Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

# Tharparkar Sugar Mills Limited

## Audited Financial Statements
For the Year ended
September 30, 2019

Russell Bedford
Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
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# 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, 2019, 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, 2019 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 15.3 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- According to the Sindh Terms of Employment (Standing Orders) Act, 2015 ('the Act'), the company is required to pay gratuity upon retirement to employees or to establish a provident fund as per regulatory requirements. However, contrary to the aforementioned requirement of law, the Company has not setup either a gratuity fund or a provident fund for the benefit of its employees (however, it intends to setup any such fund in future). Accordingly, the related charge and liability that should have been recognized in the financial statements have not been so recognized. In addition, since the amounts of the said charge and liability has not yet been worked out by management in accordance with the requirements of the applicable financial reporting framework, it is not practicable to quantify exactly the financial effects of the aforesaid non-compliance with law.

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.

Cont'd… P/2

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**Material Uncertainty relating to Going Concern**

We draw attention to Note 3 to the financial statements which states that the company has accumulated losses of Rs. 1,259 million (2018: 1,591 million) as of the balance sheet date resulting in negative equity of Rs. 1,143 million (2018: 1,475 million) and its current liabilities exceeds current assets by Rs. 1,409 million (2017: 1,399 million). These conditions, along with other matters as set forth in the note 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.

Cont'd... P/3

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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 Sh Rafiq

**Rahman Sarfaraz Rahim Iqbal Rafiq**
**Chartered Accountants**

**Karachi**
**Date:** 06 JAN 2023

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

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 335,624,833 | 361,185,778 |
| Long term deposits | 8 | 1,172,110 | 1,172,110 |
| | | 336,796,943 | 362,357,888 |
| **Current assets** | | | |
| Stores, spares and loose tools | 9 | 8,455,252 | 8,621,898 |
| Stock in trade | 10 | 455,075 | 520,659 |
| Trade debtors | 11 | - | - |
| Loans and advances | 12 | 19,629,639 | 17,798,801 |
| Prepayments and other receivables | 13 | 64,384,460 | 74,022,252 |
| Cash and bank balances | 14 | 4,077,938 | 3,236,513 |
| | | 97,002,364 | 104,200,123 |
| **Total assets** | | 433,799,307 | 466,558,011 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| **Authorised capital** | | | |
| 20,000,000 ordinary shares of Rs.10/= each | | 200,000,000 | 200,000,000 |
| **Issued, subscribed and paid up capital** | | | |
| 11,619,500 Ordinary shares of Rs.10/- each fully paid in cash | | 116,195,000 | 116,195,000 |
| **Revenue Reserves** | | | |
| Accumulated loss | | (1,259,740,511) | (1,591,415,854) |
| | | (1,143,545,511) | (1,475,220,854) |
| **Non-current liabilities** | | | |
| Long term finance | 15 | - | 438,365,134 |
| Deferred tax liability | 16 | 70,473,453 | - |
| **Current liabilities** | | | |
| Current portion of long term finance | 17 | 56,095,288 | 107,068,799 |
| Trade and other payables | 18 | 1,314,178,172 | 1,230,268,083 |
| Loan from sponsors | | 22,255,915 | 82,316,003 |
| Accrued markup | 19 | 13,052,183 | 12,209,119 |
| Taxation | 20 | 101,289,807 | 71,551,727 |
| | | 1,506,871,365 | 1,503,413,731 |
| **Contingency and commitment** | 21 | - | - |
| **Total equity and liabilities** | | 433,799,307 | 466,558,011 |

The annexed notes from 1 to 39 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, 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| Turnover - net | 22 | **2,213,449,617** | 1,490,542,661 |
| Cost of sales | 23 | **(2,151,923,529)** | (1,415,764,582) |
| Gross Profit / (loss) | | **61,526,088** | 74,778,079 |
| Administrative expenses | 24 | **(29,285,625)** | (26,144,556) |
| Distribution costs | 25 | **(2,502,777)** | (2,484,097) |
| | | **(31,788,402)** | (28,628,653) |
| Operating Profit / (loss) | | **29,737,686** | 46,149,426 |
| Other income | 26 | **438,447,057** | 198,460,052 |
| Other expenses | 27 | **(32,380,407)** | (3,117,651) |
| | | **406,066,650** | 195,342,401 |
| | | **435,804,336** | 241,491,827 |
| Finance costs | 28 | **(1,534,573)** | (5,493,520) |
| | | **434,269,763** | 235,998,307 |
| Profit before taxation | | **434,269,763** | 235,998,307 |
| Taxation | 29 | **(102,594,420)** | (17,061,778) |
| Profit after taxation | | **331,675,343** | 218,936,529 |
| Earnings per share - Basic and diluted | 30 | **28.54** | 18.84 |

The annexed notes from 1 to 39 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, 2019

| | Issued, subscribed and paid up capital | Revenue Reserve<br>Accumulated loss | Total |
|---|---|---|---|
| Balance as at October 01, 2017 | 116,195,000 | (1,810,352,383) | (1,694,157,383) |
| *Total comprehensive income for the year ended September 30, 2018* | | | |
| - Profit after taxation | - | 218,936,529 | 218,936,529 |
| - Other comprehensive income | - | - | - |
| | - | 218,936,529 | 218,936,529 |
| **Balance as at September 30, 2018** | **116,195,000** | **(1,591,415,854)** | **(1,475,220,854)** |
| Balance as at October 01, 2018 | 116,195,000 | (1,591,415,854) | (1,475,220,854) |
| *Total comprehensive income for the year ended September 30, 2019* | | | |
| - Profit after taxation | - | 331,675,343 | 331,675,343 |
| - Other comprehensive income | - | - | - |
| | - | 331,675,343 | 331,675,343 |
| **Balance as at September 30, 2019** | **116,195,000** | **(1,259,740,511)** | **(1,143,545,511)** |

The annexed notes from 1 to 39 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, 2019

| | 2019 | 2018 |
|---|---|---|
| | ------ Rupees ------ | |
| Profit after taxation | 331,675,343 | 218,936,529 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | 331,675,343 | 218,936,529 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

| | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | **434,269,763** | 235,998,307 |
| **Adjustments for :** | | |
| Depreciation | **25,600,445** | 27,632,859 |
| Finance costs | **1,534,573** | 5,493,520 |
| Provision for Workers profit participation fund | **23,322,759** | 2,024,723 |
| Provision for Workers welfare fund | **8,862,648** | 769,395 |
| Reversal of liability on settlement of loan | **(438,390,134)** | (142,610,856) |
| Reversal of deferred quality premium | **-** | (55,687,099) |
| | **(379,069,709)** | (162,377,458) |
| Operating (loss) / profit before working capital changes | **55,200,054** | 73,620,849 |
| **Changes in working capital** | | |
| **(Increase) / Decrease in current assets:** | | |
| - Stores, spares and loose tools | **166,646** | 910,507 |
| - Stock in trade | **65,584** | 3,118,364 |
| - Trade debtors | **-** | - |
| - Loans and advances | **(1,830,838)** | (1,372,043) |
| -Prepayments and other receivables | **9,637,792** | (73,792,072) |
| | **8,039,184** | (71,135,244) |
| **(Decrease) / Increase in current liabilities:** | | |
| - Trade and other payables | **51,724,682** | (11,599,253) |
| | **114,963,920** | (9,113,648) |
| Income tax paid | **(2,382,889)** | (2,724,464) |
| Finance cost paid | **(691,509)** | (2,241,527) |
| | **(3,074,398)** | (4,965,991) |
| Net cash (used in) / generated from financing activities | **111,889,522** | (14,079,639) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditure | **(39,500)** | (558,100) |
| Net cashflow used in investing activities | **(39,500)** | (558,100) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Loan received from/ (paid to) sponsors | **(60,060,086)** | 60,060,088 |
| Repayment of long term finance | **(50,948,511)** | (44,650,833) |
| Net cash (used in) / generated from financing activities | **(111,008,597)** | 15,409,255 |
| **Net increase in cash and cash equivalents** | **841,425** | 771,516 |
| **Cash and cash equivalents at the beginning of the year** | **3,236,513** | 2,464,997 |
| **Cash and cash equivalents at end of the year** | **4,077,938** | 3,236,513 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

## 1 STATUS AND NATURE OF BUSINESS

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.

## 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:

| | *Note* |
|---|---|
| a) Residual values and useful lives of items of Property, plant and equipment | 6.1 |
| b) Provision for obsolete / slow moving stores and spares | 6.2 |
| c) Provision for obsolete / slow moving inventory | 6.3 |
| d) Provision for doubtful debts | 6.4 |
| e) Provision for taxation | 6.6 |

## 3 GOING CONCERN ASSUMPTION

The company's accumulated losses stands at Rs. 1,259.74 million (2018: 1,591.41 million) as of the balance sheet date, its equity is negative by Rs. 1,143.54 million (2018: 1,475.22 million) and its current liabilities exceeds current assets by Rs 1,409.87 million (2018: 1,399.21 million).

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 MCB Bank Limited (Formerly NIB Bank Limited) and successfully reached settlement agreements with other lenders except ICP (now IDBP) and have made payments to these institution as per negotiated settlement reached and the two overdue installments of NBP are also paid in current period and the Company also applied for NOC.

- the management has over the years continued to operate the mill without any interruption and arranging the supply of sugar cane for crushing as well as meeting current liabilities as well as partly settling its long term liabilities.

- 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.

## 4 NEW ACCOUNTING PRONOUNCEMENTS

### 4.1 Amendments to approved accounting standards effective during the year ended September 30, 2019:

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates (except for those disclosed in note 4 to these financial statements) were not considered to be relevant to the Company's financial reporting, the same have not been disclosed here.

### 4.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of amendment is not likely to have an impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The management is in the process of analysing the potential impacts on adoption of this interpretation.

- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of amendment is not likely to have an impact on Company's financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

    - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

    - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

    - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019 and are not likely to have an impact on Company's financial statements.

## 5 INITIAL APPLICATION OF IFRS 9 AND IFRS 15

With effect from October 01, 2018, the Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. Following is the analysis as to whether and, if so, how the adoption of these new standards has an impact on the financial statements.

### 5.1 IFRS 9 - Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

**i)** ***Classification and measurement of financial assets and financial liabilities***

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available-for-sale. IFRS 9 classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost

The accounting policies that apply to financial instruments are stated in note 6.9 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at September 30, 2018:

| Financial assets | Original classification as per IAS 39 | New classification as per IFRS 9 | Carrying amount as per IAS 39 as on September 30, 2018 | Carrying amount on initial adoption of IFRS 9 on October 1, 2018 | Effect on October 01, 2018 on Retained Earning |
|---|---|---|---|---|---|
| Long term deposits | LR | AC | 1,172,110 | 1,172,110 | - |
| Trade debts | LR | AC | - | - | - |
| Loans and advances | LR | AC | 17,798,801 | 17,798,801 | - |
| Prepayments and other receivables | LR | AC | 74,022,252 | 74,022,252 | - |
| Cash and bank balances | LR | AC | 3,236,513 | 3,236,513 | - |

**- "FVOCI" stands for fair value through other comprehensive income**
**- "FVTPL" stands for fair value through profit or loss**
**- "AFS" stands for Available-for-sale**
**- "LR" stands for loans and receivables**
**- "AC" stands for amortised cost**

Though upon initial application of IFRS 9, the classification of financial assets changed as aforesaid, the said change had no impact on the carrying amount of those financial assets as on October 01, 2018 (i.e. the date of initial application of IFRS 9).

**ii)** **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, financial asset measured at fair value through other comprehensive income, contract assets, lease receivables and trade receivables.

During the year, the Company has changed its accounting policy with respect to measurement of credit loss allowance on financial assets to bring it in line with the new impairment requirements of IFRS 9 as noted above. However, the said change in accounting policy has no impact on the financial position or financial performance of the Company, because Company has realised all of its financial assets in due course of time. For the revised accounting policy, please refer note 5.2.3 to these financial statements.

### 5.2 IFRS 15 - Revenue from contracts with customers

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standard (IFRS) 15 Revenue From Contracts with Customers which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are satisfied rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and the number of revenue related interpretations issued thereunder.

The contracts for the sale of sugar and molasses entered into by the Company with its customers generally include a single performance obligation. The management of the Company has concluded that, revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is, in case of local sales, when the goods are dispatched to the customer, whereas, with respect to export sales, on the date of bill of lading. This is consistent with the timing of revenue recognition previously followed by the Company in accordance with IAS 18. As per that standard, the Company recognized revenue upon lifting of the goods in case of local sales and on the date of bill of lading in case of exports (i.e. when the significant risks and rewards of ownership of the goods had passed to the customer). Therefore, the aforesaid, has no financial effect on the amount of revenue recognized in the year ended September 30, 2018.

## 6 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.

### 6.1 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.

### 6.2 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.

### 6.3 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.

### 6.4 Trade and other receivables

Trade debts and other receivables are carried at their initial transaction price less the lifetime expected credit loss allowance.

### 6.5 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.

### 6.6 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.

6.7 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.

**6.8 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.

**6.9 Financial assets**

**6.9.1 Classification and initial measurement**

The Company classifies its financial assets in the following three categories:

(a) financial assets measured at amortized cost.
(b) fair value through other comprehensive income (FVOCI);
(c) fair value through profit or loss (FVTPL); and

*(a) Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

*(b) Financial assets at FVOCI*

A financial asset is classified as at fair value through other comprehensive income when either:

(a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or

(b) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

*(c) Financial assets at FVTPL*

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

**6.9.2 *Subsequent measurement***

*(a) Financial assets measured at amortized cost*

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss.

**6.9.3 Impairment of assets**

The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in the statement of profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

6.9.4 *De-recognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**6.9.5 Financial liabilities**

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

**6.9.6 Off-setting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to setoff the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

**6.10 Revenue recognition**

*Revenue from sale of goods*

Revenue from export sales is recognized when the customer obtains control of the goods being when the goods are loaded on to the shipping vessel and there remains no other unfulfilled obligation to be satisfied by the Company.

Revenue from local sale (sugar, bagasse & molasses) is recognized when the customer obtains control of the goods being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been dispatched from the Company's premises and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered to customers in case of local sales as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust the transaction price for the effect of time value of money.

*Rebate on exports*

Rebate on export sales is recognized in the period in which the related export sales revenue is recognized unless there exist any specific facts and circumstances which indicate that receipt of the rebate amount from the government is uncertain. In that case, the rebate income is recognized when it is realized.

*Interest income*

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

*Dividend income*

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

| | | Notes | 2019 | 2018 |
|---|---|---|---|---|
| 7 | **PROPERTY, PLANT AND EQUIPMENT** | | Rupees | |
| | Operating Fixed Assets | *7.1* | **335,624,833** | 361,185,778 |

## 7.1 Operating Fixed assets

| | Leasehold land | Factory building | Non factory building | Plant and machinery | Furniture and fixture | Office Equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | Rupees | | | | |
| **As at September 30, 2017** | | | | | | | | |
| 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 |
| **Year ended September 30,2018** | | | | | | | | |
| 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 |
| **As at September 30, 2018** | | | | | | | | |
| 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 |
| **Year ended September 30,2019** | | | | | | | | |
| Opening 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 |
| Additions/transfers during the year | - | - | - | - | - | 39,500 | - | 39,500 |
| Depreciation for the year | - | (1,561,603) | (315,439) | (23,119,292) | (46,626) | (285,564) | (271,921) | (25,600,445) |
| Closing net book value | 7,468,120 | 14,054,426 | 2,838,949 | 307,156,311 | 420,381 | 2,598,965 | 1,087,681 | 335,624,833 |
| **As at September 30, 2019** | | | | | | | | |
| Cost | 7,468,120 | 113,613,560 | 18,325,953 | 893,484,996 | 1,771,276 | 10,604,303 | 9,637,602 | 1,054,905,810 |
| Accumulated depreciation | - | (99,559,134) | (15,487,004) | (586,328,685) | (1,350,895) | (8,005,338) | (8,549,921) | (719,280,977) |
| Net book value | 7,468,120 | 14,054,426 | 2,838,949 | 307,156,311 | 420,381 | 2,598,965 | 1,087,681 | 335,624,833 |
| Annual rates of depreciation | 0% | 10% | 10% | 7% | 10% | 10% | 20% | |

| | | Notes | 2019 | 2018 |
|---|---|---|---|---|
| | | | Rupees | |
| 7.2 | Allocation of depreciation | | | |
| | Cost of sales | 23 | 24,996,335 | 26,945,056 |
| | Administrative expenses | 24 | 604,110 | 687,803 |
| | | | 25,600,445 | 27,632,859 |
| 8 | LONG TERM DEPOSITS | | | |
| | 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 |
| | | | 1,172,110 | 1,172,110 |
| 9 | STORES, SPARES AND LOOSE TOOLS | | | |
| | Stores | | 9,534,867 | 10,395,556 |
| | Spares | | 7,686,773 | 7,141,128 |
| | Loose tools | | 667,856 | 519,458 |
| | | | 17,889,496 | 18,056,142 |
| | Less: Provision for slow moving items | | (9,434,244) | (9,434,244) |
| | | | 8,455,252 | 8,621,898 |
| 10 | STOCK IN TRADE | | | |
| | Work-in-process | | 455,075 | 520,659 |
| 11 | TRADE DEBTORS | | | |
| | **Considered Doubtful** | | | |
| | 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) |
| | | | - | - |
| 12 | LOANS AND ADVANCES | | | |
| | **Unsecured and Considered good** | | | |
| | Loan to growers | | 6,122,489 | 5,985,903 |
| | Advances: | | | |
| | Staff | | 1,439,607 | 1,226,200 |
| | Tax | | 5,261,989 | 5,278,635 |
| | Suppliers | | 2,221,219 | 3,900,917 |
| | Expenses | | 4,050,531 | 1,304,434 |
| | Contractors | | 533,804 | 102,712 |
| | | | 13,507,150 | 11,812,898 |
| | | | 19,629,639 | 17,798,801 |
| | **Considered Doubtful** | | | |
| | 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 |
| | | | 32,463,093 | 30,632,255 |
| | Less: Provision for doubtful debts | | (12,833,454) | (12,833,454) |
| | | | 19,629,639 | 17,798,801 |

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |

## 13 PREPAYMENTS AND OTHER RECEIVABLES

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **Prepayments** | | | |
| Rent | | 1,091,280 | 992,072 |
| **Other receivables** | | | |
| Excise duty claim receivable | | 144,500 | 144,500 |
| Freight subsidy on export | 13.1 | 63,063,000 | 72,800,000 |
| Sales tax input refund claim | | 12,183 | 12,183 |
| General sales tax input claim | | 73,497 | 73,497 |
| | | 63,293,180 | 73,030,180 |
| | | 64,384,460 | 74,022,252 |

13.1 This amount relates to freight subsidy on sugar exports receivable 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.

## 14 CASH AND BANK BALANCES

| | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| Cash in hand | 25,791 | 33,001 |
| Cash at bank -Current accounts | 4,052,147 | 3,203,512 |
| | 4,077,938 | 3,236,513 |

## 15 LONG TERM FINANCE

| | National Bank of Pakistan (NBP) | NIB Bank Limited | Industrial Development Bank of Pakistan (IDBP) | Total 2019 | Total 2018 |
|---|---|---|---|---|---|
| | | | Rupees | | |
| Balance as at October 01, | 379,458,856 | 109,879,789 | 56,095,288 | 545,433,933 | 732,695,622 |
| Less: Payment made during the year | (33,381,615) | (17,566,896) | - | (50,948,511) | (44,650,833) |
| | 346,077,241 | 92,312,893 | 56,095,288 | 494,485,422 | 688,044,789 |
| Less: current maturity | - | - | - | - | (17,566,896) |
| Less: Overdue portion | - | - | (56,095,288) | (56,095,288) | (89,501,903) |
| Less: Loan Settled / extinguished during the year | (346,077,241) | (92,312,893) | | (438,390,134) | (142,610,856) |
| Balance as at September 30, | - | - | - | - | 438,365,134 |
| **Sub note number** | 15.1 | 15.2 | 15.3 | | |

### 15.1 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 2017 respectively. The Company has paid the remaining amount of two overdue installments in current year and applied to bank for clearance certificate.

In view of the above, the liability to the extent amounting to Rs. 346.077 million is reversed / derecognized as the aforesaid restructured liability is fully paid.

**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.

**15.2 MCB Bank Limited (Formerly NIB Bank Limited )**

In December 2014, the Company and bank mutually agreed to reschedule the outstanding markup and principal leading to the reversal of markup by Rs.92.313 million and principal outstanding by Rs.104.5 million respectively. As per the rescheduled terms, the principal outstanding would be repayable through down payment of Rs 20.9 million and remainder been payable in 8 half yearly installments of Rs 10.45 million each. 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.

Down payments and installments relating to restructured loan amounting in aggregate Rs 73.15 million were paid on due dates respectively. On December 12, 2007 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 these four installments on due dates.

In view of the above, the liability to the extent amounting to Rs. 92.31 million has been reversed / derecognized as the aforesaid restructured liability is 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.

**15.3 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'ble High Court to stay the execution that was granted. The proceeding in Hon'ble 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 83.27 million (2018: 72.05 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.

| | | | **2019** | 2018 |
|---|---|---|---|---|
| **16** | **DEFERRED TAX LIABILITY** | *Notes* | **Rupees** | |
| | *Taxable temporary difference arising in respect of;* | | | |
| | Accelerated depreciation | | **72,623,142** | 73,723,659 |
| | *Deductible temporary difference arising in respect of;* | | | |
| | Provision for doubtful debt | | **(2,149,689)** | (3,593,367) |
| | Unused tax depreciation | | **-** | (147,441,987) |
| | | | **70,473,453** | (77,311,695) |

**16.1** The Company, owing to uncertainty and future years projections did not recognized deferred tax asset as at September 2018 amounting to Rs 77.31 million.

| | | | **2019** | 2018 |
|---|---|---|---|---|
| **17** | **CURRENT PORTION OF LONG TERM LOANS** | *Notes* | **Rupees** | |
| | Current portion | | **-** | 17,566,896 |
| | Overdue portion | *15* | **56,095,288** | 89,501,903 |
| | | | **56,095,288** | 107,068,799 |
| **18** | **TRADE AND OTHER PAYABLES** | | | |
| | *Creditors for:* | | | |
| | - Sugarcane | | **844,884,616** | 720,059,390 |
| | - Store suppliers | | **30,907,341** | 30,645,575 |
| | - Contractors | | **10,019,066** | 10,019,066 |
| | | | **885,811,023** | 760,724,031 |
| | Accrued liabilities | | **31,208,504** | 28,222,442 |
| | Retention money | | **20,719,729** | 20,719,729 |
| | Advance from customers | | **120,595,215** | 267,963,927 |
| | Sales tax payable | *18.1* | **218,077,776** | 147,417,561 |
| | Workers profit participation fund | | **25,347,485** | 2,024,723 |
| | Workers welfare fund | | **10,752,319** | 2,389,671 |
| | Withholding tax payable | | **1,666,121** | 805,999 |
| | | | **428,367,149** | 469,544,052 |
| | | | **1,314,178,172** | 1,230,268,083 |

**18.1** An order dated December 30, 2019 has been issued by the Deputy Commissioner Inland Revenue, Enforcement and Collection, Large Tax Payer Unit, Karachi for recovery of Rs. 74.679 million being sales tax payable on undeclared sale of 11,315 MT in the sales tax returns of white crystalline sugar along with default surcharge u/s 34 of Sales Tax Act, 1990 and penalty at the rate of one hundred percent of the tax payable in terms of section 33(11) of the Sales Tax Act, 1990. The Company vide its tax advisor filed an appeal before the Commissioner Inland Revenue Appeals and based on stay order granted by Hon'ble High Court of Sindh no provision has been made in this respect.

## 19 ACCRUED MARKUP

This represents markup accrued at the rate of 7.13% on installment overdue against long term finance to NBP (as disclosed in note 15.1)

## 20 TAXATION - NET

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| Opening balance | | **71,551,727** | 57,214,413 |
| Add: Provision for the year | 29 | **32,120,967** | 17,061,778 |
| | | **103,672,694** | 74,276,191 |
| Less: Tax deducted at source | | **(2,382,889)** | (2,724,464) |
| Closing balance | | **101,289,807** | 71,551,727 |

## 21 CONTINGENCIES AND COMMITMENTS

**Contingencies:**

**21.1** 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 Honorable 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 Honorable High Court of Sindh having been adjourned sine die and to be revived for hearing after decision by the Honorable 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.

**21.2** 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.

**21.3** 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.

**21.4** 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'ble High Court of Sindh no provision has been made in this respect.

**Commitments:**

There were no material commitments as at September 30, 2019 (2018: Nil).

| | | Notes | 2019 | 2018 |
|---|---|---|---|---|
| | | | Rupees | |
| **22** | **TURNOVER - NET** | | | |
| | Local sales | 22.1 | **2,213,449,617** | 1,281,490,748 |
| | Export sales | 22.2 | - | 209,051,913 |
| | | | **2,213,449,617** | 1,490,542,661 |
| **22.1** | **LOCAL SALES** | | | |
| | Sugar - gross | | **2,258,690,747** | 1,324,611,750 |
| | Molasses - gross | | **216,155,500** | 127,750,000 |
| | | | **2,474,846,247** | 1,452,361,750 |
| | Less: Sales tax | | **(261,396,630)** | (170,871,002) |
| | | | **2,213,449,617** | 1,281,490,748 |
| **22.2** | **EXPORT SALES** | | | |
| | Sugar | | - | 136,251,913 |
| | Rebate on sugar export | | - | 72,800,000 |
| | | | - | 209,051,913 |
| **23** | **COST OF SALES** | | | |
| | Raw material consumed (including procurement and development expenses) | | **1,900,184,011** | 1,156,081,571 |
| | Manufacturing expenses | 23.1 | **251,673,934** | 256,564,647 |
| | | | **2,151,857,945** | 1,412,646,218 |
| | - Opening work in process | | **520,659** | 3,639,023 |
| | - Closing work in process | | **(455,075)** | (520,659) |
| | | | **65,584** | 3,118,364 |
| | | | **2,151,923,529** | 1,415,764,582 |
| **23.1** | **Manufacturing Expenses** | | | |
| | Chemicals and packing material | | **36,997,248** | 26,758,669 |
| | Fuel and power | | **9,951,980** | 8,099,711 |
| | Oil and lubricants | | **6,125,233** | 5,117,084 |
| | Salaries, wages and other benefits | | **111,519,480** | 124,698,530 |
| | Charities & donations at site | | **1,953,127** | 2,224,675 |
| | Stores and spares consumed | | **45,297,536** | 43,622,592 |
| | Repair & maintenance -site | | **3,717,998** | 5,696,729 |
| | Vehicle maintenance-site | | **2,963,568** | 3,351,764 |
| | Insurance Expense | | - | 2,200 |
| | Contractors | | **4,211,233** | 5,520,705 |
| | Depreciation | 7.2 | **24,996,335** | 26,945,056 |
| | Postage & telephone at site | | **501,047** | 597,078 |
| | Others | | **3,439,149** | 3,929,854 |
| | | | **251,673,934** | 256,564,647 |
| **24** | **ADMINISTRATIVE EXPENSES** | | | |
| | Directors' remuneration | | **3,393,675** | 3,080,025 |
| | Salaries, wages and allowances | | **17,987,430** | 16,556,927 |
| | Rent, rate and taxes | | **1,478,800** | 1,179,724 |
| | Water, gas and electricity | | **403,116** | 436,949 |
| | Printing and stationery | | **33,921** | 58,444 |
| | Postage and telephone | | **184,001** | 188,099 |
| | Vehicle maintenance | | **373,799** | 238,790 |
| | Repair and maintenance | | **519,346** | 527,077 |
| | Traveling and conveyance | | **95,480** | 96,725 |
| | Subscription, books and periodicals | | **23,110** | 19,040 |
| | Entertainment expenses | | **9,789** | 2,450 |
| | Legal and professional charges | | **1,412,716** | 503,699 |
| | Auditors remuneration | | **600,000** | 550,000 |
| | Cost audit fee | | - | 54,000 |
| | Rent expense | | **2,040,832** | 1,855,304 |
| | Depreciation | 7.2 | **604,110** | 687,803 |
| | Other expenses | | **125,500** | 109,500 |
| | | | **29,285,625** | 26,144,556 |

| | | Notes | 2019 | 2018 |
|---|---|---|---|---|
| **25** | **DISTRIBUTION COSTS** | | Rupees | |
| | Loading and stacking | | **583,168** | 898,457 |
| | Sugar bags numbering | | **173,658** | 155,100 |
| | Sugar bagging expenses | | **1,745,951** | 1,430,540 |
| | | | **2,502,777** | 2,484,097 |
| **26** | **OTHER INCOME** | | | |
| | Reversal of liability on settlement of loan | *15* | **438,390,134** | 142,610,857 |
| | Reversal of deferred quality premium | | **-** | 55,687,099 |
| | Other | | **56,923** | 162,096 |
| | | | **438,447,057** | 198,460,052 |
| **27** | **OTHER EXPENSES** | | | |
| | Workers profit participation fund | | **23,322,759** | 2,024,723 |
| | Workers welfare fund | | **8,862,648** | 769,395 |
| | Sales tax penalty | *27.1* | **195,000** | 323,533 |
| | | | **32,380,407** | 3,117,651 |

**27.1** This represents penalty charged by Deputy Commissioner Inland Revenue on failure to deposit Sales Tax payable for the month of February 2019.

| | | Notes | 2019 | 2018 |
|---|---|---|---|---|
| **28** | **FINANCE COST** | | Rupees | |
| | Bank and other charges | | **691,509** | 2,241,527 |
| | Mark up on overdue instalments of loan | *15.1* | **843,064** | 3,251,993 |
| | | | **1,534,573** | 5,493,520 |
| **29** | **TAXATION** | | | |
| | Current tax | | **32,120,967** | 17,061,778 |
| | Deferred tax | | **70,473,453** | - |
| | | | **102,594,420** | 17,061,778 |

**29.1** 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:

| **Accounting period** | **Tax year** | **Provision for taxation** | **Tax assessed** |
|---|---|---|---|
| | | Rupees | |
| September 30, 2018 | 2019 | 17,061,778 | (192,785) |
| September 30, 2017 | 2018 | 22,137,974 | 22,205,769 |
| September 30, 2016 | 2017 | 16,509,583 | 16,509,583 |

**29.2** Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2019 (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 21.3. 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.

| | | 2019 | 2018 |
|---|---|---|---|
| 30 | **EARNINGS PER SHARE - BASIC AND DILUTED** | Rupees | |
| | Earnings / (loss) after taxation (Rupees) | **331,675,343** | 218,936,529 |
| | | Number | |
| | Weighted average outstanding number of ordinary shares | **11,619,500** | 11,619,500 |
| | | Rupees | |
| | Earnings / (loss) per share (Rupees) | **28.54** | 18.84 |

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

## 31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

| Particulars | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Chief Executive | Director | Executives | Total | Chief Executive | Director | Executives | Total |
| | Rupees | | | | Rupees | | | |
| Managerial Remuneration | 1,769,250 | 1,624,425 | 4,446,072 | 7,839,747 | 1,628,250 | 1,415,325 | 2,273,284 | 5,316,859 |
| Number of persons | 1 | 1 | 3 | 5 | 1 | 1 | 2 | 4 |

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

## 32 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:

| | Nature of relationship | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| **Transactions during the year:** | | | |
| - Sale of sugar | Associate | **1,997,294,117** | 1,153,740,748 |
| - Purchase of sugar cane | Associate | **1,688,301,877** | 740,297,072 |
| **Balances outstanding** | | | |
| - Outstanding against purchase of cane | Associate | **595,931,350** | 596,424,970 |

## 33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 33.1 Financial instruments by categories

| | 2019 | 2018 |
|---|---|---|
| **Financial assets at balance sheet date** | Rupees | |
| *At amortised cost* | | |
| Long term deposits | **1,172,110** | 1,172,110 |
| Loans and advances | **19,629,639** | 17,798,801 |
| Other receivables | **63,293,180** | 73,030,180 |
| Bank balances | **4,052,147** | 3,203,512 |
| | **88,147,076** | 95,204,603 |

| Financial liabilities at balance sheet date | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| *At amortised cost* | | |
| Long term finance | **56,095,288** | 545,433,933 |
| Trade and other payables | **937,739,256** | 806,577,653 |
| Accrued Markup | **13,052,183** | 12,209,119 |
| | **1,006,886,727** | 1,364,220,705 |

**33.2 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 Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

**33.2.1 Credit risk**

Credit risk is the risk which arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral.

*Concentration of credit risk*

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. As of the reporting date, the Company was not exposed to any major concentration of credit risk.

*Maximum exposure to credit risk and its management strategies*

Credit risk of the Company principally arises from long term deposits, trade debts, short term loans, deposits and other receivables and bank balances. Following is the quantitative analysis of the Company's exposure to credit risk at the reporting date:

| | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| Long term deposits | **1,172,110** | 1,172,110 |
| Trade debts (see note 'a' below) | - | - |
| Bank balances (see note 'b' below) | **4,077,938** | 3,236,513 |
| | **5,250,048** | 4,408,623 |

**Note 'a' - Credit risk management of trade debts**

The Company attempts to control credit risk arising from dealings with customers by monitoring credit exposures and continually assessing the creditworthiness of its customers. As part of its credit risk management strategy, the Company receives advances from customers against sales of goods. In addition, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

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.

**Note 'b' - Credit risk management of bank balances**

To minimize its exposure to credit risk, the Company maintains its cash balances only with banks with high quality credit worthiness. As of the reporting date, the external credit ratings of the Company's bankers were as follows:

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.

## 35 CAPACITY AND PRODUCTION

| | 2019 | 2018 |
|---|---|---|
| | M.tons | |
| Sugarcane Crushing capacity | 576,000 | 576,000 |
| Sugarcane crushed | 416,815 | 334,171 |
| Capacity utilization | 72.36% | 58.02% |
| | | |
| Sugar Production | 39,592 | 31,693 |
| Sugar recovery percentage | 9.50% | 9.75% |

The estimated production capacity is based on 160 days of crushing. However, the actual crushing days were only 96 days (2018: 152 days) due to non-availability of sugar cane.

## 36 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation.

## 37 NUMBER OF EMPLOYEES

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

| | 2019 | 2018 |
|---|---|---|
| | Number | |
| Total employees of the Company at the year end | 410 | 293 |
| Average employees of the Company during the year | 475 | 278 |

## 38 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on 06 JAN 2020 by the Board of Directors of the Company.

## 39 GENERAL

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

CHIEF EXECUTIVE

DIRECTOR