)	22.2.5	460	(312)
Benefits Paid		(539)	(3,231)
		9,631	6,582

22.2.2 Expense for the year

	2020	2019
Current service cost	2,292	1,899
Net interest expense	836	601
	3,128	2,500

22.2.3 Changes in the present value of defined benefit obligation:

	2020	2019
	(Rupees in thousand)	
Opening defined benefit obligation	6,582	7,625
Current service cost	2,292	1,899
Interest cost	836	601
Benefits paid	(539)	(3,231)
Remeasurement loss on defined benefit obligation	460	(312)
Closing defined benefit obligation	9,631	6,582

22.2.4 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:

	2020	**2019**
	%	%
Discount rate used for interest cost	13.25	10.00
Discount rate used for year end obligation	9.75	13.25
Salary increase rate - long term	8.75	12.25
Salary increase rate - short term	8.75	12.25
Demographic assumptions		
Mortality rates	SLIC 2001-05	SLIC 2001-05

During the year 2021, the Company expects to contribute Rs 2,545 thousand to its gratuity scheme.

22.2.5 Remeasurement recognised in OCI during the year:

Remeasurement loss / (gain) on defined benefit obligation	460	(312)

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

Plan duration	Years
September 30, 2020	9.8
September 30, 2019	9.8

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)	
2020		
Discount rate	(8,766)	10,652
Future salary growth	10,636	(8,766)
2019		
Discount rate	(591)	693
Future salary growth	682	(590)

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.

		Note	2020	2019
			(Rupees in thousand)	
22.3	**Deferred government grant**			
	Opening balance		-	-
	Grant recognised during the year		14,864	-
	Amortization during the year		(171)	-
	Closing Balance		14,693	-

22.3.1 This represent deferred government grant in respect of term finance facility obtained under SBP Salary Refinance Scheme. During the year, the Company has entered into an arrangement with Habib Bank Limited for obtaining term finance facility under State Bank of Pakistan (SBP) Salary Refinance Scheme to pay three month salaries & wages to permanent, contractual and temporary employees upto a maximum of Rs 262 million (2019: Rs Nil). The repayment of loan (principal amount) will be made in 8 equal quarterly installments commencing from April 1, 2021. Mark up rate is SBP rate + 1% on this facility and shall also be paid on quarterly basis. The availed facility at September 30, 2020 was Rs 217.48 million (2019: Nil). The facility will expire on January 1, 2023. There are no unfulfilled conditions or other contingencies attaching to this grant.

		Note	2020	2019
23.	**Trade and other payables**			
	Creditors		454,970	217,602
	Due to related parties	23.1	88,431	19,226
	Accrued expenses		120,094	69,355
	Retention money		15,334	12,725
	Security deposits	23.2	1,964	894
	Advance payments from customers		39,548	263,302
	Sales tax payable		28,834	-
	Income tax deducted at source		29,902	22,771
	Payable for workers welfare obligations	23.3	107,275	44,912
	Payable to employees		45,512	30,068
	Payable to provident fund		3,672	2,598
	Others		7,320	5,529
			942,856	688,982

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

Associated Companies	Note	2020	2019
		(Rupees in thousand)	
The Frontier Sugar Mills & Distillery Limited		-	81
Syntronics Limited		55,809	943
Azlak Enterprises (Private) Limited		32,622	18,202
		88,431	19,226

23.2 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.

23.3 Payable for workers welfare obligations

Balance at the beginning of the year	44,912	16,570
Charge for the year	52,583	40,148
	97,495	56,718
Interest on funds utilized in the Company's business	10,817	1,228
Payments made during the year	(1,037)	(13,034)
Balance at the end of the year	107,275	44,912

24. Short term running finance - secured

	Note	2020	2019
Secured			
Cash / running finance		418,410	2,042,992
Export re finance		1,962,000	955,001
		2,380,410	2,997,993
Accrued mark-up		39,327	102,949
	24.1	2,419,737	3,100,942

24.1 Short term running finance

Lending Institution	Interest rate (per annum)	September 30, 2020 Total available facility	September 30, 2020 Facility availed	September 30, 2020 Total outstanding amount	September 30, 2019 Total outstanding amount	Collateral
		(Rupees in thousand)				
Secured						
Bank Al-Habib Limited	3 month KIBOR +1 %	900,000	742,000	742,000	795,000	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	170,000	170,000	780,000	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	299,910	299,910	600,000	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	318,500	318,500	168,002	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	200,000	200,000	124,988	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	300,000	300,000	280,000	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.
Habib Metropolitan Bank	3 month KIBOR + 0.90 %	500,000	100,000	100,000	-	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	250,000	250,000	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				2,380,410	2,997,993	
Accrued mark-up				39,327	102,949	
				2,419,737	3,100,942	

25. Current maturity of non-current liabilities	Note	2020	2019
		(Rupees in thousand)	
Long term finances	19	504,371	623,007
Loans from related parties	20	50,998	48,248
Lease liabilities	21	93,891	41,502
		649,260	712,757

26. Contingencies and commitments

Contingencies

26.1 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.

26.2 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.

26.3 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.

No provision on account of contingencies disclosed in note 26.1 - 26.3 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.

26.4 The Company has letter of guarantee facilities aggregating Rs 100 million (2019: Rs 100 million) available from Bank Al Habib. The amount availed on these facilities as at September 30, 2020 is Rs 4 million (2019: Rs 8.17 million). These facilities are secured by master counter guarantee and 100% cash margin.

26.5 The Company has obtained letter of credit facilities aggregating Rs 427 million (2019: Rs 1,050 million) from Bank Al Habib and Soneri Bank Limited. The amount availed on these facilities as at September 30, 2020 is Rs 235 million (2019: Rs 204 million). These facilities are secured by lien on shipping documents.

26.6 The Company has cash finance facility available from various banks aggregating to Rs 2.07 billion (2019: Rs 4.80 billion), out of which Rs 868.5 million (2019: Rs 2.04 billion) has been availed by the Company as at September 30, 2020. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10%.

26.7 The Company has Export Re Finance/Finance Against Pecking Credit (ERF / FAPC) facility from various commercial banks for Rs 2,000 million (2019: Rs 1,200 million), out of which Rs 1,512 million (2019: Rs 955 million) has been availed by the Company as at September 30, 2020. These facilities are secured by the joint parri passu hypothecation charge over current assets of the Company and lien over export documents.

26.8 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.

Commitments

		Note	2020	2019
26.9	The Company has following commitments in respect of:		(Rupees in thousand)	
	Foreign letters of credit for purchase of plant and machinery		5,527	41,231
	Local letter of credit for purchase of plant and machinery		229,510	162,773
	Capital expenditure other than for letters of credit		12,042	2,778

27. Gross sales

	Note	2020	2019
Local		14,419,955	10,778,110
Export	27.1	3,636,015	2,650,059
		18,055,970	13,428,169

27.1 Export sales comprise of the ethanol sales made in the following regions:

	2020	2019
United Arab Emirates	198,614	204,674
Indonesia	500,656	-
Japan	-	890,950
Singapore	333,213	714,268
Spain	146,706	258,136
Hong Kong	126,968	222,294
Switzerland	994,135	247,292
United Kingdom	1,072,121	-
Netherland	204,906	93,548
Tajikistan	-	18,897
Others	58,696	-
	3,636,015	2,650,059

28. Sales tax, other government levies and discounts

	2020	2019
Indirect taxes	2,118,155	995,312
Discounts	8,125	12,146
	2,126,280	1,007,458

29. Cost of sales

	Note	2020	2019
Raw material consumed		10,440,316	7,792,099
Chemicals and stores consumed		333,469	233,928
Salaries, wages and benefits	29.1	564,008	489,775
Power and fuel		97,679	65,424
Repair and maintenance		324,092	280,479
Insurance		14,019	11,503
Depreciation - property, plant and equipment	6.5	780,496	792,634
Depreciation - right of use asset	7.1	3,534	
		12,557,613	9,665,842
Adjustment of work-in-process:			
Opening		9,140	7,783
Closing		(11,624)	(9,140)
		(2,484)	(1,357)
Cost of goods manufactured		12,555,129	9,664,485
Adjustment of finished goods:			
Opening stock		1,715,684	2,234,855
Closing stock		(1,230,375)	(1,715,684)
		485,309	519,171
		13,040,438	10,183,656

29.1 Salaries, wages and benefits include Rs 12.74 million (2019: Rs 11.76 million) in respect of retirement benefits.

		Note	2020	2019
30.	**Selling and distribution expenses**		(Rupees in thousand)	
	Salaries, wages and benefits	30.1	14,303	12,204
	Loading and stacking		31,915	13,963
	Export development surcharge		8,681	6,568
	Freight and other expenses		620,573	311,960
	Depreciation - right of use asset		20,640	-
			696,112	344,695

30.1 Salaries, wages and benefits include Rs 187 thousand (2019: Rs 172 thousand) in respect of retirement benefits.

		Note	2020	2019
31.	**Administrative and general expenses**			
	Salaries, wages and benefits	31.1	354,481	311,620
	Travelling and conveyance		26,203	36,602
	Vehicles running and maintenance		16,688	15,352
	Rent, rates and taxes		2,862	23,297
	Communication		10,206	10,134
	Printing and stationery		7,113	6,923
	Insurance		5,030	3,350
	Repair and maintenance		27,133	22,892
	Fees and subscription		3,693	4,789
	Depreciation - property, plant and equipment	6.5	11,315	34,887
	Depreciation - right of use asset	7.1	64,310	-
	Provision for doubtful advances		2,256	1,499
	Provision for doubtful debts		193	224
	Auditors' remuneration	31.2	2,720	2,710
	Legal and professional charges		7,289	7,105
	Others		39,330	28,219
			580,822	509,603

31.1 Salaries, wages and benefits include Rs 6.54 million (2019: Rs 5.74 million) in respect of retirement benefits.

		2020	2019
31.2	Auditors' remuneration		
	Statutory audit	1,900	1,600
	Half year review	450	400
	Consolidation	200	200
	Group reporting	100	150
	Certification and others	-	300
	Out-of-pocket expenses	70	60
		2,720	2,710

		2020	2019
32.	**Other income**		
	Income from financial assets		
	Return on bank deposits	6,620	6,391
	Income from other than financial assets		
	Sale of press mud - net of sales tax	10,741	2,930
	Sale of fusel oil - net of sales tax	2,301	1,434
	Gain on disposal of operating fixed assets	1,459	5,407
	Seed sales - net of expenses	21,179	11,491
	Scrap sales - net of expenses	45,003	16,164
	Rental income	200	192
		80,883	37,618
		87,503	44,009

33. Other expenses

	Note	2020	2019
		(Rupees in thousand)	
Donations - without directors' interest		666	570
Workers' profit participation and workers welfare obligations		52,583	40,148
		53,249	40,718

34. Finance cost

Mark-up on:		
Long term finances	215,737	212,312
Loans from related parties	45,346	53,908
Short term borrowings	553,134	486,681
	814,217	752,901
Unwinding of interest on lease liabilities	55,189	10,369
Ammortization of deferred government grant	(171)	-
Interest on workers' profit participation	10,817	1,228
Bank charges	5,138	20,842
Exchange loss / (gain) - net	18,711	(35,792)
	903,901	749,548

35. Taxation

Current:		
- for the year	36,360	173,752
- prior year	(47,034)	897
	(10,674)	174,649
Deferred:		
On account of temporary differences	7,230	(116,797)
	(3,444)	57,852

35.1 Reconciliation of taxation with accounting profit

Profit before taxation	742,671	636,500
Tax rate	29%	29%
Tax on profit	215,375	184,585
Tax effect of:		
Lower rate income	82,025	46,145
Deferred tax asset recoginized in respect of prior year temporary differences	(224,987)	(195,785)
Prior year charge	(47,034)	-
Others	(28,823)	22,907
	(3,444)	57,852

36. Earnings per share

Profit after taxation attributable to ordinary shareholders	746,115	578,648
Weighted average number of shares outstanding during the year (No. of shares '000')	28,692	28,692
Earnings per share (Rs)	26.00	20.17

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

37. Segment operating results for the year ended September 30, 2020

	Sugar Division		Ethanol Division		Total	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Sales						
-External Customers	13,419,160	10,112,064	4,636,810	3,316,105	18,055,970	13,428,169
-Inter segment	1,004,832	614,977	-	-	1,004,832	614,977
	14,423,992	10,727,041	4,636,810	3,316,105	19,060,802	14,043,146
Less : sales tax & others	(1,977,012)	(903,905)	(149,268)	(103,553)	(2,126,280)	(1,007,458)
Sales - net	12,446,980	9,823,136	4,487,542	3,212,552	16,934,522	13,035,688
Segment expenses:						
Cost of Sales	(10,097,834)	(8,548,785)	(2,942,604)	(1,634,871)	(13,040,438)	(10,183,656)
less: Inter segment cost	-	-	(1,004,832)	(614,977)	(1,004,832)	(614,977)
	(10,097,834)	(8,548,785)	(3,947,436)	(2,249,848)	(14,045,270)	(10,798,633)
Gross profit	2,349,146	1,274,351	540,106	962,704	2,889,252	2,237,055
Selling and distribution expenses	(167,793)	(38,838)	(528,319)	(305,857)	(696,112)	(344,695)
Administrative and general expenses	(514,658)	(462,784)	(66,164)	(46,819)	(580,822)	(509,603)
	(682,451)	(501,622)	(594,483)	(352,676)	(1,276,934)	(854,298)
Profit from operations	1,666,695	772,729	(54,377)	610,028	1,612,318	1,382,757
Other income	84,995	42,369	2,508	1,640	87,503	44,009
Other expenses	(53,249)	(40,718)	-	-	(53,249)	(40,718)
	31,746	1,651	2,508	1,640	34,254	3,291
Segment results	1,698,441	774,380	(51,869)	611,668	1,646,572	1,386,048
Finance cost					(903,901)	(749,548)
Profit before tax					742,671	636,500
Taxation					3,444	(57,852)
Profit for the year					746,115	578,648

37.1 Segment assets and liabilities

	2020		2019	
	(Rupees in thousand)			
	Assets	Liabilities	Assets	Liabilities
Sugar	9,318,606	2,395,920	9,263,004	3,283,262
Ethanol	5,571,354	3,088,321	4,263,337	2,403,240
Total for reportable segment	14,889,960	5,484,241	13,526,341	5,686,502
Others	-	1,715,195	-	1,518,380
Total assets / liabilities	14,889,960	7,199,436	13,526,341	7,204,882

38 Financial instruments

38.1 Financial assets and liabilities

As at September 30, 2020

Financial assets:	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
	--------------------------Rupees in thousand--------------------------			
Maturity upto one year				
Trade debts	143,049	-	-	143,049
Loans and advances	204,257	-	-	204,257
Trade deposits and other receivables	306,440	-	-	306,440
Cash and bank balances	281,856	-	-	281,856
Maturity after one year				
Long term security deposits	75,904	-	-	75,904
	1,150,660	-	-	1,150,660

Financial liabilities:	Other financial liabilities	Fair value through profit and loss	Total
	--------------------------Rupees in thousand------------------		
Other financial liabilities			
Maturity upto one year			
Trade and other payables	737,297	-	737,297
Unclaimed dividends	10,539	-	10,539
Current maturity of non current liabilities	555,369	-	555,369
Short term running finance	2,419,737	-	2,419,737
Lease liabilities	93,891	-	93,891
Maturity after one year			
Long term finances - secured	1,362,318	-	1,362,318
Loans from related parties - secured	194,325	-	194,325
Lease liabilities	278,846	-	278,846
	5,652,322	-	5,652,322

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	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
	799,755	-	-	799,755

	Other financial liabilities	Fair value through profit and loss	Total
Financial liabilities:		(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 portion of non current liabilities - secured	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
	5,796,198	-	5,796,198

39 Financial risk management

39.1.1 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 recoginises ECL for trade debts using the simplified approach as explained in note 4.23. As per the aforementioned approach, the loss allowance was determined as follows:

	1-180 days	**181-365 days**	**More than 365 days**	**Total**
	---------------------------Rupees in thousand----------------------------			
September 30, 2020				
Gross carrying value	143,265	90	1,639	144,994
Loss allowance	216	90	1,639	1,945
September 30, 2019				
Gross carrying value	57,125	1	1,637	58,763
Loss allowance	113	1	1,637	1,751

ECL on other receivables is calculated using general approach (as explained in note 4.23). 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, 2020 and September 30, 2019 is determined as follows:

	2020	2020
	(Rupees in thousand)	
September 30, 2020		
Gross carrying value	204,257	216,384
Loss allowance	3,755	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	2020	2019
		(Rupees in thousand)	
Counterparties without external credit rating			
Trade debts		143,049	57,011
Loans and advances		204,257	216,384
Trade deposits and other receivables		306,440	307,345
		653,746	580,740
Counterparties with external credit rating			
Bank balances			
	A-1+	281,280	200,843
	A-1	577	3,088
		281,857	203,931

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, 2020					
Long term finance - secured	1,866,689	1,866,689	504,371	1,362,318	-
Loans from related parties	245,323	245,323	50,998	194,325	-
Lease liabilities	389,553	480,050	135,366	344,684	-
Trade and other payables	737,297	737,297	737,297	-	-
Unclaimed dividend	10,539	10,539	10,539	-	-
Short term running finance	2,419,737	2,419,737	2,419,737	-	-
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	337,023	-
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	-	-
Short term running finance	3,100,942	3,100,942	3,100,942	-	-

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 43.78 million (2019: Rs 57.03 million) which were subject to currency risk.

	2020	2019
Rupees per USD		
Average rate	161.03	140.28
Reporting date rate	165.70	156.37

Sensitivity analysis

As at September 30, 2020, 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 3.1 million (2019: Rs 4.04 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 9.02 million (2019: Rs 13.23 million) and Rs 4,852 million (2019: Rs 5,342 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, 2020, if interest rates had been 1% higher/ lower with all other variables held constant, profit after tax for the year would have been Rs 34.39 million (2019: Rs 37.84 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.

39.1.2 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:

	2020	2019
	(Rupees in thousand)	
Long term finances - secured	1,866,689	1,806,828
Loans from related parties - secured	245,323	385,271
Lease liabilities	389,553	136,472
Trade and other payables	942,856	688,982
Short term running finance	2,419,737	3,100,942
Less: cash and cash equivalents	(281,856)	(203,931)
Net debt	5,582,302	5,914,564
Issued, subscribed and paid-up capital	286,920	286,920
Capital reserve	327,000	327,000
Revenue reserve	2,853,561	1,994,085
Total capital	3,467,481	2,608,005
Capital and net debt	9,049,783	8,522,569
Gearing ratio	62%	69%

40 Fair value of financial assets and liabilities

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

40.1 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, 2020. 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 revalued property, plant and equipment has been derived using the current market price or depreciated replacement cost method. 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.

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

	Liabilities						Total
	Long term finance	Loans from related parties	Lease liabilities	Accrued Markup	Short term running finance	Unclaimed dividend	
	-----------Rupees in thousand-----------						
Balance at October 1, 2019	1,736,387	368,259	136,472	190,402	955,001	8,688	3,395,209
Cash flows	102,639	(149,696)	(105,576)	(985,860)	1,006,999	(141,609)	(273,103)
Acquisition - finance lease	-	-	341,841	-	-	-	341,841
Other non-cash movements	(14,693)	-	-	903,901	-	143,460	1,032,668
Balance at September 30, 2020	1,824,333	218,563	372,737	108,443	1,962,000	10,539	4,496,615

42. Transactions and balances with related parties

42.1 The Premier Sugar Mills & Distillery Company Limited holds 47.93% (2019: 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.

	2020	2019
	(Rupees in thousand)	
The Premier Sugar Mills and Distillery Company Limited		
Purchases	107,595	27,007
Sales	305,474	11,910
Mark-up charged	21,415	30,140
Expenses paid by the Company	34,393	108,284
Expenses paid on behalf of the Company	17,880	15,307
Dividend paid	68,755	20,627
Rent expense	20,790	19,800
Rent income	115	192
Syntronics Limited		
Purchase of store items	90,640	943
Sales	208	-
Dividend paid	17,952	5,386
Syntron Limited		
Purchase of store items	84,281	122,499
Azlak Enterprises (Private) Limited		
Services on behalf of the Company	29,670	27,030
Mark-up charged	10,468	10,069
Expenses paid on behalf of the Company	3,679	2,052
Dividend paid	7,314	2,194

	2020	2019
	(Rupees in thousand)	
Phipson & Company Pakistan (Private) Limited		
Expenses paid by the Company	138	-
Dividend paid	1,538	461
Arpak International Investments Limited		
Markup charged	5,388	5,482
Premier Board Mills Limited		
Markup charged	8,076	8,217
Whole Foods (Pvt.) Limited		
Expenses paid by the Company	55,001	28,643
Funds transferred	100,000	45,000
Provident fund		
Contribution to provident fund	16,476	15,175

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	Common directorship	-
3	Azlak Enterprises (Private) Limited	Common directorship	5.10%
4	Arpak International Investments Limited	Common directorship	-
5	Phipson & Company Pakistan (Private) Limited	Common Holding Company	1.07%
6	Syntronics Limited	Common directorship	12.51%
7	The Frontier Sugar Mills & Distillery Limited	Common directorship	-
8	Syntron Limited	Common directorship	-
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	
	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)					
Managerial remuneration	12,000	12,000	24,000	8,000	27,794	26,066
Bonus	-	3,000	750	-	8,690	7,104
Housing and utilities	2,366	-	7,396	-	18,529	17,377
Company's contribution to provident fund	-	-	-	-	2,275	1,686
Medical	416	1,546	599	1,560	534	473
Other expenses	2,482	-	8,437	23,229	-	-
	17,264	16,546	41,182	32,789	57,822	52,706
Number of persons	1	1	3	3	15	15

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

	2020	2019
Sugar plants		
Rated crushing capacity (Metric Ton / day)	18,000	18,000
On the basis of average number of 107 days (2019: 98 days)	1,926,000	1,764,000
Actual cane crushed (Metric Ton)	1,432,075	1,562,413
Sugar produced (Metric Ton)	151,013	166,252
Ethanol fuel plant		
Rated production capacity (Litres / day)	125,000	125,000
On the basis of average number of 354 days (2019: 355 days) (Litres)	44,250,000	44,375,000
Actual production (Litres)	43,462,330	43,260,426
Days worked	Days	
Sugar - unit I	103	97
Sugar - unit II	111	99
Ethanol fuel plant	354	355

Reasons for Shortfall

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

44.3 Number of employees

	2020	2019
Number of employees at September 30		
Permanent	926	914
Contractual	1,027	941
	1,953	1,855
Average number of employees for the year		
Permanent	924	913
Contractual	1,287	1,290
	2,211	2,203

44.4 Provident Fund

Details of the provident funds based on audited financial statements for the year ended September 30, 2020 are as follows:

	2020	2019
	(Rupees in thousand)	
Staff provident fund		
Size of the fund	167,206	135,063
Cost of investment made	156,961	110,369
Fair value of investment made	163,747	132,465
	%	%
Percentage of investment made	93.87	81.72

	2020		2019	
	Rupees '000'	%	Rupees '000'	%
Breakup of investment - at cost				
Term deposit	156,900	99.96	108,400	98.22
Bank deposits	61	0.04	1,969	1.78
	156,961	100.00	110,369	100.00

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

44.5 Rounding off

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

45. Impact of COVID-19 on the financial statements

The spread of COVID - 19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. However, the operations are resuming as per relaxation given by the Authorities. Accordingly, as of the date of these financial statements, management believes there do not exist any particular material adverse impact to the Company's financial conditions and results of its operations. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

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

The Board of Directors in its meeting held on February 01, 2021 has proposed a final cash dividend for the year ended September 30, 2020 @ Rs. 5 per ordinary share (2019 @ Rs. 5 per ordinary share), amounting to Rs 143,460 thousand (2019: Rs 143,460 thousand) for approval of the members in the annual general meeting to be held on February 25, 2021.

47. Date of authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on February 01, 2021.

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

annual report

2020

CHASHMA SUGAR MILLS LIMITED
CONSOLADITED FINANCIAL STATEMENTS

pwc

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, 2020, 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, 2020 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Following are the Key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
i)	**Revaluation of property, plant and equipment** *(Refer note 18 to the financial statements)* Under the International Accounting Standards 16 “Property, Plant and Equipment”, the management carries its freehold land, building & roads and plant & machinery under revaluation model. Under the said model, if fair value can be measured reliably, an entity may carry all items of property, plant and equipment of a class at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses; if any. As at September 30, 2020, the carrying value of free hold land, buildings & roads and plant & machinery was Rs 9,248 million. The fair value of the Group’s free hold land, buildings & roads and plant & machinery were assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2020. For valuation of free hold land, buildings & roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar free hold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations. We identified valuation of property, plant and equipment as a key audit matter due to the significant carrying value and the significant management judgement and estimation involved in determining their value due to factors described above.	Our audit procedures amongst others, included the following: - Evaluated the competence, capabilities and objectivity of the independent external property valuation expert engaged by the management as management expert for valuation; - Obtained understanding of the valuation process and techniques adopted by the valuation expert to assess reasonableness of the report; - Obtained the valuation report of external valuation expert and tested mathematical accuracy of the report; - Assessed, with the assistance of our valuer as auditor’s expert, the appropriateness and the reasonableness of the related assumptions and methodologies used by the management expert; and - Assessed the adequacy of the related disclosures in the annexed financial statements.

S.No.	Key audit matters	How the matter was addressed in our audit
ii)	**First time adoption of IFRS 16 "Leases"** *(Refer note 3.1 to the financial statements)* IFRS 16 "Leases" became applicable to the Group for the first time for the preparation of these financial statements. IFRS 16 "Leases" replaced IAS 17 "Leases", the former lease accounting standard. Accordingly, the management has adopted the standard with effect from October 1, 2019. Under IFRS 16, assets leased by the Group are recognized on the statement of financial position of the Group with corresponding liabilities. Accordingly, the management has recorded right of use assets of Rs. 379.005 million with equivalent lease liabilities as at October 1, 2019 under the allowed modified retrospective approach for the transition accounting. The application of the new standard requires management to identify and process all relevant data associated with the lease contracts entered into by the Group. The measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms, including termination and renewal options. We considered this as key audit matter due to the significance of the amounts involved and significant judgments made by management in this respect.	Our audit procedures amongst others, included the following: - Understood the management's process for identification of agreements which contain leasing arrangements; - Assessed the appropriateness of the updated accounting policy and policy elections made in accordance with IFRS 16; - Inspected a sample of contracts for identification of leases and corroborated related computations; - Checked the appropriateness of assumptions used by the management to determine the discount rates, lease term, termination and renewal options; - Recalculated the right-of-use assets and lease liabilities calculated by the management on a sample basis; and - Assessed the adequacy of the related disclosures of the impact of the new standard in the annexed financial statements.

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 annual 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: February 01, 2021

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
NON CURRENT ASSETS			
Property, plant and equipment	6	10,449,980	9,536,212
Right-of-use assets	7	395,099	-
Long term deposits		15,058	15,084
		10,860,137	9,551,296
CURRENT ASSETS			
Stores and spares	8	502,275	469,712
Stock-in-trade	9	1,241,999	1,724,824
Trade debts	10	143,049	57,011
Loans and advances	11	1,455,609	1,283,676
Trade deposits and other receivables	12	339,966	387,458
Income tax refundable	13	298,767	-
Cash and bank balances	14	292,152	228,648
		4,273,817	4,151,329
TOTAL ASSETS		15,133,954	13,702,625
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		2,833,119	1,985,055
Surplus on revaluation of property, plant and equipment	16	4,223,043	3,713,454
Shareholders' equity		7,670,082	6,312,429
NON-CURRENT LIABILITIES			
Long term finances - secured	17	1,515,175	1,312,000
Loans from related parties - secured	18	219,325	337,023
Lease liabilities	19	278,846	94,970
Deferred liabilities	20	1,367,510	1,078,582
		3,380,856	2,822,575
CURRENT LIABILITIES			
Trade and other payables	21	958,721	705,196
Unclaimed dividend		10,539	8,688
Short term running finance	22	2,419,737	3,100,942
Current maturity of non-current liabilities	23	694,019	743,051
Provision for taxation - net		-	9,744
		4,083,016	4,567,621
TOTAL LIABILITIES		7,463,872	7,390,196
Contingencies and commitments	24		
TOTAL EQUITY AND LIABILITIES		15,133,954	13,702,625

The annexed notes 1 to 45 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, 2020

	Note	2020	2019
		(Rupees in thousand)	
Gross sales	25	18,055,970	13,428,169
Sales tax, other government levies and discounts	26	(2,126,280)	(1,007,458)
Sales - net		15,929,690	12,420,711
Cost of sales	27	(13,040,438)	(10,183,656)
Gross profit		2,889,252	2,237,055
Selling and distribution expenses	28	(696,112)	(344,695)
Administrative and general expenses	29	(592,215)	(517,163)
Other income	30	87,503	44,009
Other expenses	31	(53,249)	(40,718)
Operating profit		1,635,179	1,378,488
Finance cost	32	(903,920)	(749,548)
Profit before taxation		731,259	628,940
Taxation	33	3,444	(57,852)
Profit for the year		734,703	571,088
Earnings per share - basic and diluted (Rs)	34	25.61	19.90

The annexed notes 1 to 45 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, 2020

	Note	2020	2019
		(Rupees in thousand)	
Profit for the year		734,703	571,088
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement (loss) / gain on staff retirement benefit plans	20.2.5	(460)	312
Less: Deferred tax on remeasurement gain / (loss) on staff retirement benefit plans		133	(90)
		(327)	222
Surplus on revaluation of property, plant and equipment		1,026,555	-
Less: Deferred tax on surplus on revaluation of property, plant and equipment		(259,818)	(19,855)
		766,737	(19,855)
Total comprehensive income for the year		1,501,113	551,455

The annexed notes 1 to 45 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, 2020

	Share capital	General reserve	Unappropriated profits	Surplus on revaluation of property, plant and equipment	Total
	----------	----------	Rupees in thousand	----------	----------
Balance as at October 1, 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)	-
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
Total comprehensive income for the year ended September 30, 2020					
Income for the year	-	-	734,703	-	734,703
Other comprehensive income for the year	-	-	(327)	766,737	766,410
	-	-	734,376	766,737	1,501,113
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred taxation	-	-	257,148	(257,148)	-
Cash dividend at rate of Rs 5.00 per ordinary share for the year ended September 30, 2019	-	-	(143,460)	-	(143,460)
Balance as at September 30, 2020	**286,920**	**327,000**	**2,833,119**	**4,223,043**	**7,670,082**

The annexed notes 1 to 45 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, 2020

	Note	2020	2019
		(Rupees in thousand)	
Cash flow from operating activities			
Profit for the year - before taxation		731,259	628,940
Adjustments for non-cash items:			
Depreciation - Property, plant and equipment		880,607	827,611
Gain on sale of operating fixed assets		(1,459)	(5,407)
Profit on deposit accounts		(6,620)	-
Finance cost		903,920	771,228
Provision for doubtful debts		193	224
Provision for doubtful advances		2,256	1,499
Provision for gratuity		3,128	2,500
		2,513,284	2,226,595
Changes in working capital			
Decrease / (Increase) in			
stores and spares		(32,563)	(127,010)
stock-in-trade		482,825	517,814
trade debts		(86,231)	161,891
loans and advances		(174,189)	(989,016)
trade deposits and other receivables		47,492	440,748
Increase / (Decrease) in trade and other payables		253,525	(7,613)
		490,859	(3,186)
		3,004,143	2,223,409
Income tax paid		(297,841)	(131,188)
Gratuity paid		(539)	(3,231)
Net cash generated from operating activities		2,705,763	2,088,990
Cash flow from investing activities			
Purchase of property, plant and equipment		(825,999)	(807,999)
Sale proceeds from disposal of fixed assets		6,379	12,458
Increase in long term deposits and other receivables		26	(1,226)
Profits on bank deposits received		6,620	-
Net cash used in investing activities		(812,974)	(796,767)
Cash flow from financing activities			
Long term finances received / (repaid)		142,969	147,073
Short term loan received / (repaid)		1,006,999	(3,999)
Loan (repaid) / received to related party		(124,696)	9,015
Lease obligation repaid		(105,576)	(47,695)
Dividends paid		(141,609)	(42,340)
Finance cost paid		(982,790)	(700,227)
Net cash used in financing activities		(204,703)	(638,173)
Net increase in cash and cash equivalents		1,688,086	654,050
Cash and cash equivalents - at beginning of the year		(1,814,344)	(2,468,394)
Cash and cash equivalents - at end of the year		(126,258)	(1,814,344)
Cash and cash equivalents comprised of:			
Cash and bank balances	14	292,152	228,648
Short term running finance - secured	22	(418,410)	(2,042,992)
		(126,258)	(1,814,344)

The annexed notes 1 to 45 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, 2020

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 (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 (the Subsidiary) 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. The Subsidiary is yet to commence its operations.

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Changes in accounting standards, interpretations and pronouncements

3.1 Adoption of IFRS 16 "Leases"

IFRS 16 “Leases” replaced IAS 17 “Leases”, the former lease accounting standard and became effective on annual reporting periods beginning on or after January 1, 2019. Accordingly the Group has adopted the standard from October 1, 2019. Under the new lease standard assets leased by the Group are being recognized on the statement of financial position of the Group with corresponding liabilities. As a rule, lease expenses are no longer recorded in the statement of profit or loss. Instead, new depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities.

In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liabilities are presented in the cash flow from operating activities. 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 the net assets as of October 1, 2019 and accordingly the comparatives are not restated. The Group has performed an assessment of IFRS 16 and the impact on its adoption is as follows:

The change in accounting policy affected the classification of following items in the statement of financial position with effect from October 1, 2019:

	As originally presented	Impact of IFRS 16	Restated
	(Rupees in thousand)		
Non-current Assets:			
Property, plant and equipment			
Leased vehicles	146,591	(146,591)	-
Right of use asset	-	379,005	379,005
	146,591	232,414	379,005
Current Assets:			
Short-term prepayments	1,200	(1,200)	-
	147,791	231,214	379,005
Non-current Liabilities			
Lease liabilities	(94,970)	(27,961)	(122,931)
Current Liabilities			
Lease liabilities	(41,502)	(203,253)	(244,755)
	(136,472)	(231,214)	(367,686)
	11,319	-	11,319

The Group, as a lessee, recognizes right of use assets and lease liabilities on the lease commencement date.

Upon initial recognition the right of use assets are measured as the amount equal to initially measured lease liabilities adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use assets are measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right of use assets or the lease term.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate or interest rate implicit in lease as of October 1, 2019. The incremental borrowing rates / interest rates implicit in lease used for discounting the future lease payments ranges from 6.64% to 15.58% per annum. Subsequently the lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period;
- Modifications to the lease contract; or
- Reassessment of the lease term.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Transition

The Group adopted IFRS 16 from October 1, 2019 using the modified retrospective approach.

The Group used the following practical expedients upon adoption of IFRS 16 on its effective date:

- the use of hindsight in determining the lease term where contract contains option to extend or terminate the lease and;

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- A single discount rate is applied to all leases with reasonably similar characteristics as permitted.

Significant judgements upon adoption of IFRS 16

IFRS 16 requires the Group to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Group's lease portfolio includes lease contracts which are extendable through mutual agreement between the Group and the lessor or lease contracts which are cancelable by the Group on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Group concluded that these cancellable future lease periods should be included within the lease term in determining the lease liabilities upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased assets and lease contracts.

The Group's leasing activities and how these are accounted for

The Company has obtained leased cars for its employees and machinery for its own use. The lease period for these leases ranges from 3 to 4 years. Previously these were classified under property, plant and equipment as leasehold vehicles. On adoption of IFRS 16, these have been reclassified to right of use assets.

The Company has also leased offices for administrative purposes which were previously recorded as operating lease under IAS 17. The lease period for these leases ranges from 3 to 6 years. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the respective leases. Considering the related agreement terms and the requirements of the IFRS 16, the Company has capitalized these as right to use assets with corresponding lease liabilities by discounting the lease rentals to be paid over lease term from October 1, 2019 using the Company's incremental borrowing rate.
Lease liabilities and right of use assets recognized are as follows:

Lease liabilities recognized as at October 1, 2019	(Rupees in thousand)
Of which are:	
Current lease liabilities	27,961
Non-current lease liabilities	203,253
	231,214

The following summary reconciles the Group's operating leases at September 30, 2019 to the lease liabilities recognized on initial application of IFRS 16 at October 1, 2019.

	(Rupees in thousand)
Reconciliation of operating lease commitments with the lease liabilities as at October 1, 2019	
Operating leases as at September 30, 2019	146,042
Increase in lease commitments of cancellable leases included in reasonably certain lease term	199,027
Total undiscounted lease payments which are reasonably certain	345,069
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(113,855)
Lease liabilities recognized as at October 1, 2019	231,214

The recognized ROU assets relate to following type of assets:

	2020	2019
	(Rupees in thousand)	
Vehicles	146,591	-
Building	232,414	-
Total right-of-use assets	379,005	-

The statement of profit or loss account shows the following amounts relating to leases:

	2020
	(Rupees in thousand)
Interest expense on lease liabilities	33,336
Expense related to short term leases	-

The changes laid down by other standards effective during the period have no significant impact on these financial statements of the Group.

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
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IAS 41	Agriculture (Amendments)	January 1, 2020
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IFRS 4	Insurance Contracts (Amendments)	January 1, 2023
IFRS 7	Financial Instruments : Disclosures (Amendments)	January 1, 2020
IFRS 9	Financial Instruments (Amendments)	January 1, 2020
IFRS 16	Leases (Amendments)	June 1, 2020
IASB	Conceptual Framework for Financial Reporting (Revised)	January 1, 2020

The management anticipates that, except as stated below, adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

3.3 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 17	Insurance Contracts

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

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.

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 Group.

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 Group.

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.

4.2 Property, plant and equipment

Owned assets

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 revaluations periodically, considering the change in circumstances and assumptions from latest revaluation. 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.

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 6.1. Depreciation for factory assets is charged to cost of sales while depreciation for other property, plant and equipment is charged to administrative and general expenses and selling and distribution expenses on actual usage basis.

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 as other income in statement of profit or loss account for the year.

4.3 Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease i.e. the date the underlying assets are available for use. Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities except plant and machinery for which the Group has elected to use the revaluation model.

The cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying assets' useful life.

4.4 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortization or depreciation and are tested annually for impairment. Assets that are subject to depreciation/ amortization 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 recognized 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 amortization, if no impairment loss has been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss account.

4.5 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.

4.6 Stock-in-trade

Sugar and Ethanol are stated at the lower of cost and net realizable 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.

Purchased molasses is stated at lower of cost and net realizable value whereas cost of own produced molasses, a by product, is determined on the basis of average cost of molasses purchased from third parties.

Net realizable 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.

4.7 Trade debts

Trade debts are recognized and carried at the original invoice amounts, being the fair value, less an allowance for uncollectible amounts, if any. As explained in note 4.22 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.

4.8 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.

4.9 Borrowings and borrowing cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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.

4.10 Employee retirement benefits

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

4.10.1 Defined contribution plan

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

4.10.2 Defined benefit plan

The Group 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, 2020.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the year in which they arise. Past service costs are recognized immediately in profit or loss.

4.11 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable under a residual value guarantee; and
d) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

4.12 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.

4.13 Provisions

Provisions are recognized 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.

4.14 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 recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(ii) Deferred

Deferred income tax is recognized 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 recognized for all taxable temporary differences. Deferred tax asset is recognized 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 utilized.

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

4.15 Dividend and revenue reserve appropriation

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

4.16 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.

4.17 Revenue recognition

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 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 the customer and excludes sales tax / government levies and amounts collected on behalf of third parties. Revenue is presented net of discounts, rebates and returns.

4.18 Development expenditure

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

4.19 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.

4.20 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.

4.21 Deferred government grant

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant includes any benefit earned on account of a government loan obtained at below-market rate of interest. The loan is recognized and measured in accordance with IFRS 9 "Financial Instruments". The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Government grant that has been awarded for the purpose of giving immediate financial support to the Group is recognized in profit or loss of the period in which the entity qualifies to receive it.

4.22 Financial instruments

Financial instruments 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

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 Group'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 recognized on trade-date, the date on which the Group commit to purchase or sell the asset. Further financial assets are derecognized 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:

i) Amortized 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 amortized 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 recognized 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.

ii) 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 recognized in statement of profit or loss account. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit or loss account and recognized 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.

iii) Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized 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 recognized in statement of profit or loss account as other income when the Group's right to receive payments is established.

Impairment of financial assets

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 amortized 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 and other receivables
- Cash and bank balances

i) General approach for loans and advances, trade deposits 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 recognized when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognized 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 reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

ii) Simplified approach for trade debts

The Group recognizes 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; and
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts with individually significant 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.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 recognized 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:

i) 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.

ii) Other financial liabilities

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

Derecognition of financial liabilities

The Group derecognizes 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.23 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

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.

4.24 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. 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 Group'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

The Group annually reviews appropriateness of the method of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. Any change in these estimates in the future, might affect the carrying amount of the respective item of property and equipment, with a corresponding effect on the depreciation and impairment.

ii) Surplus on revaluation of property, plant and equipment - note 4.2

The Group carries out revaluations, considering the change in circumstances and assumptions from latest revalutaion. The fair value of the Group's free hold land, buildings & roads and plant & machinery is assessed by management based on independent valuation performed by an external property valuation expert as at year end. For valuation of free hold land, buildings & roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar free hold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations.

iii) Provision for stores and spares - note 4.5

For items which are slow-moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value on a regular basis. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

iv) Write down of stock in trade to net realizable value - note 4.6

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the unconsolidated financial statements for obsolete and slow moving stock-in-trade based on management estimate.

v) Estimation of impairment loss allowance - note 4.7

The Group reviews the Expected Credit Loss (ECL) model which is based on the historical credit loss experience over the life of the trade receivables and adjusted if required. The ECL model is reviewed on a quarterly basis.

vi) Provision for employees’ defined benefit plans - note 4.10

Defined benefit plans are provided for all employees of the Group. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually.

Cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the net liability/(asset) in respect of employee's service in previous years. Calculations are sensitive to changes in the underlying assumptions.

vii) Provision for current and deferred tax - note 4.14

In making the estimate for tax payable, the Group takes into account applicable tax laws, the decisions taken by the appellate authorities on certain issues in the past and professional advice of tax consultant of the Group.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

viii) Provisions and contingencies - notes 4.13 and 24

The management exercises judgement in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

ix) Estimation of lease term and incremental borrowing rate for lease liabilities and right of use assets - notes 3.1, 4.3 and 4.11.

IFRS 16 requires the Group to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Group’s lease portfolio includes lease contracts which are extendable through mutual agreement between the Group and the lessor or lease contracts which are cancelable by the Group on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Group concluded that these cancelable future lease periods should be included within the lease term in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts and after consideration of business plan of the Group which incorporates economic, potential demand of customers and technological changes.

	Note	2020	2019
		(Rupees in thousand)	
6. Property, plant and equipment			
Operating fixed assets	6.1	9,629,242	9,119,317
Capital work-in-progress	6.6	820,738	416,895
		10,449,980	9,536,212

6.1 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, 2018										
Cost / 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										
Cost	-	-	(3,000)	-	-	-	-	(19,416)	-	(22,416)
Accumulated 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 October 1, 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
Year ended September 30, 2020										
Opening 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
Impact of adoption of IFRS 16 - note 3.1	-	-	-	-	-	-	-	-	(146,591)	(146,591)
Additions	-	51,521	307,042	37,016	14,465	672	6,025	5,414	-	422,155
Disposals / Adjustments										
Cost	(597)	-		-	-	-	-	(11,399)	-	(11,996)
Depreciation	-	-	-	-	-	-	-	7,076	-	7,076
	(597)	-	-	-	-	-	-	(4,323)	-	(4,920)
Transfers from right of use assets to owned										
Cost	-	-	-	-	-	-	-	13,667		13,667
Depreciation	-	-	-	-	-	-	-	(8,818)		(8,818)
	-	-	-	-	-	-	-	4,849	-	4,849
Depreciation charge	-	(158,993)	(592,133)	(29,401)	(5,293)	(45)	(2,447)	(3,811)	-	(792,123)
Revaluation adjustments:										
Cost or valuation	130,632	-	-	-	-	-	-	-	-	130,632
Depreciation	-	168,214	727,709	-	-	-	-	-	-	895,923
	130,632	168,214	727,709	-	-	-	-	-	-	1,026,555
Closing net book value	1,438,789	1,624,615	6,184,844	280,850	56,285	992	25,544	17,323	-	9,629,242
As at September 30, 2020										
Cost or revalued amount	1,438,789	1,775,616	7,325,793	520,449	96,989	1,619	48,481	57,178	-	11,264,914
Accumulated depreciation	-	(151,001)	(1,140,949)	(239,599)	(40,704)	(627)	(22,937)	(39,855)	-	(1,635,672)
Net book value	1,438,789	1,624,615	6,184,844	280,850	56,285	992	25,544	17,323	-	9,629,242
Annual rate of depreciation (%)	-	10	10	10	10	10	10	20	20	

6.2 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:

	2020	2019
	(Rupees in thousand)	
Freehold land	166,182	139,816
Buildings & roads	704,570	728,514
Plant & machinery	2,949,338	2,955,784
	3,820,090	3,824,114

6.3 Forced sales value of the fixed assets based on valuation conducted during 2020 and comparative figures are for valuation conducted during 2018, were as follows:

Freehold land	1,221,491	1,088,159
Buildings & roads	1,325,732	1,332,822
Plant & machinery	4,681,417	4,358,148
	7,228,640	6,779,129

6.4 Particulars of immovable property (i.e. land and building) in the name of 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	1,490.15	144.72
Layyah and Bhakkar	Storage facility	32.00	2.21

6.5 Depreciation for the year has been allocated as follows:

Cost of sales	27	780,496	792,634
Administrative and general expenses	29	11,627	34,977
		792,123	827,611

6.6 Capital work-in-progress:

	Buildings on freehold land	Plant and machinery	Electric installations	Office equipments	Owned vehicles	Vehicles - leased	Plant and machinery - leased	Advance payments to Contractors	Total
	Rupees in thousand								
As at October 1, 2018	90,641	330,344	36,717	-	-	9,701	-	5,580	472,983
Additions during the year	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
As at October 1, 2019	102,298	212,080	11,901	6,557	-	12,716	35,416	35,927	416,895
Additions during the year	173,605	610,143	54,494	11,157	6,528	55,831	25,164	31,197	968,119
Capitalized during the year	(51,337)	(307,042)	(36,728)	-	(5,414)	(48,847)	(60,580)	-	(509,948)
Other adjustments	-	-	-	-	-	-	-	(54,328)	(54,328)
Balance as at September 30, 2020	224,566	515,180	29,667	17,714	1,114	19,700	-	12,796	820,738

7. Right of Use Assets

	2020 Rupees in thousand				2019 Rupees in thousand			
	Vehicles	Plant and Machinery	Building and tanks	Total	Vehicles	Plant and Machinery	Building and tanks	Total
Impact of adoption of IFRS 16 as at October 1, 2019								
Cost	216,270	-	232,414	448,684	-	-	-	-
Accumulated depreciation	(69,679)	-	-	(69,679)	-	-	-	-
Net book value	146,591	-	232,414	379,005	-	-	-	-
Additions	48,847	60,580	-	109,427	-	-	-	-
Transferred to owned assets					-	-	-	
Cost	(13,667)	-	-	(13,667)	-	-	-	-
Accumulated depreciation	8,818	-	-	8,818	-	-	-	-
Net book value	(4,849)	-	-	(4,849)	-	-	-	-
Depreciation charge	(34,814)	(3,534)	(50,136)	(88,484)	-	-	-	-
Closing net book value	155,775	57,046	414,692	395,099	-	-	-	-
Annual rate of depreciation (%)	20	10	20-50		-	-	-	
As at September 30								
Cost or revalued amount	251,450	60,580	232,414	544,444	-	-	-	-
Accumulated depreciation	(95,675)	(3,534)	(50,136)	(149,345)	-	-	-	-
Net book value	155,775	57,046	182,278	395,099	-	-	-	-

7.1 Depreciation for the year has been allocated as follows:

	Note	2020 (Rupees in thousand)	2019
Cost of sales	27	3,534	-
Selling and distribution expenses	28	20,640	-
Administrative and general expenses	29	64,310	-
		88,484	-

	Note	2020	2019
		(Rupees in thousand)	

8. Stores and spares

	Note	2020	2019
Stores and spares		538,223	505,660
Less: Provision for obsolete items		(35,948)	(35,948)
		502,275	469,712

9. Stock-in-trade

	Note	2020	2019
Finished goods			
- Sugar		278,876	1,384,164
- Molasses		701,352	220,572
- Ethanol		250,147	110,948
		1,230,375	1,715,684
Work-in-process		11,624	9,140
	9.1	1,241,999	1,724,824

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

10. Trade debts - unsecured

	Note	2020	2019
Considered good	10.1	143,049	57,011
Considered doubtful		1,945	1,752
		144,994	58,763
Less: loss allowance	10.2	(1,945)	(1,752)
		143,049	57,011

10.1 Trade debts includes amount relating to export sales to United Arab Emirates and Karachi Export Processing Zone amounting to Rs 23.028 million and Rs 11.876 million respectively (2019: United Arab Emirates and Netherlands amounting to Rs 44.303 million and Rs 12.731 million respectively).

10.2 Movement in loss allowance

	Note	2020	2019
Opening balance		1,752	-
ECL for the year		193	1,752
Closing Balance		1,945	1,752

11. Loans and advances

	Note	2020	2019
Advances to:			
Employees - secured	11.1	7,019	3,602
Suppliers and contractors - unsecured		1,180,198	999,250
		1,187,217	1,002,852
Due from holding company	11.2	65,947	107,157
Letters of credit		235,038	204,004
		1,488,202	1,314,013
Less:			
- Provision for doubtful advances		(28,838)	(28,838)
- Loss allowance	11.3	(3,755)	(1,499)
		1,455,609	1,283,676

11.1 These include balances of Rs 6,675 thousand secured against retirement benefits of respective employees.

11.2 This represents amounts due from the associated companies:

	Note	2020	2019
		(Rupees in thousand)	
Due from holding company:			
The Premier Sugar Mills and Distillery Company Limited		65,947	107,157

Maximum aggregate amount outstanding in respect of related parties at any month-end during the year was Rs 65.95 million (2019: Rs 107.16 million).

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

	2020	2019
0 to 6 months	65,947	107,157

11.3 Movement in loss allowance

	2020	2019
Opening balance	1,499	-
ECL for the year	2,256	1,499
Closing balance	3,755	1,499

12. Trade deposits and other receivables

	2020	2019
Deposits	2,480	33
Prepayments	4,745	5,099
Export subsidy receivable	305,519	305,519
Sales tax	7,640	46,254
Guarantees issued	19,000	19,000
Letter of credit	-	9,726
Others	582	1,827
	339,966	387,458

13. Income tax refundable

Income tax refundable is net of provision for taxation.

14. Cash and bank balances

	Note	2020	2019
At banks in			
Current accounts	14.1	283,129	215,423
Savings accounts	14.2	8,520	10,545
Deposit accounts	14.3	503	2,680
		292,152	228,648

14.1 These include dividend account balance of Rs 1.177 million (2019: Rs 0.303 million). These balances are maintained in separate non interest bearing current bank accounts.

14.2 These carry profit at the rates ranging from 5.50% to 11.25% (2019: 3.25% to 11.25%) per annum.

14.3 Lien is marked on bank balances for an amount of Rs 4 million (2019: Rs 8.17 million) in respect of the various guarantees extended by the banks.

15. Share capital

15.1 Authorised share capital

2020	2019		2020	2019
(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

2020	2019		2020	2019
(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 (2019: 13,751,000) ordinary shares and the associated companies held 5,360,834 (2019: 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 the Company's free hold land, buildings & roads and plant & machinery were assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2020. For valuation of free hold land, buildings & roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar free hold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations. Movement during the year is as follows:

Balance at the beginning of the year	4,763,774	5,166,196
Add: surplus on revaluation carried-out during the year	1,026,555	-
Less: transferred to unappropriated profits on account of incremental depreciation for the year	(362,180)	(402,422)
	5,428,149	4,763,774
Less: deferred tax on:		
- opening balance of surplus	1,050,320	1,147,167
- surplus during the year	259,818	-
- incremental depreciation for the year	(105,032)	(116,702)
- others	-	19,855
	1,205,106	1,050,320
Balance at the end of the year	4,223,043	3,713,454

17. Long term finances - secured

Lending Institutions	Interest rate (per annum)	Total available facility	Long-term portion	Current portion	Total outstanding amount	Total outstanding amount	Collateral
		September 30, 2020				September 30, 2019	
		(Rupees in thousand)					
Loans from banking companies							
Bank Al Habib Limited	- 6 month KIBOR + 1% to 1.5 %; and - SBP rate + 1%	605,617	225,895	146,936	372,831	297,710	- Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 933.33 million. - Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 266.667 to 666.667 million.
Soneri Bank Limited	- 3 month KIBOR + 1% to 1.75 %; - 6 month KIBOR + 1.5; and - 6%	1,645,000	830,934	87,326	918,260	538,852	- 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. - Secured by way of first charge of Rs 334 million over all the present and future fixed assets of the Subsidary and first hypothecation charge over plant and machinery. Further, the facility is also secured by way of equitable mortgage of Rs.8 million on 16 kanal agricultural land in Bhakkar and of Rs.5.6 million on 16 kanal agricultural land in Layyah.
The Bank of Punjab	6 month KIBOR + 1.3 %	500,000	-	14,100	14,100	103,166	Secured against first joint pari passu charge on present and future fixed assets of the Group for Rs 666.667million.
Dubai Islamic Bank Pakistan Limited	6 month KIBOR + 2 %	1,000,000	292,480	194,986	487,466	682,452	Secured against pari passu hypothecation charge over all fixed assets of the Group for Rs. 1.33 billion.
MCB Bank Limited	3 month KIBOR + 1.10 %	306,000	191,821	57,292	249,113	291,313	Secured against ranking charge of Rs.438 million on Group entire fixed assets.
Total		Note	1,541,130	500,640	2,041,770	1,913,493	
Accrued mark-up					46,199	73,488	
					2,087,969	1,986,981	
Less: amount payable within next 12 months							
Principal					500,640	579,813	
Accrued mark-up					46,199	73,488	
Deffered Benefit of below market rate of interest on refinance facility					25,955	21,680	
Amount due after September 30, 2021		17.1			1,515,175	1,312,000	

17.1 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	2020	2019
		(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills and Distillery Company Limited	18.1	24,238	173,934
Associated Companies			
Premier Board Mills Limited	18.2	90,575	65,575
Arpak International Investments Limited	18.3	43,750	43,750
Azlak Enterprises (Private) Limited	18.4	85,000	85,000
Accrued mark-up		29,051	17,012
		272,614	385,271
Less: amount payable within next 12 months			
Principal		24,238	31,236
Accrued mark-up		29,051	17,012
		219,325	337,023

18.1 The long term finance facility had been renewed by the Company on February 9, 2017. The principal is repayable in 7 semi annual installments which had commenced 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 payments made by the Group on behalf of The Premier Sugar Mills and Distillery Company Limited.

18.2 This include long term finance facilities obtained by the Company and the Subsidiary.

The long term finance facility obtained by the Company had been renewed on November 4, 2019. The principal is repayable in 7 semi annual installments commencing from November 2022. 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.

Long term finance facility amounting to Rs 25 million was obtained during the year by the Subsidiary. The principal is repayable in 8 semi annual installments commencing from December 2022. 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 Subsidiary.

18.3 The long term finance facility had been renewed on November 4, 2019. The principal is repayable in 7 semi annual installments commencing from November 2022. 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 on July 6, 2018. 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.

	Note	2020	2019
		(Rupees in thousand)	

19. Lease liabilities

Balance at beginning of the year		136,472	58,786
Lease liabilities recognized as on Oct 1, 2019 - note 3.1		231,214	-
Additions during the year		89,579	111,888
Unwinding of interest on lease liabilities		55,099	10,369
Payments made during the year		(137,851)	(41,333)
Remeasurement of lease liabilities		(1,776)	(3,238)
Balance at end of the year		372,737	136,472
Less: current portion of long term lease liabilities		(93,891)	(41,502)
		278,846	94,970

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 6.64% to 15.58% (2019: 7.82% to 13.13%) per annum.

20. Deferred liabilities

	Note	2020	2019
Deferred taxation	20.1	1,317,231	1,050,320
Provision for gratuity	20.2	9,631	6,582
Deferred government grant	20.3	14,693	-
Deferred Benefit of below market rate of interest on refinance facility		25,955	21,680
		1,367,510	1,078,582

20.1 Deferred tax comprises of the following:

	2020	2019
Taxable temporary differences arising in respect of:		
Accelerated tax depreciation allowances	384,501	368,865
Surplus on revaluation of property, plant and equipment	1,205,108	1,050,320
Lease finances	6,345	26,581
	1,595,954	1,445,766
Deductible temporary differences arising in respect of:		
Provision for doubtful advances	(9,452)	(8,363)
Provision for obsolete items	(10,425)	(10,425)
Loss allowance on trade debts	(564)	(475)
Provision for gratuity	(2,792)	(1,909)
Unused tax losses	-	(104,566)
Minimum tax recoverable against normal tax charge in future years	(255,490)	(269,708)
	(278,723)	(395,446)
	1,317,231	1,050,320

20.2 The latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2020 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

	Note	2020	2019
		(Rupees in thousand)	
Present value of defined benefit obligation		9,631	6,582
Fair value of plan assets		-	-
Net liability		9,631	6,582

20.2.1 Movement in net liability recognized

	Note	2020	2019
Opening net liability		6,582	7,625
Expense for the year recognized in statement of profit or loss account	20.2.2	3,128	2,500
Remeasurement (gain) / loss recognized in Statement of Other Comprehensive Income (OCI)	20.2.5	460	(312)
Benefits Paid		(539)	(3,231)
		9,631	6,582

20.2.2 Expense for the year

	2020	2019
Current service cost	2,292	1,899
Net interest expense	836	601
	3,128	2,500

20.2.3 Changes in the present value of defined benefit obligation:

	2020	2019
Opening defined benefit obligation	6,582	7,625
Current service cost	2,292	1,899
Interest cost	836	601
Benefits paid	(539)	(3,231)
Remeasurement loss on defined benefit obligation	460	(312)
Closing defined benefit obligation	9,631	6,582

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:

	2020	**2019**
	%	%
Discount rate used for interest cost	13.25	10.00
Discount rate used for year end obligation	9.75	13.25
Salary increase rate - long term	8.75	12.25
Salary increase rate - short term	8.75	12.25
Demographic assumptions		
Mortality rates	SLIC 2001-05	SLIC 2001-05

During the year 2021, the Group expects to contribute Rs 2,545 thousand to its gratuity scheme.

	2020	2019
	(Rupees in thousand)	

20.2.5 Remeasurement recognised in OCI during the year:

	2020	2019
Remeasurement loss / (gain) on defined benefit obligation	460	(312)

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

Plan duration	Years
September 30, 2020	9.8
September 30, 2019	9.8

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)	
2020		
Discount rate	(8,766)	10,652
Future salary growth	10,636	(8,766)
2019		
Discount rate	(591)	693
Future salary growth	682	(590)

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 Group 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 Deferred government grant

	Note	2020	2019
		(Rupees in thousand)	
Opening balance		-	-
Grant recognised during the year		14,864	-
Amortization during the year		(171)	-
Closing Balance		14,693	-

20.3.1 This represent deferred government grant in respect of term finance facility obtained under SBP Salary Refinance Scheme. During the year, the Company has entered into an arrangement with Habib Bank Limited for obtaining term finance facility under State Bank of Pakistan (SBP) Salary Refinance Scheme to pay three month salaries & wages to permanent, contractual and temporary employees upto a maximum of Rs 262 million (2019: Rs Nil). The repayment of loan (principal amount) will be made in 8 equal quarterly installments commencing from April 1, 2021. Mark up rate is SBP rate + 1% on this facility and shall also be paid on quarterly basis. The availed facility at June 30, 2020 was Rs 217.48 million (2019: Nil). The facility will expire on January 1, 2023. There are no unfulfilled conditions or other contingencies attaching to this grant.

21. Trade and other payables

	Note	2020	2019
Creditors		496,222	230,507
Due to related parties	21.1	88,431	19,226
Accrued expenses		120,594	71,408
Retention money		15,334	13,981
Security deposits	21.2	1,964	894
Advance payments from customers		39,548	263,302
Sales tax payable		-	-
Income tax deducted at source		32,849	22,771
Payable for workers welfare obligations	21.3	107,275	44,912
Payable to employees		45,512	30,068
Payable to provident fund		3,672	2,598
Others		7,320	5,529
		958,721	705,196

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

Associated Companies

	2020	2019
The Frontier Sugar Mills & Distillery Limited	-	81
Syntronics Limited	55,809	943
Azlak Enterprises (Private) Limited	32,622	18,202
	88,431	19,226

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.

	Note	2020	2019
21.3 Payable for workers welfare obligations		(Rupees in thousand)	
Balance at the beginning of the year		44,912	16,570
Charge for the year		52,583	40,148
		97,495	56,718
Interest on funds utilized in the Group's business		10,817	1,228
Payments made during the year		(1,037)	(13,034)
Balance at the end of the year		107,275	44,912

22. Short term running finance - secured

	Note	2020	2019
Secured			
Cash / running finance		418,410	2,042,992
Export re finance		1,962,000	955,001
		2,380,410	2,997,993
Accrued mark-up		39,327	102,949
	22.1	2,419,737	3,100,942

22.1 Short term running finance

Lending Institution	Interest rate (per annum)	September 30, 2020 Total available facility	September 30, 2020 Facility availed	September 30, 2020 Total outstanding amount	September 30, 2019 Total outstanding amount	Collateral
	(Rupees in thousand)					
Secured						
Bank Al-Habib Limited	3 month KIBOR +1 %	900,000	742,000	742,000	795,000	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 Group for Rs 266.667 million.
The Bank of Punjab	3 month KIBOR +1.1 %	800,000	170,000	170,000	780,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 555.556 Million Ranking hypothecation on current assets of the Group with 25% margin. First joint pari passu charge on present and future current assets of the Group for Rs 400 million.
MCB Bank Limited	3 month KIBOR +1.1 %	700,000	299,910	299,910	600,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 555.560 Million Ranking hypothecation on current assets of the Group with 25% margin. First joint pari passu charge on present and future current assets of the Group for Rs 534 million.
Askari Bank Limited	3 month KIBOR +0.9 %	700,000	318,500	318,500	168,002	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 823.529 million Ranking hypothecation on current assets of the Group with 25% margin.
Dubai Islamic Bank Pakistan Limited	9 month KIBOR +1.25 %	300,000	200,000	200,000	124,988	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	300,000	300,000	280,000	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 Group for Rs 400 million.
Habib Metropolitan Bank	3 month KIBOR + 0.90 %	500,000	100,000	100,000	-	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	250,000	250,000	250,003	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 588.235 million Ranking hypothecation on current assets of the Group with 25% margin.
Total				2,380,410	2,997,993	
Accrued mark-up				39,327	102,949	
				2,419,737	3,100,942	

23.	Current maturity of non-current liabilities	Note	2020	2019
			(Rupees in thousand)	
	Long term finances	17	546,839	653,301
	Loans from related parties	18	53,289	48,248
	Lease liabilities	19	93,891	41,502
			694,019	743,051

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 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.

No provision on account of contingencies disclosed in note 24.1 - 24.3 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.

24.4 The Group has letter of guarantee facilities aggregating Rs 100 million (2019: Rs 100 million) available from Bank Al Habib. The amount availed on these facilities as at September 30, 2020 is Rs 4 million (2019: Rs 8.17 million). These facilities are secured by master counter guarantee and 100% cash margin.

24.5 The Group has obtained letter of credit facilities aggregating Rs 427 million (2019: Rs 1,050 million) from Bank Al Habib and Soneri Bank Limited. The amount availed on these facilities as at September 30, 2020 is Rs 235 million (2019: Rs 204 million). These facilities are secured by lien on shipping documents.

24.6 The Group has cash finance facility available from various banks aggregating to Rs 2.07 billion (2019: Rs 4.80 billion), out of which Rs 868.5 million (2019: Rs 2.04 billion) has been availed by the Group as at September 30, 2020. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10%.

24.7 The Group has Export Re Finance/Finance Against Pecking Credit (ERF / FAPC) facility from various commercial banks for Rs 2,000 million (2019: Rs 1,200 million), out of which Rs 1,512 million (2019: Rs 955 million) has been availed by the Group as at September 30, 2020. These facilities are secured by the joint parri passu hypothecation charge over current assets of the Group and lien over export documents.

24.8 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.

Commitments

		Note	2020	2019
			(Rupees in thousand)	
24.9	The Group has following commitments in respect of:			
	Foreign letters of credit for purchase of plant and machinery		5,527	79,403
	Local letter of credit for purchase of plant and machinery		229,510	162,773
	Capital expenditure other than for letters of credit		12,042	94,034

25. Gross sales

	Note	2020	2019
Local		14,419,955	10,778,110
Export	25.1	3,636,015	2,650,059
		18,055,970	13,428,169

25.1 Export sales comprise of the ethanol sales made in the following regions:

	2020	2019
United Arab Emirates	198,614	204,674
Indonesia	500,656	-
Japan	-	890,950
Singapore	333,213	714,268
Spain	146,706	258,136
Hong Kong	126,968	222,294
Switzerland	994,135	247,292
United Kingdom	1,072,121	-
Netherland	204,906	93,548
Tajikistan	-	18,897
Others	58,696	-
	3,636,015	2,650,059

26. Sales tax, other government levies and discounts

	2020	2019
Indirect taxes	2,118,155	995,312
Discounts	8,125	12,146
	2,126,280	1,007,458

27. Cost of sales

	Note	2020	2019
Raw material consumed		10,440,316	7,792,099
Chemicals and stores consumed		333,469	233,928
Salaries, wages and benefits	27.1	564,008	489,775
Power and fuel		97,679	65,424
Repair and maintenance		324,092	280,479
Insurance		14,019	11,503
Depreciation - property, plant and equipment	6.5	780,496	792,634
Depreciation - right of use asset	7.1	3,534	-
		12,557,613	9,665,842
Adjustment of work-in-process:			
Opening		9,140	7,783
Closing		(11,624)	(9,140)
		(2,484)	(1,357)
Cost of goods manufactured		12,555,129	9,664,485
Adjustment of finished goods:			
Opening stock		1,715,684	2,234,855
Closing stock		(1,230,375)	(1,715,684)
		485,309	519,171
		13,040,438	10,183,656

27.1 Salaries, wages and benefits include Rs 12.74 million (2019: Rs 11.76 million) in respect of retirement benefits.

28. Selling and distribution expenses

	Note	2020	2019
		(Rupees in thousand)	
Salaries, wages and benefits	28.1	14,303	12,204
Loading and stacking		31,915	13,963
Export development surcharge		8,681	6,568
Freight and other expenses on export		620,573	311,960
Depreciation - right of use asset		20,640	-
		696,112	344,695

28.1 Salaries, wages and benefits include Rs 187 thousand (2019: Rs 172 thousand) in respect of retirement benefits.

29. Administrative and general expenses

	Note	2020	2019
Salaries, wages and benefits	29.1	354,481	311,620
Travelling and conveyance		27,057	38,269
Vehicles running and maintenance		19,702	15,999
Rent, rates and taxes		4,079	23,783
Communication		10,357	10,289
Printing and stationery		7,213	7,064
Insurance		5,370	3,425
Repair and maintenance		27,690	23,036
Fees and subscription		3,719	4,842
Depreciation - property, plant and equipment	6.5	11,627	34,976
Depreciation - right of use asset	7.1	64,310	-
Provision for doubtful advances		2,256	1,499
Provision for doubtful debts		193	224
Auditors' remuneration	29.2	3,234	3,265
Legal and professional charges		8,334	9,246
Others		42,593	29,626
		592,215	517,163

29.1 Salaries, wages and benefits include Rs 6.54 million (2019: Rs 5.74 million) in respect of retirement benefits.

29.2 Auditors' remuneration

	2020	2019
Statutory audit	2,414	2,043
Half year review	450	400
Consolidation	200	200
Group reporting	100	150
Certification and others	-	400
Out-of-pocket expenses	70	72
	3,234	3,265

30. Other income

	2020	2019
Income from financial assets		
Return on bank deposits	6,620	6,391
Income from other than financial assets		
Sale of press mud - net of sales tax	10,741	2,930
Sale of fusel oil - net of sales tax	2,301	1,434
Gain on disposal of operating fixed assets	1,459	5,407
Seed sales - net of expenses	21,179	11,491
Scrap sales - net of expenses	45,003	16,164
Rental income	200	192
	80,883	37,618
	87,503	44,009

		2020	2019
		(Rupees in thousand)	
31.	**Other expenses**		
	Donations - without directors' interest	666	570
	Workers' profit participation and workers welfare obligations	52,583	40,148
		53,249	40,718
32.	**Finance cost**		
	Mark-up on:		
	Long term finances	215,737	212,312
	Loans from related parties	45,346	53,908
	Short term borrowings	553,134	486,681
		814,217	752,901
	Unwinding of interest on lease liabilities	55,189	10,369
	Ammortization of deferred government grant	(171)	-
	Interest on workers' profit participation	10,817	1,228
	Bank charges	5,157	20,842
	Exchange loss / (gain) - net	18,711	(35,792)
		903,920	749,548
33.	**Taxation**		
	Current:		
	- for the year	36,360	173,752
	- prior year	(47,034)	897
		(10,674)	174,649
	Deferred:		
	On account of temporary differences	7,230	(116,797)
		(3,444)	57,852
33.1	Reconciliation of taxation with accounting profit		
	Profit before taxation	731,259	628,940
	Tax rate	29%	29%
	Tax on profit	212,065	182,393
	Tax effect of:		
	Lower rate income	82,025	46,145
	Deferred tax asset recoginized in respect of prior year temporary differences	(224,987)	(195,785)
	Prior year charge	(47,034)	-
	Others	(25,513)	25,099
		(3,444)	57,852
34.	**Earnings per share**		
	Profit after taxation attributable to ordinary shareholders	734,703	571,088
	Weighted average number of shares outstanding during the year (No. of shares '000')	28,692	28,692
	Earnings per share (Rs)	25.61	19.90

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

35. Segment operating results

	Sugar Division		Ethanol Division		Total	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Sales						
-External Customers	13,419,160	10,112,064	4,636,810	3,316,105	18,055,970	13,428,169
-Inter segment	1,004,832	614,977	-	-	1,004,832	614,977
	14,423,992	10,727,041	4,636,810	3,316,105	19,060,802	14,043,146
Less : sales tax & others	(1,977,012)	(903,905)	(149,268)	(103,553)	(2,126,280)	(1,007,458)
Sales - net	12,446,980	9,823,136	4,487,542	3,212,552	16,934,522	13,035,688
Segment expenses:						
Cost of Sales	(10,097,834)	(8,548,785)	(2,942,604)	(1,634,871)	(13,040,438)	(10,183,656)
less: Inter segment cost	-	-	(1,004,832)	(614,977)	(1,004,832)	(614,977)
	(10,097,834)	(8,548,785)	(3,947,436)	(2,249,848)	(14,045,270)	(10,798,633)
Gross profit	2,349,146	1,274,351	540,106	962,704	2,889,252	2,237,055
Selling and distribution expenses	(167,793)	(38,838)	(528,319)	(305,857)	(696,112)	(344,695)
Administrative and general expenses	(514,658)	(462,784)	(66,164)	(46,819)	(580,822)	(509,603)
Others	-	-	-	-	(11,393)	(7,560)
	(682,451)	(501,622)	(594,483)	(352,676)	(1,288,327)	(861,858)
Profit from operations	1,666,695	772,729	(54,377)	610,028	1,600,925	1,375,197
Other income	84,995	42,369	2,508	1,640	87,503	44,009
Other expenses	(53,249)	(40,718)	-	-	(53,249)	(40,718)
	31,746	1,651	2,508	1,640	34,254	3,291
Segment results	1,698,441	774,380	(51,869)	611,668	1,635,179	1,378,488
Finance cost					(903,920)	(749,548)
Profit before tax					731,259	628,940
Taxation					3,444	(57,852)
Profit for the year					734,703	571,088

35.1 Segment assets and liabilities

	2020		2019	
	(Rupees in thousand)			
	Assets	Liabilities	Assets	Liabilities
Sugar	9,318,606	2,395,920	9,042,725	3,261,581
Ethanol	5,571,354	3,088,321	4,263,337	2,403,240
Total for reportable segment	14,889,960	5,484,241	13,306,062	5,664,821
Others	243,994	1,979,631	396,563	1,725,375
Total assets / liabilities	15,133,954	7,463,872	13,702,625	7,390,196

36 Financial instruments

36.1 Financial assets and liabilities

As at September 30, 2020

Financial assets:	Amortized Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
	--------------------------Rupees in thousand---------------------------			
Maturity upto one year				
Trade debts	143,049	-	-	143,049
Loans and advances	40,373	-	-	40,373
Trade deposits and other receivables	327,581	-	-	327,581
Cash and bank balances	292,152	-	-	292,152
Maturity after one year				
Long term security deposits	77,271	-	-	77,271
	880,426	-	-	880,426

Financial liabilities:	Other financial liabilities	Fair value through profit and loss	Total
	--------------------------Rupees in thousand-------------------		
Other financial liabilities			
Maturity upto one year			
Trade and other payables	779,049	-	779,049
Unclaimed dividends	10,539	-	10,539
Current maturity of non current liabilities	600,128	-	600,128
Short term running finance	2,419,737	-	2,419,737
Lease liabilities	93,891	-	93,891
Maturity after one year			
Long term finances - secured	1,515,175	-	1,515,175
Loans from related parties - secured	219,325	-	219,325
Lease liabilities	278,846	-	278,846
	5,916,690	-	5,916,690

As at September 30, 2019

	Amortized 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

	Other financial liabilities	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 portion of non current liabilities - secured	701,549	-	701,549
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	1,312,000	-	1,312,000
Loans from related parties - secured	337,023	-	337,023
Liabilities against assets subject to finance lease	94,970	-	94,970
	5,970,885	-	5,970,885

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 analyze 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 recognizes ECL for trade debts using the simplified approach as explained in note 4.22. As per the aforementioned approach, the loss allowance was determined as follows:

	1-180 days	181-365 days	More than 365 days	Total
	--------------------------Rupees in thousand----------------------------			
September 30, 2020				
Gross carrying value	143,265	90	1,639	144,994
Loss allowance	216	90	1,639	1,945
September 30, 2019				
Gross carrying value	57,125	1	1,637	58,763
Loss allowance	113	1	1,637	1,751

ECL on other receivables is calculated using general approach (as explained in note 4.22). As at the reporting date, 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 is determined as follows:

	2020	2019
	(Rupees in thousand)	
September 30, 2020		
Gross carrying value	40,373	107,157
Loss allowance	3,755	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 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	2020	2019
		(Rupees in thousand)	
Counterparties without external credit rating			
Trade debts		143,049	57,011
Loans and advances		40,373	107,157
Trade deposits and other receivables		327,581	326,379
		511,003	490,547
Counterparties with external credit rating			
Bank balances			
	A-1+	291,575	225,560
	A-1	577	3,088
		292,152	228,648

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, 2020					
Long term finance - secured	2,062,014	2,062,014	546,839	1,515,175	-
Loans from related parties	272,614	272,614	53,289	219,325	-
Lease liabilities	389,553	480,050	135,366	344,684	-
Trade and other payables	779,049	779,049	779,049	-	-
Unclaimed dividend	10,539	10,539	10,539	-	-
Short term running finance	2,419,737	2,419,737	2,419,737	-	-
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	337,023	-
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	-	-
Short term running finance	3,100,942	3,100,942	3,100,942	-	-

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 43.78 million (2019: Rs 57.03 million) which were subject to currency risk.

	2020	2019
Rupees per USD		
Average rate	161.03	140.28
Reporting date rate	165.70	156.37

Sensitivity analysis

As at September 30, 2020, 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 3.11 million (2019: Rs 4.04 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 9.02 million (2019: Rs 13.23 million) and Rs 5,069 million (2019: Rs 5,342 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, 2020, if interest rates had been 1% higher/ lower with all other variables held constant, profit after tax for the year would have been Rs 35.92 million (2019: Rs 38.94 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:

	2020	2019
	(Rupees in thousand)	
Long term finances - secured	2,062,014	1,965,301
Loans from related parties - secured	272,614	385,271
Lease liabilities	389,553	136,472
Trade and other payables	958,721	705,196
Short term running finance	2,419,737	3,100,942
Less: cash and cash equivalents	(292,152)	(228,648)
Net debt	5,810,487	6,064,534
Issued, subscribed and paid-up capital	286,920	286,920
Capital reserve	327,000	327,000
Revenue reserve	2,833,119	1,985,055
Total capital	3,447,039	2,598,975
Capital and net debt	9,257,526	8,663,509
Gearing ratio	63%	70%

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, 2020. 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 revalued property, plant and equipment has been derived using the current market price or depreciated replacement cost method. 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	Lease liabilities	Accrued Markup	Short term running finance	Unclaimed dividend	
	-----------Rupees in thousand-----------						
Balance at October 1, 2019	1,913,493	368,259	136,472	193,449	955,001	8,688	3,575,362
Cash flows	142,969	(124,696)	(105,576)	(982,790)	1,006,999	(141,609)	(204,703)
Acquisition - finance lease	-	-	341,841	-	-	-	341,841
Other non-cash movements	(14,692)	-	-	903,920	-	143,460	1,032,688
Balance at September 30, 2020	2,041,770	243,563	372,737	114,579	1,962,000	10,539	4,745,188

40. Transactions and balances with related parties

40.1 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 41 to the statement of financial statements.

	2020	2019
The Premier Sugar Mills and Distillery Company Limited	(Rupees in thousand)	
Purchases	107,595	27,007
Sales	305,474	11,910
Mark-up charged	21,415	30,140
Expenses paid by the Company	34,393	108,284
Expenses paid on behalf of the Company	17,880	15,307
Dividend paid	68,755	20,627
Rent expense	20,790	19,800
Rent income	115	192
Syntronics Limited		
Purchase of store items	90,640	943
Sales	208	-
Dividend paid	17,952	5,386
Syntron Limited		
Purchase of store items	84,281	122,499
Azlak Enterprises (Private) Limited		
Services on behalf of the Company	29,670	27,030
Mark-up charged	10,468	10,069

	2020	2019
	(Rupees in thousand)	
Expenses paid on behalf of the Company	3,679	2,052
Dividend paid	7,314	2,194
Phipson & Company Pakistan (Private) Limited		
Expenses paid by the Company	138	-
Dividend paid	1,538	461
Arpak International Investments Limited		
Markup charged	5,388	5,482
Premier Board Mills Limited		
Markup charged	8,076	8,217
Provident fund		
Contribution to provident fund	16,476	15,175

40.2 Following are the related parties with whom the Group 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	Common directorship	-
3	Azlak Enterprises (Private) Limited	Common directorship	5.10%
4	Arpak International Investments Limited	Common directorship	-
5	Phipson & Company Pakistan (Private) Limited	Common Holding Company	1.07%
6	Syntronics Limited	Common directorship	12.51%
7	The Frontier Sugar Mills & Distillery Limited	Common directorship	-
8	Syntron Limited	Common directorship	-

41. 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 Group is as follows:

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)					
Managerial remuneration	12,000	12,000	24,000	8,000	27,794	26,066
Bonus	-	3,000	750	-	8,690	7,104
Housing and utilities	2,366	-	7,396	-	18,529	17,377
Group's contribution to provident fund	-	-	-	-	2,275	1,686
Medical	416	1,546	599	1,560	534	473
Other expenses	2,482	-	8,437	23,229	-	-
	17,264	16,546	41,182	32,789	57,822	52,706
Number of persons	1	1	3	3	15	15

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

41.2 Mr Abbas Sarfraz Khan, Director of the Group, 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 Group policy, Group 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.

42. General

42.1 Geographical location and addresses of business units

The business units of the Group 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
Storage facility - under construction	Layyah and Bhakkar, Punjab

42.2 Capacity and production

	2020	2019
Sugar plants		
Rated crushing capacity (Metric Ton / day)	18,000	18,000
On the basis of average number of 107 days (2019: 98 days)	1,926,000	1,764,000
Actual cane crushed (Metric Ton)	1,432,075	1,562,413
Sugar produced (Metric Ton)	151,013	166,252
Ethanol fuel plant		
Rated production capacity (Litres / day)	125,000	125,000
On the basis of average number of 354 days (2019: 355 days) (Litres)	44,250,000	44,375,000
Actual production (Litres)	43,462,330	43,260,426
Storage facility		
Storage capacity (metric tonnes)	20,000	20,000
Days worked	Days	
Sugar - unit I	103	97
Sugar - unit II	111	99
Ethanol fuel plant	354	355

Reasons for Shortfall

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

42.3 Number of employees

	2020	2019
Number of employees at September 30		
Permanent	926	914
Contractual	1,027	941
	1,953	1,855
Average number of employees for the year		
Permanent	924	913
Contractual	1,287	1,290
	2,211	2,203

42.4 Provident Fund

Details of the provident funds based on audited financial statements for the year ended September 30, 2020 are as follows:

	2020	2019
	(Rupees in thousand)	
Staff provident fund		
Size of the fund	167,206	135,063
Cost of investment made	156,961	110,369
Fair value of investment made	163,747	132,465
	%	%
Percentage of investment made	93.87	81.72

	2020		2019	
	Rupees '000'	%	Rupees '000'	%
Breakup of investment - at cost				
Term deposit	156,900	99.96	108,400	98.22
Bank deposits	61	0.04	1,969	1.78
	156,961	100.00	110,369	100.00

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

42.5 Rounding off

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

43. Impact of COVID-19 on the financial statements

The spread of Covid-19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. It resulted in decrease of other projects revenue due to delayed implementation. Further, it also resulted in increased trade receivables as the receivables were not timely recovered. However, the businesses are now resuming as per relaxation given by the Authorities. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

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

The Board of Directors in its meeting held on February 01, 2021 has proposed a final cash dividend for the year ended September 30, 2020 @ Rs. 5 per ordinary share (2019 @ Rs. 5 per ordinary share), amounting to Rs. 143,460 thousand (2019: Rs 143,460 thousand) for approval of the members in the annual general meeting to be held on February 25, 2021.

45. Date of authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Group on February 01, 2021.

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

CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM

33rd 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 February 25, 2021 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 .... 2021.

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)

33 واں سالانہ اجلاس عام

میں/ہم ____________ کا/ کی ____________ بحیثیت رکن چشمہ شوگر ملز لمیٹڈ اور بذریعہ حصص رجسٹر کے فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ____________ حامل ____________ عام حصص، کمپنی کے ایک دوسرے رکن ____________ 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 25 فروری 2021، منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پراکسی) مقرر کرتا/ کرتے ہیں۔

پانچ روپے کی ریونیو سٹامپ

____

حصص دار کے دستخط

(دستخط کمپنی میں رجسٹرڈ نمونے مطابقت رکھتے ہونے چاہے)

بتاریخ ________ مہینہ ________ 2021

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 چاہیے، 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۔