

**ANNUAL AUDIT REPORT  
OF  
THARPARKAR SUGAR MILLS LIMITED**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2018**

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants**

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF THARPARKAR SUGAR MILLS LIMITED****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Qualified Opinion**

We have audited the annexed financial statements of **Tharparkar Sugar Mills Limited** (the Company), which comprise the statement of financial position as at September 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), 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, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Qualified Opinion**

- 1- As disclosed in note 12.4 of the financial statements, no payments have been made as per the payment terms of revised financing arrangements approved by ICP now (Industrial Development Bank of Pakistan 'IDBP'). Further, we have not received independent balance confirmation from the bank of the outstanding loan and in the absence of any confirmation in this regard we are unable to confirm the accuracy and valuation of balance outstanding amounting to Rs. 56.095 million, other costs, if any and penalties that the Company may be required to pay and other actions which is currently unascertainable.
- 2- The company is required to pay gratuity upon retirement to employees or to establish a provident fund as per regulatory requirements. The Company has not recorded any provision for post-employment benefit resulting from their service in current and prior periods which constitute departure from said requirements. Since provision for post-employment benefit has not been computed therefore the financial effect on these financial statements cannot be ascertained.

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

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**Material Uncertainty relating to Going Concern**

We draw attention to Note 1.3 to the financial statements which states that the company has accumulated losses of Rs. 1,591 million (2017: 1,810 million) as of the balance sheet date resulting in negative equity of Rs. 1,475 million (2017: 1,694 million) and its current liabilities exceeds current assets by Rs 1,399 million (2017: 1,485 million). These conditions, along with other matters as set forth in the note 1.3 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants

Karachi

Date: 10 7 JAN 2019

**THARPARKAR SUGAR MILLS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2018**

|                                                          |      | 2018                   | 2017                 |
|----------------------------------------------------------|------|------------------------|----------------------|
|                                                          | Note | Rupees                 |                      |
| <b>Non-current assets</b>                                |      |                        |                      |
| Property, plant and equipment                            | 4    | 361,185,778            | 388,260,537          |
| Long term deposits                                       | 5    | 1,172,110              | 1,172,110            |
|                                                          |      | <b>362,357,888</b>     | <b>389,432,647</b>   |
| <b>Current assets</b>                                    |      |                        |                      |
| Stores, spares and loose tools                           | 6    | 8,621,898              | 9,532,405            |
| Stock in trade                                           | 7    | 520,659                | 3,639,023            |
| Trade debtors                                            | 8    | -                      | -                    |
| Loans and advances                                       | 9    | 17,798,801             | 16,426,758           |
| Prepayments and other receivables                        | 10   | 74,022,252             | 230,180              |
| Cash and bank balances                                   | 11   | 3,236,513              | 2,464,997            |
|                                                          |      | <b>104,200,123</b>     | <b>32,293,363</b>    |
| <b>Total assets</b>                                      |      | <b>466,558,011</b>     | <b>421,726,010</b>   |
| <b>EQUITY AND LIABILITIES</b>                            |      |                        |                      |
| <b>Share capital and reserves</b>                        |      |                        |                      |
| <b>Authorised capital</b>                                |      |                        |                      |
| 20,000,000 ordinary shares of Rs.10/= each               |      | <b>200,000,000</b>     | 200,000,000          |
| <b>Issued, subscribed and paid up capital</b>            |      |                        |                      |
| 11,619,500 Ordinary shares of Rs.10/= each fully paid in |      | <b>116,195,000</b>     | 116,195,000          |
| <b>Revenue Reserves</b>                                  |      |                        |                      |
| Accumulated loss                                         |      | <b>(1,591,415,854)</b> | (1,810,352,383)      |
|                                                          |      | <b>(1,475,220,854)</b> | (1,694,157,383)      |
| <b>Non-current liabilities</b>                           |      |                        |                      |
| Long term finance                                        | 12   | 438,365,134            | 598,542,886          |
| <b>Current liabilities</b>                               |      |                        |                      |
| Current portion of long term finance                     | 13   | 107,068,799            | 134,152,736          |
| Trade and other payables                                 | 14   | 1,230,268,083          | 1,294,760,317        |
| Loan from sponsors                                       |      | 82,316,003             | 22,255,915           |
| Accrued markup                                           | 15   | 12,209,119             | 8,957,126            |
| Taxation                                                 | 16   | 71,551,727             | 57,214,413           |
|                                                          |      | <b>1,503,413,731</b>   | <b>1,517,340,507</b> |
| <b>Contingency and commitment</b>                        | 17   | -                      | -                    |
| <b>Total equity and liabilities</b>                      |      | <b>466,558,011</b>     | <b>421,726,010</b>   |

The annexed notes from 1 to 35 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**THARPARKAR SUGAR MILLS LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**For the year ended September 30, 2018**

|                                        |             | 2018                | 2017                |
|----------------------------------------|-------------|---------------------|---------------------|
|                                        | <i>Note</i> | Rupees              | Rupees              |
| Turnover - net                         | 18          | 1,490,542,661       | 1,802,011,548       |
| Cost of sales                          | 19          | (1,415,764,582)     | (1,805,959,401)     |
| Gross Profit / (loss)                  |             | <u>74,778,079</u>   | <u>(3,947,853)</u>  |
| Administrative expenses                | 20          | (26,144,556)        | (24,566,003)        |
| Distribution costs                     | 21          | (2,484,097)         | (2,108,260)         |
|                                        |             | <u>(28,628,653)</u> | <u>(26,674,263)</u> |
| Operating Profit / (loss)              |             | <u>46,149,426</u>   | <u>(30,622,116)</u> |
| Other income                           | 22          | 198,460,052         | 120,175,111         |
| Other operating expenses               | 23          | (3,117,651)         | (5,884,161)         |
|                                        |             | <u>195,342,401</u>  | <u>114,290,950</u>  |
|                                        |             | <u>241,491,827</u>  | <u>83,668,834</u>   |
| Finance costs                          | 24          | (5,493,520)         | (4,275,304)         |
|                                        |             | <u>235,998,307</u>  | <u>79,393,530</u>   |
| Profit before taxation                 |             | <u>235,998,307</u>  | <u>79,393,530</u>   |
| Taxation                               | 25          | (17,061,778)        | (22,137,974)        |
| Profit after taxation                  |             | <u>218,936,529</u>  | <u>57,255,556</u>   |
| Earnings per share - Basic and diluted | 26          | <u>18.84</u>        | <u>4.93</u>         |

The annexed notes from 1 to 35 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**THARPARKAR SUGAR MILLS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended September 30, 2018**

|                                           | <u>2018</u>        | <u>2017</u>       |
|-------------------------------------------|--------------------|-------------------|
|                                           | <u>Rupees</u>      |                   |
| Profit after taxation                     | 218,936,529        | 57,255,556        |
| Other comprehensive income                | -                  | -                 |
| Total comprehensive income for the period | <u>218,936,529</u> | <u>57,255,556</u> |

The annexed notes from 1 to 35 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR



**THARPARKAR SUGAR MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended September 30, 2018

|                                                                             | Issued, subscribed<br>and paid up<br>capital | Revenue Reserve        |                        |
|-----------------------------------------------------------------------------|----------------------------------------------|------------------------|------------------------|
|                                                                             |                                              | Accumulated loss       | Total                  |
| Balance as at October 01, 2016                                              | 116,195,000                                  | (1,867,607,939)        | (1,751,412,939)        |
| <i>Total comprehensive loss for the year ended<br/>September 30, 2017</i>   |                                              |                        |                        |
| - Profit after taxation                                                     | -                                            | 57,255,556             | 57,255,556             |
| - Other comprehensive income                                                | -                                            | -                      | -                      |
|                                                                             | -                                            | 57,255,556             | 57,255,556             |
| Balance as at September 30, 2017                                            | <u>116,195,000</u>                           | <u>(1,810,352,383)</u> | <u>(1,694,157,383)</u> |
| Balance as at October 01, 2017                                              | 116,195,000                                  | (1,810,352,383)        | (1,694,157,383)        |
| <i>Total comprehensive income for the year ended<br/>September 30, 2018</i> |                                              |                        |                        |
| - Profit after taxation                                                     | -                                            | 218,936,529            | 218,936,529            |
| - Other comprehensive income                                                | -                                            | -                      | -                      |
|                                                                             | -                                            | 218,936,529            | 218,936,529            |
| Balance as at September 30, 2018                                            | <u>116,195,000</u>                           | <u>(1,591,415,854)</u> | <u>(1,475,220,854)</u> |

The annexed notes from 1 to 35 form an integral part of these financial statements.

  
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CHIEF EXECUTIVE

  
\_\_\_\_\_  
DIRECTOR





**THARPARKAR SUGAR MILLS LIMITED****STATEMENT OF CASH FLOWS**

For the year ended September 30, 2018

|                                                               | 2018                 | 2017               |
|---------------------------------------------------------------|----------------------|--------------------|
|                                                               | Rupees               |                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                      |                    |
| Profit before taxation                                        | 235,998,307          | 79,393,530         |
| <b>Adjustments for :</b>                                      |                      |                    |
| Depreciation                                                  | 27,632,859           | 29,441,721         |
| Finance costs                                                 | 5,493,520            | 4,275,304          |
| Provision for Workers profit participation fund               | 2,024,723            | 4,263,885          |
| Provision for Workers welfare fund                            | 769,395              | 1,620,276          |
| Extinguishment of liability on settlement of loan             | (142,610,856)        | -                  |
| Reversal of deferred quality premium                          | (55,687,099)         | -                  |
|                                                               | <u>(162,377,458)</u> | <u>39,601,186</u>  |
| Operating cash flows before working capital changes           | 73,620,849           | 118,994,716        |
| <b>Changes in working capital</b>                             |                      |                    |
| <b>(Increase) / decrease in current assets:</b>               |                      |                    |
| - Stores, spares and loose tools                              | 910,507              | 1,828,202          |
| - Stock in trade                                              | 3,118,364            | (2,875,606)        |
| - Trade debtors                                               | -                    | -                  |
| - Loans and advances                                          | (1,372,043)          | 1,960,846          |
| -Prepayments and other receivables                            | (73,792,072)         | 819,896            |
|                                                               | <u>(71,135,244)</u>  | <u>1,733,338</u>   |
| <b>(Decrease) / increase in current liabilities:</b>          |                      |                    |
| - Trade and other payables                                    | (11,599,253)         | (63,335,834)       |
|                                                               | <u>(9,113,648)</u>   | <u>57,392,220</u>  |
| Taxes paid                                                    | (2,724,464)          | (2,629,500)        |
| Finance cost paid                                             | (2,241,527)          | (1,023,311)        |
|                                                               | <u>(4,965,991)</u>   | <u>(3,652,811)</u> |
| Cashflow generated from operating activities                  | (14,079,639)         | 53,739,409         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                      |                    |
| Capital expenditure                                           | (558,100)            | (2,400,761)        |
| Net cashflow used in investing activities                     | (558,100)            | (2,400,761)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                      |                    |
| Loan received from sponsors                                   | 60,060,088           | -                  |
| Repayment of long term finance                                | (44,650,833)         | (52,025,136)       |
| Net cashflow used in financing activities                     | 15,409,255           | (52,025,136)       |
| <b>Net decrease in cash and cash equivalents</b>              | 771,516              | (686,488)          |
| <b>Cash and cash equivalents at the beginning of the year</b> | 2,464,997            | 3,151,485          |
| <b>Cash and cash equivalents at end of the year</b>           | <u>3,236,513</u>     | <u>2,464,997</u>   |

The annexed notes from 1 to 35 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

# THARPARKAR SUGAR MILLS LIMITED

## NOTES TO THE ACCOUNTS

For the year ended September 30, 2018

### 1 STATUS AND NATURE OF BUSINESS

1.1 The company was incorporated on April 23, 1994 as public limited company under Companies Act, 2017 (previously Companies Ordinance 1984) and commenced its operation on 7th November, 1997. The registered office of the Company is situated at Block # 5, Plot # 108/3, 3rd Avenue, Main Clifton, Karachi and Mill is located at Kot Ghulam Muhammad, District Mirpurkhas, Sindh. The principal activity of the company is manufacturing and sale of sugar.

### 1.2 The Summary of significant transactions and events that have affected Company's financial position and performance during the year are as follows:

- The third and fifth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include, but are not limited to, particulars of immovable assets of the Company, management assessment of sufficiency of tax provision in the financial statements, change in salary threshold for identification of executives, additional disclosure requirements for related parties etc.
- During the year, the Federal Government and Sindh Government had granted a freight subsidy to sugar mills amounting to Rs 10.70 per kg and Rs 9.30 per kg respectively on export of sugar. Since the Company made exports of sugar in the current year, hence an income equivalent to the amount of freight subsidy has been recognized under sugarcane cost. (refer note 10.1)
- During the year, the Company has fully repaid / settled its outstanding restructured loan with Banker's Equity Limited. (refer note 12.2)
- During the year, the Company has reversed quality premium payable in respect of crushing year 2013 and 2014 in pursuance of Supreme Court's Judgement. (refer note 17.1)

1.3 The company's accumulated losses stands at Rs. 1,591.41 million (2017: 1,810 million) as of the balance sheet date, its equity is negative by Rs. 1,475.22 million (2017: 1,694.15 million) and its current liabilities exceeds current assets by Rs 1,399.21 million (2017: 1,485.04 million). The Company defaulted on payments of deferred installment of principal amounts due to NBP on September 2016 and March 2018 as per restructuring agreement and there is uncertainty relating to outcome of contingencies as disclosed in note 16 to the financial statements.

The Company's major loss contributing factor over the years have been low recovery rate of sugar as compared to the industry and further due to shortage of working capital the Company manages its operations by selling sugar immediately after it is produced at the prevailing market prices and therefore incurring gross loss.

In spite of the above stated circumstances, the management of the Company still considers that the going concern assumption used for the preparation of these financial statements is appropriate in view of the following major facts;

- In respect of long term liabilities, the Company has fully settled the outstanding balance with Banker's Equity Limited (BEL) and successfully reached settlement agreements with all other lenders except ICP (now IDBP) and have made payments to these institution as per negotiated settlement reached except that there are two remaining installments of NBP which are overdue which the company expects to discharge in the subsequent period. The company expects that it will discharge all its bank liabilities by early 2020 on negotiated terms.
- the Company's related party had continuously provided funds in prior periods and the Company will continue to place reliance on funds provided by a related party as well as supply of sugarcane made by that party on credit.



- Long term liabilities as disclosed in note 11 to the extent of Rs. 438.40 million will be extinguished / derecognized once the said restructured liability will be fully repaid and will improve the negative equity position of the Company
- Further, once the long term liabilities of the Company will be settled and its mortgaged assets are released by the banks, the company will be able to obtain short term financing facilities and availability of working capital will enable the Company to hold stock till non-seasonal period and sale sugar when prices become favourable. Additionally, the company will invest in BMR of plant and machinery to strengthen their production process which will increase the yield of the Company.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.
- Provision of and directives issued under the Companies Act, 2017.

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

### **2.2 Basis of measurement**

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in relevant notes to the financial statements.

### **2.3 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency, unless otherwise stated.

### **2.4 Use of estimates and judgments**

The preparation of financial statements is in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to an accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



Areas where various assumptions and estimates are significant to the company's financial statements or where judgments was exercised in application of accounting policy are as follows:

- a) Residual values and useful lives of items of Property, plant and equipment
- b) Provision for obsolete / slow moving stores and spares
- c) Provision for obsolete / slow moving inventory
- d) Provision for doubtful debts
- e) Provision for taxation

## **2.5 New standards, interpretations and amendments**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following accounting amendments of IFRSs which became effective for the current year:

IAS 7 - Statement of Cash Flows - Disclosure Initiative (Amendment)

IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for unrealized losses (Amendments)

The adoption of the above amendments did not have any material effect on the financial statements.

Further, during the year, the Companies Act 2017, became applicable. The Act has brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, include changes in nomenclature of the primary statements. Further, the disclosure requirements under the Act have been revised, resulting in elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of additional / amended disclosures wherever necessary.

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except free hold land and capital work in progress which are stated at cost less impairment if any. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation on additions is charged from the day in which asset is available for use and on disposals up to the day immediately preceding that of deletion. Depreciation on all property, plant and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 4.1.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at year end did not require any adjustment as its impact is considered insignificant.



Capital work in progress is stated at cost less impairment if any, and consists of expenditure incurred and advances made in respect of property, plant and equipment in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

### **3.2 Stores, spares and loose tools**

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon to the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Provisions are made in the financial statements for obsolete and slow moving stores and spares based on management's best estimate regarding their future usability.

### **3.3 Stock in trade**

Stock in trade is valued at the lower of cost and net realisable value except for stock in transit which is valued at cost accumulated up to balance sheet date.

Net realizable value is determined on the basis of estimated selling price in the ordinary course of business less costs necessary to be incurred for its sale.

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Cost is determined as follows:

|                           |                                                                                     |
|---------------------------|-------------------------------------------------------------------------------------|
| Finished goods            | : at lower of raw material plus average manufacturing cost and net realizable value |
| Imported goods in transit | : at actual incurred cost                                                           |
| Work in process           | : at average raw material cost and proportionate share of manufacturing overheads   |
| Molasses                  | : at net realizable value                                                           |

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

### **3.4 Trade and other receivables**

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

### **3.5 Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### 3.6 Taxation

#### *Current*

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher and tax paid on final tax regime basis in accordance with the provisions of Income Tax Ordinance.

#### *Deferred*

Deferred tax is provided at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts.

### 3.7 Trade and other payables

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

### 3.8 Provisions

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

### 3.9 Financial assets

#### 3.9.1 Classification :

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **Available for sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

#### **Fair value through profit and loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

#### **Held to maturity**

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment losses.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise of trade debts, short term loans and other receivables in the balance sheet.



### 3.9.2 Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income / expenses in the period in which they arise.

### 3.10 Impairment

The carrying amount of all assets not carried at fair value, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. Impairment loss is recognised in profit and loss account whenever carrying amount of an assets exceeds its recoverable amount.

### 3.11 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle liability simultaneously.

### 3.12 Financial liabilities

Financial liabilities include short term borrowing and trade and other payables. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest rate method.

### 3.13 Revenue recognition

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

Revenue from sales is recognised upon passage of title to the customers that generally coincides with physical delivery. It is recorded at net of trade discounts and volume rebates.

Profit on bank accounts is recognised on effective interest method.

Dividend income is recognised when the right to receive such payment is established.

Other revenues are accounted for on accrual basis.

|                                        | Notes | 2018<br>Rupees     | 2017<br>Rupees     |
|----------------------------------------|-------|--------------------|--------------------|
| <b>4 PROPERTY, PLANT AND EQUIPMENT</b> |       |                    |                    |
| Operating Fixed Assets                 | 4.1   | 361,185,778        | 383,463,103        |
| Capital Work in Progress               |       | -                  | 4,797,434          |
|                                        |       | <u>361,185,778</u> | <u>388,260,537</u> |

#### 4.1 Operating Fixed assets

|                                      | Leasehold land | Factory building | Non factory building | Plant and machinery | Furniture and fixture | Office Equipment | Vehicles    | Total         |
|--------------------------------------|----------------|------------------|----------------------|---------------------|-----------------------|------------------|-------------|---------------|
| Rupees                               |                |                  |                      |                     |                       |                  |             |               |
| <b>As at September 30, 2016</b>      |                |                  |                      |                     |                       |                  |             |               |
| Cost                                 | 7,468,120      | 113,613,560      | 18,325,953           | 888,687,562         | 1,758,776             | 9,724,303        | 9,637,602   | 1,049,215,876 |
| Accumulated depreciation             | -              | (94,334,512)     | (14,431,646)         | (511,980,441)       | (1,195,171)           | (7,150,958)      | (7,513,224) | (636,605,952) |
| Net book value                       | 7,468,120      | 19,279,048       | 3,894,307            | 376,707,121         | 563,605               | 2,573,345        | 2,124,378   | 412,609,924   |
| <b>Year ended September 30, 2017</b> |                |                  |                      |                     |                       |                  |             |               |
| Opening net book value               | 7,468,120      | 19,279,048       | 3,894,307            | 376,707,121         | 563,605               | 2,573,345        | 2,124,378   | 412,609,924   |
| Additions/transfers during the year  | -              | -                | -                    | -                   | 12,500                | 282,400          | -           | 294,900       |
| Depreciation for the year            | -              | (1,927,905)      | (389,431)            | (26,369,498)        | (57,208)              | (272,803)        | (424,876)   | (29,441,721)  |
| Closing net book value               | 7,468,120      | 17,351,143       | 3,504,876            | 350,337,623         | 518,897               | 2,582,942        | 1,699,502   | 383,463,103   |
| <b>As at September 30, 2017</b>      |                |                  |                      |                     |                       |                  |             |               |
| Cost                                 | 7,468,120      | 113,613,560      | 18,325,953           | 888,687,562         | 1,771,276             | 10,006,703       | 9,637,602   | 1,049,510,776 |
| Accumulated depreciation             | -              | (96,262,417)     | (14,821,077)         | (538,349,939)       | (1,252,379)           | (7,423,761)      | (7,938,100) | (666,047,673) |
| Net book value                       | 7,468,120      | 17,351,143       | 3,504,876            | 350,337,623         | 518,897               | 2,582,942        | 1,699,502   | 383,463,103   |
| <b>Year ended September 30, 2018</b> |                |                  |                      |                     |                       |                  |             |               |
| Opening net book value               | 7,468,120      | 17,351,143       | 3,504,876            | 350,337,623         | 518,897               | 2,582,942        | 1,699,502   | 383,463,103   |
| Additions/transfers during the year  | -              | -                | -                    | 4,797,434           | -                     | 558,100          | -           | 5,355,534     |
| Depreciation for the year            | -              | (1,735,114)      | (350,488)            | (24,859,454)        | (51,890)              | (296,013)        | (339,900)   | (27,632,859)  |
| Closing net book value               | 7,468,120      | 15,616,029       | 3,154,388            | 330,275,603         | 467,007               | 2,845,029        | 1,359,602   | 361,185,778   |
| <b>As at September 30, 2018</b>      |                |                  |                      |                     |                       |                  |             |               |
| Cost                                 | 7,468,120      | 113,613,560      | 18,325,953           | 893,484,996         | 1,771,276             | 10,564,803       | 9,637,602   | 1,054,866,310 |
| Accumulated depreciation             | -              | (97,997,531)     | (15,171,565)         | (563,209,393)       | (1,304,269)           | (7,719,774)      | (8,278,000) | (693,680,532) |
| Net book value                       | 7,468,120      | 15,616,029       | 3,154,388            | 330,275,603         | 467,007               | 2,845,029        | 1,359,602   | 361,185,778   |
| Annual rates of depreciation         | 0%             | 10%              | 10%                  | 7%                  | 10%                   | 10%              | 20%         |               |

| 4.2 Allocation of depreciation          | Notes | 2018               | 2017               |
|-----------------------------------------|-------|--------------------|--------------------|
|                                         |       | Rupees             |                    |
| Cost of sales                           | 19    | 26,945,056         | 28,686,834         |
| Administrative expenses                 | 20    | 687,803            | 754,887            |
|                                         |       | <u>27,632,859</u>  | <u>29,441,721</u>  |
| <b>5 LONG TERM DEPOSITS</b>             |       |                    |                    |
| Telephone                               |       | 128,569            | 128,569            |
| Electricity                             |       | 211,041            | 211,041            |
| Security                                |       | 183,500            | 183,500            |
| Rent deposit                            |       | 570,000            | 570,000            |
| Guest house rent                        |       | 79,000             | 79,000             |
|                                         |       | <u>1,172,110</u>   | <u>1,172,110</u>   |
| <b>6 STORES, SPARES AND LOOSE TOOLS</b> |       |                    |                    |
| Stores                                  |       | 10,395,556         | 10,107,845         |
| Spares                                  |       | 7,141,128          | 8,289,760          |
| Loose tools                             |       | 519,458            | 569,044            |
|                                         |       | <u>18,056,142</u>  | <u>18,966,649</u>  |
| Less: Provision for slow moving items   |       | <u>(9,434,244)</u> | <u>(9,434,244)</u> |
|                                         |       | <u>8,621,898</u>   | <u>9,532,405</u>   |
| <b>7 STOCK IN TRADE</b>                 |       |                    |                    |
| Work-in-process                         |       | 520,659            | 3,639,023          |



|                                             | Notes                                                                                                                                                                                                                                                                   | 2018         | 2017         |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                             |                                                                                                                                                                                                                                                                         | Rupees       |              |
| <b>8 TRADE DEBTORS</b>                      |                                                                                                                                                                                                                                                                         |              |              |
| <b>Considered Doubtful</b>                  |                                                                                                                                                                                                                                                                         |              |              |
| Sugar debtors                               |                                                                                                                                                                                                                                                                         | 6,276,112    | 6,276,112    |
| Molasses Debtors                            |                                                                                                                                                                                                                                                                         | 1,136,609    | 1,136,609    |
|                                             |                                                                                                                                                                                                                                                                         | 7,412,721    | 7,412,721    |
| Less: Provision for doubtful debts          |                                                                                                                                                                                                                                                                         | (7,412,721)  | (7,412,721)  |
|                                             |                                                                                                                                                                                                                                                                         | -            | -            |
| <b>9 LOANS AND ADVANCES</b>                 |                                                                                                                                                                                                                                                                         |              |              |
| <b>Unsecured and Considered good</b>        |                                                                                                                                                                                                                                                                         |              |              |
| Loan to growers                             |                                                                                                                                                                                                                                                                         | 5,985,903    | 5,269,940    |
| Advances:                                   |                                                                                                                                                                                                                                                                         |              |              |
| Staff                                       |                                                                                                                                                                                                                                                                         | 1,226,200    | 416,473      |
| Tax                                         |                                                                                                                                                                                                                                                                         | 5,278,635    | 1,027,788    |
| Suppliers                                   |                                                                                                                                                                                                                                                                         | 3,900,917    | 8,829,443    |
| Expenses                                    |                                                                                                                                                                                                                                                                         | 1,304,434    | 883,114      |
| Contractors                                 |                                                                                                                                                                                                                                                                         | 102,712      | -            |
|                                             |                                                                                                                                                                                                                                                                         | 11,812,898   | 11,156,818   |
|                                             |                                                                                                                                                                                                                                                                         | 17,798,801   | 16,426,758   |
| <b>Considered Doubtful</b>                  |                                                                                                                                                                                                                                                                         |              |              |
| Loan to growers                             |                                                                                                                                                                                                                                                                         | 558,725      | 558,725      |
| Advances:                                   |                                                                                                                                                                                                                                                                         |              |              |
| Staff                                       |                                                                                                                                                                                                                                                                         | 2,029,338    | 2,029,338    |
| Suppliers                                   |                                                                                                                                                                                                                                                                         | 7,894,146    | 7,894,146    |
| Expenses                                    |                                                                                                                                                                                                                                                                         | 9,000        | 9,000        |
| Contractors                                 |                                                                                                                                                                                                                                                                         | 2,342,245    | 2,342,245    |
|                                             |                                                                                                                                                                                                                                                                         | 12,833,454   | 12,833,454   |
|                                             |                                                                                                                                                                                                                                                                         | 30,632,255   | 29,260,212   |
| Less: Provision for doubtful debts          |                                                                                                                                                                                                                                                                         | (12,833,454) | (12,833,454) |
|                                             |                                                                                                                                                                                                                                                                         | 17,798,801   | 16,426,758   |
| <b>10 PREPAYMENTS AND OTHER RECEIVABLES</b> |                                                                                                                                                                                                                                                                         |              |              |
| <b>Prepayments</b>                          |                                                                                                                                                                                                                                                                         |              |              |
| Rent                                        |                                                                                                                                                                                                                                                                         | 992,072      | -            |
| <b>Other receivables</b>                    |                                                                                                                                                                                                                                                                         |              |              |
| Excise duty claim receivable                |                                                                                                                                                                                                                                                                         | 144,500      | 144,500      |
| Freight subsidy on export                   | 10.1                                                                                                                                                                                                                                                                    | 72,800,000   | -            |
| Sales tax input refund claim                |                                                                                                                                                                                                                                                                         | 12,183       | 12,183       |
| General sales tax input claim               |                                                                                                                                                                                                                                                                         | 73,497       | 73,497       |
|                                             |                                                                                                                                                                                                                                                                         | 73,030,180   | 230,180      |
|                                             |                                                                                                                                                                                                                                                                         | 74,022,252   | 230,180      |
| <b>10.1</b>                                 | This amount relates to freight subsidy on sugar exports receivable from State Bank Of Pakistan for freight subsidy announced by Federal Government and Sindh Government to sugar mills amounting to Rs 10.70 per kg and Rs 9.30 per kg respectively on export of sugar. |              |              |
| <b>11 CASH AND BANK BALANCES</b>            |                                                                                                                                                                                                                                                                         | 2018         | 2017         |
|                                             |                                                                                                                                                                                                                                                                         | Rupees       |              |
| Cash in hand                                |                                                                                                                                                                                                                                                                         | 33,001       | 46,576       |
| Cash at bank -Current accounts              |                                                                                                                                                                                                                                                                         | 3,203,512    | 2,418,421    |
|                                             |                                                                                                                                                                                                                                                                         | 3,236,513    | 2,464,997    |

12 LONG TERM FINANCE

|                                    | National Bank of<br>Pakistan (NBP) | Bankers Equity<br>Limited (BEL) | NIB Bank<br>Limited | Industrial<br>Development<br>Bank of Pakistan<br>(IDBP) | Total<br>2018 | Total<br>2017 |
|------------------------------------|------------------------------------|---------------------------------|---------------------|---------------------------------------------------------|---------------|---------------|
| -----Rupees-----                   |                                    |                                 |                     |                                                         |               |               |
| Balance as at October 01,          | 385,577,241                        | 167,359,856                     | 123,663,237         | 56,095,288                                              | 732,695,622   | 784,720,758   |
| Less: Payment made during the year | (6,118,385)                        | (24,749,000)                    | (13,783,448)        | -                                                       | (44,650,833)  | (52,025,136)  |
|                                    | 379,458,856                        | 142,610,856                     | 109,879,789         | 56,095,288                                              | 688,044,789   | 732,695,622   |
| Less: current maturity             | -                                  | -                               | (17,566,896)        | -                                                       | (17,566,896)  | (19,659,651)  |
| Less: Overdue portion              | (33,406,615)                       | -                               | -                   | (56,095,288)                                            | (89,501,903)  | (114,493,085) |
| Less: Loan Settled during the year | -                                  | (142,610,856)                   | -                   | -                                                       | (142,610,856) | -             |
| Balance as at September 30,        | 346,052,241                        | -                               | 92,312,893          | -                                                       | 438,365,134   | 598,542,886   |

12.1 National Bank of Pakistan (NBP)

On January 29, 2011, the Company and bank mutually agreed to reschedule the outstanding markup and principal leading to the reversal of markup by Rs.346.077 million and principal outstanding by Rs.225.538 million respectively. As per the rescheduled terms, the principal outstanding would be repayable in 10 half yearly installments and a down payment amounting to Rs.22.554 million. The above restructuring were subject to the conditions that failure of any two installments will result in reinstatement of liability prevailing prior to restructuring adjusted by amount paid against rescheduled principal.

As of the reporting date, the company has fully paid all rescheduled installments except installments due on September 2014 and March 2015 amounting to Rs 23.192 million and Rs 22.433 million respectively. The bank agreed the company's request to further reschedule the above two installments along with markup (accrued at the rate of 7.13%) on September 2016 and March 2018 respectively. The Company has paid only 6.125 million out of the above rescheduled installments and applied to bank for rescheduling of these two installments to March 2018 and September 2018 respectively. However no final settlement have been reached by the company and bank in this regard.

In view of the above, the liability to the extent extinguished amounting to Rs. 346.05 million will be derecognized once the aforesaid restructured liability will be fully repaid.

However, the company continues to recognize markup on the above outstanding liability at the rate of 7.13%.

**Security:**

The above facility is secured by way of:

- First charge by way of mortgage / hypothecation of all movable and immovable properties of the company ranking pari-passu with the charge created in favor of other lenders.
- Floating charge on all other assets and properties of the company ranking pari-passu with the charge created in favor of other lenders
- A demand promissory note for the purchase price, personal guarantees of sponsoring directors and pledge of fully paid up shares held by the sponsoring directors of the total face value of Rs.35.675 million.

## 12.2 Bankers Equity Limited (BEL)

In view of the settlement made under Honourable High Court of Sindh order dated April 04, 2016, the Company and the official liquidator of BEL reached mutual agreement leading to reversal of markup amounting to Rs 142.611 million and principal been repayable in two installments i-e, down payment of Rs 50 million and remaining amount of Rs 49.75 million payable before July 30, 2018.

The company has discharged the liability by making the full and final payment as per the above settlement arrangement and as a result this financing facility stands fully settled as on reporting date. In view of the above, the liability to the extent extinguished amounting to Rs. 142 million has been derecognized and recorded as income.

### Security:

The above facility was secured by way of :

- First mortgage and charge dated 24-01-1995 on all fixed/floating current assets of the company for Rs 219.742 million in favour of BEL, ranking parri passu with the charges of other creditors.
- First mortgage and charge dated 21-03-1995 on all fixed/floating current assets of the company for Rs 12.285 million in favour of BEL, ranking parri passu with the charges of other creditors.
- Irrevocable general power of attorney dated 12-01-1995, executed by the company/project in favour of BEL, authorizing BEL, inter alia, to sell the properties/assets of the company/project, duly registered.
- Personal guarantees of sponsoring directors and promissory Note dated 25-03-1995 for Rs 219.742 million executed by the sponsoring directors of the company in favour of BEL.

## 12.3 MCB Bank Limited (Formerly NIB Bank Limited )

On January 29, 2011, the Company and bank mutually agreed to reschedule the outstanding markup and principal leading to the reversal of markup by Rs.346.077 million and principal outstanding by Rs.225.538 million respectively. As per the rescheduled terms, the principal outstanding would be repayable in 10 half yearly installments and a down payment amounting to Rs.22.554 million. The above restructuring were subject to the conditions that failure of any two installments of restructured package will result in reinstatement of markup waived.


Further, in case of failure to adhere to any of the terms and condition of the restructuring agreement, bank will have unconditional right to recover the full amount (principal and markup) due with retrospective effect and pursue legal action.

During the current year, the MCB Bank at the request of the Company agreed to further rescheduled the last three installments of 31.35 million into four installments to be paid on December 2017, June 2018, December 2018 and June 2019 and the Company has repaid the two installments on due dates.

In view of the above, the liability to the extent extinguished amounting to Rs. 92.31 million will be derecognized once the aforesaid restructured liability will be fully repaid.

### Security

- Post dated cheques of installments is provided to the bank.
- First charge by way of mortgage / hypothecation of all movable and immovable properties of the company ranking pari-passu with the charge created in favor of other lenders.
- Floating charge on all other assets and properties of the company ranking pari-passu with the charge created in favor of other lenders
- A demand promissory note for the purchase price and personal guarantees of sponsoring directors.



## 12.4 Industrial Development Bank of Pakistan (formerly ICP)

This liability due to ICP is calculated with reference to rescheduling agreement as per CRSIU guidelines entered in to in January 2003 wherein the amount of mark up & other charges outstanding as on the date was frozen and converted into long term loan of Rs 56.09 million. No further interest was to be accrued as per the revised arrangement. The outstanding amount was payable in 31 unequal six monthly installments commencing from June 30, 2003. The Company defaulted in payment since June 2004.

In the year 2005 ICP along with syndicate members filed a suit before the Special Banking Court for decree owing to default. The Banking Court passed orders against the Company. The Company filed application in Hon'able High Court to stay the execution that was granted. The proceeding in hon'able High Court were for the Company's plea for seeking relief by way of reduction in the long term loan to the extent of forced sale value of its assets in terms of circular 29 of State Bank of Pakistan and repayment in installment. However during the proceedings the company reached negotiated settlements with most of the syndicated members except ICP.

The above rescheduling arrangement contains clause that in case of delay in the payment markup @ 20% per annum shall be charged on the delayed amount for the period of delay. The estimated amount of markup to date is Rs 69.18 million (2017: 58.26 million). The Company in view of negotiated settlement with other syndicate members in respect of their other long term liabilities where the Company was required to pay the principal amount only expects settlement with IDBP on same terms. Therefore, the Company has not recorded any liability against the default in restructured payment schedule.

The bank's civil suit is pending since then before special banking court Karachi, for hearing of the application.

|           |                                           | 2018                 | 2017                 |
|-----------|-------------------------------------------|----------------------|----------------------|
|           | Notes                                     | Rupees               |                      |
| <b>13</b> | <b>CURRENT PORTION OF LONG TERM LOANS</b> |                      |                      |
|           | Current portion                           | 17,566,896           | 19,659,651           |
|           | Overdue portion                           | 89,501,903           | 114,493,085          |
|           |                                           | <u>107,068,799</u>   | <u>134,152,736</u>   |
| <b>14</b> | <b>TRADE AND OTHER PAYABLES</b>           |                      |                      |
|           | Quality premium                           | -                    | 55,687,099           |
|           | <i>Creditors for:</i>                     |                      |                      |
|           | - Sugarcane                               | 720,059,390          | 723,462,263          |
|           | - Store suppliers                         | 27,557,026           | 28,094,190           |
|           | - Contractors                             | 10,019,066           | 9,997,866            |
|           |                                           | 757,635,482          | 761,554,319          |
|           | Accrued liabilities                       | 28,222,442           | 25,665,697           |
|           | Retention money                           | 20,719,729           | 20,719,729           |
|           | Advance from customers                    | 267,963,927          | 282,966,461          |
|           | Sales tax payable                         | 147,417,561          | 138,477,025          |
|           | Workers profit participation fund         | 2,024,723            | 4,263,885            |
|           | Workers welfare fund                      | 2,389,671            | 1,620,276            |
|           | Withholding tax payable                   | 3,894,548            | 3,805,826            |
|           |                                           | 472,632,601          | 477,518,899          |
|           |                                           | <u>1,230,268,083</u> | <u>1,294,760,317</u> |
| <b>15</b> | <b>ACCRUED MARKUP</b>                     |                      |                      |

This represents markup accrued at the rate of 7.13% on installment overdue against long term finance to NBP (as disclosed in note 12.1)

| 16 | TAXATION - NET               | Notes | 2018              | 2017              |
|----|------------------------------|-------|-------------------|-------------------|
|    |                              |       | Rupees            |                   |
|    | Opening balance              |       | 57,214,413        | 37,705,939        |
|    | Add: Provision for the year  | 25    | 17,061,778        | 22,137,974        |
|    |                              |       | <u>74,276,191</u> | <u>59,843,913</u> |
|    | Less: Tax deducted at source |       | (2,724,464)       | (2,629,500)       |
|    | Closing balance              |       | <u>71,551,727</u> | <u>57,214,413</u> |

## 17 CONTINGENCIES AND COMMITMENTS

### Contingencies:

17.1 The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty (50) paisa per forty (40) Kg cane for each 0.1 % of excess sucrose recovery above the benchmark of 8.7 % determined on overall sucrose recovery of each mill. The Company along with other sugar mills challenged the levy of quality premium before the Honorable High Court of Sindh, which decided the matter against the Company. Aggrieved with the judgment, the Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court, the Honorable Supreme Court granted stay. The Honorable Supreme Court of Pakistan vide its Order dated March 5, 2018, has dismissed the writ petition filed by the Company in Honorable High Court of Sindh relating to impugned Notification of crushing season 1998-99. The Company has already provided and paid quality premium liability of that crushing season. Furthermore, as per the Supreme Court Order, there is no valid notification for quality premium under section 16 of Sugar cane Act 1950 hence notifications have been issued by the provincial government for the period from 1998-99 till to date, so no liability of quality premium arises between the crushing season 1998-99 till the date of Supreme Court Order dated March 5, 2018. Further, the management also takes consideration of the additional / excess payments made to the cane growers over and above the minimum support price fixed by the Provincial Government which are considered to be all-inclusive (including payment for quality premium). Accordingly, the Company has reversed the provision during the year in respect of crushing season 2003 and 2004.

17.2 The Government of Sindh, Agriculture, Supply and Prices Department, in exercise of the power conferred to it under Section 16 of the Sugar Factories Control Act, 1950, fixed the minimum price of sugarcane at the rate of Rs. 182 per 40 kg for crushing season 2017-18 vide its notification no. 8(142)/S.O(Ext)2017-18 dated December 05, 2017. Subsequently, in January 2018, the Honourable High Court of Sindh passed an interim order in relation to the Constitutional Petition No.D-8666 of 2017 wherein the sugar mills were directed to purchase the sugarcane at the rate of Rs. 160 per 40 kg from the growers for the crushing season 2017-18. As far as the payment of the rate differential of Rs. 22 per 40 Kg (i.e. R. 182 per 40 Kg less Rs. 160 per 40 Kg) is concerned, the matter is, currently, pending for adjudication before the Honourable High Court of Sindh having been adjourned sine die and to be revived for hearing after decision by the Honourable Supreme Court of Pakistan in Civil Appeal No. 48/ 2013 along with other connected petitions.

The Company's legal council is of the opinion that, currently, the matter is subjudice and, based on merit of the case, it is expected that the ultimate outcome of the case will be in favour of the sugar mill owners. Hence, in view of the above, no provision for the sugar cane rate differential amounting to Rs. 178.70 million has been recognized in these financial statements.

17.3 The company is defending suit 444 of 2009 in High court of Sindh made by Elahi group of companies (Plaintiff) for default made in agreement between the both parties. The company was required to deliver 6,883 M. Ton of white refined sugar to the Plaintiff against deposit as per the agreed delivery schedule in the season 2005-2006. The amount of the case prayed is estimated to be Rs.150 million along with damages. The Company based on the advice of its legal counsel expects no liability and therefore has not made any provision.

17.4 Deputy Commissioner Inland Revenue has amended assessment for the tax year 2014 and 2015 u/s 122(1) of the Income Tax Ordinance, 2001 dated May 26, 2018 and January 01, 2018 creating a demand of Rs.11.31 million and 5.54 million respectively. The Company has subjudice the matter for adjudication before the Commissioner Inland Revenue (Appeals). The assessment has not attained finality. The Company is hopeful that the demand is likely to be reversed hence no provision has been made.

- 17.5 An order dated December 29, 2018 has been issued by the Deputy Commissioner Audit, Large Taxpayer Unit Karachi for recovery of Rs.167.729 million U/S 11(2(4) of Sales tax Act 1990 along with default surcharge and penalty amounting to Rs. 8.38 million being alleged inadmissible input tax claimed by the company for the tax period from October, 2013 to September 2014. The company vide its tax advisor filed an appeal before the Commissioner Inland Revenue and based on stay order granted by Hon'able High Court of Sindh no provision has been made in this respect.

**Commitments:**

There were no material commitments as at September 30, 2018 (2017: Nil).

|                                                                        |       | 2018                 | 2017                 |
|------------------------------------------------------------------------|-------|----------------------|----------------------|
|                                                                        | Notes | Rupees               |                      |
| <b>18 TURNOVER - NET</b>                                               |       |                      |                      |
| Local sales                                                            | 18.1  | 1,281,490,748        | 1,802,011,548        |
| Export sales                                                           | 18.2  | 209,051,913          | -                    |
|                                                                        |       | <u>1,490,542,661</u> | <u>1,802,011,548</u> |
| <b>18.1 LOCAL SALES</b>                                                |       |                      |                      |
| Sugar - gross                                                          |       | 1,324,611,750        | 1,842,334,550        |
| Molasses - gross                                                       |       | 127,750,000          | 154,868,000          |
|                                                                        |       | 1,452,361,750        | 1,997,202,550        |
| Less: Sales tax                                                        |       | (170,871,002)        | (195,191,002)        |
|                                                                        |       | <u>1,281,490,748</u> | <u>1,802,011,548</u> |
| <b>18.2 EXPORT SALES</b>                                               |       |                      |                      |
| Sugar                                                                  |       | 136,251,913          | -                    |
| Rebate on sugar export                                                 |       | 72,800,000           | -                    |
|                                                                        |       | <u>209,051,913</u>   | <u>-</u>             |
| <b>19 COST OF SALES</b>                                                |       |                      |                      |
| Raw material consumed (including procurement and development expenses) |       | 1,156,081,571        | 1,570,414,223        |
| Manufacturing expenses                                                 | 19.1  | 256,564,647          | 238,420,784          |
|                                                                        |       | <u>1,412,646,218</u> | <u>1,808,835,007</u> |
| - Opening work in process                                              |       | 3,639,023            | 763,417              |
| - Closing work in process                                              |       | (520,659)            | (3,639,023)          |
|                                                                        |       | <u>3,118,364</u>     | <u>(2,875,606)</u>   |
|                                                                        |       | <u>1,415,764,582</u> | <u>1,805,959,401</u> |
| <b>19.1 Manufacturing Expenses</b>                                     |       |                      |                      |
| Chemicals and packing material                                         |       | 26,758,669           | 22,515,622           |
| Fuel and power                                                         |       | 8,099,711            | 7,966,626            |
| Oil and lubricants                                                     |       | 5,117,084            | 4,490,075            |
| Salaries, wages and other benefits                                     |       | 124,698,530          | 116,563,430          |
| Charities & donations at site                                          |       | 2,224,675            | 2,279,633            |
| Stores and spares consumed                                             |       | 43,622,592           | 38,407,195           |
| Repair & maintenance -site                                             |       | 5,696,729            | 5,672,696            |
| Vehicle maintenance                                                    |       | 3,351,764            | 2,475,118            |
| Insurance Expense                                                      |       | 2,200                | 84,015               |
| Contractors                                                            |       | 5,520,705            | 5,041,659            |
| Depreciation                                                           | 4.2   | 26,945,056           | 28,686,834           |
| Postage & telephone at site                                            |       | 597,078              | 528,737              |
| Others                                                                 |       | 3,929,854            | 3,709,144            |
|                                                                        |       | <u>256,564,647</u>   | <u>238,420,784</u>   |

| 20   | ADMINISTRATIVE EXPENSES                                                                                                                                                                                                                                                             | Notes | 2018               | 2017               |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
|      |                                                                                                                                                                                                                                                                                     |       | Rupees             |                    |
|      | Directors' remuneration                                                                                                                                                                                                                                                             |       | 3,080,025          | 2,877,840          |
|      | Salaries, wages and allowances                                                                                                                                                                                                                                                      |       | 16,556,927         | 15,110,797         |
|      | Rent, rate and taxes                                                                                                                                                                                                                                                                |       | 1,179,724          | 937,020            |
|      | Water, gas and electricity                                                                                                                                                                                                                                                          |       | 436,949            | 379,127            |
|      | Printing and stationery                                                                                                                                                                                                                                                             |       | 58,444             | 44,620             |
|      | Postage and telephone                                                                                                                                                                                                                                                               |       | 188,099            | 187,951            |
|      | Vehicle maintenance                                                                                                                                                                                                                                                                 |       | 238,790            | 180,619            |
|      | Repair and maintenance                                                                                                                                                                                                                                                              |       | 527,077            | 384,190            |
|      | Traveling and conveyance                                                                                                                                                                                                                                                            |       | 96,725             | 65,770             |
|      | Subscription, books and periodicals                                                                                                                                                                                                                                                 |       | 19,040             | 128,913            |
|      | Entertainment expenses                                                                                                                                                                                                                                                              |       | 2,450              | 6,005              |
|      | Legal and professional charges                                                                                                                                                                                                                                                      |       | 503,699            | 1,114,300          |
|      | Auditors remuneration                                                                                                                                                                                                                                                               |       | 550,000            | 550,000            |
|      | Cost audit fee                                                                                                                                                                                                                                                                      |       | 54,000             | 50,000             |
|      | Rent expense                                                                                                                                                                                                                                                                        |       | 1,855,304          | 1,686,644          |
|      | Depreciation                                                                                                                                                                                                                                                                        | 4.2   | 687,803            | 754,887            |
|      | Other expenses                                                                                                                                                                                                                                                                      |       | 109,500            | 107,320            |
|      |                                                                                                                                                                                                                                                                                     |       | <u>26,144,556</u>  | <u>24,566,003</u>  |
| 21   | <b>DISTRIBUTION COSTS</b>                                                                                                                                                                                                                                                           |       |                    |                    |
|      | Loading and stacking                                                                                                                                                                                                                                                                |       | 898,457            | 710,987            |
|      | Sugar bags numbering                                                                                                                                                                                                                                                                |       | 155,100            | 134,534            |
|      | Sugar bagging expenses                                                                                                                                                                                                                                                              |       | 1,430,540          | 1,262,739          |
|      |                                                                                                                                                                                                                                                                                     |       | <u>2,484,097</u>   | <u>2,108,260</u>   |
| 22   | <b>OTHER INCOME</b>                                                                                                                                                                                                                                                                 |       |                    |                    |
|      | Extinguishment of liability on settlement of loan                                                                                                                                                                                                                                   | 12.2  | 142,610,857        | -                  |
|      | Reversal of deferred quality premium                                                                                                                                                                                                                                                | 17.1  | 55,687,099         | -                  |
|      | Other                                                                                                                                                                                                                                                                               | 22.1  | 162,096            | 120,175,111        |
|      |                                                                                                                                                                                                                                                                                     |       | <u>198,460,052</u> | <u>120,175,111</u> |
| 22.1 | Amount of Rs. 120.175 million represents reversal of sugar cane price subsidy payable to growers for the crushing season 2015-16 as the recovery of sugar cane supplied by certain growers were ascertained below the threshold determined for the entitlement of the said subsidy. |       |                    |                    |
| 23   | <b>OTHER OPERATING EXPENSE</b>                                                                                                                                                                                                                                                      |       |                    |                    |
|      | Workers profit participation fund                                                                                                                                                                                                                                                   |       | 2,024,723          | 4,263,885          |
|      | Workers welfare fund                                                                                                                                                                                                                                                                |       | 769,395            | 1,620,276          |
|      | Income tax penalty                                                                                                                                                                                                                                                                  | 23.1  | 323,533            | -                  |
|      |                                                                                                                                                                                                                                                                                     |       | <u>3,117,651</u>   | <u>5,884,161</u>   |
| 23.1 | This represents penalty charged by Deputy Commissioner Inland Revenue on failure to deposit Sales Tax payable for the month of September 2016.                                                                                                                                      |       |                    |                    |
| 24   | <b>FINANCE COST</b>                                                                                                                                                                                                                                                                 |       |                    |                    |
|      | Bank and other charges                                                                                                                                                                                                                                                              |       | 2,241,527          | 1,023,311          |
|      | Markup on overdue                                                                                                                                                                                                                                                                   | 13    | 3,251,993          | 3,251,993          |
|      |                                                                                                                                                                                                                                                                                     |       | <u>5,493,520</u>   | <u>4,275,304</u>   |

|           |                 |              |                          |                   |
|-----------|-----------------|--------------|--------------------------|-------------------|
|           |                 |              | <b>2018</b>              | <b>2017</b>       |
| <b>25</b> | <b>TAXATION</b> | <b>Notes</b> | <b>Rupees</b>            | <b>Rupees</b>     |
|           | Current tax     |              | <u><b>17,061,778</b></u> | <u>22,137,974</u> |

25.1 The numerical reconciliation between income tax expenses and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and its molasses sales fall under final tax regime. Further, comparison of last three years of income tax provision with tax assessed is presented below:

| <b>Accounting period</b> | <b>Tax year</b> | <b>Provision for<br/>taxation</b> | <b>Tax assessed</b> |
|--------------------------|-----------------|-----------------------------------|---------------------|
|                          |                 | <b>Rupees</b>                     | <b>Rupees</b>       |
| September 30, 2017       | 2018            | 22,137,974                        | 22,205,769          |
| September 30, 2016       | 2017            | 16,509,583                        | 16,509,583          |
| September 30, 2015       | 2016            | 10,741,778                        | 984,000             |

25.2 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2018 (except for the tax year 2014 and 2015 in respect of which deputy commissioner inland revenue served notice to the Company U/S of the income tax ordinance ) refer note 17.3. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment and further amend the assessment order.

25.3 The Company based on current year result and future years projections has not recognized deferred tax asset as at September 2018 amounting to Rs 77.31 million owing to uncertainty around its recoverability.

|           |                                                        |                           |                   |
|-----------|--------------------------------------------------------|---------------------------|-------------------|
|           |                                                        | <b>2018</b>               | <b>2017</b>       |
| <b>26</b> | <b>EARNINGS PER SHARE - BASIC AND DILUTED</b>          | <b>Rupees</b>             | <b>Rupees</b>     |
|           | Earnings / (loss) after taxation (Rupees)              | <u><b>218,936,529</b></u> | <u>57,255,556</u> |
|           | Weighted average outstanding number of ordinary shares | <u><b>11,619,500</b></u>  | <u>11,619,500</u> |
|           | Earnings / (loss) per share (Rupees)                   | <u><b>18.84</b></u>       | <u>4.93</u>       |

26.1 There is no effect of dilution on the basic earning per share of the Company.

## 27 DIRECTORS' REMUNERATION

| Particulars                     | 2018            |           |            |           | 2017            |           |            |           |
|---------------------------------|-----------------|-----------|------------|-----------|-----------------|-----------|------------|-----------|
|                                 | Chief Executive | Director  | Executives | Total     | Chief Executive | Director  | Executives | Total     |
| Managerial Remuneration(Rupees) | 1,628,250       | 1,415,325 | 2,273,284  | 5,316,859 | 1,550,589       | 1,327,251 | 2,087,250  | 4,965,090 |
| Number of persons               | 1               | 1         | 2          | 4         | 1               | 1         | 2          | 4         |

27.1 Directors are also provided free use of company's car and reimbursement of medical, travelling and other allowances.

## 28 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions.



The related parties comprise of major shareholders, directors of the Company and key management personnel. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Transactions with other related parties are entered into at rates negotiated with them.

Details of transactions and outstanding balances with related parties, other than remuneration and benefits to chief executive and director, are as follows:

| Transactions during the year:          | Nature of relationship | 2018          | 2017          |
|----------------------------------------|------------------------|---------------|---------------|
|                                        |                        | Rupees        |               |
| - Sale of sugar                        | Associate              | 1,153,740,748 | 1,647,143,548 |
| - Purchase of sugar cane               | Associate              | 740,297,072   | 1,186,650,487 |
| <b>Balances outstanding</b>            |                        |               |               |
| - Outstanding against purchase of cane | Associate              | 596,424,970   | 596,424,970   |

## 29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 29.1 Financial instruments by categories

| Financial assets at balance sheet date             | 2018                 | 2017                 |
|----------------------------------------------------|----------------------|----------------------|
|                                                    | Rupees               |                      |
| <i>Loans and receivables</i>                       |                      |                      |
| Long term deposits                                 | 1,172,110            | 1,172,110            |
| Loans and advances                                 | 17,798,801           | 16,426,758           |
| Other receivables                                  | 73,030,180           | 230,180              |
| Bank balances                                      | 3,203,512            | 2,418,421            |
|                                                    | <u>95,204,603</u>    | <u>20,247,469</u>    |
| <b>Financial liabilities at balance sheet date</b> |                      |                      |
| <i>At amortised cost</i>                           |                      |                      |
| Long term finance                                  | 545,433,933          | 732,695,622          |
| Trade and other payables                           | 806,577,653          | 863,626,844          |
| Accrued Markup                                     | 12,209,119           | 8,957,126            |
|                                                    | <u>1,364,220,705</u> | <u>1,605,279,592</u> |

### 29.2 Financial risk management objectives and policies

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

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

#### 29.2.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to credit risk is minimal as the Company receives advance against sales against sales and does not have significant exposure to any individual customer. The carrying amount of financial assets as disclosed in note 29.1 represents the maximum credit exposure of the Company.

To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customers. Except for customers relating to the Government and certain small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from such small and medium sized enterprises, the management continuously monitors the credit exposure towards them and makes provisions against those balances considered doubtful of recovery. Cash is held only with banks with high quality credit worthiness.

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment except for which has already been provided. None of the other financial assets are either past due or impaired.

### 29.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and also makes availability of funding through credit facilities.

The analysis below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| <u>Non-Derivative<br/>Financial liabilities</u> | September 30,2018    |                          |                      |                       |
|-------------------------------------------------|----------------------|--------------------------|----------------------|-----------------------|
|                                                 | Carrying<br>amount   | Contractual<br>cash flow | Up to one year       | More than one<br>year |
|                                                 | (Rupees)             |                          |                      |                       |
| Long term finance                               | 545,433,933          | 119,277,918              | 119,277,918          | -                     |
| Trade and other payables                        | 806,577,653          | 806,577,653              | 806,577,653          | -                     |
| Accrued markup                                  | 12,209,119           | 12,209,119               | 12,209,119           | -                     |
|                                                 | <u>1,364,220,705</u> | <u>938,064,690</u>       | <u>938,064,690</u>   | <u>-</u>              |
| <u>Non-Derivative<br/>Financial liabilities</u> | September 30,2017    |                          |                      |                       |
|                                                 | Carrying<br>amount   | Contractual<br>cash flow | Up to one year       | More than one<br>year |
|                                                 | (Rupees)             |                          |                      |                       |
| Long term finance                               | 732,695,622          | 160,676,758              | 143,109,862          | 17,566,896            |
| Trade and other payables                        | 863,626,844          | 863,626,844              | 863,626,844          | -                     |
| Accrued mark-up                                 | 8,957,126            | 8,957,126                | 8,957,126            | -                     |
|                                                 | <u>1,605,279,592</u> | <u>1,033,260,728</u>     | <u>1,015,693,832</u> | <u>17,566,896</u>     |

### 28.2.3 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 a 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. Market risk comprises of currency risk, interest rate risk and other price risk.

#### *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. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. As at the balance sheet date the Company is not exposed to currency risk as there are no foreign currency balances outstanding.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term obtained with floating rates. All the borrowings of the Company are obtained in the functional currency.

Interest rate on restructured finance from NBP is fixed whereas no interest is to be accrued on restructured/ rescheduled finance obtained from other financial instruments as per the restructuring agreements.

### *Price risk*

Other Price Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future value of investments securities. As at balance sheet date, the Company is not exposed to equity price risk.

## 30 CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

| 31 | CAPACITY AND PRODUCTION     | 2018    | 2017    |
|----|-----------------------------|---------|---------|
|    |                             | M.tons  |         |
|    | Sugarcane Crushing capacity | 576,000 | 576,000 |
|    | Sugarcane crushed           | 324,903 | 334,171 |
|    | Capacity utilization        | 56.41%  | 58.02%  |
|    | Sugar Production            | 31,693  | 32,521  |
|    | Sugar recovery percentage   | 9.75%   | 9.75%   |

The estimated production capacity is based on 160 days of crushing. However, the actual crushing days were only 152 days (2017: 127 days) due to non-availability of sugar cane.

## 32 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. Reclassification made in the financial statements is as follows :

| Reclassification from component    | Reclassification to component | Rupees    |
|------------------------------------|-------------------------------|-----------|
| <i>Manufacturing Expenses</i>      | <i>Manufacturing Expenses</i> |           |
| Salaries, wages and other benefits | Charities & donations at site | 2,279,633 |
| Stores and spares consumed         | Repair & maintenance -site    | 5,672,696 |
| Others                             | Postage & telephone at site   | 528,737   |

33 **NUMBER OF EMPLOYEES**

The total number of employees and average number of employees at year end and during the year respectively are as follows:

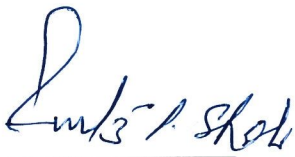
|                                                                | 2018               | 2017 |
|----------------------------------------------------------------|--------------------|------|
|                                                                | ————— Number ————— |      |
| Total employees of the Company at the year end                 | 293                | 277  |
| Average employees of the Company during the year               | 278                | 281  |
| Employees working in the Company's factory at the year end     | 248                | 232  |
| Average employees working in Company's factory during the year | 272                | 274  |

34 **DATE OF AUTHORIZATION FOR ISSUE**

These Financial Statements were authorized for issue on 07 JAN 2019 by the Board of Directors of the Company.

35 **GENERAL**

35.1 Figures in these financial statements have been rounded off to the nearest rupee.

  
CHIEF EXECUTIVE

  
DIRECTOR

