

ANNUAL REPORT 2021

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 and ethanol 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.
- h) Any other business as mentioned in the Memorandum of Association.

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

CHASHMA SUGAR MILLS LIMITED

Management Committees

Executive Committee

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

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

Audit Committee

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

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

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

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

- compliance with applicable accounting standards;
 - compliance with these regulations and other statutory and regulatory requirements; and
 - all related party transactions.
- c) review of preliminary announcements of results prior to external communication and publication;
- d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) review of management letter issued by external auditors and management's response thereto;
- f) ensuring coordination between the internal and external auditors of the Company;
- g) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertaining that the internal control system including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) review of the Company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
- k) instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
- l) determination of compliance with relevant statutory requirements;
- m) monitoring compliance with these regulations and identification of significant violations thereof;
- n) review of arrangement for staff and management to report to audit committee in confidence, concerns, if any about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource and Remuneration Committee

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

The Committee is responsible for:

- i) recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the board which shall normally include the first layer of management below the chief executive officer level;
- ii) undertaking annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualification and major terms of appointment;
- iii) recommending human resource management policies to the board;
- iv) recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
- v) consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer; and
- vi) where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company.

CHASHMA SUGAR MILLS LIMITED

VISION STATEMENT

- Efficient organization with professional competence of top order is engaged to remain a market leader in the sugar industry in manufacturing and marketing of white sugar.
- To ensure attractive returns to business associates and optimizing the shareholders value as per their expectations.

MISSION STATEMENT

- Quality objectives are designed with a view to enhance customer satisfaction and operational efficiencies.
- To be a good corporate citizen to fulfil the social responsibilities.
- Commitment to building, Safe, Healthy and Environment friendly atmosphere.
- We with professional and dedicated team, ensure continual improvement in quality and productivity through effective implementation of Quality Management System. Be a responsible employer and reward employees according to their ability and performance.
- The quality policy encompasses our long term **Strategic Goals** and **Core Values**, which are integral part of our business.

STRATEGIC GOALS

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

CORE VALUES

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

CHASHMA SUGAR MILLS LIMITED

Code of Conduct

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

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

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

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

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

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

General Principles

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

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

Statement of Ethical Practices

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

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

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

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

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

CHASHMA SUGAR MILLS LIMITED

TEN YEARS PERFORMANCE AT A GLANCE

PARTICULARS	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
(RUPEES IN THOUSAND)										
Sales - net	16,037,086	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
Cost of sales	13,912,324	13,019,259	10,183,656	9,004,826	10,224,316	10,100,778	7,102,310	5,725,768	6,173,254	5,702,814
Operating profit/(Loss)	993,685	1,646,572	1,386,048	737,524	625,256	716,714	586,046	84,272	481,250	97,323
Profit/(Loss) before tax	337,348	742,671	636,500	253,164	132,299	215,151	125,969	(275,026)	56,728	(239,067)
Profit/(Loss) After tax	310,381	746,115	578,648	193,623	92,152	297,450	174,097	(128,619)	32,972	(218,971)
Share capital	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920	286,920
Shareholders' equity	9,011,835	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
Fixed assets - net	11,833,225	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
Current assets	4,136,107	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
Total assets	16,973,448	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
Long term liabilities	3,670,881	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
Dividend										
Cash dividend	50%	50%	50%	15%	15%	45%	25%	0%	0%	0%
Ratios:										
Profitability (%)										
Operating profit	6.20	10.34	11.16	7.10	5.52	6.40	7.75	1.45	7.21	1.66
Profit/ (Loss) before tax	2.10	4.66	5.12	2.44	1.17	1.92	1.67	(4.72)	0.85	(4.09)
Profit/(Loss) after tax	1.94	4.68	4.66	1.86	0.81	2.65	2.30	(2.21)	0.49	(3.74)
Return to Shareholders										
ROE - Before tax	3.74	9.66	10.07	4.36	3.25	5.28	4.81	(11.35)	2.25	(17.11)
ROE - After tax	3.44	9.70	9.15	3.34	2.27	7.30	6.64	(5.31)	1.31	(15.67)
Return on Capital Employed	2.45	6.87	6.43	2.24	1.34	3.99	3.16	(2.28)	0.69	(7.69)
E. P. S. - After tax	10.82	26.00	20.17	6.75	3.21	10.37	6.07	(4.48)	1.15	(7.63)
Activity										
Income to total assets	0.94	1.07	0.92	0.75	1.07	1.11	0.74	0.63	0.89	1.00
Income to fixed assets	1.36	1.61	1.35	1.09	1.45	1.37	1.12	0.92	1.33	1.85
Liquidity/Leverage										
Current ratio	0.96	1.09	0.92	0.80	0.75	0.72	0.74	0.80	0.92	0.89
Break up value per share	314.09	268.04	220.32	202.34	141.68	142.04	91.36	84.45	88.00	48.71
Total Liabilities to equity (Times)	0.88	0.94	1.14	1.38	1.60	1.47	2.92	2.84	1.96	3.18

CHASHMA SUGAR MILLS LIMITED

TEN YEARS REVIEW

PRODUCTION OF SUGAR

YEAR	CANE CRUSHED TONS	RECOVERY %	SUGAR PRODUCED TONS
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
2021	1,468,505	9.94	145,987

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
2021	189,086	18.66	44,099,770

CHASHMA SUGAR MILLS LIMITED

Notice of Annual General Meeting

Notice is hereby given that 34th Annual General Meeting of the shareholders of **Chashma Sugar Mills Limited** will be held on February 25, 2022 at 11:00 AM at the Registered Office of the Company at Nowshera Road, Mardan, for transacting the following business: -

1. To confirm the minutes of the Extra Ordinary General Meeting held on July 14, 2021.
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, 2021.
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, 2021.
4. To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2022. The present auditors' M/s. A.F.Ferguson & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.
5. To consider and approve 10% increase in salaries of working directors.
6. 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, 2022 to February 25, 2022 (both days inclusive).

BY ORDER OF THE BOARD



(Mujahid Bashir)
Company Secretary

Mardan:
February 02, 2022

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.
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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, 2021 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.

CHASHMA SUGAR MILLS LIMITED CHAIRMAN'S REVIEW REPORT

I welcome you to the 34th Annual Report of your Company, it gives me great pleasure to present the Review Report along with the Audited Financial Statements for the year ended September 30, 2021, on behalf of the Board of Directors ("the Board") on the performance of your Company, as required by Section 192 of the Companies Act, 2017. I appreciate the performance of the Board and the members achieved success in carrying out the Company's objectives.

The Company has complied with the requirements of the Companies Act, 2017 ("the Act") and the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("Regulations") with respect to the composition, procedures in the meetings of the Board and its committees. As required under the Regulations, an annual evaluation of the Board of the Company was carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against the expectations in the context of objectives set for the Company. The evaluation process is conducted internally by the Company Secretary who prepares an annual Evaluation Assessment Questionnaire which was 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 2017, which includes approval of significant policies, establishing a sound system of internal controls, approval of budgets and financial results, along with the approval of significant investments. During the year, the Board met six times and complied with the regulatory requirements and acted in accordance with the applicable laws and best practices.

Being the Chairman of the Board, I ensured that the management is actively working on different options to ensure appropriate returns on the available funds in 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 to ensure that the Board plays an effective role in fulfilling its responsibilities.

The information about the financial results is explained in detail in the attached Directors' Report and Financial Statements which give a comprehensive overview of the performance of Company during the year ended September 30, 2021.

On the behalf of the Board of your Company, I take this opportunity to acknowledge the devoted and sincere services of employees of the Company. I am also thankful for the valuable shareholders for their patronage and confidence reposed in the Company.



(Abbas Sarfaraz Khan)

Chairman

Mardan: February 02, 2022

چشمہ شوگر ملز لمیٹڈ چیئر مین کی جائزہ رپورٹ

میں آپ کو کمپنی کے 34 ویں سالانہ رپورٹ میں آپ کو خوش آمدید کہتا ہوں، بورڈ کی جانب سے 30 ستمبر 2021 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ جائزہ رپورٹ پیش کرتے ہوئے بہت خوشی محسوس ہو رہی ہے جو کے کمپنیز ایکٹ 2017 کے سیکشن 192 کے مطابق ہے۔ میں بورڈ کی کارکردگی کو سراہتا ہوں اور ممبران نے کمپنی کے مقاصد کو کامیابی سے پورا کیا۔

کمپنی نے کمپنیز ایکٹ 2017 (دی ایکٹ) اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 (ری ریگولیشنز) کے تقاضوں بورڈ آف ڈائریکٹرز اور اسکی کمیٹیوں کی تشکیل، طریقہ کار کے حوالے سے تعمیل کی ہے۔ کمپنی کے سالانہ بورڈ کی سالانہ جانچ کا کام ریگولیشنز کے مطابق کیا گیا۔ اس تجزیہ کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور کمپنی کی کامیابی کو کمپنی کے مقرر کردہ مقاصد کے تناظر میں توقعات کے خلاف ماپا اور بیچ مارک کیا جائے۔ جانچ کا عمل اندرونی طور پر کمپنی سیکریٹری کے ذریعے انجام دیا جاتا ہے جو کہ ایک سالانہ ایپیلویشن اسسٹنٹ سوالنامہ تیار کرتا ہے جسے بورڈ کے اراکین کے درمیان بورڈ کی کارکردگی کے بارے میں وضاحت اور مزید بصیرت اور نقطہ نظر فراہم کرنے کے لئے تقسیم کیا جاتا ہے۔

بورڈ نے کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق اپنے فرائض منصبی کی ادائیگی کی جس میں اہم پالیسیوں کی منظوری، موثر اندرونی کنٹرول کے نظام کا قیام، بجٹ اور مالیاتی نتائج کی منظوری اور اہمیت کی حامل سرمایہ کاری کی منظوری جیسے امور شامل ہیں۔ زیر نظر مالی سال کے دوران بورڈ کی جانب سے چھ اجلاس منعقد کئے گئے جن میں ریگولٹری تقاضوں کی تعمیل اور قابل اطلاق قوانین اور بہترین طریقوں کے مطابق کام ہوا۔ بورڈ کے چیئر مین ہونے کے ناطے میں نے اس بات کو یقینی بنایا کہ انتظامیہ سال کے دوران ہونے والی بورڈ میٹنگز میں دستیاب فنڈز کے مناسب ریٹرنز کے ایجنڈہ پر سرگرم عمل رہے۔ تمام لکھے گئے نوٹس، بشمول ایجنڈہ، متعلقہ دستاویزات اور دیگر ورکنگ پیپر میٹنگز سے پہلے مہیا کیے گئے تاکہ اس بات کو یقینی بنایا جاسکے کہ بورڈ اپنی ذمہ داریوں کو پورا کرنے میں موثر کردار ادا کر رہا ہے۔

30 ستمبر 2021 کو اختتام ہونے والے مالی سال میں کمپنی کی کارکردگی کا ایک جامع جائزہ مالیاتی نتائج کے بارے میں معلومات جو کہ بورڈ آف ڈائریکٹرز کی رپورٹس کے ساتھ منسلک ہیں اس میں تفصیل سے بیان کیا گیا ہے۔

آپ کی کمپنی کے بورڈ کی جانب سے، میں اس موقع پر کمپنی کے ملازمین کی مخلصانہ خدمات کو سراہتا ہوں۔ میں قیمتی شیئر ہولڈرز کا بھی شکریہ ادا کرتا ہوں کہ انہوں نے کمپنی پر اعتماد کا اظہار کیا۔



عباس سرفراز خان
چیئر مین

مردان، 02 فروری، 2022

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, 2021.

1. SUMMARISED FINANCIAL RESULTS

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

	2021	2020
	(Rupees in thousands)	
Profit before taxation	337,348	742,671
Taxation		
- Current	43,835	36,360
- Prior	0	(47,034)
- Deferred	(16,868)	7,230
	26,967	(3,444)
Profit after taxation	310,381	746,115
	----- (Rupees) -----	
Earnings per Share	10.82	26.00

2. REVIEW OF OPERATIONS

2.1 CRUSHING SEASON 2020-21

The sugarcane crushing season commenced on November 15, 2020 continued till March 01, 2021. The mills crushed 1,468,505 tons (2020: 1,432,075 tons) of sugarcane to produce 145,987.00 tons (2020: 151,012.50 tons) of sugar. The Provincial Government of Khyber Pakhtunkhwa (KPK) fixed sugarcane support price @ Rs. 200/- per maund. The Khyber Pakhtunkhwa Government failed to ensure supply of sugarcane at the fixed rate.

2.2 CRUSHING SEASON 2021-22

The sugarcane crushing season 2021-22 commenced on November 15, 2021. The mills have crushed 1,100,268 tons of sugarcane and have produced 107,725 tons of sugar till February 01, 2022. The Provincial Government of Punjab and Khyber Pakhtunkhwa (KPK) fixed sugar cane price @ Rs. 225/- per maund. As the provincial Government forced us to start the Mills when the sugarcane was not mature by undermining the Sugar Factories Control Act, that will adversely affect the sugar production.

3. SUGAR PRICE

3.1- SUGAR SEASON 2020-21

The KPK Government through a notification no. 3/12-Sugar/IND/Vol-V/3375 dated 10-4-2021 confiscated 10,100 MT of sugar @ Rs. 80/kg which is far below the cost of production. Due to this, shareholders have suffered a loss of Rs. 83.00 million. The Government officials tried to control the market forces through harassment and used unfair and illegal means to suppress the prices.

3.2- SUGAR SEASON 2021-22

We expect that financial year 2021-2022 to be more challenging as sugarcane growers are not willing to supply at prices less than Rs. 270 per maund. We are expecting country-wide production of around 7.0 million tons and the prices to remain suppress.

4. ETHANOL FUEL PLANT AT UNIT-II

The Ethanol Fuel Plant produced 35,280 MT of Ethanol during the year and contributed towards the profitability of the Company.

5. SILOS PROJECT

Commercial Operations Date (COD) as per concession agreements of both sites i.e. Notak Centre, District Bhakkar and Head Varery Centre, District Layyah has been completed. However, commercial operations of the Company have not started yet.

6. FLOUR MILLS PROJECT

During the year, the Company has incorporated a new subsidiary company in the name of "Ultimate Whole Foods (Private) Limited". Initially, the subsidiary Company will setup Flour Mills having capacity of 285 TPD at Ramak, D.I.Khan. The Company has acquired respective land of the project and also established Letter of Credits for import machinery and we expect production to start in second quarter of 2023.

7. STAFF

The Management and Labor relations remained cordial during the year. Bonus to employees was paid at the rate of 02 month's salary during the year.

8. PATTERN OF SHAREHOLDING

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

9. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of Chashma Sugar Mills Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- All appropriate accounting policies have been consistently applied while preparing financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon Company's ability to continue as a 'going concern'.
- The Company has followed corporate governance as detailed in the Listed Companies (CCG) Regulations, 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, 2021, except for those disclosed in the financial statements.
- The value of investments of staff provident fund, based on audited accounts, was Rs. 201.460 million as at September 30, 2021.

10. IMPACT OF THE COMPANY'S BUSINESS ON ENVIRONMENT

The Company is cognizant of its responsibility towards environment. All efforts are being made to ensure sustainability of healthy environment. In this connection the Company has implemented various procedures for energy management, water preservation and resource efficiency. All these steps reflect the Company's strong commitment to achieve the ultimate goal to control and minimize the impact on environment on sustainable basis. Use of effluent treatment plant and waste water treatment plants, waste water recycling/reuse demonstrate our continuous commitment for environment, safety and quality.

11. ADEQUACY OF INTERNAL FINANCIAL CONTROLS

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. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of its' internal control systems.

12. CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to accomplish its Corporate and Social Responsibility (CSR) goals and continued to take initiatives by supporting education, healthcare, environments and other social causes around the Mills area in order to bring improvement in the lives of lesser privileged communities of the area.

The Company undertook continuously numbers of welfare activities in its Mills Area i.e. provision of free transportation to workers, school/college going children, provision of subsidized meals to workers, supply of free ration/medical assistance to needy persons and provision of interest free loans/fertilizer/seed/pesticides to growers. The Company also runs a free Dispensary in Mills area and provides free medicines to the poor patients.

13. TRADING IN SHARES

During the year, no trade in the shares of the Company was 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 351,500 ordinary shares during the year.

14. RELATED PARTY TRANSACTION

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

15. 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	3	-	-
Mr. Abdul Qadar Khattak	4	4	1
Mr. Iskander M. Khan	6	4	1
Executive Directors			
Mr. Aziz Sarfaraz Khan	6	-	-
Mr. Abbas Sarfaraz Khan	4	-	-
Independent Director			
Mr. Sher Ali Jaffar Khan	6	4	1
Mr. Feisal Kemal Khan	5	-	-

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

16. 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.

17. DIVIDEND

The Directors have recommended payment of Final Cash Dividend for the year ended September 30, 2021 @ Rs. 5.00 per share (50%) to all the shareholders of the Company.

18. 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, 2022.

19. 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.

20. 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, 2021 have been duly complied with. A statement to this effect is annexed with the report.

21. 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 02, 2022

چشمہ شوگر ملز لمیٹڈ ڈائریکٹرز کی رپورٹ

چشمہ شوگر ملز لمیٹڈ کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور 30 ستمبر 2021 کو ختم ہونے والے سال کے آڈیٹ 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	2021	
(ہزار روپے)		
742,671	337,348	ٹیکس سے پہلے منافع میکسیشن
36,360	43,835	موجودہ سال کا ٹیکس
(47,034)	0	گزشتہ سال کا ٹیکس
7,230	(16,868)	ڈیفرڈ ٹیکس
(3,444)	26,967	
746,115	310,381	بعد از ٹیکس منافع
----- روپے -----		
26.00	10.82	منافع فی شیئر

2- آپریشن کا جائزہ

2.1- کرشنگ سیزن 2020-21

گنے کا کرشنگ سیزن 2020-12، 15 نومبر 2020 کو شروع ہوا اور 01 مارچ 2021 تک جاری رہا۔ ملز نے 1,468,505 ٹن (2020 میں 1,432,075 ٹن) گنا کرش کیا اور چیننی کی پیداوار 145,987 ٹن (2020 میں 151,012.50 ٹن) رہی۔ صوبائی حکومت خیبر پختونخواہ نے گنے کی سپورٹ پرائس 200 روپے فی من مقرر کی، صوبائی حکومت خیبر پختونخواہ مقررہ نرخ پر گنے کی فراہمی یقینی بنانے میں ناکام رہی۔

2.2۔ کرشنگ سیزن 2021-22

گئے کا کرشنگ سیزن 2021-22 کا آغاز 15 نومبر 2021 کو شروع ہوا۔ ملز نے 1,100,268 ٹن گنے کو کرش کرتے ہوئے 01 فروری 2022 تک 107,725 ٹن چینی کی پیداوار کی۔ صوبائی حکومت پنجاب اور خیبر پختون خواہ نے گنے کی قیمت 225 روپے فی من مقرر کی، چونکہ صوبائی حکومت نے شوگر فیکٹریز کنزول ایکٹ کو سبوتاژ کرتے ہوئے گنا تیار ہونے سے پہلے ہمیں ملیں شروع کرنے پر مجبور کیا اس سے چینی کی پیداوار بری طرح متاثر ہوگی۔

3۔ چینی کی قیمت

3.1۔ چینی کا سیزن 2020-21

کے پی کے حکومت نے نوٹیفیکیشن نمبر sugar/IND/Vol/3375 3/12-بتاریخ 10.04.2021 کے ذریعے 10,100 ٹن چینی 80 روپے فی کلو کے حساب سے ضبط کی جو کہ پیداواری لاگت سے کم ہے۔ اس کی وجہ سے شیئر ہولڈرز کو 83 ملین روپے کا نقصان ہوا ہے سرکاری اہکاروں نے قیمتوں کو دبانے کے لیے مارکیٹ فورسز کو ہراساں کیا اور غیر منصفانہ اور غیر قانونی طریقے استعمال کیے۔

3.2۔ چینی کا سیزن 2021-22

ہم توقع کرتے ہیں کہ مالی سال 2021-2022 زیادہ چیلنجنگ ہو گا کیونکہ گنے کے کاشتکار 270 روپے فی من سے کم قیمت پر سپلائی کرنے کو تیار نہیں ہیں۔ ہم ملک بھر میں تقریباً 7.0 ملین ٹن پیداوار اور قیمتیں کم رہنے کی توقع کر رہے ہیں۔

4۔ ایتھنول فیول پلانٹ یونٹ نمبر II

ایتھنول فیول پلانٹ نے سال کے دوران MT35,280 ایتھنول تیار کیا اور کمپنی کے منافع میں حصہ ڈالا۔

5۔ سائیکلو پروجیکٹ

دونوں سائٹس یعنی نوٹک سنٹر، ڈسٹرکٹ بھکر اور ہیڈ واریری سنٹر، ڈسٹرکٹ لیہ کی کمرشل آپریشنز کی ڈیٹ (COD) کنٹینشن ایگریمنٹس کے مطابق مکمل ہو چکی ہے۔ تاہم کمپنی کا تجارتی آپریشن ابھی تک شروع نہیں ہوا ہے۔

6۔ فلور ملز پراجیکٹ

سال کے دوران، کمپنی نے "الٹیمیٹ ہول فوڈز (پرائیویٹ) لمیٹڈ" کے نام سے ایک نئی ذیلی کمپنی کور جسٹر کیا ہے۔ ابتدائی طور پر، ذیلی کمپنی ریک، ڈی آئی خان میں 285 ٹی پی ڈی کی گنجائش والی فلور ملز قائم کرے گی۔ کمپنی نے پراجیکٹ کی متعلقہ اراضی حاصل کر لی ہے اور درآمدی مشینری کے لیے لیٹر آف کریڈٹ بھی قائم کر لیا ہے اور ہم امید کرتے ہیں کہ پیداوار 2023 کی آخری سہ ماہی میں شروع ہو جائے گی۔

7۔ سٹاف

سال بھر کے دوران انتظامیہ اور لیبر تعلقات خوشگوار رہے۔ ملازمین کو بونس سال کے دوران 02 ماہ کی تنخواہ کے حساب سے ادا کیا گیا۔

8۔ شیئر ہولڈنگ کا پیٹرن

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

9۔ کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک

چشمہ شوگر ملز لمیٹڈ کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، رقم کی آمد و رفت، 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 اپناتے ہوتے ہیں ان پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے جاتے ہیں۔

اندرونی کنٹرول کا نظام موثر طریقے سے نافذ اور نگرانی کیا گیا 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 و ضوابط، جو کہ لسٹنگ کے قواعد میں واضح کئے گئے ہیں کی پاسداری کر رہی ہے۔

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

30 ستمبر 2021 تک کسی بھی قسم کی کوئی ٹیکسس، فرائض، لیویز، چارجز، بقایا جات نہیں ہیں، سوائے ان کے جو مالیاتی بیانات میں بتائی گئیں ہیں۔

30 ستمبر 2021 کو آڈٹ شدہ اکاؤنٹس پر مبنی، اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 201.460 ملین تھی۔

10- شیئرز کی تجارت

سال کے دوران، ڈائریکٹرز، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور نابالغ بچوں کے ذریعہ کمپنی کے حصص کی کوئی تجارت نہیں کی گئی سوائے مسٹر عباس سرفراز خان کمپنی کے ڈائریکٹر جنہوں نے سال کے دوران 351,500 عام شیئرز خریدے۔

11- متعلقہ پارٹیوں سے لین دین

مالیاتی گوشواروں میں 42 میں مذکور متعلقہ فریقین کے لین دین کو بورڈ آڈٹ کمیٹی کے سامنے رکھا گیا تھا اور بورڈ نے ان کی منظوری دی تھی۔ یہ لین دین بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز (IFRS) اور کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق تھے۔ کمپنی اس طرح کے تمام لین دین کا مکمل ریکارڈ رکھتی ہے۔ متعلقہ فریقوں کے ساتھ کیے گئے تمام لین دین کو منظوری کے مقاصد کے لیے شیئر ہولڈرز کے ان کی AGM میں بھی رکھا جائے گا۔

12- بورڈ اجلاس

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

ڈائریکٹر کے نام نان۔ ایگزیکٹو ڈائریکٹرز	بورڈ آف ڈائریکٹرز کے اجلاس حاضر	آڈٹ کمیٹی کے اجلاس حاضر	ہیومن ریسورس اور محاسبہ کی کمیٹی حاضر
محترمہ زرین سرفراز (خاتون ڈائریکٹر)	3	--	--
جناب اسکندر محمد خان	6	4	1
جناب عبدالقادر حنک	4	4	1
ایگزیکٹو ڈائریکٹرز			
جناب عزیز سرفراز خان	6	--	--
جناب عباس سرفراز خان	4	--	--
آزاد ڈائریکٹرز	6		
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۔

13- شیئر ہولڈرز کا کردار

بورڈ کا مقصد اس بات کو یقینی بنانا ہے کہ کمپنی کے حصص یافتگان کو کمپنی کی حالت کو متاثر کرنے والی اہم پیشرفت کے بارے میں بروقت آگاہ کیا جائے۔ اس مقصد کو حاصل کرنے کے لیے سہ ماہی، ششماہی اور سالانہ رپورٹس کے ذریعے شیئر ہولڈرز کو معلومات فراہم کی جاتی ہیں۔ بورڈ آف ڈائریکٹرز اعلیٰ سطحی احتساب کو یقینی بنانے کے لیے سالانہ عام اجلاس میں شیئر ہولڈرز کی شرکت کی حوصلہ افزائی کرتا ہے۔

14۔ ڈیویڈنڈ کی ادائیگی

ڈائریکٹرز نے 30 ستمبر 2021 کو ختم ہونے والے سال کے لیے فائنل کیش ڈیویڈنڈ کی ادائیگی کی سفارش کی ہے۔ کمپنی کے تمام شیئرز ہولڈرز کو 5.00 فی شیئر (50%) ادا کرے گی۔

15۔ آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، اسلام آباد، آئندہ سالانہ جنرل میٹنگ کے اختتام پر ریٹائر ہو رہے ہیں اور اہل ہونے کے بعد، خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ جیسا کہ کوڈ آف کارپوریٹ گورننس کے حوالے سے آڈٹ کمیٹی نے تجویز کیا ہے، بورڈ آف ڈائریکٹرز نے 30 ستمبر 2022 کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹرز کے طور پر ان کی تقرری کی سفارش کی ہے۔

16۔ ضابطہ برائے کاروباری نظم و نسق

کمپنی کوڈ آف کارپوریٹ گورننس کے ضابطے جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 میں دیئے گئے ہیں اور 30 ستمبر 2021 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

ڈائریکٹرز اسٹاف اور تنظیم کے ایگزیکٹوز کی محنت اور لگن اور ہمارے بینکرز کے قابل قدر تعاون کے لیے اظہار تشکر کرنا چاہیں گے۔ آخر میں، بورڈ قابل قدر شیئرز ہولڈرز کا شکریہ ادا کرنا چاہتا ہے کہ ان کی سرپرستی اور کمپنی پر اعتماد اور موجودہ مشکل حالات میں مسلسل تعاون کے لیے۔

منجانب بورڈ



عزیز سر فرراز خان
چیف ایگزیکٹو



اسکندر محمد خان
ڈائریکٹر

مردان

بتاریخ: 02 فروری 2022

CHASHMA SUGAR MILLS LIMITED

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 equity shares are listed on Pakistan Stock Exchange.

Listing Fees

The annual listing fee for the financial year 2021-22 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, 2022 to February 25, 2022.

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, 2021

SHARE HOLDERS	SHAREHOLDING					TOTAL SHARESHELD
161	From	1	to	100	Shares	11,190
510	From	101	to	500	Shares	226,665
125	From	501	to	1,000	Shares	116,786
129	From	1,001	to	5,000	Shares	338,695
35	From	5,001	to	10,000	Shares	263,200
34	From	10,001	to	20,000	Shares	511,406
6	From	20,001	to	25,000	Shares	134,500
3	From	25,001	to	30,000	Shares	77,500
2	From	30,001	to	35,000	Shares	69,500
4	From	35,001	to	40,000	Shares	145,000
8	From	40,001	to	60,000	Shares	368,000
1	From	60,001	to	70,000	Shares	69,000
2	From	70,001	to	80,000	Shares	154,000
3	From	85,001	to	125,000	Shares	283,142
8	From	125,001	to	310,000	Shares	1,669,000
3	From	310,001	to	450,000	Shares	1,034,650
1	From	450,001	to	625,000	Shares	532,069
4	From	625,001	to	2,000,000	Shares	5,346,222
2	From	2,000,001	to	above	Shares	17,341,475
1,041						28,692,000

Categories of Shareholders	Numbers	Shares Held	Percentage
Associated Companies, undertakings and related parties	4	19,126,334	66.66
Directors & Relatives	13	4,869,355	16.97
Public Sector Companies, Corporation Banks, and Development Finance Institutions.	10	214,286	0.75
Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutal Funds.	8	865,921	3.02
Charitable Trusts	5	285,500	1.00
Individuals	1,001	3,330,604	11.61
	1,041	28,692,000	100.00

Categories of Shareholders	Numbers	Shares Held	Percentage of Paid-up Capital
<u>Associated Companies, Undertakings and Related Parties</u>	4	19,126,334	66.66
The Premier Sugar Mills & Distillery Co., Ltd.	13,751,000	47.93	
Syntronics Limited	3,590,475	12.51	
Azrak Enterprises (Pvt) Limited	1,477,359	5.15	
Phipson & Co. (Pak) (Pvt.) Limited	307,500	1.07	
<u>Directors & Relatives</u>	13	4,869,355	16.97
<u>Public Sector Companies and Corporations</u>	10	214,286	0.75
Asif Mushtaq & Company	1,500	0.01	
Neelum Textile Mills (pvt) Limited.	12,400	0.04	
Shakil Express (pvt) Limited.	17,700	0.06	
Muhammad Ahmed Nadeem Securities (pvt) Limited.	300	0.00	
S.H Bukhari Securities (pvt) Limited.	400	0.00	
Akik Capital (Pvt) Limited	161,000	0.56	
B&B Securities (Pvt) Limited	3,000	0.01	
Creative Capital (pvt) Limited.	6,000	0.02	
Fikree's (SMS)(pvt) Limited.	986	0.00	
Insight Securities (Pvt) Limited	11,000	0.56	
<u>Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds</u>	8	865,921	3.02
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	
EFU Hermes Oman LLC	139,500	4.19	
<u>Charitable Trusts</u>	5	285,500	1.00
Trustees of Friends Educational and Medical Trust	61,000	0.21	
Al Abbas Educational and Welfare Society	15,500	0.05	
Friends Educational and Medical Trust	197,000	0.69	
Trustees Moosa Lawari Foundation	5,000	0.02	
Trustee AKD Opportunity Fund	7,000	0.21	
<u>Individuals</u>	1,001	3,330,604	11.61
	1,041	28,692,000	100.00
<u>Shareholders holding 10% or more voting Interest in the Company</u>			
The Premier Sugar Mills & Distillery Co., Limited	13,751,000	47.93	
Syntronics Limited	3,590,475	12.51	



**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, 2021 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, 2021.

Chartered Accountants
Place: Islamabad
Date: February 02, 2022

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: September 30, 2021

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 (2.33) 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 meet exemption requirement of the 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. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:
 - a) Audit Committee – Quarterly – 4 meetings held during the year
 - b) HR and Remuneration Committee - On required basis – 1 meeting held 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
<p>Responsibilities 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</p>	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.
<p>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</p>	14	Non-mandatory provisions of the Regulations are partially complied.
<p>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.</p>	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.
<p>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 effectiveness of risk management procedures and present a report to the Board.</p>	30	Currently, the board has not constituted a risk Management committee and senior officers of the Company performs the requisite functions and apprise the Board accordingly. The Board will constitute risk Management committee when required.
<p>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.</p>	35	Although these are circulated among the relevant employees and directors, the Board will consider posting such policies and synopsis on its website in near future.



(AZIZ SARFARAZ KHAN)
CHAIRMAN

Mardan: February 02, 2022



**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 unconsolidated financial statements of Chashma Sugar Mills Limited (the Company), which comprise the unconsolidated statement of financial position as at September 30, 2021, and the unconsolidated statement of profit or loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated statement of profit or loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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, 2021 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 unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

Following is the key audit matter:

S.No. Key Audit Matter

i) Revaluation of property, plant and equipment
(Refer note 18, 5 and 6.1 to the financial statements)

Under the International Accounting Standard 16 “Property, Plant and Equipment”, the Company carries its freehold land, building & roads and plant and machinery at 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, 2021, the carrying value of free hold land, buildings & roads and plant & machinery was Rs 10,556 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, 2021. 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.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of free hold land, buildings & roads and plant & machinery included the following:

- Evaluated the qualification, experience and competence of the independent external property valuation expert engaged by the Company as management expert for valuation;
- Obtained understanding of the valuation process and techniques adopted by the valuation expert to assess, if they are consistent with the industry norms;
- Obtained the valuation report of external valuation expert and tested mathematical accuracy of the reports;
- Engaged another independent valuation expert as an auditor expert to assess the appropriateness and the reasonableness of the related management's assumptions and methodologies used by the management expert; and
- Assessed the adequacy of the related disclosures in the annexed financial statements.



Information Other than the Unconsolidated and Consolidated 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 unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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. JehanZebAmin.

A handwritten signature in blue ink, appearing to read 'JehanZebAmin', is written over the printed name.

Chartered Accountants
Islamabad
Date: February 02, 2022

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

	Note	2021 (Rupees in thousand)	2020
NON CURRENT ASSETS			
Property, plant and equipment	6	11,833,225	9,892,348
Right-of-use assets	7	339,575	395,099
Long term investment	8	423,964	139,154
Long term loans and deposits	9	<u>240,577</u>	<u>75,904</u>
		12,837,341	10,502,505
CURRENT ASSETS			
Stores and spares	10	522,564	502,275
Stock-in-trade	11	1,354,545	1,241,999
Trade debts	12	533,462	143,049
Loans and advances	13	885,455	1,619,493
Trade deposits and other receivables	14	257,638	311,098
Income tax refundable	15	300,980	287,685
Cash and bank balances	16	<u>281,463</u>	<u>281,856</u>
		4,136,107	4,387,455
TOTAL ASSETS		<u>16,973,448</u>	<u>14,889,960</u>
SHARE CAPITAL AND RESERVES			
Authorized capital	17	<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid-up capital	17	286,920	286,920
Capital reserve			
General reserve		327,000	327,000
Revenue reserve			
Unappropriated profits		3,332,184	2,853,561
Surplus on revaluation of property, plant and equipment	18	<u>5,065,731</u>	<u>4,223,043</u>
Shareholders' equity		9,011,835	7,690,524
NON-CURRENT LIABILITIES			
Long term finances - secured	19	1,583,318	1,362,318
Loans from related parties - secured	20	173,075	194,325
Lease liabilities	21	226,887	278,846
Deferred liabilities			
-Deferred taxation		1,669,930	1,317,231
-Provision for gratuity		11,467	9,631
-Deferred government grant		6,204	14,693
	22	<u>1,687,601</u>	<u>1,341,555</u>
		3,670,881	3,177,044
CURRENT LIABILITIES			
Trade and other payables	23	950,266	942,856
Unclaimed dividend		12,353	10,539
Short term running finance	24	2,466,100	2,419,737
Current maturity of non-current liabilities	25	<u>862,013</u>	<u>649,260</u>
		4,290,732	4,022,392
TOTAL LIABILITIES		7,961,613	7,199,436
Contingencies and commitments	26		
TOTAL EQUITY AND LIABILITIES		<u>16,973,448</u>	<u>14,889,960</u>

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



(RIZWAN ULLAH KHAN)
CHIEF FINANCIAL OFFICER



(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE



(ISKANDER M KHAN)
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Note	2021 (Rupees in thousand)	2020
Gross sales	27	18,058,031	18,055,970
Sales tax, other government levies and discounts	28	(2,020,945)	(2,126,280)
Sales - net		<u>16,037,086</u>	<u>15,929,690</u>
Cost of sales	29	(13,912,324)	(13,019,259)
Gross profit		<u>2,124,762</u>	<u>2,910,431</u>
Selling and distribution expenses	30	(483,464)	(696,112)
Administrative and general expenses	31	(600,855)	(578,373)
Net impairment losses on financial assets	39.1.1	(80,987)	(2,449)
Other income	32	64,436	66,324
Other expenses	33	(30,207)	(53,249)
Operating profit		<u>993,685</u>	<u>1,646,572</u>
Finance cost	34	(656,337)	(903,901)
Profit before taxation		<u>337,348</u>	<u>742,671</u>
Taxation	35	(26,967)	3,444
Profit for the year		<u>310,381</u>	<u>746,115</u>
Earnings per share - basic and diluted (Rs)	36	<u>10.82</u>	<u>26.00</u>

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



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CHASHMA SUGAR MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Note	2021 (Rupees in thousand)	2020
Profit for the year		310,381	746,115
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement (loss) / gain on staff retirement benefit plans	22.2.5	(348)	(460)
Less: Deferred tax on remeasurement gain / (loss) on staff retirement benefit plans		101	133
		(247)	(327)
Surplus on revaluation of property, plant and equipment		1,524,300	1,026,555
Less: Deferred tax on surplus on revaluation of property, plant and equipment		(369,663)	(259,818)
		1,154,637	766,737
Total comprehensive income for the year		1,464,771	1,512,525

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



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CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Share capital	General reserve	Unappropriated profits	Surplus on revaluation of property, plant and equipment	Total
----- Rupees in thousand -----					
Balance as at October 1, 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
Total comprehensive income for the year ended September 30, 2021					
Income for the year	-	-	310,381	-	310,381
Other comprehensive income for the year	-	-	(247)	1,154,637	1,154,390
	-	-	310,134	1,154,637	1,464,771
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation)	-	-	311,949	(311,949)	-
Cash dividend at rate of Rs 5.00 per ordinary share for the year ended September 30, 2020	-	-	(143,460)	-	(143,460)
Balance as at September 30, 2021	286,920	327,000	3,332,184	5,065,731	9,011,835

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



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CHASHMA SUGAR MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Note	2021 (Rupees in thousand)	2020
Cash flow from operating activities			
Profit for the year - before taxation		337,348	742,671
Adjustments for non-cash items:			
Depreciation		935,836	880,295
Gain on sale of operating fixed assets		(1,731)	(1,459)
Profit on deposit accounts		(4,474)	(6,620)
Finance cost		656,337	903,901
Provision for doubtful debts		28,277	193
Provision for doubtful advances		(3,410)	2,256
Impairment loss for export subsidy		56,120	-
Reversal of provision for obsolete items		(3,193)	-
Provision for gratuity		3,392	3,128
		2,004,502	2,524,365
Changes in working capital			
Decrease / (Increase) in			
stores and spares		(17,096)	(32,562)
stock-in-trade		(112,546)	482,825
trade debts		(418,690)	(86,231)
loans and advances		737,448	(228,869)
trade deposits and other receivables		(2,660)	27,847
Increase / (decrease) in trade and other payables		7,410	253,874
		193,866	416,884
		2,198,368	2,941,249
Income tax paid		(57,125)	(297,812)
Gratuity paid		(1,904)	(539)
		2,139,339	2,642,898
Net cash generated from operating activities			
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,302,935)	(580,313)
Sale proceeds of operating fixed assets		70,984	6,379
Increase in long term investment		(284,810)	(39,154)
Increase in long term deposits and other receivables		(154,217)	(60,820)
Profits on bank deposits received		4,474	6,620
		(1,666,504)	(667,288)
Net cash used in investing activities			
Cash flow from financing activities			
Long term finances received / (repaid)		415,767	102,639
Short term loan received / (repaid)		238,000	1,006,999
Loan (repaid) / received to related party		(24,238)	(149,696)
Lease obligation repaid		(150,138)	(105,576)
Dividends paid		(141,646)	(141,609)
Finance cost paid		(622,893)	(985,860)
		(285,148)	(273,103)
Net cash used in financing activities			
Net increase in cash and cash equivalents		187,687	1,702,507
Cash and cash equivalents - at beginning of the year		(136,554)	(1,839,061)
Cash and cash equivalents - at end of the year		51,133	(136,554)
Cash and cash equivalents comprised of:			
Cash and bank balances	16	281,463	281,856
Short term running finance - secured	24	(230,330)	(418,410)
		51,133	(136,554)

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


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CHIEF FINANCIAL OFFICER


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DIRECTOR

CHASHMA SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 October 01, 1992. 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 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, 2023
IAS 8 Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2023
IAS 12 Income Taxes (Amendments)	January 1, 2023
IAS 16 Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3 Business Combinations (Amendments)	January 1, 2022
IFRS 7 Financial Instruments : Disclosures (Amendments)	January 1, 2021
IFRS 9 Financial Instruments (Amendments)	January 1, 2021
IFRS 16 Leases (Amendments)	January 1, 2021

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

3.2 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

3.3 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

4.2.1 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.

4.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixes assets, capital stores and intangibles assets in the course of their acquisition, construction and installation.

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

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, 2021.

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 loses 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 measures 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 classify 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.

Work in process of sugar is valued at 80% of production cost.

- 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

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 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	2021	2020
		(Rupees in thousand)	
6. Property, plant and equipment			
Operating fixed assets	6.1	11,035,865	9,593,270
Capital work-in-progress	6.7	<u>797,360</u>	<u>299,078</u>
		<u>11,833,225</u>	<u>9,892,348</u>

6.1 Operating fixed assets

	Owned						Leased		Total	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles		Vehicles
	Rupees in thousand									
As at October 1, 2019	1,281,790	1,724,095	7,018,751	482,605	82,221	947	42,265	49,450	216,270	10,898,394
Cost / revalued amount	-	(160,222)	(1,276,525)	(210,136)	(35,395)	(582)	(20,480)	(34,298)	(69,679)	(1,807,317)
Accumulated depreciation	1,281,790	1,563,873	5,742,226	272,469	46,826	365	21,785	15,152	146,591	9,091,077
Net book value										
Year ended September 30, 2020	1,281,790	1,563,873	5,742,226	272,469	46,826	365	21,785	15,152	146,591	9,091,077
Opening net book value	-	-	-	-	-	-	-	-	(146,591)	(146,591)
Impact of adoption of IFRS - 16	-	51,521	307,042	37,016	6,465	672	5,981	5,414	-	414,111
Additions										
Disposals	(597)	-	-	-	-	-	-	(11,399)	-	(11,996)
Cost	-	-	-	-	-	-	-	7,076	-	7,076
Accumulated depreciation	(597)	-	-	-	-	-	-	(4,323)	-	(4,920)
Transfers from right of use assets to owned										
Cost	-	-	-	-	-	-	-	13,667	-	13,667
Depreciation	-	-	-	-	-	-	-	(8,818)	-	(8,818)
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	130,632	168,214	727,709	-	-	-	-	-	-	895,923
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 October 1, 2020	1,411,825	1,775,616	7,325,793	519,621	88,686	1,619	48,246	57,132	-	11,228,538
Cost / revalued amount	-	(151,001)	(1,140,949)	(239,461)	(40,481)	(627)	(22,907)	(39,842)	-	(1,635,268)
Accumulated depreciation	1,411,825	1,624,615	6,184,844	280,160	48,205	992	25,339	17,290	-	9,593,270
Net book value										
Year ended September 30, 2021	1,411,825	1,624,615	6,184,844	280,160	48,205	992	25,339	17,290	-	9,593,270
Opening net book value	158,292	52,452	450,502	104,716	26,882	776	7,242	3,791	-	804,653
Additions										
Disposals / Adjustments	(32,250)	(15,257)	-	-	-	(73)	-	(57,038)	-	(104,618)
Cost	-	-	-	-	-	3	-	35,362	-	35,365
Depreciation	(32,250)	(15,257)	-	-	-	(70)	-	(21,676)	-	(69,253)
Transfers from right of use assets to owned										
Cost	-	-	-	-	-	-	-	91,372	-	91,372
Depreciation	-	-	-	-	-	-	-	(58,707)	-	(58,707)
Depreciation charge	-	(162,654)	(640,630)	(33,583)	(5,540)	(102)	(2,797)	(4,464)	-	(849,770)
Revaluation adjustments:										
Cost or valuation	249,598	296,707	977,995	-	-	-	-	-	-	249,598
Depreciation	249,598	296,707	977,995	-	-	-	-	-	-	1,274,702
Closing net book value	1,787,465	1,795,863	6,972,711	351,293	69,547	1,596	29,784	27,606	-	11,035,865
As at September 30, 2021	1,787,465	1,812,811	7,776,295	624,337	115,568	2,322	55,488	95,257	-	12,269,543
Cost or revalued amount	-	(16,948)	(803,584)	(273,044)	(46,021)	(726)	(25,704)	(67,651)	-	(1,233,678)
Accumulated depreciation	1,787,465	1,795,863	6,972,711	351,293	69,547	1,596	29,784	27,606	-	11,035,865
Net book value										
Annual rate of depreciation (%)	-	10	10	10	10	10	10	10	20	20

6.2 Disposal of operating fixed assets

Particulars of assets	Cost / Revaluation	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
----- Rupees in thousand -----							
Assets having net book value exceeding Rs.500,000 each							
Freehold land							
64 Kanals & 10 Marlas	32,250	-	32,250	38,700	6,450	Negotiation	M/s. Ultimate Whole Foods (Pvt.) Ltd (Subsidiary)
Buildings and roads							
Lagoons	15,257	-	15,257	-	(15,257)	Written off	
Vehicles							
Toyota Corolla	1,705	1,052	653	852	199	Company policy	Mr. Zia Ullah (employee)
Toyota Corolla	1,705	1,053	652	853	201	Company policy	Muhammad Yasin Quraishi (employee)
Toyota Corolla	1,855	1,145	710	927	217	Company policy	Mr. Shuja Ud Din (employee)
Toyota Corolla	2,066	1,212	854	1,033	179	Company policy	Muhammad Zaheer Ur Din (employee)
Toyota Corolla	1,703	999	704	852	148	Company policy	Muhammad Asif Hanif (employee)
Toyota Corolla	1,852	1,100	752	926	174	Company policy	Mr. Jamil Khanzada (employee)
Toyota Corolla	1,852	1,100	752	1,000	248	Company policy	Mr. Saeed Akbar Sumbal (employee)
Toyota Corolla	2,062	1,224	838	590	(248)	Company policy	Mr. Malik Bashir Ahmed (employee)
Honda Civic	2,577	1,788	789	1,289	500	Company policy	Mr. Mujahid Bashir (employee)
Honda Civic	2,649	1,591	1,058	1,324	266	Company policy	Mr. Mirza Nadeem (employee)
Honda City	1,691	1,110	581	845	264	Company policy	Mr. Amir Ur Rehman (employee)
Honda City	1,708	1,078	630	854	224	Company policy	Mr. Amjad Ali Khan (employee)
Honda City	1,729	818	911	1,140	229	Company policy	Ms. Shazia Malik (employee)
Honda City	1,863	1,133	730	931	201	Company policy	Muhammad Asif (employee)
Honda Vezel	3,423	2,450	973	1,719	746	Company policy	Mr. Hameed Ur Rehman (employee)
Honda Vezel	3,230	2,059	1,171	2,432	1,261	Company policy	Mr. Shahid Suleman (employee)
Suzuki Swift	1,413	863	550	707	157	Company policy	Mr. Hafeez Rajpoot (employee)
Suzuki Cultus	1,574	439	1,135	1,227	92	Company policy	Mr. Salar Janjua (employee)
Suzuki Cultus	1,550	805	745	1,345	600	Company policy	Mr. Arbab Shoukat (employee)
Suzuki Cultus	1,415	700	715	840	125	Company policy	Mr. Abdul Rehman (employee)
	39,622	23,719	15,903	21,686	5,783		
Various assets having net book value upto Rs.500,000 each	17,489	11,646	5,843	10,598	4,755		
September 30, 2021	104,618	35,365	69,253	70,984	1,731		

6.3 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:

	2021	2020
	(Rupees in thousand)	
Freehold land	278,653	139,218
Buildings & roads	676,066	704,570
Plant & machinery	3,082,761	2,949,338
	<u>4,037,480</u>	<u>3,793,126</u>

6.4 Forced sales value of the fixed assets based on valuation conducted during the year are as follows:

Freehold land	1,519,346	1,200,051
Buildings & roads	1,465,198	1,325,732
Plant & machinery	5,229,532	4,681,417
	<u>8,214,076</u>	<u>7,207,200</u>

6.5 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	1,682.65	152.34
		2021	2020
	Note	(Rupees in thousand)	

6.6 Depreciation for the year has been allocated as follows:

Cost of sales	29	836,969	780,496
Administrative and general expenses	31	12,801	11,315
		<u>849,770</u>	<u>791,811</u>

6.7 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	Advance payments against land - freehold and buildings	Total
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
As at October 1, 2020	36,111	188,640	29,666	17,714	1,114	19,700	-	6,133	-	299,078
Additions during the year	171,884	497,878	179,939	-	1,060	67,228	-	-	432,292	1,350,281
Capitalized during the year	(50,873)	(450,502)	(104,715)	(17,714)	(2,174)	(67,729)	-	-	(158,292)	(851,999)
Balance as at September 30, 2021	157,122	236,016	104,890	-	-	19,199	-	6,133	274,000	797,360

Rupees in thousand

	2021					2020				
	Vehicles	Plant and Machinery	Buildings and tanks	Total	Vehicles	Plant and Machinery	Buildings and tanks	Total	Total	
Net book value at beginning of the year	155,775	57,046	182,278	395,099	-	-	-	-	-	
Impact of adoption of IFRS 16 as at October 1, 2019	-	-	-	-	216,270	-	-	232,414	448,684	
Cost	-	-	-	-	(69,679)	-	-	-	(69,679)	
Accumulated depreciation	-	-	-	-	146,591	-	-	232,414	379,005	
Net book value	67,229	-	-	67,229	48,847	60,580	-	109,427	-	
Additions	-	-	-	(4,522)	-	-	-	-	-	
Re measurement / deletion during the year	-	-	-	-	-	-	-	-	-	
Transferred to owned assets	(91,372)	-	-	(91,372)	(13,667)	-	-	-	(13,667)	
Cost	58,707	-	-	58,707	8,818	-	-	-	8,818	
Accumulated depreciation	(32,665)	-	-	(32,665)	(4,849)	-	-	-	(4,849)	
Net book value	(35,978)	(5,705)	(44,383)	(86,066)	(34,814)	(3,534)	(50,136)	(88,484)	(88,484)	
Depreciation charge	154,861	51,341	133,373	339,575	155,775	57,046	182,278	395,099	395,099	
Net book value at end of the year	20	10	20-50	20	20	10	20-50	20-50	20-50	
Annual rate of depreciation (%)										
As at September 30	227,807	60,580	227,892	516,279	251,450	60,580	232,414	544,444	544,444	
Cost or revalued amount	(72,946)	(9,239)	(94,519)	(176,704)	(95,675)	(3,534)	(50,136)	(149,345)	(149,345)	
Accumulated depreciation	154,861	51,341	133,373	339,575	155,775	57,046	182,278	395,099	395,099	
Net book value										

	Note	2021 (Rupees in thousand)	2020
7.1 Depreciation for the year has been allocated as follows:			
Cost of sales	29	5,705	3,534
Selling and distribution expenses	30	20,800	20,640
Administrative and general expenses	31	59,561	64,310
		<u>86,066</u>	<u>88,484</u>

8. Long term investment

Balance at beginning of the year		139,154	100,000
Investment made during the year	8.2	204,000	-
Difference in fair value and present value on initial recognition of interest free loan	8.3	<u>80,810</u>	<u>39,154</u>
Balance as at end of the year		<u>423,964</u>	<u>139,154</u>
	% age holding		
8.1 Whole Foods (Private) Limited (WFL) - Un-quoted	100%	219,964	139,154
Ultimate Whole Foods (Private) Limited (UWFL) - Un-quoted	51%	<u>204,000</u>	<u>-</u>
		<u>423,964</u>	<u>139,154</u>

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 During the year the Board of the Company has approved to incorporate a new subsidiary company in the name of "Ultimate Whole Foods (Private) Limited" to set up mills for milling wheat, gram, other grains, cereals, dal, besan, maida, atta, sooji, bran, other allied products and value-added products and by-products such as biscuits, flakes, dalia, noodles, pasta, macaroni, confectionery and other related byproducts from flours of all kinds and description. Total paid-up capital of the new Company is Rs. 400.00 million divided into 40 million shares of Rs. 10 each. 51% shareholding i.e. Rs. 204 million is to be contributed by the Company with remaining Rs 196 million to be contributed by the Directors of the aforesaid new subsidiary Company. The aforementioned amount of Rs 196 million has been paid by the Directors of new subsidiary whereas, subsequent to the year end, the Company has also paid Rs 100 million as subscription for shares. The Company is committed to pay the remaining amount in due course.

8.3 During the period, the Company has subordinated an aggregate interest free loan of Rs 235 million to its subsidiary company, WFL, in addition to the subordinated interest free loan provided in preceding year for an amount of Rs 100 million. Pursuant to a tripartite subordination agreement dated June 30, 2021 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	2021 (Rupees in thousand)	2020
Amount receivable from WFL - unsecured		235,000	100,000
Less: Present value at market rate of interest	9.1	<u>(154,190)</u>	<u>(60,846)</u>
		<u>80,810</u>	<u>39,154</u>

8.4 The summarised financial information for WFL & UWFL is given below. The information disclosed reflects the amounts presented in the unaudited financial statements for the period ended September 30, 2021. The latest available audited financial statements have been prepared for the year ended June 30, 2021.

	Ultimate Whole Foods (Private) Limited	Whole Foods (Private) Limited	2021 Total (Rupees in thousand)	2020 Total
Summarised statement of financial position				
Current assets	357,955	72,010	429,965	79,424
Non-current assets	40,556	633,580	674,136	557,632
Current liabilities	(1,000)	(71,512)	(72,512)	(306,103)
Non-current liabilities	-	(455,593)	(455,593)	(251,396)
Net assets	397,511	178,485	575,996	79,557
Reconciliation to carrying amounts:				
Opening net assets	-	79,557	79,557	90,969
Shareholder / Sponsor Contribution	400,000	119,962	519,962	-
Surplus on revaluation of property, plant and equipment - net of deferred taxation	-	94,613	94,613	-
Loss for the year / period	(2,489)	(115,647)	(118,136)	(11,412)
Closing net assets	397,511	178,485	575,996	79,557
Company's percentage shareholding in the associate	51%	100%		100%
Company's share in net assets at cost	202,731	178,485	516,905	79,557
Summarised statements of comprehensive income				
Net revenue	-	-	-	-
Loss for the year / period	(2,489)	(115,647)	(118,136)	(11,412)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss	(2,489)	(115,647)	(118,136)	(11,412)

8.5 During the year ended September 30, 2021, management assessed the investment in WFL for impairment in respect of triggering events as specified by IAS 36 applicable to the non-current assets. Based on the below indicators, an impairment test has been carried out by the management to determine the recoverable amount of non-current assets of WFL:

- Lack of start of operations as per plan envisaged in the agreement between Punjab Foods Department, Government of Punjab and Whole Foods (Private) Limited;
- Management plans to consider other options for storage operations

For the purpose of determining the recoverable amount, the Company engaged a revaluation expert for determining fair value of freehold land and plant and machinery of WFL as at June 30, 2021. The fair value of free hold land and plant and machinery is determined to be Rs 619.98 million, which is higher than the carrying amount. Based on the above, management has concluded that there is no need to recognise an impairment loss in the financial statements.

	Note	2021 (Rupees in thousand)	2020
9. Long term loans and deposits - considered good			
Long term security deposits		15,084	15,058
Loan to subsidiary company - WFL - at amortized cost	9.1	225,493	60,846
		<u>240,577</u>	<u>75,904</u>

9.1 An amount of Rs 235 million (2020: Rs 100 million) has been paid by the Company intermittently on behalf of the WFL. Further, tripartite subordination agreements dated June 29, 2020 and June 30, 2021 have been entered into between the Company, WFL and Soneri Bank Limited (the lender) whereby the related amount is subordinated to the principle, markup and any and all other amounts that may be payable to the lender under the financing agreements. Further, no payment of the aforesaid amount can be made by WFL, except with prior written consent of the lender. Accordingly, all payments due to Company shall be postponed till repayment of loan to the lender. The Company expects that repayment will be made in full after repayment of the amount due to lender. Owing to

the substance of transactions at non-market interest rate (nil in this case), the difference between the present value and proceeds is recognised as a long term investment made in WFL by the Company using the effective interest method. In respect of loan to WFL referred in note 8.3 subordinated to all secured finance facilities availed by the Company, the entire amount of loan has been classified as non-current asset.

	Note	2021 (Rupees in thousand)	2020
At the beginning of the year		60,846	-
Additions during the year	8.3	154,190	60,846
Unwinding of interest on loan to subsidiary company		10,457	-
Balance as at end of the year		<u>225,493</u>	<u>60,846</u>
10. Stores and spares			
Stores and spares		555,319	538,223
Less: Provision for obsolete items	10.1	(32,755)	(35,948)
		<u>522,564</u>	<u>502,275</u>
10.1 Provision for obsolete items			
Opening balance		35,948	35,948
Reversal of provision for obsolete items		(3,193)	-
Closing balance		<u>32,755</u>	<u>35,948</u>
11. Stock-in-trade			
Finished goods			
- Sugar		169,689	278,876
- Molasses		748,145	701,352
- Ethanol		423,262	250,147
		<u>1,341,096</u>	<u>1,230,375</u>
Work-in-process		13,449	11,624
	11.1	<u>1,354,545</u>	<u>1,241,999</u>
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			
Considered good	12.1	533,462	143,049
Considered doubtful		2,446	1,945
		<u>535,908</u>	<u>144,994</u>
Less: loss allowance	12.2	(2,446)	(1,945)
		<u>533,462</u>	<u>143,049</u>
12.1 Trade debts includes amount relating to export sales to Spain and Karachi Export Processing Zone amounting to Rs 319.083 million and Rs 13.024 million respectively (2020: United Arab Emirates and Karachi Export Processing Zone amounting to Rs 23.028 million and Rs 11.876 million respectively).			
12.2 Movement in loss allowance			
Opening balance		1,945	1,752
ECL for the year		28,277	193
Write off against provision during the year		(27,776)	-
Closing Balance		<u>2,446</u>	<u>1,945</u>

13. Loans and advances	Note	2021 (Rupees in thousand)	2020
Advances to:			
Employees - secured	13.1	7,867	6,675
Suppliers and contractors - unsecured		582,083	1,180,198
		589,950	1,186,873
Due from associated companies	13.2	117,413	230,175
Letters of credit		207,275	235,038
		914,638	1,652,086
Less:			
- Provision for doubtful advances		(28,838)	(28,838)
- Loss allowance	13.3	(345)	(3,755)
		885,455	1,619,493
13.1	These include balances of Rs 7,867 thousand secured against retirement benefits of respective employees.		
13.2	This represents amounts due from the associated companies:		
Due from holding company:			
The Premier Sugar Mills and Distillery Company Limited		89,995	65,947
Due from subsidiary company:			
Whole Foods (Private) Limited		27,418	164,228
		117,413	230,175
		117,413	230,175
	Maximum aggregate amount outstanding in respect of related parties at any month-end during the year was Rs 400.970 million (2020: Rs 230.175 million).		
		117,413	230,175
13.3	Movement in loss allowance		
Opening balance		3,755	1,499
ECL for the year		(3,410)	2,256
Closing balance		345	3,755
		345	3,755
14. Trade deposits and other receivables			
Deposits		1,942	858
Prepayments		5,197	4,658
Export subsidy receivable		305,519	305,519
Others		1,100	63
		313,758	311,098
Less: loss allowance	14.1	(56,120)	
		257,638	311,098
14.1	Movement in Impairment loss of Export Subsidy is as follows:		
Opening balance		-	-
Impairment loss for the year		56,120	-
Closing balance		56,120	-
		56,120	-
15. Income tax refundable			
	Income tax refundable is net of provision for taxation.		
16. Cash and bank balances			
At banks in			
Current accounts	16.1	261,602	272,833
Savings accounts	16.2	19,378	8,520
Deposit accounts	16.2	483	503
		281,463	281,856

- 16.1 These include dividend account balance of Rs 1.472 million (2020: Rs 1.177 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 5.76% (2020: 5.50% to 11.25%) per annum.
- 16.3 Lien is marked on bank balances for an amount of Rs 4 million (2020: Rs 4 million) in respect of the various guarantees extended by the banks.

17. Share capital

17.1 Authorised share capital

As at year end, the issued, subscribed and paid-up capital of the Company includes following share capital holdings by the related parties;

(Number of shares)			(Rupees in thousand)	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs 10 each	<u>500,000</u>	<u>500,000</u>

17.2 Issued, subscribed and paid up capital

2021	2020		2021	2020
(Number of shares)		Ordinary shares of Rs 10 each	(Rupees in thousand)	
<u>28,692,000</u>	<u>28,692,000</u>	Fully paid in cash	<u>286,920</u>	<u>286,920</u>

The holding company, The Premier Sugar Mills and Distillery Company Limited held 13,751,000 (2020: 13,751,000) ordinary shares and the associated companies held 5,360,834 (2020: 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, 2021. 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:

	2021	2020
	(Rupees in thousand)	
Balance at the beginning of the year	5,428,149	4,763,774
Add: surplus on revaluation carried-out during the year	1,524,300	1,026,555
Less: transferred to unappropriated profits	(433,894)	(362,180)
	<u>6,518,555</u>	<u>5,428,149</u>
Less: deferred tax on:		
- opening balance of surplus	1,205,106	1,050,320
- surplus during the year	369,663	259,818
- incremental depreciation for the year	(120,351)	(105,032)
- disposal of revalued asset	(1,594)	-
	<u>1,452,824</u>	<u>1,205,106</u>
Balance at the end of the year	<u>5,065,731</u>	<u>4,223,043</u>

19. Long term finances - secured

Lending Institutions	Interest rate (per annum)	September 30, 2021			September 30, 2020		Collateral
		Total available facility	Long-term portion	Current portion	Total outstanding amount	Total outstanding amount	
(Rupees in thousand)							
Loans from banking companies							
Bank Al Habib Limited	- 6 month KIBOR + 1% to 1.5 %; and - SBP rate + 1%	1,530,000	446,766	171,000	617,766	372,831	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 933.33 million. Ranking charge of Rs. 675 million on present & future fixed assets of the company.
Soneri Bank Limited	- 3 month KIBOR + 1% to 1.75 %, and - 6 month KIBOR + 1.5 %	949,200	553,566	231,923	785,489	700,823	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 1867 million.
The Bank of Punjab		-	-	-	-	14,100	
Dubai Islamic Bank Pakistan Limited	6 month KIBOR + 2 %	1,000,000	97,492	194,988	292,480	487,466	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	132,950	58,871	191,821	249,113	Secured against first joint pari passu charge on present and future fixed assets of the Company for Rs 438 million.
Al Baraka Bank Limited	6 month KIBOR + 1.50 %	450,000	352,544	-	352,544	-	Ranking charge of Rs. 600 million on present & future fixed assets of the company. Specific charge of Rs 450 million on specific plant and machinery items
Total			1,583,318	656,782	2,240,100	1,824,333	
Accrued mark-up					50,282	42,356	
					2,290,382	1,866,689	
Less: amount payable within next 12 months							
Principal					656,782	462,015	
Accrued mark-up					50,282	42,356	
Amount due after September 30, 2022					1,583,318	1,362,318	

20. Loans from related parties - secured

	Note	2021	2020
(Rupees in thousand)			
Holding Company			
The Premier Sugar Mills and Distillery Company Limited	20.1	-	24,238
Associated Companies			
Premier Board Mills Limited	20.2	65,575	65,575
Arpak International Investments Limited	20.3	43,750	43,750
Aztrak Enterprises (Private) Limited	20.4	85,000	85,000
Accrued mark-up		32,296	26,760
		226,621	245,323
Less: amount payable within next 12 months			
Principal		21,250	24,238
Accrued mark-up		32,296	26,760
		173,075	194,325

- 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 paid to 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.

	Note	2021	2020
21. Lease liabilities		(Rupees in thousand)	
Balance at beginning of the year		372,737	136,472
Lease liabilities recognized as on Oct 1, 2019		-	231,214
Additions during the year		67,729	89,579
Unwinding of interest on lease liabilities		42,484	55,099
Payments made during the year		(150,138)	(137,851)
Early termination / remeasurement of lease liabilities		(4,522)	(1,776)
Balance at end of the year		<u>328,290</u>	<u>372,737</u>
Less: current portion of long term lease liabilities		<u>(101,403)</u>	<u>(93,891)</u>
		<u>226,887</u>	<u>278,846</u>

- 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 7.01% to 10.14% (2020: 6.64% to 15.58%) per annum.

22. Deferred liabilities

Deferred taxation	22.1	1,669,930	1,317,231
Provision for gratuity	22.2	11,467	9,631
Deferred government grant	22.3	6,204	14,693
		<u>1,687,601</u>	<u>1,341,555</u>

22.1	Deferred tax comprises of the following:	Note	2021	2020
	Taxable temporary differences arising in respect of:		(Rupees in thousand)	
	Accelerated tax depreciation allowances		417,903	384,501
	Surplus on revaluation of property, plant and equipment		1,452,826	1,205,108
	Lease finances		3,551	6,345
			1,874,280	1,595,954
	Deductible temporary differences arising in respect of:			
	Provision for doubtful advances		(8,463)	(9,452)
	Provision for obsolete items		(9,499)	(10,425)
	Expected credit loss on trade debts		(709)	(564)
	Provision for gratuity		(3,326)	(2,792)
	Impairment loss on export subsidy		(16,275)	-
	Minimum tax recoverable against normal tax charge in future years		(166,078)	(255,490)
			(204,350)	(278,723)
			1,669,930	1,317,231
22.2	The latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2021 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:			
	Present value of defined benefit obligation		11,467	9,631
	Fair value of plan assets		-	-
	Net liability		11,467	9,631
22.2.1	Movement in net liability recognised			
	Opening net liability		9,631	6,582
	Expense for the year recognised in statement of profit or loss account	22.2.2	3,392	3,128
	Remeasurement (gain) / loss recognised in Statement of Other Comprehensive Income (OCI)	22.2.5	348	460
	Benefits Paid		(1,904)	(539)
			11,467	9,631
22.2.2	Expense for the year			
	Current service cost		2,546	2,292
	Net interest expense		846	836
			3,392	3,128
22.2.3	Changes in the present value of defined benefit obligation:			
	Opening defined benefit obligation		9,631	6,582
	Current service cost		2,546	2,292
	Interest cost		846	836
	Benefits paid		(1,904)	(539)
	Remeasurement loss on defined benefit obligation		348	460
	Closing defined benefit obligation		11,467	9,631

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:

	2021	2020
	%	%
Discount rate used for interest cost	9.75	13.25
Discount rate used for year end obligation	10.5	9.75
Salary increase rate - long term	9.5	8.75
Salary increase rate - short term	9.5	8.75
Demographic assumptions		
Mortality rates	SLIC 2001-05	SLIC 2001-05

During the year 2022, the Company expects to contribute Rs 3,889 thousand to its gratuity scheme.

22.2.5 Remeasurement recognised in OCI during the year:

Actuarial (gains)/losses from changes in demographic assumptions	-	-
Actuarial (gains)/losses from changes in financial assumptions	(6)	25
Experience adjustments	354	435
Remeasurement loss / (gain) on defined benefit obligation	<u>348</u>	<u>460</u>

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

Plan duration	Years
September 30, 2021	9
September 30, 2020	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)	
<u>2021</u>		
Discount rate	(10,528)	12,567
Future salary growth	12,545	(10,532)
<u>2020</u>		
Discount rate	(8,766)	10,652
Future salary growth	10,636	(8,766)

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	2021 (Rupees in thousand)	2020
22.3 Deferred government grant			
Opening balance		14,693	-
Grant recognised during the year		2,976	14,864
Amortization during the year		(11,465)	(171)
Closing Balance	22.3.1	<u>6,204</u>	<u>14,693</u>
22.3.1	This represent deferred government grant in respect of term finance facility obtained under SBP Salary Refinance Scheme. During the year 2020, the Company had 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. 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, 2021 was Rs 262 million (2020: Rs 217.48 million). The facility will expire on January 1, 2023. There are no unfulfilled conditions or other contingencies attaching to this grant.		
23. Trade and other payables			
Creditors		358,491	454,970
Due to related parties	23.1	245,823	88,431
Accrued expenses		105,433	120,094
Retention money		18,390	15,334
Security deposits	23.2	774	1,964
Advance payments from customers	23.4	17,241	39,548
Sales tax payable		46,554	28,834
Income tax deducted at source		48,603	29,902
Payable for workers welfare obligations	23.3	59,373	107,275
Payable to employees		42,047	45,512
Payable to provident fund		34	3,672
Others		7,503	7,320
		<u>950,266</u>	<u>942,856</u>

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

	Note	2021 (Rupees in thousand)	2020
Subsidiary Company			
Ultimate Whole Foods (Private) Limited		204,000	-
Associated Companies			
Syntronics Limited		4,603	55,809
Aztrak Enterprises (Private) Limited		37,220	32,622
		<u>245,823</u>	<u>88,431</u>
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		
		107,275	44,912
		28,017	52,583
		<u>135,292</u>	<u>97,495</u>
		8,117	10,817
		(84,036)	(1,037)
		<u>59,373</u>	<u>107,275</u>
23.4		<u>39,548</u>	<u>263,302</u>
24.	Short term running finance - secured		
Secured			
		230,330	418,410
		2,200,000	1,962,000
		<u>2,430,330</u>	<u>2,380,410</u>
		35,770	39,327
		<u>2,466,100</u>	<u>2,419,737</u>
	24.1		

24.1 Short term running finance

Lending Institution	Interest rate (per annum)	September 30, 2021		September 30, 2020 Total outstanding amount	Collateral
		Total available facility	Facility availed		
Secured					
Bank Al-Habib Limited	3 month KIBOR +1 %	1,200,000	634,000	742,000	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 1867 million.
The Bank of Punjab	3 month KIBOR +1.1 %	1,200,000	300,000	170,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 825 Million First joint pari passu charge on present and future current assets of the Company for Rs 667 million.
MCB Bank Limited	3 month KIBOR +1.1 %	900,000	496,330	299,910	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 888.890 Million 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	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 823.529 million First joint pari passu charge on present and future current assets of the Company for Rs 267 million.
Dubai Islamic Bank Pakistan Limited	9 month KIBOR +1.5 % 6 month KIBOR+1.25%	600,000	200,000	200,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 353.00 million First joint pari passu charge on present and future current assets of the Company for Rs 267 million.
Soneri Bank Limited	3 month KIBOR +1.5 % 6 month KIBOR + 1.25%	1,000,000	500,000	300,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 588.235 million First joint pari passu charge on present and future current assets of the Company for Rs 666.67 million.
Habib Metropolitan Bank	3 month KIBOR + 0.90 %	1,050,000	300,000	100,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 834 Million First joint pari passu charge on present and future current assets of the Company for Rs 400 million.
Al-Baraka Bank Limited	9 month Kibor + 1.75% SBP + 1%	750,000	-	250,000	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 333.334 million.
Total		2,430,330	35,770	2,380,410	
Accrued mark-up		2,466,100		39,327	
				2,419,737	

(Rupees in thousand)

	Note	2021 (Rupees in thousand)	2020
25. Current maturity of non-current liabilities			
Long term finances	19	707,064	504,371
Loans from related parties	20	53,546	50,998
Lease liabilities	21	101,403	93,891
		<u>862,013</u>	<u>649,260</u>

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.

No provision on account of contingencies disclosed in note 26.1 - 26.2 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.

26.3 The Company has letter of guarantee facilities aggregating Rs 50 million (2020: Rs 100 million) available from Bank Al Habib. The amount availed on these facilities as at September 30, 2021 is Rs 4 million (2020: Rs 4 million). These facilities are secured by master counter guarantee and 100% cash margin.

26.4 The Company has obtained letter of credit facilities aggregating Rs 538 million (2020: Rs 427 million) from Bank Al Habib and Al Barka Bank. The amount availed on these facilities as at September 30, 2021 is Rs 115 million (2020: Rs 235 million). These facilities are secured by lien on shipping documents.

26.5 The Company has cash finance facility available from various banks aggregating to Rs 5.15 billion (2020: Rs 2.07 billion), out of which Rs 230.3 million (2020: Rs 868.5 million) has been availed by the Company as at September 30, 2021. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10 - 15%.

26.6 The Company has Export Re Finance/Finance Against Pecking Credit (ERF / FAPC) facility from various commercial banks for Rs 2,250 million (2020: Rs 2,000 million), out of which Rs 2,200 million (2020: Rs 1,512 million) has been availed by the Company as at September 30, 2021. These facilities are secured by the joint parri passu hypothecation charge over current assets of the Company and lien over export documents.

26.7 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			2021	2020
		Note	(Rupees in thousand)	
26.8	The Company has following commitments in respect of:			
	Foreign letters of credit for purchase of plant and machinery		178,967	5,527
	Local letters of credit for purchase of plant and machinery		257,546	229,510
	Capital expenditure other than for letters of credit		144,647	12,042
27.	Gross sales			
	Local		13,674,572	14,419,955
	Export	27.1	<u>4,383,459</u>	<u>3,636,015</u>
			<u>18,058,031</u>	<u>18,055,970</u>
27.1	Export sales comprise of the ethanol sales made in the following regions:			
	United Arab Emirates		5,615	198,614
	Indonesia		1,350,362	500,656
	Singapore		8,917	333,213
	Spain		1,160,151	146,706
	Hong Kong		35,690	126,968
	Switzerland		1,026,709	994,135
	United Kingdom		649,271	1,072,121
	Netherland		-	204,906
	Others		146,744	58,696
			<u>4,383,459</u>	<u>3,636,015</u>
28.	Sales tax, other government levies and discounts			
	Indirect taxes		2,011,263	2,118,155
	Discounts		<u>9,682</u>	<u>8,125</u>
			<u>2,020,945</u>	<u>2,126,280</u>
29.	Cost of sales			
	Raw material consumed		11,709,642	10,419,137
	Chemicals and stores consumed		269,393	333,469
	Salaries, wages and benefits	29.1	538,347	564,008
	Power and fuel		89,010	97,679
	Repair maintenance and others		559,888	324,092
	Insurance		19,109	14,019
	Depreciation - property, plant and equipment	6.6	836,969	780,496
	Depreciation - right of use asset	7.1	5,705	3,534
	Reversal of provision for obsolete items		(3,193)	-
			<u>14,024,870</u>	<u>12,536,434</u>
	Adjustment of work-in-process:			
	Opening		11,624	9,140
	Closing		(13,449)	(11,624)
			<u>(1,825)</u>	<u>(2,484)</u>
	Cost of goods manufactured		14,023,045	12,533,950
	Adjustment of finished goods:			
	Opening stock		1,230,375	1,715,684
	Closing stock		(1,341,096)	(1,230,375)
			<u>(110,721)</u>	<u>485,309</u>
			<u>13,912,324</u>	<u>13,019,259</u>
29.1	Salaries, wages and benefits include Rs 13.75 million (2020: Rs 12.74 million) in respect of retirement benefits.			

	Note	2021 (Rupees in thousand)	2020
30. Selling and distribution expenses			
Salaries, wages and benefits	30.1	12,291	14,303
Loading and stacking		10,184	31,915
Export development surcharge		10,262	8,681
Freight and other expenses		429,927	620,573
Depreciation - right of use asset	7.1	20,800	20,640
		<u>483,464</u>	<u>696,112</u>
30.1	Salaries, wages and benefits include Rs 198 thousand (2020: Rs 187 thousand) in respect of retirement benefits.		
31. Administrative and general expenses			
Salaries, wages and benefits	31.1	370,398	354,481
Travelling and conveyance		25,016	26,203
Vehicles running and maintenance		18,143	16,688
Rent, rates and taxes		3,590	2,862
Communication		10,273	10,206
Printing and stationery		7,237	7,113
Insurance		4,673	5,030
Repair and maintenance		31,155	27,133
Fees and subscription		4,210	3,693
Depreciation - property, plant and equipment	6.6	12,801	11,315
Depreciation - right of use asset	7.1	59,561	64,310
Auditors' remuneration	31.2	3,046	2,720
Legal and professional charges		9,896	7,289
Others		40,856	39,330
		<u>600,855</u>	<u>578,373</u>
31.1	Salaries, wages and benefits include Rs 8.27 million (2020: Rs 6.54 million) in respect of retirement benefits.		
31.2	Auditors' remuneration		
Statutory audit		2,130	1,900
Half year review		504	450
Consolidation		224	200
Group reporting		112	100
Out-of-pocket expenses		76	70
		<u>3,046</u>	<u>2,720</u>
32. Other income			
Income from financial assets			
Return on bank deposits		4,474	6,620
Income from other than financial assets			
Sale of press mud - net of sales tax		3,671	10,741
Sale of fusel oil - net of sales tax		3,485	2,301
Gain on disposal of operating fixed assets		1,731	1,459
Scrap sales - net of expenses		50,960	45,003
Rental income		115	200
		<u>59,962</u>	<u>59,704</u>
		<u>64,436</u>	<u>66,324</u>

	Note	2021 (Rupees in thousand)	2020
33. Other expenses			
Donations - without directors' interest	33.1	2,190	666
Workers' profit participation and workers welfare obligations		<u>28,017</u>	<u>52,583</u>
		<u>30,207</u>	<u>53,249</u>
33.1	This includes amount of Rs 1.5 million (2020: Nil) donated to Habib Education Trust.		
34. Finance cost			
Mark-up on:			
Long term finances		179,979	215,737
Loans from related parties		17,493	45,346
Short term borrowings		441,925	553,134
		639,397	814,217
Unwinding of interest on lease liabilities		42,484	55,189
Amortization of deferred government grant		(11,465)	(171)
Amortization of loan to Subsidiary Company		(10,456)	-
Interest on workers' profit participation fund		8,117	10,817
Bank charges		9,139	5,138
Exchange loss / (gain) - net		(20,879)	18,711
		<u>656,337</u>	<u>903,901</u>
35. Taxation			
Current:			
- for the year		43,835	36,360
- prior year		-	(47,034)
		43,835	(10,674)
Deferred:			
On account of temporary differences		(16,868)	7,230
		<u>26,967</u>	<u>(3,444)</u>
35.1	Reconciliation of taxation with accounting profit		
Profit before taxation		337,348	742,671
Tax rate		29%	29%
Tax on profit		97,831	215,375
Tax effect of:			
Lower rate income		(8,742)	(38,190)
Prior year charge		-	(47,034)
Unused tax losses		-	-
Deferred tax asset recognized in respect of prior year temporary differences		(89,412)	(177,953)
Others		27,290	44,358
		<u>26,967</u>	<u>(3,444)</u>

	2021	2020
	(Rupees in thousand)	
36. Earnings per share		
Profit after taxation attributable to ordinary shareholders	<u>310,381</u>	<u>746,115</u>
Weighted average number of shares outstanding during the year (No. of shares '000')	<u>28,692</u>	<u>28,692</u>
Earnings per share (Rs)	<u>10.82</u>	<u>26.00</u>

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

37. Segment operating results for the year ended September 30, 2021

	Sugar Division		Ethanol Division		Total	
	2021	2020	2021	2020	2021	2020
	----- Rupees in thousand -----					
Sales						
-External Customers	13,141,517	13,419,160	4,916,514	4,636,810	18,058,031	18,055,970
-Inter segment	1,007,043	1,004,832	-	-	1,007,043	1,004,832
	<u>14,148,560</u>	<u>14,423,992</u>	<u>4,916,514</u>	<u>4,636,810</u>	<u>19,065,074</u>	<u>19,060,802</u>
Less : sales tax & others	(1,946,775)	(1,977,012)	(74,170)	(149,268)	(2,020,945)	(2,126,280)
Sales - net	<u>12,201,785</u>	<u>12,446,980</u>	<u>4,842,344</u>	<u>4,487,542</u>	<u>17,044,129</u>	<u>16,934,522</u>
Segment expenses:						
Cost of Sales	(10,879,109)	(10,076,655)	(3,033,215)	(2,942,604)	(13,912,324)	(13,019,259)
less: Inter segment cost	-	-	(1,007,043)	(1,004,832)	(1,007,043)	(1,004,832)
	<u>(10,879,109)</u>	<u>(10,076,655)</u>	<u>(4,040,258)</u>	<u>(3,947,436)</u>	<u>(14,919,367)</u>	<u>(14,024,091)</u>
Gross profit	1,322,676	2,370,325	802,086	540,106	2,124,762	2,910,431
Selling and distribution expenses	(19,820)	(167,793)	(463,644)	(528,319)	(483,464)	(696,112)
Administrative and general expenses	(459,864)	(512,209)	(140,991)	(66,164)	(600,855)	(578,373)
Net impairment losses on financial assets	(80,987)	(2,449)	-	-	(80,987)	(2,449)
	<u>(560,671)</u>	<u>(682,451)</u>	<u>(604,635)</u>	<u>(594,483)</u>	<u>(1,165,306)</u>	<u>(1,276,934)</u>
Profit from operations	762,005	1,687,874	197,451	(54,377)	959,456	1,633,497
Other income	62,037	63,816	2,399	2,508	64,436	66,324
Other expenses	(30,207)	(53,249)	-	-	(30,207)	(53,249)
	<u>31,830</u>	<u>10,567</u>	<u>2,399</u>	<u>2,508</u>	<u>34,229</u>	<u>13,075</u>
Segment results	<u>793,835</u>	<u>1,698,441</u>	<u>199,850</u>	<u>(51,869)</u>	<u>993,685</u>	<u>1,646,572</u>
Finance cost					(656,337)	(903,901)
Profit before tax					337,348	742,671
Taxation					(26,967)	3,444
Profit for the year					<u>310,381</u>	<u>746,115</u>

37.1 Segment assets and liabilities

	2021		2020	
	(Rupees in thousand)			
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Sugar	11,336,792	4,739,128	9,318,606	2,395,920
Ethanol	<u>5,636,656</u>	<u>2,810,170</u>	<u>5,571,354</u>	<u>3,088,321</u>
Total for reportable segment	16,973,448	7,549,298	14,889,960	5,484,241
Others	-	412,315	-	1,715,195
Total assets / liabilities	<u>16,973,448</u>	<u>7,961,613</u>	<u>14,889,960</u>	<u>7,199,436</u>

38 Financial instruments

38.1 Financial assets and liabilities

As at September 30, 2021

	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets:				
-----Rupees in thousand-----				
Maturity upto one year				
Trade debts	533,462	-	-	533,462
Loans and advances	96,097	-	-	96,097
Trade deposits and other receivables	252,441	-	-	252,441
Cash and bank balances	281,463	-	-	281,463
Maturity after one year				
Long term security deposits	240,577	-	-	240,577
	<u>1,404,040</u>	<u>-</u>	<u>-</u>	<u>1,404,040</u>

	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	778,495	-	778,495
Unclaimed dividends	12,353	-	12,353
Current maturity of non current liabilities	760,610	-	760,610
Short term running finance	2,466,100	-	2,466,100
Lease liabilities	101,403	-	101,403
Maturity after one year			
Long term finances - secured	1,583,318	-	1,583,318
Loans from related parties - secured	173,075	-	173,075
Lease liabilities	226,887	-	226,887
	<u>6,102,241</u>	<u>-</u>	<u>6,102,241</u>

As at September 30, 2020

	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets:				
(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
	<u>1,011,506</u>	<u>-</u>	<u>-</u>	<u>1,011,506</u>
Financial liabilities:				
(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 portion 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
		<u>5,652,322</u>	<u>-</u>	<u>5,652,322</u>

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 recognises 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, 2021				
Gross carrying value	534,179	-	1,729	535,908
Loss allowance	717	-	1,729	2,446
September 30, 2020				
Gross carrying value	143,265	90	1,639	144,994
Loss allowance	216	90	1,639	1,945

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, 2021 and September 30, 2020 is determined as follows:

	2021	2020
	(Rupees in thousand)	
September 30, 2021		
Gross carrying value	96,097	204,257
Loss allowance	(345)	(3,755)

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.

Net impairment losses on financial assets recognised in statement of profit or loss account:

	2021	2020
	(Rupees in thousand)	
Impairment loss for doubtful trade debts	28,277	193
Impairment loss for export subsidy	56,120	-
Impairment losses on doubtful advances	-	2,256
Reversal of previous impairment losses	(3,410)	-
Net impairment losses on financial assets	<u>80,987</u>	<u>2,449</u>

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		
Counterparties without external credit rating			
Trade debts		533,462	143,049
Loans and advances		96,097	204,257
Trade deposits and other receivables		252,441	306,440
		<u>882,000</u>	<u>653,746</u>
Counterparties with external credit rating			
Bank balances			
	A1+	279,688	281,280
	A1	1,775	577
		<u>281,463</u>	<u>281,857</u>
Loans and advances			
	A1+	172,537	235,038
	A1	34,738	-
		<u>207,275</u>	<u>235,038</u>

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, 2021					
Long term finance - secured	2,290,382	2,290,382	707,064	1,583,318	-
Loans from related parties	226,621	226,621	53,546	173,075	-
Lease liabilities	328,290	328,290	101,403	226,887	-
Trade and other payables	778,495	778,495	778,495	-	-
Unclaimed dividend	12,353	12,353	12,353	-	-
Short term running finance	2,466,100	2,466,100	2,466,100	-	-

	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	-	-

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 332.11 million (2020: Rs 43.78 million) which were subject to currency risk.

	<u>2021</u>	<u>2020</u>
Rupees per USD		
Average rate	168.08	161.03
Reporting date rate	170.45	165.70

Sensitivity analysis

As at September 30, 2021, 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 23.61 million (2020: Rs 3.10 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 19.83 million (2020: Rs 9.02 million) and Rs 5,185 million (2020: Rs 4,852 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, 2021, if interest rates had been 1% higher/ lower with all other variables held constant, profit after tax for the year would have been Rs 36.98 million (2020: Rs 34.39 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. 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:

	2021	2020
	(Rupees in thousand)	
Long term finances - secured	2,290,382	1,866,689
Loans from related parties - secured	226,621	245,323
Lease liabilities	328,290	389,553
Trade and other payables	950,266	942,856
Short term running finance	2,466,100	2,419,737
Less: cash and cash equivalents	(281,463)	(281,856)
Net debt	5,980,196	5,582,302
Issued, subscribed and paid-up capital	286,920	286,920
Capital reserve	327,000	327,000
Revenue reserve	3,332,184	2,853,561
Total capital	3,946,104	3,467,481
Capital and net debt	9,926,300	9,049,783
Gearing ratio	60%	62%

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, 2021. 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, 2020	1,824,333	218,563	372,737	108,443	1,962,000	10,539	4,496,615
Cash flows	415,767	(24,238)	(150,138)	(622,893)	238,000	(141,646)	(285,148)
Other non-cash movements	-	-	105,691	632,798	-	143,460	881,949
Balance at September 30, 2021	<u>2,240,100</u>	<u>194,325</u>	<u>328,290</u>	<u>118,348</u>	<u>2,200,000</u>	<u>12,353</u>	<u>5,093,416</u>

42. Transactions and balances with related parties

42.1 The Premier Sugar Mills & Distillery Company Limited holds 47.93% (2020: 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.

	2021	2020
	(Rupees in thousand)	
The Premier Sugar Mills and Distillery Company Limited		
Purchases	1,369	107,595
Sales	80,742	305,474
Earnest money for purchase of building	270,000	-
Mark-up charged	541	21,415
Expenses paid by the Company	25,473	34,393
Expenses paid on behalf of the Company	8,613	17,880
Dividend paid	68,755	68,755
Rent expense	21,780	20,790
Rent income	115	115
Syntronics Limited		
Purchase of store items	-	90,640
Sales	-	208
Dividend paid	17,952	17,952
Syntron Limited		
Purchase of store items	90,928	84,281
Azlak Enterprises (Private) Limited		
Services on behalf of the Company	30,549	29,670
Mark-up charged	7,415	10,468
Expenses paid on behalf of the Company	1,565	3,679
Dividend paid	7,314	7,314

	2021	2020
	(Rupees in thousand)	
Phipson & Company Pakistan (Private) Limited		
Expenses paid by the Company	-	138
Dividend paid	1,538	1,538
Arpak International Investments Limited		
Markup charged	3,817	5,388
Premier Board Mills Limited		
Markup charged	5,721	8,076
Whole Foods (Pvt.) Limited		
Expenses paid by the Company	98,190	55,001
Funds transferred	235,000	100,000
Ultimate Whole Foods (Private) Limited		
Freehold Land	38,700	-
Provident fund		
Contribution to provident fund	18,729	16,476
Directors		
Dividends paid	17,346	17,346
Vehicle leased	21,685	-

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%
10	Ultimate Whole Foods (Private) Limited	Subsidiary Company	51.00%

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	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in thousand) -----					
Managerial remuneration	12,000	12,000	24,000	24,000	38,712	27,794
Bonus	-	-	-	750	5,452	8,690
Housing and utilities	1,770	2,366	8,843	7,396	22,290	18,529
Company's contribution to provident fund	-	-	-	-	2,537	2,275
Medical	3,806	416	2,926	599	1,289	534
Other expenses	1,017	2,482	5,458	8,437	-	-
	<u>18,593</u>	<u>17,264</u>	<u>41,227</u>	<u>41,182</u>	<u>70,280</u>	<u>57,822</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>16</u>	<u>15</u>

- 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

	2021	2020
Sugar plants		
Rated crushing capacity (Metric Ton / day)	18,000	18,000
On the basis of average number of 104 days (2020: 107 days)	1,872,000	1,926,000
Actual cane crushed (Metric Ton)	1,468,505	1,432,075
Sugar produced (Metric Ton)	145,987	151,013
Ethanol fuel plant		
Rated production capacity (Litres / day)	125,000	125,000
On the basis of average number of 353 days (2020: 354 days) (Litres)	44,125,000	44,250,000
Actual production (Litres)	44,099,770	43,462,330
Days worked		
Sugar - unit I	106	103
Sugar - unit II	101	111
Ethanol fuel plant	353	354

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.

	2021	2020
44.3 Number of employees		
Number of employees at September 30		
Permanent	914	926
Contractual	982	1,027
	<u>1,896</u>	<u>1,953</u>
Average number of employees for the year		
Permanent	922	924
Contractual	1,354	1,287
	<u>2,276</u>	<u>2,211</u>

44.4 Provident Fund

Details of the provident funds based on audited financial statements for the year ended September 30, 2021 are as follows:

	2021	2020
	(Rupees in thousand)	
Staff provident fund		
Size of the fund	200,240	167,206
Cost of investment made	193,452	156,961
Fair value of investment made	201,460	163,747
	%	%
Percentage of investment made	<u>96.61</u>	<u>93.87</u>

	2021		2020	
	Rupees '000'	%	Rupees '000'	%
Breakup of investment - at cost				
Term deposit	193,400	99.97	156,900	99.96
Bank deposits	52	0.03	61	0.04
	<u>193,452</u>	<u>100.00</u>	<u>156,961</u>	<u>100.00</u>

44.5 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary for the purpose of better presentation and / or to comply with requirements of accounting and reporting standards, the effects of which are not considered material.

Description	Reclassified		Amount Rs (000)
	From	To	
Seed sales - net of expenses	Other Income	Cost of Sales	21,179

44.6 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 02, 2022 has proposed a final cash dividend for the year ended September 30, 2021 @ Rs. 5 per ordinary share (2020 @ Rs 5 per ordinary share), amounting to Rs 143,460 thousand (2020: Rs 143,460 thousand) for approval of the members in the annual general meeting to be held on February 25, 2022.

47. Date of authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on February 02, 2022.



(RIZWAN ULLAH KHAN)
CHIEF FINANCIAL OFFICER



(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE



(ISKANDER M KHAN)
DIRECTOR

ANNUAL REPORT

2021

**CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

**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 subsidiaries Whole Foods (Private) Limited and Ultimate Whole Foods (Private) Limited (the Group), which comprise the consolidated statement of financial position as at September 30, 2021, and the consolidated statement of profit or loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matter

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

Following is the Key audit matter:

S.No. Key audit matter	How the matter was addressed in our audit
<p data-bbox="214 388 876 525">i) Revaluation of property, plant and equipment <i>(Refer note 16, 5 and 6.1 to the financial statements)</i></p> <p data-bbox="316 546 876 945">Under the International Accounting Standard 16 “Property, Plant and Equipment”, the management carries its free hold lands, 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.</p> <p data-bbox="316 966 876 1617">As at September 30, 2021, the carrying value of free hold lands, buildings & roads and plant & machinery was Rs 11,197 million. The fair value of the Group’s free hold lands, buildings & roads and plant & machinery were assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2021. For valuation of free hold lands, 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 lands, 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.</p> <p data-bbox="316 1638 876 1839">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.</p>	<p data-bbox="876 514 1388 651">Our audit procedures to assess the valuation of free hold land, buildings & roads and plant & machinery included the following:</p> <ul style="list-style-type: none"> <li data-bbox="876 672 1388 871">- Evaluated the qualification, experience and competence of the independent external property valuation expert engaged by the Company as management expert for valuation; <li data-bbox="876 892 1388 1071">- Obtained understanding of the valuation process and techniques adopted by the valuation expert to assess, if they are consistent with the industry norms; <li data-bbox="876 1092 1388 1228">- Obtained the valuation report of external valuation expert and tested mathematical accuracy of the reports; <li data-bbox="876 1249 1388 1522">- Engaged another independent valuation expert as an auditor expert to assess the appropriateness and the reasonableness of the related management’s assumptions and methodologies used by the management expert; and <li data-bbox="876 1543 1388 1648">- Assessed the adequacy of the related disclosures in the annexed financial statements

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

Management is responsible for the other information. The other information comprise the information included in the annual report, but does not include the unconsolidated and 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, 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 accounting and reporting standards as applicable in Pakistan and Companies Act, 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 is 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. JehanZebAmin.

A handwritten signature in blue ink, appearing to read 'Jehanzeb Amin', is written over the printed name.

Chartered Accountants
Islamabad

Date: February 02, 2022

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

	Note	2021 (Rupees in thousand)	2020
NON CURRENT ASSETS			
Property, plant and equipment	6	12,500,913	10,449,980
Right-of-use assets	7	339,575	395,099
Long term deposits		15,084	15,058
		<u>12,855,572</u>	<u>10,860,137</u>
CURRENT ASSETS			
Stores and spares	8	522,564	502,275
Stock-in-trade	9	1,354,545	1,241,999
Trade debts	10	533,462	143,049
Loans and advances	11	859,840	1,455,609
Trade deposits and other receivables	12	278,346	339,966
Income tax refundable	13	312,498	298,767
Cash and bank balances	14	441,753	292,152
		<u>4,303,008</u>	<u>4,273,817</u>
TOTAL ASSETS		<u>17,158,580</u>	<u>15,133,954</u>
SHARE CAPITAL AND RESERVES			
Authorized capital	15	<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid-up capital	15	286,920	286,920
Capital reserve			
General reserve		327,000	327,000
Revenue reserve			
Unappropriated profits		3,190,740	2,833,119
Surplus on revaluation of property, plant and equipment	16	<u>5,157,980</u>	<u>4,223,043</u>
Equity attributable to owners of the parent		8,962,640	7,670,082
Non-controlling interest	34	<u>194,780</u>	<u>-</u>
		<u>9,157,420</u>	<u>7,670,082</u>
NON-CURRENT LIABILITIES			
Long term finances - secured	17	1,702,294	1,515,175
Loans from related parties - secured	18	198,075	219,325
Lease liabilities	19	226,887	278,846
Deferred liabilities			
-Deferred taxation		1,733,208	1,317,231
-Provision for gratuity		11,467	9,631
-Deferred government grant		6,204	14,693
-Deferred benefit of below market rate of interest on refinance facility		21,211	25,955
	20	<u>1,772,090</u>	<u>1,367,510</u>
		<u>3,899,346</u>	<u>3,380,856</u>
CURRENT LIABILITIES			
Trade and other payables	21	717,872	958,721
Unclaimed dividend		12,353	10,539
Short term running finance	22	2,466,100	2,419,737
Current maturity of non-current liabilities	23	905,489	694,019
		<u>4,101,814</u>	<u>4,083,016</u>
TOTAL LIABILITIES		<u>8,001,160</u>	<u>7,463,872</u>
Contingencies and commitments	24		
TOTAL EQUITY AND LIABILITIES		<u>17,158,580</u>	<u>15,133,954</u>

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



(RIZWAN ULLAH KHAN)
CHIEF FINANCIAL OFFICER



(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE



(ISKANDER M KHAN)
DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Note	2021 (Rupees in thousand)	2020
Gross sales	25	18,058,031	18,055,970
Sales tax, other government levies and discounts	26	(2,020,945)	(2,126,280)
Sales - net		<u>16,037,086</u>	<u>15,929,690</u>
Cost of sales	27	(13,912,324)	(13,019,259)
Gross profit		<u>2,124,762</u>	<u>2,910,431</u>
Selling and distribution expenses	28	(483,464)	(696,112)
Administrative and general expenses	29	(670,291)	(589,766)
Net impairment losses on financial assets	38.1.1	(80,987)	(2,449)
Other income	30	60,457	66,324
Other expenses	31	(30,207)	(53,249)
Operating profit		<u>920,270</u>	<u>1,635,179</u>
Finance cost	32	(682,843)	(903,920)
Profit before taxation		<u>237,427</u>	<u>731,259</u>
Taxation	33	(51,632)	3,444
Profit for the year		<u><u>185,795</u></u>	<u><u>734,703</u></u>
Attributable to:			
Owners of the parent company		187,015	734,703
Non-controlling interest		<u>(1,220)</u>	<u>-</u>
		<u><u>185,795</u></u>	<u><u>734,703</u></u>
Earnings per share attributable to owners of parent company - basic and diluted (Rs)	35	<u><u>6.52</u></u>	<u><u>25.61</u></u>

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CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Note	2021 (Rupees in thousand)	2020 (Rupees in thousand)
Profit for the year		185,795	734,703
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement (loss) / gain on staff retirement benefit plans	20.2.5	(348)	(460)
Less: Deferred tax on remeasurement gain / (loss) on staff retirement benefit plans		101	133
		(247)	(327)
Surplus on revaluation of property, plant and equipment		1,657,526	1,026,555
Less: Deferred tax on surplus on revaluation of property, plant and equipment		(408,276)	(259,818)
		1,249,250	766,737
Total comprehensive income for the year		1,434,798	1,501,113
Attributable to:			
Owners of the Parent Company		1,436,018	1,501,113
Non-controlling interest		(1,220)	-
		1,434,798	1,501,113

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



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CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Share capital	General reserve	Unappropriated profits	Surplus on revaluation of property, plant and equipment	Total	Non-controlling interest	Total
----- Rupees in thousand -----							
Balance as at October 1, 2019	286,920	327,000	1,985,055	3,713,454	6,312,429	-	6,312,429
Total comprehensive income for the year ended September 30, 2020							
Income for the year	-	-	734,703	-	734,703	-	734,703
Other comprehensive income for the year	-	-	(327)	766,737	766,410	-	766,410
	-	-	734,376	766,737	1,501,113	-	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)	-	-	-
Final cash dividend at rate of Rs 5.00 per ordinary share for the year ended September 30, 2019	-	-	(143,460)	-	(143,460)	-	(143,460)
Balance as at September 30, 2020	286,920	327,000	2,833,119	4,223,043	7,670,082	-	7,670,082
Share capital subscribed by non controlling interest	-	-	-	-	-	196,000	196,000
Total comprehensive income for the year ended September 30, 2021							
Income for the year	-	-	187,015	-	187,015	(1,220)	185,795
Other comprehensive income for the year	-	-	(247)	1,249,250	1,249,003	-	1,249,003
	-	-	186,768	1,249,250	1,436,018	(1,220)	1,434,798
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation)	-	-	314,313	(314,313)	-	-	-
Cash dividend at rate of Rs 5.00 per ordinary share for the year ended September 30, 2020	-	-	(143,460)	-	(143,460)	-	(143,460)
Balance as at September 30, 2021	286,920	327,000	3,190,740	5,157,980	8,962,640	194,780	9,157,420

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



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CHASHMA SUGAR MILLS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Note	2021	2020
		(Rupees in thousand)	
Cash flow from operating activities			
Profit for the year - before taxation		237,427	731,259
Adjustments for non-cash items:			
Depreciation - Property, plant and equipment		901,291	792,123
Depreciation - Right of use asset		86,066	88,484
(Gain) / Loss on sale of operating fixed assets		4,719	(1,459)
Profit on deposit accounts		(4,474)	(6,620)
Finance cost		682,843	903,920
Provision for doubtful debts		28,277	193
Provision for doubtful advances		(3,410)	2,256
Provision for gratuity		3,392	3,128
Impairment loss for export subsidy		56,120	-
Reversal of provision for obsolete items		(3,193)	-
		1,989,058	2,513,284
Changes in working capital			
Decrease / (Increase) in			
stores and spares		(17,096)	(32,563)
stock-in-trade		(112,546)	482,825
trade debts		(418,690)	(86,231)
loans and advances		599,179	(174,189)
trade deposits and other receivables		5,500	47,492
Increase / (Decrease) in trade and other payables		(240,849)	253,525
		(184,502)	490,859
		1,804,556	3,004,143
Income tax paid		(57,561)	(297,841)
Gratuity paid		(1,904)	(539)
		1,745,091	2,705,763
Net cash generated from operating activities			
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,299,036)	(825,999)
Sale proceeds from disposal of fixed assets		32,284	6,379
Increase in long term deposits and other receivables		(26)	26
Profits on bank deposits received		4,474	6,620
		(1,262,304)	(812,974)
Net cash used in investing activities			
Cash flow from financing activities			
Long term finances received / (repaid)		377,142	142,969
Share capital subscribed by non controlling interest		196,000	-
Short term loan received / (repaid)		238,000	1,006,999
Loan (repaid) / received to related party		(24,238)	(124,696)
Lease obligation repaid		(150,138)	(105,576)
Dividends paid		(141,646)	(141,609)
Finance cost paid		(640,226)	(982,790)
		(145,106)	(204,703)
Net cash used in financing activities			
Net increase in cash and cash equivalents			
		337,681	1,688,086
Cash and cash equivalents - at beginning of the year		(126,258)	(1,814,344)
Cash and cash equivalents - at end of the year		211,423	(126,258)
Cash and cash equivalents comprised of:			
Cash and bank balances	14	441,753	292,152
Short term running finance - secured	22	(230,330)	(418,410)
		211,423	(126,258)

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


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CHASHMA SUGAR MILLS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. THE GROUP AND ITS OPERATIONS

1.1 Chashma Sugar Mills Limited (the Holding Company)

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 October 01, 1992. 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.

1.2 Subsidiary Companies

(a) Whole Foods (Private) Limited

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

(b) Ultimate Whole Foods (Private) Limited

During the year, the Board of Directors passed resolution to incorporate Ultimate Whole Foods (Private) Limited (UWFPL), and the same has been incorporated on May 17, 2021 as a UWFPL limited by shares. The objective of UWFPL is to set up mills for milling wheat, gram, other grains and other allied products and by-products from flours. The Chashma Sugar Mills Limited owns 51% (i.e. 20,400,000 shares of Rs 10 each) of the total shareholding of Ultimate Whole Foods (Private) Limited (i.e. 40,000,000 shares of Rs 10 each). The operations of the UWFPL have not yet started.

These consolidated financial statements include financial statements of Chashma Sugar Mills Limited and its subsidiaries.

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended September 30, 2021 and the unaudited financial statements of the subsidiaries for the period ended September 30, 2021.

For the purpose of these consolidated financial statements, Chashma Sugar Mills Limited and its subsidiaries 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

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 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, 2023
IAS 8 Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2023
IAS 12 Income Taxes (Amendments)	January 1, 2023
IAS 16 Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3 Business Combinations (Amendments)	January 1, 2022
IFRS 7 Financial Instruments : Disclosures (Amendments)	January 1, 2021
IFRS 9 Financial Instruments (Amendments)	January 1, 2021
IFRS 16 Leases (Amendments)	January 1, 2021

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
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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 subsidiaries is June 30, 2021. The subsidiaries 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

4.2.1 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.

4.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixes assets, capital stores and intangibles assets in the course of their acquisition, construction and installation.

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, 2021.

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 loses 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 revaluation. 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.

Work in process of sugar valued at 80% of production cost.

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 - note 4.13

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 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	2021	2020
		(Rupees in thousand)	
6. Property, plant and equipment			
Operating fixed assets	6.1	11,701,695	9,629,242
Capital work-in-progress	6.7	799,218	820,738
		<u>12,500,913</u>	<u>10,449,980</u>

6.1 Operating fixed assets

	Owned						Leased		Total	
	Freehold land	Buildings and roads	Plant and machinery	Electric installations	Office equipment	Farm equipment	Furniture and fixtures	Vehicles		Vehicles
	Rupees in thousand									
As at October 1, 2019	1,308,754	1,724,095	7,018,751	483,433	82,524	947	42,456	49,496	216,270	10,926,726
Cost / revalued amount	-	(160,222)	(1,276,525)	(210,198)	(35,411)	(582)	(20,490)	(34,302)	(69,679)	(1,807,409)
Accumulated depreciation	1,308,754	1,563,873	5,742,226	273,235	47,113	365	21,966	15,194	146,591	9,119,317
Net book value										
Year ended September 30, 2020	1,308,754	1,563,873	5,742,226	273,235	47,113	365	21,966	15,194	146,591	9,119,317
Opening net book value	-	-	-	-	-	-	-	-	(146,591)	(146,591)
Impact of adoption of IFRS 16	-	51,521	307,042	37,016	14,465	672	6,025	5,414	-	422,155
Additions										
Disposals	(597)	-	-	-	-	-	-	(11,399)	-	(11,996)
Cost	-	-	-	-	-	-	-	7,076	-	7,076
Accumulated depreciation	(597)	-	-	-	-	-	-	(4,323)	-	(4,920)
Transfers from right of use assets to owned										
Cost	-	-	-	-	-	-	-	13,667	-	13,667
Depreciation	-	-	-	-	-	-	-	(8,818)	-	(8,818)
Depreciation charge	-	(158,993)	(592,133)	(29,401)	(5,293)	(45)	(2,447)	(3,811)	-	(792,123)
Revaluation adjustments:										
Cost or valuation	130,632	168,214	727,709	-	-	-	-	-	-	130,632
Depreciation	130,632	168,214	727,709	-	-	-	-	-	-	895,923
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 October 1, 2020	1,438,789	1,775,616	7,325,793	520,449	96,989	1,619	48,481	57,178	-	11,264,914
Cost / revalued amount	-	(151,001)	(1,140,949)	(239,599)	(40,704)	(627)	(22,937)	(39,855)	-	(1,635,672)
Accumulated depreciation	1,438,789	1,624,615	6,184,844	280,850	56,285	992	25,544	17,323	-	9,629,242
Net book value										
Year ended September 30, 2021	1,438,789	1,624,615	6,184,844	280,850	56,285	992	25,544	17,323	-	9,629,242
Opening net book value	158,292	237,814	762,213	123,340	27,088	776	7,242	3,791	-	1,320,556
Additions										
Disposals / Adjustments	-	(15,257)	-	-	-	(73)	-	(57,038)	-	(72,368)
Cost	-	-	-	-	-	3	-	35,362	-	35,365
Depreciation	-	(15,257)	-	-	-	(70)	-	(21,676)	-	(37,003)
Transfers from right of use assets to owned										
Cost	-	-	-	-	-	-	-	91,372	-	91,372
Depreciation	-	-	-	-	-	-	-	(58,707)	-	(58,707)
Depreciation charge	-	(180,843)	(671,182)	(35,514)	(6,362)	(102)	(2,817)	(4,471)	-	(901,291)
Revaluation adjustments:										
Cost or valuation	249,674	12,759	83,111	-	-	-	-	-	-	345,544
Depreciation	249,674	310,609	1,001,373	-	-	-	-	-	-	1,311,982
Closing net book value	1,846,755	1,989,697	7,360,359	368,676	77,011	1,596	29,969	27,632	-	11,701,695
As at September 30, 2021	1,846,755	2,010,932	8,171,117	643,789	124,077	2,322	55,723	95,303	-	12,950,018
Cost or revalued amount	-	(21,235)	(810,758)	(275,113)	(47,066)	(726)	(25,754)	(67,671)	-	(1,248,323)
Accumulated depreciation	1,846,755	1,989,697	7,360,359	368,676	77,011	1,596	29,969	27,632	-	11,701,695
Net book value										
Annual rate of depreciation (%)										

6.2 Disposal of operating fixed assets

Particulars of assets	Cost / Revaluation	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
----- Rupees in thousand -----							
Assets having net book value exceeding Rs.500,000 each							
Buildings and roads							
Lagoons	15,257	-	15,257	-	(15,257)	Written off	
Vehicles							
Toyota Corolla	1,705	1,052	653	852	199	Company policy	Mr. Zia Ullah (employee)
Toyota Corolla	1,705	1,053	652	853	201	Company policy	Muhammad Yasin Quraishi (employee)
Toyota Corolla	1,855	1,145	710	927	217	Company policy	Mr. Shuja Ud Din (employee)
Toyota Corolla	2,066	1,212	854	1,033	179	Company policy	Muhammad Zaheer Ur Din (employee)
Toyota Corolla	1,703	999	704	852	148	Company policy	Muhammad Asif Hanif (employee)
Toyota Corolla	1,852	1,100	752	926	174	Company policy	Mr. Jamil Khanzada (employee)
Toyota Corolla	1,852	1,100	752	1,000	248	Company policy	Mr. Saeed Akbar Sumbal (employee)
Toyota Corolla	2,062	1,224	838	590	(248)	Company policy	Mr. Malik Bashir Ahmed (employee)
Honda Civic	2,577	1,788	789	1,289	500	Company policy	Mr. Mujahid Bashir (employee)
Honda Civic	2,649	1,591	1,058	1,324	266	Company policy	Mr. Mirza Nadeem (employee)
Honda City	1,691	1,110	581	845	264	Company policy	Mr. Amir Ur Rehman (employee)
Honda City	1,708	1,078	630	854	224	Company policy	Mr. Amjad Ali Khan (employee)
Honda City	1,729	818	911	1,140	229	Company policy	Ms. Shazia Malik (employee)
Honda City	1,863	1,133	730	931	201	Company policy	Muhammad Asif (employee)
Honda Vezel	3,423	2,450	973	1,719	746	Company policy	Mr. Hameed Ur Rehman (employee)
Honda Vezel	3,230	2,059	1,171	2,432	1,261	Company policy	Mr. Shahid Suleman (employee)
Suzuki Swift	1,413	863	550	707	157	Company policy	Mr. Hafeez Rajpoot (employee)
Suzuki Cultus	1,574	439	1,135	1,227	92	Company policy	Mr. Salar Janjua (employee)
Suzuki Cultus	1,550	805	745	1,345	600	Company policy	Mr. Arbab Shoukat (employee)
Suzuki Cultus	1,415	700	715	840	125	Company policy	Mr. Abdul Rehman (employee)
	39,622	23,719	15,903	21,686	5,783		
Various assets having net book value upto Rs.500,000 each	17,489	11,646	5,843	10,598	4,755		
September 30, 2021	<u>72,368</u>	<u>35,365</u>	<u>37,003</u>	<u>32,284</u>	<u>(4,719)</u>		

6.3 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:

	2021	2020
	(Rupees in thousand)	
Freehold land	337,867	166,182
Buildings & roads	843,906	704,570
Plant & machinery	3,366,583	2,949,338
	<u>4,548,356</u>	<u>3,820,090</u>

6.4 Forced sales value of the fixed assets based on valuation conducted during are as follows:

Freehold land	1,542,330	1,221,491
Buildings & roads	1,643,507	1,325,732
Plant & machinery	5,545,390	4,681,417
	<u>8,731,227</u>	<u>7,228,640</u>

6.5 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)	
			2021	2020
CSM-1, D.I.Khan	Factory Building	1,111.25	98.86	
CSM-2, Ramak	Factory Building	1,747.15	152.34	
Layyah and Bhakkar	Storage facility	32.00	2.21	
	Note		(Rupees in thousand)	

6.6 Depreciation for the year has been allocated as follows:

Cost of sales	27	836,969	780,496
Administrative and general expenses	29	64,322	11,627
		<u>901,291</u>	<u>792,123</u>

	Note	2021 (Rupees in thousand)	2020
7.1 Depreciation for the year has been allocated as follows:			
Cost of sales	27	5,705	3,534
Selling and distribution expenses	28	20,800	20,640
Administrative and general expenses	29	59,561	64,310
		<u>86,066</u>	<u>88,484</u>
8. Stores and spares			
Stores and spares		555,319	538,223
Less: Provision for obsolete items	8.1	(32,755)	(35,948)
		<u>522,564</u>	<u>502,275</u>
8.1 Provision for obsolete items			
Opening balance		35,948	35,948
Reversal of Provision for obsolete items		(3,193)	-
Closing balance		<u>32,755</u>	<u>35,948</u>
9. Stock-in-trade			
Finished goods			
- Sugar		169,689	278,876
- Molasses		748,145	701,352
- Ethanol		423,262	250,147
		<u>1,341,096</u>	<u>1,230,375</u>
Work-in-process		13,449	11,624
	9.1	<u>1,354,545</u>	<u>1,241,999</u>
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			
Considered good	10.1	533,462	143,049
Considered doubtful		2,446	1,945
		<u>535,908</u>	<u>144,994</u>
Less: loss allowance	10.2	(2,446)	(1,945)
		<u>533,462</u>	<u>143,049</u>
10.1 Trade debts includes amount relating to export sales to Spain and Karachi Export Processing Zone amounting to Rs 319.083 million and Rs 13.024 million respectively (2020: United Arab Emirates and Karachi Export Processing Zone amounting to Rs 23.028 million and Rs 11.876 million respectively).			
10.2 Movement in loss allowance			
Opening balance		1,945	1,752
ECL for the year		28,277	193
Write off against provision during the year		(27,776)	-
Closing Balance		<u>2,446</u>	<u>1,945</u>

	Note	2021 (Rupees in thousand)	2020
11. Loans and advances			
Advances to:			
Employees - secured	11.1	7,867	7,019
Suppliers and contractors - unsecured		582,832	1,180,198
		590,699	1,187,217
Due from holding company	11.2	89,995	65,947
Letters of credit		208,329	235,038
		889,023	1,488,202
Less:			
- Provision for doubtful advances		(28,838)	(28,838)
- Loss allowance	11.3	(345)	(3,755)
		859,840	1,455,609
11.1	These include balances of Rs 7,867 thousand secured against retirement benefits of respective employees.		
11.2	This represents amounts due from the associated companies:		
	Due from holding company:		
		89,995	65,947
	The Premier Sugar Mills and Distillery Company Limited		
	Maximum aggregate amount outstanding in respect of related parties at any month-end during the year was Rs 400.970 million (2020: Rs 65.95 million).		
	Age analysis of balance due from associated companies, past due but not impaired:		
		89,995	65,947
0 to 6 months			
11.3	Movement in loss allowance		
		3,755	1,499
Opening balance		(3,410)	2,256
ECL for the year		345	3,755
Closing balance			
12. Trade deposits and other receivables			
Deposits		3,561	2,480
Prepayments		5,286	4,745
Export subsidy receivable		305,519	305,519
Sales tax		-	7,640
Guarantees issued		19,000	19,000
Others		1,100	582
		334,466	339,966
Less: loss allowance		(56,120)	-
		278,346	339,966
12.1	Movement in Impairment loss of Export Subsidy is as follows:		
		-	-
Opening balance		56,120	-
Impairment loss for the year		56,120	-
Closing balance			
13. Income tax refundable			
Income tax refundable is net of provision for taxation.			

14. Cash and bank balances	Note	2021 (Rupees in thousand)	2020
At banks in			
Current accounts	14.1	421,891	283,129
Savings accounts	14.2	19,379	8,520
Deposit accounts	14.3	483	503
		<u>441,753</u>	<u>292,152</u>

14.1 These include dividend account balance of Rs 1.472 million (2020: Rs 1.177 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 5.76% (2020: 5.50% to 11.25%) per annum.

14.3 Lien is marked on bank balances for an amount of Rs 4 million (2020: Rs 4 million) in respect of the various guarantees extended by the banks.

15. Share capital

15.1 Authorised share capital

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs 10 each	<u>500,000</u>	<u>500,000</u>

15.2 Issued, subscribed and paid up capital

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
<u>28,692,000</u>	<u>28,692,000</u>	Ordinary shares of Rs 10 each	<u>286,920</u>	<u>286,920</u>
		Fully paid in cash	<u>286,920</u>	<u>286,920</u>

The holding company, The Premier Sugar Mills and Distillery Company Limited held 13,751,000 (2020: 13,751,000) ordinary shares and the associated companies held 5,360,834 (2020: 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 for the Company as at September 30, 2021 and for WFL as at June 30, 2021. 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	5,428,149	4,763,774
Add: surplus on revaluation carried-out during the year	1,657,526	1,026,555
Less: transferred to unappropriated profits	<u>(437,223)</u>	<u>(362,180)</u>
	6,648,452	5,428,149
Less: deferred tax on:		
- opening balance of surplus	1,205,106	1,050,320
- surplus during the year	408,276	259,818
- incremental depreciation for the year	<u>(121,316)</u>	<u>(105,032)</u>
- disposal of revalued asset	<u>(1,594)</u>	<u>-</u>
	1,490,472	1,205,106
Balance at the end of the year	<u>5,157,980</u>	<u>4,223,043</u>

Lending Institutions	Interest rate (per annum)	September 30, 2021		Total available facility	Total outstanding amount (Rupees in thousand)	September 30, 2020 Total outstanding amount	Collateral
		Long-term portion	Current portion				
Loans from banking companies							
Bank Al Habib Limited	- 6 month KIBOR + 1% to 1.5 %; and - SBP rate + 1%	446,766	171,000	1,530,000	617,766	372,831	Secured against first joint pari passu charge on present and future fixed assets of the Group for Rs 933.33 million.
Soneri Bank Limited	- 3 month KIBOR + 1% to 1.75 %; - 6 month KIBOR + 1.5; and - 6%	693,753	270,548	1,199,200	964,301	918,260	- Ranking charge of Rs. 675 million on present & future fixed assets of the Group. Secured against first joint pari passu charge on present and future fixed assets of the Group for Rs 1867 million.
The Bank of Punjab Dubai Islamic Bank Pakistan Limited	6 month KIBOR + 2 %	97,492	194,988	1,000,000	292,480	14,100 487,466	- 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 Subsidiary 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.
MCB Bank Limited	3 month KIBOR + 1.10 %	132,950	58,871	306,000	191,821	249,113	Secured against pari passu hypothecation charge over all fixed assets of the Group for Rs. 1.33 billion.
Al Baraka Bank Limited	6 month KIBOR + 1.50 %	352,544	-	450,000	352,544	-	Secured against first joint pari passu charge on present and future fixed assets of the Group for Rs 438 million. Ranking charge of Rs. 600 million on present & future fixed assets of the Group. Specific charge of Rs 450 million on specific plant and machinery items
Total		1,723,505	695,407		2,418,912	2,041,770	
Accrued mark-up					53,498	46,199	
Less: amount payable within next 12 months					2,472,410	2,087,969	
Principal					695,407	500,640	
Accrued mark-up					53,498	46,199	
Deferred Benefit of below market rate of interest on refinance facility					21,211	25,955	
Amount due after September 30, 2022					1,702,294	1,515,175	

18. Loans from related parties - secured		2021	2020
	Note	(Rupees in thousand)	
Holding Company			
The Premier Sugar Mills and Distillery Company Limited	18.1	-	24,238
Associated Companies			
Premier Board Mills Limited	18.2	90,575	90,575
Arpak International Investments Limited	18.3	43,750	43,750
Azlak Enterprises (Private) Limited	18.4	85,000	85,000
Accrued mark-up		33,931	29,051
		253,256	272,614
Less: amount payable within next 12 months			
Principal		21,250	24,238
Accrued mark-up		33,931	29,051
		198,075	219,325

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 paid to 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.

WFPL obtained long term finance facility amounting to Rs 25 million. 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 WFPL.

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	2021 (Rupees in thousand)	2020
19. Lease liabilities			
Balance at beginning of the year		372,737	136,472
Lease liabilities recognized as on Oct 1, 2019		-	231,214
Additions during the year		67,729	89,579
Unwinding of interest on lease liabilities		42,484	55,099
Payments made during the year		(150,138)	(137,851)
Early termination / remeasurement of lease liabilities		(4,522)	(1,776)
Balance at end of the year		<u>328,290</u>	<u>372,737</u>
Less: current portion of long term lease liabilities		<u>(101,403)</u>	<u>(93,891)</u>
		<u>226,887</u>	<u>278,846</u>
19.1	The Group has acquired vehicles under finance lease from commercial banks. The financing is repayable in equal monthly installments over a period of four years and carries finance charge ranging from 7.01% to 10.14% (2020: 6.64% to 15.58%) per annum.		
20. Deferred liabilities			
Deferred taxation	20.1	1,733,208	1,317,231
Provision for gratuity	20.2	11,467	9,631
Deferred government grant	20.3	6,204	14,693
Deferred benefit of below market rate of interest on refinance facility		21,211	25,955
		<u>1,772,090</u>	<u>1,367,510</u>
20.1	Deferred tax comprises of the following:		
	Taxable temporary differences arising in respect of:		
	Accelerated tax depreciation allowances	443,533	384,501
	Surplus on revaluation of property, plant and equipment	1,490,474	1,205,108
	Lease finances	3,551	6,345
		<u>1,937,558</u>	<u>1,595,954</u>
	Deductible temporary differences arising in respect of:		
	Provision for doubtful advances	(8,463)	(9,452)
	Provision for obsolete items	(9,499)	(10,425)
	Expected credit loss on trade debts	(709)	(564)
	Provision for gratuity	(3,326)	(2,792)
	Impairment loss for the year on export subsidy	(16,275)	-
	Minimum tax recoverable against normal tax charge in future years	(166,078)	(255,490)
		<u>(204,350)</u>	<u>(278,723)</u>
		<u>1,733,208</u>	<u>1,317,231</u>
20.2	The latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2021 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:		
	Present value of defined benefit obligation	11,467	9,631
	Fair value of plan assets	-	-
	Net liability	<u>11,467</u>	<u>9,631</u>

	Note	2021 (Rupees in thousand)	2020
20.2.1 Movement in net liability recognized			
Opening net liability		9,631	6,582
Expense for the year recognized in statement of profit or loss account	20.2.2	3,392	3,128
Remeasurement (gain) / loss recognized in Statement of Other Comprehensive Income (OCI)	20.2.5	348	460
Benefits Paid		<u>(1,904)</u>	<u>(539)</u>
		<u>11,467</u>	<u>9,631</u>
20.2.2 Expense for the year			
Current service cost		2,546	2,292
Net interest expense		846	836
		<u>3,392</u>	<u>3,128</u>
20.2.3 Changes in the present value of defined benefit obligation:			
Opening defined benefit obligation		9,631	6,582
Current service cost		2,546	2,292
Interest cost		846	836
Benefits paid		(1,904)	(539)
Remeasurement loss on defined benefit obligation		348	460
Closing defined benefit obligation		<u>11,467</u>	<u>9,631</u>

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:

	2021	2020
	%	%
Discount rate used for interest cost	9.75	13.25
Discount rate used for year end obligation	10.5	9.75
Salary increase rate - long term	9.5	8.75
Salary increase rate - short term	9.5	8.75
Demographic assumptions		
Mortality rates	SLIC 2001-05	SLIC 2001-05

During the year 2022, the Group expects to contribute Rs 3,889 thousand to its gratuity scheme.

20.2.5 Remeasurement recognised in OCI during the year:

Actuarial (gains)/losses from changes in demographic assumptions	-	-
Actuarial (gains)/losses from changes in financial assumptions	(6)	25
Experience adjustments	354	435
Remeasurement loss / (gain) on defined benefit obligation	<u>348</u>	<u>460</u>

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

Plan duration	Years
September 30, 2021	9
September 30, 2020	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)	
<u>2021</u>		
Discount rate	(10,528)	12,567
Future salary growth	12,545	(10,532)
<u>2020</u>		
Discount rate	(8,766)	10,652
Future salary growth	10,636	(8,766)

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.

	2021	2020
	(Rupees in thousand)	
20.3 Deferred government grant		
Opening balance	14,693	-
Grant recognised during the year	2,976	14,864
Amortization during the year	(11,465)	(171)
Closing Balance	<u>6,204</u>	<u>14,693</u>

20.3.1 This represent deferred government grant in respect of term finance facility obtained under SBP Salary Refinance Scheme. During the year 2020, the Company had 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. 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, 2021 was Rs 262 million (2020: Rs 217.48 million). The facility will expire on January 1, 2023. There are no unfulfilled conditions or other contingencies attaching to this grant.

	Note	2021 (Rupees in thousand)	2020
21. Trade and other payables			
Creditors		359,105	496,222
Due to related parties	21.1	41,823	88,431
Accrued expenses		107,023	120,594
Retention money		18,390	15,334
Security deposits	21.2	774	1,964
Advance payments from customers	21.4	17,241	39,548
Sales tax payable		14,908	-
Income tax deducted at source		49,651	32,849
Payable for workers welfare obligations	21.3	59,373	107,275
Payable to employees		42,047	45,512
Payable to provident fund		34	3,672
Others		7,503	7,320
		<u>717,872</u>	<u>958,721</u>
21.1 This represents amounts due to the following related parties and are payable on demand:			
Associated Companies			
Syntronics Limited		4,603	55,809
Aztrak Enterprises (Private) Limited		37,220	32,622
		<u>41,823</u>	<u>88,431</u>
21.2 These are repayable on demand and cannot be utilised for the purpose of business in accordance with the terms of written agreements with these parties. No amount in this respect has been kept in separate bank account.			
21.3 Payable for workers welfare fund			
Balance at the beginning of the year		107,275	44,912
Charge for the year		28,017	52,583
		<u>135,292</u>	<u>97,495</u>
Interest on funds utilized in the Group's business		8,117	10,817
Payments made during the year		(84,036)	(1,037)
		<u>59,373</u>	<u>107,275</u>
21.4 Revenue recognised from advance from customers during the year		<u>39,548</u>	<u>263,302</u>

22. Short term running finance - secured

Secured

Cash / running finance
Export re finance

Note

2021
(Rupees in thousand)

2020

230,330 418,410
2,200,000 1,962,000

2,430,330 2,380,410
35,770 39,327

Accrued mark-up

22.1

2,466,100 2,419,737

22.1 Short term running finance

Lending Institution	September 30, 2021		September 30, 2020		Collateral	
	Interest rate (per annum)	Total available facility	Facility availed	Total outstanding amount		Total outstanding amount
Secured						
Bank Al-Habib Limited	3 month KIBOR +1 %	1,200,000	634,000	634,000	742,000	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 1867 million.
The Bank of Punjab	3 month KIBOR +1.1 %	1,200,000	300,000	300,000	170,000	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 825 Million First joint pari passu charge on present and future current assets of the Company for Rs 667 million.
MCB Bank Limited	3 month KIBOR +1.1 %	900,000	496,330	496,330	299,910	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 888.890 Million 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	Pledge on Sugar Stocks with 15% margin Pledge charge of Rs. 823.529 million First joint pari passu charge on present and future current assets of the Company for Rs 267 million.
Dubai Islamic Bank Pakistan Limited	9 month KIBOR +1.5 % 6 month KIBOR+1.25%	600,000	200,000	200,000	200,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 353.00 million First joint pari passu charge on present and future current assets of the Company for Rs 588.235 million
Soneri Bank Limited	3 month KIBOR +1 % 6 month KIBOR + 1.25%	1,000,000	500,000	500,000	300,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 588.235 million First joint pari passu charge on present and future current assets of the Company for Rs 666.67 million.
Habib Metropolitan Bank	3 month KIBOR + 0.90 %	1,050,000	300,000	300,000	100,000	Pledge on Sugar Stocks with 10% margin Pledge charge of Rs. 834 Million First joint pari passu charge on present and future current assets of the Company for Rs 400 million.
Al-Baraka Bank Limited	9 month Kibor + 1.75% SBP + 1%	750,000	-	-	250,000	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 333.334 million.
Total			2,430,330	2,380,410		
Accrued mark-up			35,770	39,327		
			2,466,100	2,419,737		

(Rupees in thousand)

	Note	2021 (Rupees in thousand)	2020
23. Current maturity of non-current liabilities			
Long term finances	17	748,905	546,839
Loans from related parties	18	55,181	53,289
Lease liabilities	19	101,403	93,891
		<u>905,489</u>	<u>694,019</u>

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.

No provision on account of contingencies disclosed in note 24.1 & 24.2 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.

24.3 The Group has letter of guarantee facilities aggregating Rs 50 million (2020: Rs 100 million) available from Bank Al Habib. The amount availed on these facilities as at September 30, 2021 is Rs 4 million (2020: Rs 4 million). These facilities are secured by master counter guarantee and 100% cash margin.

24.4 The Group has obtained letter of credit facilities aggregating Rs 538 million (2020: Rs 427 million) from Bank Al Habib and Al Barka Bank. The amount availed on these facilities as at September 30, 2021 is Rs 115 million (2020: Rs 235 million). These facilities are secured by lien on shipping documents.

24.5 The Group has cash finance facility available from various banks aggregating to Rs 5.15 billion (2020: Rs 2.07 billion), out of which Rs 230.3 million (2020: Rs 868.5 million) has been availed by the Company as at September 30, 2021. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10 - 15%.

24.6 The Group has Export Re Finance/Finance Against Packing Credit (ERF / FAPC) facility from various commercial banks for Rs 2,250 million (2020: Rs 2,000 million), out of which Rs 2,200 million (2020: Rs 1,512 million) has been availed by the Company as at September 30, 2021. These facilities are secured by the joint parri passu hypothecation charge over current assets of the Company and lien over export documents.

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

	Note	2021 (Rupees in thousand)	2020
Commitments			
24.8 The Group has following commitments in respect of:			
Foreign letters of credit for purchase of plant and machinery		264,820	5,527
Local letter of credit for purchase of plant and machinery		257,546	229,510
Capital expenditure other than for letters of credit		144,647	12,042
25. Gross sales			
Local		13,674,572	14,419,955
Export	25.1	4,383,459	3,636,015
		<u>18,058,031</u>	<u>18,055,970</u>
25.1 Export sales comprise of the ethanol sales made in the following regions:			
United Arab Emirates		5,615	198,614
Indonesia		1,350,362	500,656
Singapore		8,917	333,213
Spain		1,160,151	146,706
Hong Kong		35,690	126,968
Switzerland		1,026,709	994,135
United Kingdom		649,271	1,072,121
Netherland		-	204,906
Others		146,744	58,696
		<u>4,383,459</u>	<u>3,636,015</u>
26. Sales tax, other government levies and discounts			
Indirect taxes		2,011,263	2,118,155
Discounts		9,682	8,125
		<u>2,020,945</u>	<u>2,126,280</u>
27. Cost of sales			
Raw material consumed		11,709,642	10,419,137
Chemicals and stores consumed		269,393	333,469
Salaries, wages and benefits	27.1	538,347	564,008
Power and fuel		89,010	97,679
Repair and maintenance		559,888	324,092
Insurance		19,109	14,019
Depreciation - property, plant and equipment	6.6	836,969	780,496
Depreciation - right of use asset	7.1	5,705	3,534
Reversal of provision for obsolete items		(3,193)	-
		<u>14,024,870</u>	<u>12,536,434</u>
Adjustment of work-in-process:			
Opening		11,624	9,140
Closing		(13,449)	(11,624)
		<u>(1,825)</u>	<u>(2,484)</u>
Cost of goods manufactured		14,023,045	12,533,950
Adjustment of finished goods:			
Opening stock		1,230,375	1,715,684
Closing stock		(1,341,096)	(1,230,375)
		<u>(110,721)</u>	<u>485,309</u>
		<u>13,912,324</u>	<u>13,019,259</u>

27.1 Salaries, wages and benefits include Rs 13.75 million (2020: Rs 12.74 million) in respect of retirement benefits.

	Note	2021	2020
28. Selling and distribution expenses		(Rupees in thousand)	
Salaries, wages and benefits	28.1	12,291	14,303
Loading and stacking		10,184	31,915
Export development surcharge		10,262	8,681
Freight and other expenses on export		429,927	620,573
Depreciation - right of use asset	7.1	20,800	20,640
		<u>483,464</u>	<u>696,112</u>

28.1 Salaries, wages and benefits include Rs 198 thousand (2020: Rs 187 thousand) in respect of retirement benefits.

29. Administrative and general expenses

Salaries, wages and benefits	29.1	379,905	354,481
Travelling and conveyance		25,525	27,057
Vehicles running and maintenance		18,622	19,702
Rent, rates and taxes		4,797	4,079
Communication		10,443	10,357
Printing and stationery		7,263	7,213
Insurance		5,057	5,370
Repair and maintenance		31,351	27,690
Fees and subscription		5,938	3,719
Depreciation - property, plant and equipment	6.6	64,322	11,627
Depreciation - right of use asset	7.1	59,561	64,310
Auditors' remuneration	29.2	4,011	3,234
Legal and professional charges		10,815	8,334
Others		42,681	42,593
		<u>670,291</u>	<u>589,766</u>

29.1 Salaries, wages and benefits include Rs 8.27 million (2020: Rs 6.54 million) in respect of retirement benefits.

29.2 Auditors' remuneration

Statutory audit	3,080	2,414
Half year review	504	450
Consolidation	224	200
Group reporting	112	100
Out-of-pocket expenses	91	70
	<u>4,011</u>	<u>3,234</u>

30. Other income

Income from financial assets		
Return on bank deposits	4,474	6,620
Income from other than financial assets		
Sale of press mud - net of sales tax	3,671	10,741
Sale of fusel oil - net of sales tax	3,485	2,301
Gain / (Loss) on disposal of operating fixed assets	(4,719)	1,459
Scrap sales - net of expenses	50,960	45,003
Rental income	115	200
Others	2,471	-
	<u>55,983</u>	<u>59,704</u>
	<u>60,457</u>	<u>66,324</u>

31. Other expenses	Note	2021 (Rupees in thousand)	2020
Donations - without directors' interest	31.1	2,190	666
Workers' profit participation and workers welfare obligations		28,017	52,583
		<u>30,207</u>	<u>53,249</u>
31.1 This includes amount of Rs 1.5 million (2020: Nil) donated to Habib Education Trust.			
32. Finance cost			
Mark-up on:			
Long term finances		193,068	215,737
Loans from related parties		20,283	45,346
Short term borrowings		441,925	553,134
		655,276	814,217
Unwinding of interest on lease liabilities		42,484	55,189
Amortization of deferred government grant		(11,465)	(171)
Interest on workers' profit participation fund		8,117	10,817
Bank charges		9,310	5,157
Exchange loss / (gain) - net		(20,879)	18,711
		<u>682,843</u>	<u>903,920</u>
33. Taxation			
Current:			
- for the year		43,835	36,360
- prior year		-	(47,034)
		43,835	(10,674)
Deferred:			
On account of temporary differences		7,797	7,230
		<u>51,632</u>	<u>(3,444)</u>
33.1 Reconciliation of taxation with accounting profit			
Profit before taxation		237,427	731,259
Tax rate		29%	29%
Tax on profit		68,854	212,065
Tax effect of:			
Lower rate income		(8,742)	(38,190)
Prior year charge		-	(47,034)
Deferred tax asset recognized in respect of prior year temporary differences		(62,526)	(177,953)
Others		54,046	47,668
		<u>51,632</u>	<u>(3,444)</u>

34. Non-controlling interest	2021	2020
	(Rupees in thousand)	
NCI percentage	49%	
Non-current assets	40,556	-
Current assets	357,955	-
Non-current liabilities	-	-
Current liabilities	(1,000)	-
Net assets	397,511	-
Net assets attributable to NCI	194,780	-
Loss for the year	(2,489)	-
Other comprehensive income (OCI)	-	-
Total comprehensive loss	(2,489)	-
Loss allocated to NCI	(1,220)	-
OCI allocated to NCI	-	-

35. Earnings per share	2021	2020
Profit after taxation attributable to owners of the Parent Company	187,015	734,703
Weighted average number of shares outstanding during the year (No. of shares '000')	28,692	28,692
Earnings per share (Rs)	6.52	25.61

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

36. Segment operating results

	Sugar Division		Ethanol Division		Total	
	2021	2020	2021	2020	2021	2020
----- Rupees in thousand -----						
Sales						
-External Customers	13,141,517	13,419,160	4,916,514	4,636,810	18,058,031	18,055,970
-Inter segment	1,007,043	1,004,832	-	-	1,007,043	1,004,832
	14,148,560	14,423,992	4,916,514	4,636,810	19,065,074	19,060,802
Less : sales tax & others	(1,946,775)	(1,977,012)	(74,170)	(149,268)	(2,020,945)	(2,126,280)
Sales - net	12,201,785	12,446,980	4,842,344	4,487,542	17,044,129	16,934,522
Segment expenses:						
Cost of Sales	(10,879,109)	(10,097,834)	(3,033,215)	(2,942,604)	(13,912,324)	(13,040,438)
less: Inter segment cost	-	-	(1,007,043)	(1,004,832)	(1,007,043)	(1,004,832)
	(10,879,109)	(10,097,834)	(4,040,258)	(3,947,436)	(14,919,367)	(14,045,270)
Gross profit	1,322,676	2,349,146	802,086	540,106	2,124,762	2,889,252
Selling and distribution expenses	(19,820)	(167,793)	(463,644)	(528,319)	(483,464)	(696,112)
Administrative and general expenses	(459,864)	(512,209)	(140,991)	(66,164)	(600,855)	(578,373)
Net impairment losses on financial assets	(80,987)	(2,449)	-	-	(80,987)	(2,449)
Others	-	-	-	-	(69,436)	(11,393)
	(560,671)	(682,451)	(604,635)	(594,483)	(1,234,742)	(1,288,327)
Profit from operations	762,005	1,666,695	197,451	(54,377)	890,020	1,600,925
Other income	55,587	84,995	2,399	2,508	57,986	87,503
Others	-	-	-	-	2,471	-
Other expenses	(30,207)	(53,249)	-	-	(30,207)	(53,249)
	25,380	31,746	2,399	2,508	30,250	34,254
Segment results	787,385	1,698,441	199,850	(51,869)	920,270	1,635,179
Finance cost					(682,843)	(903,920)
Profit before tax					237,427	731,259
Taxation					(51,632)	3,444
Profit for the year					185,795	734,703

36.1 Segment assets and liabilities

	2021		2020	
	(Rupees in thousand)			
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Sugar	10,621,822	4,619,616	9,318,606	2,395,920
Ethanol	5,636,656	2,810,170	5,571,354	3,088,321
Total for reportable segment	16,258,478	7,429,786	14,889,960	5,484,241
Others	900,102	571,374	243,994	1,979,631
Total assets / liabilities	<u>17,158,580</u>	<u>8,001,160</u>	<u>15,133,954</u>	<u>7,463,872</u>

37 Financial instruments

37.1 Financial assets and liabilities

As at September 30, 2021

	Amortized Cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets:				
-----Rupees in thousand-----				
Maturity upto one year				
Trade debts	533,462	-	-	533,462
Loans and advances	68,679	-	-	68,679
Trade deposits and other receivables	329,180	-	-	329,180
Cash and bank balances	441,753	-	-	441,753
Maturity after one year				
Long term security deposits	15,084	-	-	15,084
	<u>1,388,158</u>	<u>-</u>	<u>-</u>	<u>1,388,158</u>

	Other financial liabilities	Fair value through profit and loss	Total
-----Rupees in thousand-----			
Financial liabilities:			
Other financial liabilities			
Maturity upto one year			
Trade and other payables	576,699	-	576,699
Unclaimed dividends	12,353	-	12,353
Current maturity of non current liabilities	804,086	-	804,086
Short term running finance	2,466,100	-	2,466,100
Lease liabilities	101,403	-	101,403
Maturity after one year			
Long term finances - secured	1,702,294	-	1,702,294
Loans from related parties - secured	198,075	-	198,075
Lease liabilities	226,887	-	226,887
	<u>6,087,897</u>	<u>-</u>	<u>6,087,897</u>

As at September 30, 2020

	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	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

	Other financial liabilities	Fair value through profit and loss	Total
(Rupees in thousand)			
Financial liabilities:			
Other financial liabilities			
Maturity upto one year			
Trade and other payables	779,049	-	779,049
Unclaimed dividends	10,539	-	10,539
Current portion of non current liabilities - secured	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

38 Financial risk management

38.1.1 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, 2021				
Gross carrying value	534,179	-	1,729	535,908
Loss allowance	717	-	1,729	2,446
September 30, 2020				
Gross carrying value	143,265	90	1,639	144,994
Loss allowance	216	90	1,639	1,945

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:

	2021	2020
	(Rupees in thousand)	
September 30,		
Gross carrying value	68,679	40,373
Loss allowance	345	3,755

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.

Net impairment losses on financial assets recognised in statement of profit or loss account:

	2021	2020
	(Rupees in thousand)	
Impairment loss for doubtful trade debts	28,277	193
Impairment loss for export subsidy	56,120	-
Impairment losses on doubtful advances	-	2,256
Reversal of previous impairment losses	(3,410)	-
Net impairment losses on financial assets	<u>80,987</u>	<u>2,449</u>

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.

Counterparties without external credit rating	Rating		
Trade debts		533,462	143,049
Loans and advances		68,679	40,373
Trade deposits and other receivables		<u>329,180</u>	<u>327,581</u>
		<u>931,321</u>	<u>511,003</u>
Counterparties with external credit rating			
Bank balances			
	A1+	439,083	291,575
	A1	<u>2,670</u>	<u>577</u>
		<u>441,753</u>	<u>292,152</u>

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, 2021					
Long term finance - secured	2,451,199	2,451,199	748,905	1,702,294	-
Loans from related parties	253,256	253,256	55,181	198,075	-
Lease liabilities	328,290	328,290	101,403	226,887	-
Trade and other payables	576,699	576,699	576,699	-	-
Unclaimed dividend	12,353	12,353	12,353	-	-
Short term running finance	2,466,100	2,466,100	2,466,100	-	-
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	-	-

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 332.11 million (2020: Rs 43.78 million) which were subject to currency risk.

	2021	2020
Rupees per USD		
Average rate	168.08	161.03
Reporting date rate	170.45	165.70

Sensitivity analysis

As at September 30, 2021, 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 23.61 million (2020: Rs 3.11 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 19.83 million (2020: Rs 9.02 million) and Rs 5,376 million (2020: Rs 5,069 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, 2021, if interest rates had been 1% higher/ lower with all other variables held constant, profit after tax for the year would have been Rs 38.03 million (2020: Rs 35.92 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. 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:

	2021 (Rupees in thousand)	2020
Long term finances - secured	2,451,199	2,062,014
Loans from related parties - secured	253,256	272,614
Lease liabilities	328,290	389,553
Trade and other payables	717,872	958,721
Short term running finance	2,466,100	2,419,737
Less: cash and cash equivalents	(441,753)	(292,152)
Net debt	5,774,964	5,810,487
Issued, subscribed and paid-up capital	286,920	286,920
Capital reserve	327,000	327,000
Revenue reserve	3,190,740	2,833,119
Total capital	3,804,660	3,447,039
Capital and net debt	9,579,624	9,257,526
Gearing ratio	60%	63%

39 Fair value of financial assets and liabilities

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

39.1 Fair value hierarchy

Certain property, plant and equipment of the Group was valued by independent valuer to determine the fair value of property, plant and equipment as at September 30, 2021. 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.

40. 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, 2020	2,041,770	243,563	372,737	114,577	1,962,000	10,539	4,745,186
Cash flows	377,142	(24,238)	(150,138)	(640,226)	238,000	(141,646)	(341,106)
Other non-cash movements	-	-	105,691	648,848	-	143,460	897,999
Balance at September 30, 2021	2,418,912	219,325	328,290	123,199	2,200,000	12,353	5,302,079

41. Transactions and balances with related parties

41.1 The Premier Sugar Mills & Distillery Company Limited holds 47.93% (2020: 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.

	2021	2020
(Rupees in thousand)		
The Premier Sugar Mills and Distillery Company Limited		
Purchases	1,369	107,595
Sales	80,742	305,474
Earnest money for purchase of building	270,000	-
Mark-up charged	541	21,415
Expenses paid by the Company	25,473	34,393
Expenses paid on behalf of the Company	8,613	17,880
Dividend paid	68,755	68,755
Rent expense	21,780	20,790
Rent income	115	115
Syntronics Limited		
Purchase of store items	-	90,640
Sales	-	208
Dividend paid	17,952	17,952
Syntron Limited		
Purchase of store items	90,928	84,281

	2021	2020
	(Rupees in thousand)	
Azlak Enterprises (Private) Limited		
Services on behalf of the Company	30,549	29,670
Mark-up charged	7,415	10,468
Expenses paid on behalf of the Company	1,565	3,679
Dividend paid	7,314	7,314
Phipson & Company Pakistan (Private) Limited		
Expenses paid by the Company	-	138
Dividend paid	1,538	1,538
Arpak International Investments Limited		
Markup charged	3,817	5,388
Premier Board Mills Limited		
Markup charged	8,512	8,076
Provident fund		
Contribution to provident fund	18,729	16,476
Directors		
Dividends paid	17,346	17,346
Vehicle leased	21,685	-

41.2 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	-

42. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in thousand) -----					
Managerial remuneration	12,000	12,000	24,000	24,000	38,712	27,794
Bonus	-	-	-	750	5,452	8,690
Housing and utilities	1,770	2,366	8,843	7,396	22,290	18,529
Group's contribution to provident fund -	-	-	-	-	2,537	2,275
Medical	3,806	416	2,926	599	1,289	534
Other expenses	1,017	2,482	5,458	8,437	-	-
	<u>18,593</u>	<u>17,264</u>	<u>41,227</u>	<u>41,182</u>	<u>70,280</u>	<u>57,822</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>16</u>	<u>15</u>

42.1 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.

42.2 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.

43. General

43.1 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	Layyah and Bhakkar, Punjab

43.2 Capacity and production

	2021	2020
Sugar plants		
Rated crushing capacity (Metric Ton / day)	18,000	18,000
On the basis of average number of 104 days (2020: 107 days)	1,872,000	1,926,000
Actual cane crushed (Metric Ton)	1,468,505	1,432,075
Sugar produced (Metric Ton)	145,987	151,013
Ethanol fuel plant		
Rated production capacity (Litres / day)	125,000	125,000
On the basis of average number of 353 days (2020: 354 days) (Litres)	44,125,000	44,250,000
Actual production (Litres)	44,099,770	43,462,330
Storage facility		
Storage capacity (metric tones)	20,000	20,000
Days worked		
	Days	
Sugar - unit I	106	103
Sugar - unit II	101	111
Ethanol fuel plant	353	354

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.

43.3	Number of employees	2021	2020
	Number of employees at September 30		
	Permanent	935	926
	Contractual	982	1,027
		<u>1,917</u>	<u>1,953</u>
	Average number of employees for the year		
	Permanent	948	924
	Contractual	1,354	1,287
		<u>2,302</u>	<u>2,211</u>

43.4 Provident Fund

Details of the provident funds based on audited financial statements for the year ended September 30, 2021 are as follows:

	2021	2020
	(Rupees in thousand)	
Staff provident fund		
Size of the fund	200,240	167,206
Cost of investment made	193,452	156,961
Fair value of investment made	201,460	163,747
	%	%
Percentage of investment made	<u>96.61</u>	<u>93.87</u>

	2021		2020	
	Rupees '000'	%	Rupees '000'	%
Breakup of investment - at cost				
Term deposit	193,400	99.97	156,900	99.96
Bank deposits	52	0.03	61	0.04
	<u>193,452</u>	<u>100.00</u>	<u>156,961</u>	<u>100.00</u>

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

43.5 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary for the purpose of better presentation and / or to comply with requirements of accounting and reporting standards, the effects of which are not considered material.

Description	Reclassified		Amount Rs (000)
	From	To	
Seed sales - net of expenses	Other Income	Cost of Sales	21,179

43.6 Rounding off

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

44. 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. 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.

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

The Board of Directors in its meeting held on February 02, 2022 has proposed a final cash dividend for the year ended September 30, 2021 @ Rs. 5 per ordinary share (2020 @ Rs. 5 per ordinary share), amounting to Rs. 143,460 thousand (2020: Rs 143,460 thousand) for approval of the members in the annual general meeting to be held on February 25, 2022.

46. Date of authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Group on February 02, 2022.



(RIZWAN ULLAH KHAN)
CHIEF FINANCIAL OFFICER



(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE



(ISKANDER M KHAN)
DIRECTOR

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CHASHMA SUGAR MILLS LIMITED
Nowshera Road, Mardan.

PROXY FORM
34th Annual General Meeting

I/We..... ofbeing a member of **Chashma Sugar Mills Limited** and holdingordinary 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, 2022 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 2022.

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)

34 واں سالانہ اجلاس عام

میں اہم _____ کا/کی _____ بحیثیت رکن چشمہ شوگر ملز لمیٹڈ اور بذریعہ حصص رجسٹرڈ کے
فولیو نمبر اسی ڈی سی اکاؤنٹ نمبر _____ حامل _____ عام حصص، کمپنی کے ایک دوسرے رکن
کا/کی _____ فولیو نمبر اسی ڈی سی اکاؤنٹ نمبر _____

شناختی کارڈ نمبر _____ یا پاسپورٹ نمبر _____ یا بصورت دیگر کمپنی کے اور رکن
کا/کی _____ فولیو نمبر اسی ڈی سی اکاؤنٹ نمبر _____

شناختی کارڈ نمبر _____ یا پاسپورٹ نمبر _____، کمپنی/ہماری غیر حاضری میں کمپنی کے سالانہ اجلاس عام
میں، جو بتاریخ 25 فروری 2022، منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ
(پراکسی) مقرر کرتا کرتے ہیں۔

حصص دار کے دستخط
(دستخط کمپنی میں رجسٹرڈ نمونے مطابقت رکھتے ہوئے چاہے)

پانچ روپے کی ریونیو سٹامپ

نمائندہ کے دستخط: _____

بتاریخ _____ مہینہ _____ 2022

2. گواہ

1. گواہ

دستخط:

دستخط:

نام:

نام:

پتہ:

پتہ:

شناختی کارڈ نمبر: _____

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 چاہئے،
بصورت دیگر یہ فارم موثر تصور نہیں کیا جائے گا۔

سی ڈی سی حصص یافتگان اور ان کے نمائندوں (پراکسی) سے درخواست ہے کہ (پراکسی فارم) کمپنی کو جمع کرانے سے پہلے اس کے ساتھ اپنے
شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی لف کریں۔