

**AUDITED FINANCIAL STATEMENTS**  
**OF**  
**THARPARKAR SUGAR MILLS LIMITED**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2020**

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

**REPORT ON THE FINANCIAL STATEMENTS**

**Disclaimer of Opinion**

We were engaged to audit the annexed financial statements of **M/s. Tharparkar Sugar Mills Limited** ('the Company') which comprise the statement of financial position as at **September 30, 2020**, and the statement of profit or loss, 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').

Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion as to whether the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and, respectively, give a true and fair view of the state of the Company's affairs as at September 30, 2020 and of the profit, total comprehensive income, its changes in equity and cash flows for the year then ended.

**Bases for Disclaimer of Opinion**

*Sales revenue and trade debts*

In note 21 to the financial statements, the Company has reported net revenue from sales of sugar (main product) and bagasse (by-product) for the year ended September 30, 2020 amounting to Rs. 3.383 billion. We were unable to obtain sufficient appropriate audit evidence as to the *occurrence* and *accuracy* of the said revenue amounts primarily due to the following reasons:

- (a) No persuasive evidence could be obtained in support of the management's assertion regarding **existence of identifiable contracts with customer** (which, as per IFRS 15 '*Revenue from Contracts with Customers*' is the fundamental criterion to be met before any revenue can be recognized – the first step in the revenue recognition model). In this relation, in particular, we observed that:
- written agreements with customers which could confirm the sales price of sugar / bagasse charged in the sales tax invoices issued to them were not available for our inspection; and
  - as per our analysis, the average sales price of sugar charged by the Company during the FY 2019-20 was significantly lower than that charged by other comparable and renowned sugar mills operating in the province of Sindh. In addition, in relation to sales of bagasse, the average price charged to unregistered customers was significantly lower than that charged to registered customers. It, therefore, appears that, in general, sale transactions have not occurred at fair market price and, thus, the sales revenue reported in the financial statements is materially understated.

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**Bases for Disclaimer of Opinion (continued)**

*Sales revenue and trade debts (continued)*

- (b) Based on the source documents maintained by the Company, it was not practicable to trace back the Delivery Order(s) issued to a particular customer to the related advance payment received, or payment receivable, from the customer and vice versa. In this connection, we noted that:
- adequate documentation which could evidence that the amounts shown by the Company, in its books of accounts, as *advances received from customers* (for e.g., copies of cheques received from, or related written correspondence done with, customers) were in fact received from those customers, were not available for our verification; and
  - trade receivable amounting to Rs. 1.854 billion has been debited to the account of Mr. Chaudhary Ashraf, instead of being debited to the accounts of respective customers. However, from the source documents maintained by the Company, it could not be established as to whether the related stocks of sugar were lifted on behalf of Mr. Chaudhary Ashraf and, therefore, the consideration for the same is receivable from him.

*Trade payables – Sugarcane growers*

As reported in note 17 to the financial statements, as of September 30, 2020, trade payables to sugarcane growers amounted to Rs. 359.845 million. This includes an amount of Rs. 306.03 million payable to Mr. Chaudhry Ashraf over which we could not gather sufficient appropriate audit evidence on account of the following reasons:

- As aforesaid, the amount payable has been offset, to a material extent, by trade receivables amounting to Rs. 1.854 billion; and
- Instead of maintaining separate grower-wise accounts of amounts payable to sugarcane growers, the Company has maintained a single account of Mr. Chaudhary Ashraf to which all sums due to sugarcane growers have been credited. Accordingly, the amount payable to each sugarcane grower at the reporting date could be identified separately and, hence, necessary audit procedures could not be applied thereon.

*Other financial reporting issues that, in the absence of disclaimer of opinion, would also have required us to express a qualified opinion on the financial statements*

(a) *Non-recognition of the provision for staff gratuity*

According to the Sindh Terms of Employment (Standing Orders) Act, 2015 ('the Act'), where a worker resigns from service or his services are terminated by the employer, for any reason other than misconduct, he shall, in addition to any other benefits to which he may be entitled under the law, his terms of employment or any custom, usage or any settlement, be paid gratuity equivalent to one month's wages (with the meaning of the term "wages" defined in the Sindh Payment of Wages Act, 2015) calculated on the basis of wages admissible to him if he is a fixed-rated worker or the highest pay drawn by him during the last twelve months if he is a piece-rated worker, for every completed year of service or any part thereof, in excess of six months provided that where the employer has established a provident fund to which the worker is a contributor and the contribution of the employer to the provident fund is not less than the contribution made by the worker, no such gratuity shall be payable for the period during which such provident fund has been in existence. Nevertheless, in the event that such provident fund is established, the amount paid to the worker under provident fund shall not be less than the amount of gratuity admissible to such worker under the Act.

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**Bases for Disclaimer of Opinion (continued)**

*Other financial reporting issues that, in the absence of disclaimer of opinion, would also have required us to express a qualified opinion on the financial statements (continued)*

*(a) Non-recognition of the provision for staff gratuity (continued)*

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. 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, it is not practicable to quantify exactly the financial effects of the aforesaid non-compliance with law.

*(b) Inability to obtain evidence over loan payable to M/s. Industrial Development Bank of Pakistan (IDBP) and non-recognition of accrued markup thereon*

As reported in note 16 to the financial statements, as of September 30, 2020, the Company had a long-standing loan payable to M/s. Industrial Development Bank of Pakistan (IDBP) amounting to Rs. 56.095 million (2019: Rs. 56.095 million). We were unable to confirm the existence and valuation of this liability since our requests for balance confirmation sent to IDBP (during the course of our audits for the year ended September 30, 2020 as well as prior years), despite several reminders, remained unresponded. Also, we were unable to obtain sufficient appropriate audit evidence in this regard through any alternative means as no sufficient recent written correspondence between the Company and IDBP in relation to the current outstanding balance of the loan and / or its planned future settlement was available for our inspection.

In addition, as stated in the aforementioned note 16, in accordance with the provisions of the loan rescheduling agreement entered into with IDBP in January 2003, in case of any delay in payment of rescheduled installments, the Company is liable to pay a markup @ 20% per annum. As of September 30, 2020, the accumulated amount of the said markup amounted to Rs. 88.954 million (2019: Rs. 77.704 million). Presently, for the information of users of the financial statements, this amount has only been disclosed in the said note 16. However, we are of the view that, in light of the guidance provided by the Institute of Chartered Accountants of Pakistan (ICAP) in its Selected Opinion issued in October 2019, the said obligation meets the criteria for recognition as a liability in the financial statements. Accordingly, had the said liability been recognized:

- (i) the profit before taxation for the year ended September 30, 2020 would have been lower by Rs. 11.25 million (2019: Rs. 11.25 million); and
- (ii) as of September 30, 2020, the accrued markup (reported under current liabilities) and the accumulated losses would have been higher by Rs. 88.954 million (2019: Rs. 77.704 million).

*(c) Non-recognition of the right-of-use asset and the corresponding lease liability*

With effect from October 01, 2019, the International Financial Reporting Standard (IFRS) 16 'Leases' issued by the International Accounting Standards Board (IASB) and notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 434 of 2018 dated April 09, 2018 became applicable to the Company. This new standard replaced the previous lease accounting guidance contained in IAS 17 'Leases', IFRIC Interpretation 4 'Determining whether an Arrangement contains a Lease', SIC Interpretation 15 'Operating Leases—Incentives' and SIC Interpretation 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

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### Bases for Disclaimer of Opinion (continued)

*Other financial reporting issues that, in the absence of disclaimer of opinion, would also have required us to express a qualified opinion on the financial statements (continued)*

(c) *Non-recognition of the right-of-use asset and the corresponding lease liability (continued)*

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

However, contrary to the aforementioned requirement of IFRS 16, the Company has not recognized, in the financial statements, a right-of-use asset and the related lease liability in respect of the office premises (situated at Plot No. 108/3, Street No. 3, Main Clifton, Karachi) it has acquired under lease arrangement. In this relation, since the amounts of the said right-of-use asset and the related lease liability has not yet been worked out by management, it is not practicable to quantify exactly the financial effects of the aforesaid departure with the requirements of IFRS 16.

(d) *Non-recognition of sales tax liability arising on sale of sugar consummated at a price above the fixed price notified by the Federal Board of Revenue (FBR)*

In exercise of the powers conferred to it under the first proviso to section 2(46) of the Sales Tax Act, 1990, the Federal Board of Revenue (FBR) issued S.R.O. 812 (I) / 2016 dated September 02, 2016 whereby it fixed the price of domestically produced white crystalline sugar for sales tax purposes at Rs. 60 per kg. However, as per the second proviso to the aforesaid section, where the value at which the supply is made is higher than the value fixed by the FBR, the value of goods for sales tax purposes shall, unless otherwise directed by the FBR, be the value at which the supply is made.

However, contrary to the above requirement of law, the Company has, in its monthly sales tax returns for the FY 2019-20 filed with the FBR, declared the value of sales for sales tax purposes based on the fixed price of Rs. 60 per kg despite the fact that, in certain months, the actual sales price of sugar has been much higher than the said fixed price. Had the value of sales declared in the monthly returns been in accordance with the aforesaid law and the related incremental sales tax been paid to the FBR, the gross sales revenue, gross profit and net profit for the year would have been lower by, and the accumulated losses as of September 30, 2020 would have been higher by, Rs. 16.070 million.

### Emphasis of Matters

We draw your attention to the following matters set forth in the notes in the financial statements. However, these matters have no bearing on our disclaimer of opinion on the financial statements which we have expressed because of the significance of certain other matters as set out in the Bases of Disclaimer of Opinion section of our report.

## Emphasis of Matters (continued)

### (a) Correction of prior period errors

As stated in note 5 to the financial statements, during the year, the Company made corrections of certain material errors made in the prior years' financial statements relating to excessive accrual of markup payable to M/s. National Bank of Pakistan (NBP), amounting to Rs. 4.628 million, and the non-recognition of dues payable to Sindh Employees' Social Security Institution (SESSI), amounting to Rs. 4.383 million. In the financial statements, these errors have been rectified retrospectively and the related disclosures given in the aforementioned note in accordance with the requirements of the International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Further, since these restatements have a material effect on the statement of financial position at the beginning of the earliest period presented (i.e., September 30, 2018), the same has also been presented in the financial statements in accordance with the requirements of IAS 1 'Presentation of Financial Statements'.

### (b) Cash freight support receivable

As reported in note 11.5 to the financial statements, as of September 30, 2020, the Company had a cash freight support receivable amounting to Rs. 63.063 million (2019: Rs. 63.063 million) in respect of export of sugar made during the FY 2017-18 (comprising an amount of Rs. 29.211 million receivable from the Federal Government in terms of the notification no. F. No. 7(2)/2012-EXP.III dated October 03, 2017 issued by the Ministry of Commerce, and an amount of Rs. 33.852 million receivable from the Government of Sindh in terms of the notification no. 8(291) SO (Ext.)/2017 dated January 02, 2018 issued by the Agriculture, Supply & Prices Department, Government of Sindh). As stated in the said note, the management asserts that the Company is fully compliant with the conditions for eligibility specified in the aforesaid notifications and the claims for the cash freight support have been duly submitted by the Company with the concerned government authorities through its Authorized Dealer, M/s. MCB Bank Limited. Despite a lapse of considerable amount of time since the filing of the claims, the management of the Company, based on the Authorized Dealer's recent correspondence with the aforesaid government authorities, is confident that the entire receivable amount of Rs. 63.063 million is good and is expected to be realized in due course of time.

### (c) Contingent liability relating to differential price of sugarcane payable to growers

As more fully disclosed in note 20.1 to the financial statements, as of the reporting date, the Company had a contingent liability, amounting to Rs. 178.70 million (2019: Rs. 178.70 million), arising from the differential price of sugarcane payable to growers in respect of the crushing season 2017-18. As stated in the said note, the matter is, currently, pending for adjudication before the Honorable High Court of Sindh (having been adjourned sine die) and is to be revived for hearing after decision by the Honorable Supreme Court of Pakistan in Civil Appeal No. 48 / 2015 (along with other connected petitions). The legal counsel of the Company is of the opinion that the matter is subjudice and, based on the merit of the case, it is expected that the ultimate outcome will be in favor of the sugar mill owners, including the Company.

### (d) Sales tax amnesty availed under the Assets Declaration Act, 2019

As disclosed in note 25.1 to the financial statements, in June 2020, the Company made a declaration under the Assets Declaration Act, 2019 ('the Declaration Act') whereby it declared the previously undisclosed sales made up to June 30, 2018 amounting to Rs. 1.606 billion which attracted 2% tax under section 4(2) of the Declaration Act, amounting to Rs. 32.124 million. Further, since the Company paid such tax after the prescribed deadline of June 30, 2019, it also paid 40% default surcharge on the aforesaid tax, amounting to Rs. 12.849 million (reported separately in note 26 to the financial statements – under the head 'Other expenses').

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**Emphasis of Matters (continued)**

*(d) Sales tax amnesty availed under the Assets Declaration Act, 2019 (continued)*

Since, as of the date of declaration, the related sales tax liability (i.e., the sales tax liability corresponding to the aforesaid amount of undisclosed sales) recognized in the financial statements was higher than the 2% tax paid by Rs. 109.684 million, in view of the relief available under section 6(7) of the Declaration Act, the same amount was recognized as 'Other income' in the statement of profit or loss for the year ended September 30, 2020. In our view, it is pertinent to note that the said other income of Rs. 109.684 million contributes to nearly 81% of the profit before taxation for the year ended September 30, 2020.

**Other Matters**

*(a) Unpaid government dues*

We noted that, though liabilities in respect of the following government dues have been duly recognized in the financial statements, for a long period of time, the Company has not been declaring and / or paying the same to the concerned government authorities. In our view, these represent serious non-compliances with applicable laws and regulations. The relevant details in this regard are as follows:

Nature of tax, cess or fee	Liability recognized in the financial statements as of		Description of non-compliance with legal provisions
	September 30, 2020	September 30, 2019	
	----- Rs. in million -----		
Income tax	145.866	96.028	As of September 30, 2019, the outstanding liability of Rs. 96.028 million represented the aggregate amount of income tax payable by the Company in respect of various previous tax years. We noted that, for each year, though the Company has duly recognized a liability in its financial statements, it has not declared the same in its annual income tax returns filed with the Federal Board of Revenue (FBR).
Sales tax	283.861	218.078	As of September 30, 2020, the outstanding liability of Rs. 283.861 million represented the aggregate amount of sales tax payable in respect of undisclosed sales for the FY 2018-19 and FY 2019-20 amounting to Rs. 679.293 million and Rs. 1.199 billion, respectively. We noted that these sales have not been declared by the Company in its respective monthly sales tax returns filed with the FBR.  In this relation, it is also pertinent to mention that, in July 2020, the Company was also selected for sales tax audit under section 25 of the Sales Tax Act, 1990 in respect of the tax period October 2017 to September 2018 and, accordingly, it was called upon by the concerned official of FBR to provide the books of account and other relevant record. However, subsequently in August 2020, an order was issued by the Honorable High Court of Sindh granting stay till the next date of hearing (refer note 17.2 to the financial statements for further details).

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**Other Matters (continued)**

*(a) Unpaid government dues (continued)*

Nature of tax, cess or fee	Liability recognized in the financial statements as of		Description of non-compliance with legal provisions
	September 30, 2020	September 30, 2019	
	----- Rs. in million -----		
Road Cess	38.923	34.005	As per the accounting records available with the Company, Road Cess has not been paid since the FY 2002-03. No satisfactory explanation in respect of the non-payment has been offered to us by management.
Workers' Welfare Fund	13.639	10.752	As per the accounting records available with the Company, Workers' Welfare Fund has not been paid in respect of the FY 2016-17, FY 2017-18 and FY 2018-19. No satisfactory explanation in respect of the non-payment has been offered to us by management.

In accordance with the requirements of the Code of Ethics for Chartered Accountants (the Code) issued by the Institute of Chartered Accountants of Pakistan, we have communicated the above non-compliances to the Board of Directors of the Company. In the event that no satisfactory corrective measures are taken by the Company in a timely manner, we may, in light of the guidance provided in the Code, deem it appropriate to report the non-compliances to the concerned government authorities.

*(b) Unpaid quality premium relating to the crushing season 2018-19*

As reported in note 17 to the financial statements, as of September 30, 2020, quality premium payable to sugarcane growers amounted to Rs. 45.893 million. This includes an amount of Rs. 41.682 million payable in relation to the crushing season 2018-19. No satisfactory explanation in respect of this non-payment has been provided to us by management. In this context, it is pertinent to note that, as per the judgment announced by the Honorable Supreme Court of Pakistan in March 2018 (in respect of Civil Appeal Nos. 334 to 344 of 2004), quality premium is to be paid to sugarcane growers not later than two (02) months after the crushing season comes to an end.

**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 the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the 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 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.

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

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

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing as applicable in Pakistan and to issue an auditor's report. However, because of the matters described in the Bases for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our ethical responsibilities in accordance with these requirements.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the following matters as required by the Companies Act, 2017 (XIX of 2017):

- (a) whether, in our opinion, proper books of accounts have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017); and
- (b) whether, in our opinion, 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.

Accordingly, we do not express an opinion on the matters identified in (a) and (b) above. However, we would like to state that, in our opinion:

- (i) the investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (ii) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date:

Karachi

  
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants

Engagement Partner: Muhammad Waseem

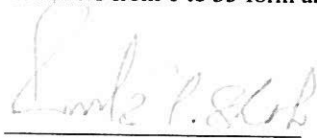
# Tharparkar Sugar Mills Limited

## Statement of Financial Position

As at September 30, 2020

ASSETS	Note	2020	(Restated) 2019	(Restated) 2018
		Rupees		
<b>Non-current assets</b>				
Property, plant and equipment	6	327,030,350	335,624,833	361,185,778
Long term deposits	7	1,172,110	1,172,110	1,172,110
		328,202,460	336,796,943	362,357,888
<b>Current assets</b>				
Stores, spares and loose tools	8	7,441,958	8,455,252	8,621,898
Stock in trade	9	-	455,075	520,659
Trade debts	10	-	-	-
Advances, prepayments and other receivables	11	85,230,550	74,021,734	81,828,688
Cash and bank balances	12	14,492,553	4,077,938	3,236,513
		107,165,061	87,009,999	94,207,758
<b>Total assets</b>		<b>435,367,521</b>	<b>423,806,942</b>	<b>456,565,646</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorised capital	13	200,000,000	200,000,000	200,000,000
Issued, subscribed and paid up capital	13	116,195,000	116,195,000	116,195,000
<b>Revenue reserves</b>				
Accumulated losses		(1,175,231,827)	(1,260,194,898)	(1,591,170,455)
		(1,059,036,827)	(1,143,999,898)	(1,474,975,455)
<b>Non-current liabilities</b>				
Long term finance		-	-	438,365,134
Deferred liability	14	116,653,358	121,538,983	51,065,530
Loan from sponsors	15	17,525,539	17,525,541	77,585,627
		134,178,897	139,064,524	567,016,291
<b>Current liabilities</b>				
Current portion of long term finance	16	56,095,288	56,095,288	107,068,799
Trade and other payables	17	1,149,839,918	1,268,195,212	1,183,585,337
Accrued markup	18	8,424,000	8,424,000	7,580,936
Taxation	19	145,866,245	96,027,816	66,289,738
		1,360,225,451	1,428,742,316	1,364,524,810
Contingency and commitments	20	-	-	-
<b>Total equity and liabilities</b>		<b>435,367,521</b>	<b>423,806,942</b>	<b>456,565,646</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, 2020

(Restated)

		2020	2019
	Note	Rupees	
Sales revenue - net	21	3,847,862,817	2,213,449,617
Cost of sales	22	(3,771,568,396)	(2,152,623,315)
<b>Gross profit</b>		<b>76,294,421</b>	<b>60,826,302</b>
Administrative expenses	23	(38,125,950)	(29,977,134)
Distribution costs	24	(3,614,971)	(2,502,777)
		(41,740,921)	(32,479,911)
<b>Operating profit</b>		<b>34,553,500</b>	<b>28,346,391</b>
Other income	25	128,099,164	438,447,057
Other expenses	26	(23,018,737)	(32,380,407)
		105,080,427	406,066,650
		139,633,927	434,413,041
Finance costs	27	(4,160,552)	(843,064)
<b>Profit before taxation</b>		<b>135,473,375</b>	<b>433,569,977</b>
Taxation	28	(50,510,304)	(102,594,420)
<b>Profit after taxation</b>		<b>84,963,071</b>	<b>330,975,557</b>
<b>Earnings per share - Basic and diluted</b>	29	<b>7.31</b>	<b>28.48</b>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

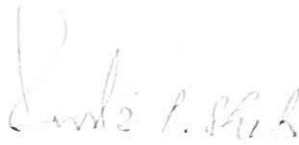
# Tharparkar Sugar Mills Limited

## Statement of Comprehensive Income

For the year ended September 30, 2020

	(Restated)	
	2020	2019
	Rupees	
Profit after taxation	84,963,071	330,975,557
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>84,963,071</u></b>	<b><u>330,975,557</u></b>

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



**CHIEF EXECUTIVE**

  
**DIRECTOR**

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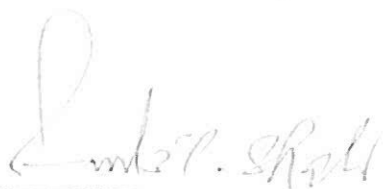
Tharparkar Sugar Mills Limited

Statement of Changes in Equity

For the year ended September 30, 2020

	Issued, subscribed and paid up capital	Revenue Reserve	
		Accumulated losses	Total
Rupees			
Balance as at September 30, 2018 (as previously reported)	116,195,000	(1,591,415,854)	(1,475,220,854)
Effect of correction of error (refer note 5)	-	245,399	245,399
Balance as at October 01, 2018 (restated)	116,195,000	(1,591,170,455)	(1,474,975,455)
<i>Total comprehensive income for the year ended September 30, 2019</i>			
- Profit after taxation - restated	-	330,975,557	330,975,557
- Other comprehensive income	-	-	-
	-	330,975,557	330,975,557
Balance as at September 30, 2019 (restated)	116,195,000	(1,260,194,898)	(1,143,999,898)
<i>Total comprehensive income for the year ended September 30, 2020</i>			
- Profit after taxation	-	84,963,071	84,963,071
- Other comprehensive income	-	-	-
	-	84,963,071	84,963,071
Balance as at September 30, 2020	116,195,000	(1,175,231,827)	(1,059,036,827)

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

  
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 CHIEF EXECUTIVE

  
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 DIRECTOR

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# Tharparkar Sugar Mills Limited

## Statement of Cash Flows

For the year ended September 30, 2020

(Restated)

	Note	2020	2019
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		135,473,375	433,569,977
<b>Adjustments for :</b>			
Depreciation	6.1	23,869,976	25,600,445
Markup on Workers' Profit Participation Fund	27	4,160,552	843,064
Provision for Workers' Profit Participation Fund	26	7,282,122	23,322,759
Provision for Workers' Welfare Fund	26	2,886,951	8,862,648
Provision for doubtful advances to growers	11.1	226,632	-
Provision for doubtful stores and spares	8	2,101,048	-
Provision for doubtful advance to suppliers	11.4	2,560,566	-
Provision for doubtful advance to contractors	11.4	533,804	-
Other receivables written off	11.5	230,180	-
Reversal of liability on settlement of loan	25	-	(438,390,134)
Reversal of old liabilities	25	(18,212,878)	-
Gain on sale of operating fixed assets	25	(110,498)	-
Reversal of sales tax liability	25	(109,683,664)	-
		<u>(84,155,209)</u>	<u>(379,761,218)</u>
Operating profit before working capital changes		51,318,166	53,808,759
<b>Changes in working capital</b>			
<i>(Increase) / decrease in current assets:</i>			
- Stores, spares and loose tools		(1,087,754)	166,646
- Stock in trade		455,075	65,584
- Advances, prepayments and other receivables		(14,759,998)	7,806,954
		<u>(15,392,677)</u>	<u>8,039,184</u>
<i>Increase in current liabilities:</i>			
- Trade and other payables		(3,934,757)	53,115,977
		<u>31,990,732</u>	<u>114,963,920</u>
Income tax paid		(5,557,500)	(2,382,889)
Finance cost paid		(2,740,620)	(691,509)
		<u>(8,298,120)</u>	<u>(3,074,398)</u>
Net cash generated from financing activities		23,692,612	111,889,522
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of operating fixed assets		260,003	-
Capital expenditure		(13,538,000)	(39,500)
Net cash used in investing activities		<u>(13,277,997)</u>	<u>(39,500)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan repaid to sponsors		-	(60,060,086)
Repayment of long term finance		-	(50,948,511)
Net cash used in financing activities		-	<u>(111,008,597)</u>
Net increase in cash and cash equivalents		10,414,615	841,425
Cash and cash equivalents at the beginning of the year		4,077,938	3,236,513
Cash and cash equivalents at end of the year	12	<u>14,492,553</u>	<u>4,077,938</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 Financial Statements

For the year ended September 30, 2020

### 1. INTRODUCTION

#### 1.1 Legal status of the Company

Tharparkar Sugar Mills Limited ('the Company') was incorporated in Pakistan on April 23, 1994 as public limited company under the Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017 on May 30, 2017) and commenced its operations on November 07, 1997. The principal activity of the Company is manufacturing and sale of white crystalline sugar.

#### 1.2 Location of the business units

##### Registered office

The Company's registered office is situated at Block No. 5, Plot No. 108/3, 3rd Avenue, Main Clifton, Karachi.

##### Manufacturing facility

The Company's manufacturing facility is situated at Kot Ghulam Muhammad, District Mirpurkhas, Sindh.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost conversion.

#### 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.

#### 2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates, if any, are recognised prospectively.

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(a) *Judgements*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note reference	Area of judgement	Brief description of the judgement applied
4.1	Property, plant and equipment	Whether the consumption of future economic benefits embodied in the Company's fixed assets is reduced over time and, accordingly, whether it is appropriate to use 'diminishing balance method' as the depreciation method.
4.11	Timing of revenue recognition	Whether control of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises.

(b) *Assumptions and other major sources of estimation uncertainty*

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note reference	Area of estimation uncertainty	Brief description of the assumption or the source of estimation uncertainty
4.1	Property, plant and equipment	Estimation of useful lives and residual values of the operating fixed assets
4.2	Provision for slow moving stores and spares	Estimation of the net realizable value of stores and spares inventory and recognition of the provision for slow-moving items
4.4	Trade debts	Estimation for expected credit losses in respect of trade debts

3. **NEW ACCOUNTING PRONOUNCEMENTS**

3.1 **Amendments to approved accounting standards and interpretations which became effective during the year ended September 30, 2020**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 01, 2019 including (IFRS 16 'Leases') which are considered not to be relevant or do not have any significant effect on the financial statements of the Company and are, therefore, not stated in these financial statements.

3.2 **Standards, interpretations and amendments to published approved accounting standards 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:

- 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 January 01, 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 the amendment is not likely to affect the financial statements of the Company.

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- 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 January 01, 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. The amendments are not likely to affect the financial statements of the Company.
- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The Group of twenty committee (G20) asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has, in turn, led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. An entity shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS 16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - b. any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - c. there is no substantive change to the other terms and conditions of the lease.

The above amendments are not likely to affect the financial statements of the Company.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Company.

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- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.
  
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.
  
- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022:

- a. IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in accordance with paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  
- b. IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
  
- c. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Company.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently.

#### 4.1 Property, plant and equipment

##### *Operating fixed assets*

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 an 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 Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant 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 the statement of profit or loss during the period in which they are incurred.

Major spare parts qualify for recognition as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Depreciation of an asset begins when the asset becomes available for use and continues till the date it is disposed of. Depreciation on all property, plant and equipment is charged to the statement of profit or loss using the reducing balance method over the asset's useful life at the rates specified in note 6.1 to these financial statements.

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 statement of profit or loss in the year in which the asset is derecognized.

##### *Capital work-in progress*

Capital work - in - progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work - in - progress. These are transferred to specified assets as and when asset become available for use.

#### 4.2 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.

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

#### 4.3 Stock-in-trade

##### *Basis of valuation*

All items of stock-in-trade are valued at the lower of cost and their net realizable value as of the reporting date.

### *Determination of cost*

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities (which is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance). However, in periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

Notwithstanding the above, since by-products, by their nature, are immaterial, they are measured at their net realizable value.

The cost of the items consumed or sold and those held in stock at the reporting date is determined using the weighted average cost formula.

### *Determination of net realizable value*

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

Inventories are usually written down to net realisable value item by item. In some circumstances, however, it is deemed appropriate to group similar or related items which may be the case with items of inventory relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line.

The Company estimates the net realisable value of inventories based on the most reliable evidence available, at the reporting date, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

While estimating the net realisable value, the Company also takes into consideration the purpose for which the inventory is held. For example, the net realisable value of the quantity of inventory held to satisfy firm sales contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess quantity is based on general selling prices.

Raw materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials is used as the measure of their net realisable value.

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A new assessment is made of net realisable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realisable value.

#### 4.4 Trade and other receivables

These are carried at their transaction price less any allowance for lifetime expected credit losses. A receivable is recognized when the goods are delivered to customers 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.

#### 4.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances.

#### 4.6 Financial assets

##### 4.6.1 *Initial recognition, classification and measurement*

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment. The Company classifies its financial assets into either of 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)

##### (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 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.

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. However, for an investment in equity instrument which is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment.

Such financial assets are initially measured at fair value.

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#### 4.6.2 *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.

(b) *Financial assets at FVOCI*

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. 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. However, for an investment in equity instrument which is not held for trading and for which the Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment, such gains or losses are recognized in other comprehensive income. Further, when such investment is disposed off, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss.

#### 4.6.3 *Impairment*

The Company recognises a loss allowance for expected credit losses in respect of financial assets measured at amortised cost.

For trade receivables, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance. For other financial assets, the Company applies the IFRS 9 'General Approach' to measuring expected credit losses whereby the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company measures expected credit losses on financial assets 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 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.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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#### 4.6.4 *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.

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

#### 4.7 **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.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also 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.

#### 4.8 **Offsetting of financial assets and financial liabilities**

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.

#### 4.9 **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss.

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*Provisions*

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

*Contingent liabilities*

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

## Revenue

*Revenue from sale of goods*

Typically, all the contracts entered into by the Company with its customers contain a single performance obligation i.e. the transfer of goods promised in the contract (which may be sugar, molasses or bagasse).

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

Revenue from sale of goods is recognized when the customer obtains control of the promised goods. This is further analyzed as below:

- (a) In case of **local sale of goods**, the customer is deemed to have obtained control of the promised 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.

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#### 4.12 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset.

#### 4.13 Taxation

Income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### *Current tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred tax*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is measured using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

##### *Judgment and estimates*

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There may be transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

##### *Offsetting*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 4.14 Dividend distribution

Dividend distribution is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

#### 4.15 Foreign currency translation

Foreign currency transactions are translated into Pak Rupee using the exchange rates prevailing on the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the reporting date. All realized and unrealized foreign exchange gains or losses are recognized in the statement of profit or loss.

### 5. CORRECTION OF PRIOR PERIOD ERRORS

#### *Accrued markup on long term financing from National Bank of Pakistan*

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 repayment of 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 company had 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 had fully paid the above two rescheduled installments by June 2019. The bank charged mark / penalty on late repayments upto September 2019 amounting to Rs 8.424 million in its letter dated September 01, 2019, that is still outstanding. The Company had inadvertently accrued excess mark up / penalty by Rs 4,628 million for the said period. During the year ended September 30, 2020, the above error was identified and rectified retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors and the all corresponding figures affected by the errors were restated. Since these restatements have a material effect on the statement of financial position as of the beginning of the earliest period presented (i.e. September 01, 2018 and 2019), the same has also been presented in these financial statements in accordance with the requirements of IAS 1 Presentation of Financial Statements.

#### *Sindh Employees Social Security Institution Benefits (SESSI)*

On September 17, 2019, the Company received notice from the Sindh Employees' Social Security Institution, Hyderabad, for short payment of Sindh Employees' Social Security contribution amounting to Rs 4,820,130 from January 2012 to June 2019. Upon Company's request, the Sindh Employees' Social Security Institution, Hyderabad, agreed for payment of the amount of Rs 4,820,130 in installments of Rs 300,000 per month commencing from October 2019 and ended to January 2021. The payments relating to the period from January 2012 to September 2018 amounted to Rs 4,382,784 and the payments relating to the period from October 2018 to June 2019 amounted to Rs 437,346 including the Company contribution amount of Rs 262,440 from July 2018 to September 2019 was accounted for retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors and the all corresponding figures affected by the errors were restated. Since these restatements have a material effect on the statement of financial position as of the beginning of the earliest period presented (i.e. September 01, 2018 and 2019), the same has also been presented in these financial statements in accordance with the requirements of IAS 1 Presentation of Financial Statements.

The retrospective correction of the above error has its effects on the corresponding figures presented in these financial statements as follows:

— Rupees —

*Liabilities*

Decrease in accrued mark up	(4,628,183)
Increase in accrued liabilities due to recognition of SESSI expense	4,382,784
	<u>(245,399)</u>

*Effect on opening retained earning as at September 30, 2018**Effect on retained earning*

Decrease in finance cost	(4,628,183)
SESSI expense	4,382,784
	<u>(245,399)</u>

*Effect of SESSI expense for the year ended September 30, 2019*

Increase in SESSI expense for the year then ended	699,786
Increase in accrued liabilities	699,786

		2020	2019
	Note	Rupees	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating Fixed Assets	6.1	313,143,350	335,624,833
Capital work in progress	6.2	13,887,000	-
		<u>327,030,350</u>	<u>335,624,833</u>

**6.1 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, 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	<u>7,468,120</u>	<u>15,616,029</u>	<u>3,154,388</u>	<u>330,275,603</u>	<u>467,007</u>	<u>2,845,029</u>	<u>1,359,602</u>	<u>361,185,778</u>
<b>Movement during the year ended September 30, 2019</b>								
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	-	-	-	-	-	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	<u>7,468,120</u>	<u>14,054,426</u>	<u>2,838,949</u>	<u>307,156,311</u>	<u>420,381</u>	<u>2,598,965</u>	<u>1,087,681</u>	<u>335,624,833</u>
<b>As at September 30, 2019</b>								
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	-	(99,559,133)	(15,486,998)	(586,328,685)	(1,350,895)	(8,005,338)	(8,549,921)	(719,280,970)
Net book value	<u>7,468,120</u>	<u>14,054,426</u>	<u>2,838,949</u>	<u>307,156,311</u>	<u>420,381</u>	<u>2,598,965</u>	<u>1,087,681</u>	<u>335,624,833</u>
<b>Movement during the year ended September 30, 2020</b>								
Opening 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
Additions	-	-	-	-	-	138,000	1,400,000	1,538,000
Disposals	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	380,000	380,000
- Accumulated depreciation	-	-	-	-	-	-	(230,493)	(230,493)
Depreciation for the year	-	(1,405,443)	(283,896)	(21,500,942)	(41,964)	(265,175)	(372,556)	(149,507)
Closing net book value	<u>7,468,120</u>	<u>12,648,983</u>	<u>2,555,053</u>	<u>285,655,369</u>	<u>378,417</u>	<u>2,471,790</u>	<u>1,965,618</u>	<u>313,143,350</u>
<b>As at September 30, 2020</b>								
Cost	7,468,120	113,613,560	18,325,953	893,484,996	1,771,276	10,742,303	10,657,602	1,056,063,810
Accumulated depreciation	-	(100,964,576)	(15,770,900)	(607,829,627)	(1,392,859)	(8,270,513)	(8,691,984)	(742,920,459)
Net book value	<u>7,468,120</u>	<u>12,648,983</u>	<u>2,555,053</u>	<u>285,655,369</u>	<u>378,417</u>	<u>2,471,790</u>	<u>1,965,618</u>	<u>313,143,350</u>
Annual rates of depreciation	0%	10%	10%	7%	10%	10%	20%	

6.1.1 Particulars of the Company's immovable fixed assets are as follows:

Freehold land approximately represents 122.24 acres of land situated at Kot Ghulam Muhammad, District Mirpur Khas, Sindh on which factory and non-factory buildings are constructed.

		2020	2019
	<i>Note</i>	Rupees	
6.1.2 Depreciation charge for the year has been allocated as follows:			
Cost of finished goods manufactured - conversion cost incurred	22.1.1	23,190,281	24,996,335
Administrative expenses	23	679,695	604,110
		<u>23,869,976</u>	<u>25,600,445</u>
6.2 Capital work in progress			
Opening balance		-	-
Additions during the year	6.2.1	13,887,000	-
		<u>13,887,000</u>	<u>-</u>

6.2.1 The Company is in the process of installing Effluent Treatment Plant (ETP) to meet the SEQs (Safety, Environment and Quality) requirements of Sindh Environmental Protection Agency. This plant will treat 500 cubic meter of waste water per day through Activated Sludge Process. The total project cost is Rs. 17 million exclusive of applicable taxes. As at the reporting date, Geo-membrane and civil works had been completed for the establishment of ETP.

		2020	2019
	<i>Note</i>	Rupees	
7. LONG TERM DEPOSITS			
Security deposits in respect of:			
- Utilities		363,110	363,110
- Rent		649,000	649,000
- Others		160,000	160,000
		<u>1,172,110</u>	<u>1,172,110</u>
8. STORES, SPARES AND LOOSE TOOLS			
Stores		11,482,980	10,958,305
Spares		6,849,870	6,263,335
Loose tools		644,400	667,856
		<u>18,977,250</u>	<u>17,889,496</u>
Less: Provision for slow moving stores and spares		<u>(11,535,292)</u>	<u>(9,434,244)</u>
		<u>7,441,958</u>	<u>8,455,252</u>
9. STOCK IN TRADE			
Work-in-process		-	455,075
10. TRADE DEBTS			
<i>Unsecured, considered doubtful</i>			
Receivable against sale of sugar		-	6,276,112
Receivable against sale of molasses		-	1,136,609
		-	7,412,721
Less: Provision for expected credit loss	10.1	-	(7,412,721)
		-	-
10.1 Provision for expected credit loss			
Opening balance		7,412,721	7,412,721
Written off made during the year		<u>(7,412,721)</u>	<u>-</u>
		<u>-</u>	<u>7,412,721</u>

*Handwritten signature*

	Note	2020 Rupees	2019
<b>11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to growers (interest-free) - unsecured	11.1	4,332,000	1,392,113
Advances (interest-free) - unsecured	11.2	16,635,142	8,245,161
Prepaid rent		1,200,408	1,091,280
Other receivables	11.3	63,063,000	63,293,180
		<u>85,230,550</u>	<u>74,021,734</u>
<b>11.1. Advances to growers(interest-free) - unsecured</b>			
Considered good		4,332,000	1,392,113
Considered doubtful		-	558,725
		<u>4,332,000</u>	<u>1,950,838</u>
Less: Provision for doubtful advances	11.2	-	(558,725)
		<u>4,332,000</u>	<u>1,392,113</u>
<b>11.2. Provision for doubtful advances to growers</b>			
Opening balance		558,725	558,725
Charge for the year		226,632	-
Written off made during the year		(785,357)	-
		<u>-</u>	<u>558,725</u>
<b>11.3. Advances (interest-free) - unsecured</b>			
<i>Considered good</i>			
Staff		1,432,450	1,439,607
Suppliers		13,915,453	2,221,219
Against expenses		1,287,239	4,050,531
Contractors		-	533,804
		<u>16,635,142</u>	<u>8,245,161</u>
<i>Considered doubtful</i>			
Staff		-	2,029,338
Suppliers		-	7,894,146
Against expenses		-	9,000
Contractors		-	2,342,245
		<u>-</u>	<u>12,274,729</u>
		<u>16,635,142</u>	<u>20,519,890</u>
Less: Provision for doubtful advances	11.4	-	(12,274,729)
		<u>16,635,142</u>	<u>8,245,161</u>
<b>11.4 Provision for doubtful advances</b>			
Opening balance		12,274,729	12,274,729
Charge for the year against:			
Advance to suppliers		2,560,566	-
Advance to contractors		533,804	-
Written off made during the year		(15,369,099)	-
		<u>-</u>	<u>12,274,729</u>

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11.5	Other receivables	Note	2020	2019
			Rupees	
	Cash freight support receivable	11.5.1 / 11.5.2	63,063,000	63,063,000
	Excise duty claim receivable		-	144,500
	Sales tax input refund claim		-	12,183
	General sales tax input claim		-	73,497
		11.5.3	-	230,180
			<u>63,063,000</u>	<u>63,293,180</u>

11.5.1 This represents balance amount of cash freight support claimed against export of sugar made during the FY 2017-18. This includes comprising an amount of Rs. 29.211 claimed as payable by the Federal Government at the rate of Rs 10.70 per kg in terms of the notification no. F. No. 7(2)/2012-EXP.III dated October 03, 2017 issued by the Ministry of Commerce, and an amount of Rs. 33.852 million claimed as payable by the Government of Sindh at the rate of Rs 9.30 per kg in terms of the notification no. 8(291)SO(Ext:)/2017 dated January 02, 2018 issued by the Agriculture, Supply & Prices Department, Government of Sindh. The claims were filed with the SBP through the authorised dealer on respective dates subsequent to exports. The management asserts that the Company is fully compliant with the conditions for eligibility specified in the aforesaid notifications. Despite a lapse of considerable amount of time since the filing of the claims, the management of the Company, based on the Authorized Dealer's recent correspondence with the aforesaid government authorities, is confident that the entire receivable amount of Rs. 63.063 million is good and is expected to be realized in due course of time.

11.5.3	Movement for cash-freight support is as follows:	Note	2020	2019
			Rupees	
	Opening balance		63,063,000	72,800,000
	Received during the year from Federal government		-	(9,737,000)
	Closing balance		<u>63,063,000</u>	<u>63,063,000</u>

11.5.4 Receivables amounting to Rs. 230,180 were written off during the year.

## 12. CASH AND BANK BALANCES

Cash in hand		28,428	25,791
Cash at bank			
-current accounts		14,389,425	3,858,512
-deposit accounts	12.1	74,700	193,635
		<u>14,464,125</u>	<u>4,052,147</u>
		<u>14,492,553</u>	<u>4,077,938</u>

12.1 These represent amount deposited with banks in saving accounts carrying profit at the rate of 6.50% -10.25% (2019: 4.50% - 9.54%).

## 13. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020	2019		2020	2019
— Number of shares —			Rupees	
<u>20,000,000</u>	<u>20,000,000</u>	<b>Authorized capital</b>		
		Ordinary shares of Rs. 10/- each	<u>200,000,000</u>	<u>200,000,000</u>
		<b>Issued, subscribed and paid up capital</b>		
<u>11,619,500</u>	<u>11,619,500</u>	Ordinary shares of Rs. 10/- each issued for cash	<u>116,195,000</u>	<u>116,195,000</u>

13.1 There are no agreements among shareholders for voting rights, board selection, rights of first refusal and block voting.

		2020	2019
	Note	Rupees	
<b>14. DEFERRED TAX LIABILITY</b>			
Deferred taxation - net	14.1	65,587,828	70,473,453
Provision for sugarcane price differential	14.2	51,065,530	51,065,530
		<u>116,653,358</u>	<u>121,538,983</u>
<b>14.1 Deferred taxation - net</b>			
<i>Taxable temporary difference arising in respect of;</i>			
Accelerated depreciation		68,933,063	72,623,142
<i>Deductible temporary difference arising in respect of;</i>			
Provision for expected credit loss on trade debts		-	2,149,689
Provision for slow moving stores and spares		3,345,235	-
		<u>(3,345,235)</u>	<u>(2,149,689)</u>
		<u>65,587,828</u>	<u>70,473,453</u>

**14.2** This represents provision recorded in respect of a case that was pending before the Honourable High Court of Sindh against the sugarcane purchase price of Rs. 182 per 40 kgs as fixed by the government for the season 2014-2015. The Honourable Court disposed of the case upon settlement with the consent of all the stake holders whereby it was settled that Sugar Mills shall purchase the sugarcane from growers at Rs. 160 per 40 kgs for crushing season 2014-15 and further Rs. 12 per 40 kgs was to be paid to the growers by the Company upon payment by the Government of Sindh. As regards the remaining Rs 10 per 40 kg, the Honourable Court has subjected this interim arrangement to the decision of Civil appeal No 48 of 2015 pending before the Honourable Supreme Court of Pakistan and also have ordered that the fate of remaining Rs. 10 i.e., difference of Rs. 182 and 172 will also be dependent on upon the decision of Honourable Supreme Court of Pakistan. The Company as a matter of prudence has accounted for the said difference of Rs. 10 per 40 kgs in the financial statements.

#### **15. LOAN FROM SPONSORS**

This represents loan obtained from Imtiaz Ali Shah, the Chief Executive Officer, that was utilized towards repayment of long term financing liabilities in the year 1999 and to meet the expenses of the Company during the closure of the mill between the year 1999 to 2002.

#### **16. CURRENT PORTION OF LONG TERM LOANS**

This liability due to ICP (now Industrial Development Bank of Pakistan "IDBP") 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. 94.49 million (2019: 83.27 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.

17. TRADE AND OTHER PAYABLES	Note	2020	2019
		Rupees	
<i>Creditors for:</i>			
- Sugarcane		359,845,415	559,919,316
- Store suppliers		30,914,986	30,907,341
- Contractors		5,931,200	10,019,066
		<b>396,691,601</b>	<b>600,845,723</b>
Accrued liabilities		27,224,509	36,291,074
Retention money		15,174,037	20,719,729
Quality premium payable		45,893,224	41,681,622
Road cess payable		38,923,545	34,005,089
Advance from customers	17.1	70,063,534	15,932,696
Sales tax payable	17.2	283,860,756	218,077,776
Refund payable to customers	17.3	247,875,578	262,875,578
Workers profit participation fund	17.4	8,702,057	25,347,485
Workers welfare fund	17.5	13,639,270	10,752,319
Withholding tax payable		681,894	1,666,121
Others		1,109,913	-
		<b>753,148,317</b>	<b>667,349,489</b>
		<b>1,149,839,918</b>	<b>1,268,195,212</b>

**17.1 Advance from customers - unsecured**

During the year, the performance obligations underlying the opening contract liability of Rs. 32.404 million were satisfied in full. Accordingly, the said liability was recorded as revenue during the year.

In addition, information regarding the timing of satisfaction of performance obligations underlying the closing contract liability of Rs. 71.535 million is not presented since the expected duration of all the contracts entered into with the customers is less than one year.

**17.2** The Company was selected for sales tax audit for the period from October 2017 to September 2018 under section 25 of the Sales Tax Act, 1990, vide notice dated July 02, 2020 and July 13, 2020 issued by the Office of the Commissioner Inland Revenue (CIR). The department called for submission of various information allowing 7 days during the pandemic period. The Company's reason for deferring the hearing was however not entertained by the Department. The Company was compelled to file suit 932 of 2020 in High Court of Sindh by praying that no reason was assigned for conducting audit and this is bad in law. The Honorable High Court pursuant to impugned notices directed that no adverse / coercive action should be taken against the plaintiff till next hearing and the interim order is operating to date.

**17.3** This represents long outstanding amount that has become refundable on account of unconcluded transactions then entered with customers. The Company made repayment of Rs 15 million during the current year and intends to refund gradually as its financial position improves.

17.4 Workers Profit Participation fund	2020	2019
	Rupees	
Balance at the beginning of the year	25,347,485	2,024,726
Allocation for the year	7,282,122	23,322,759
Interest accrued for the year	4,160,552	-
	<b>36,790,159</b>	<b>25,347,485</b>
Less: payments made during the year	<b>(28,088,102)</b>	-
Balance at the end of the year	<b>8,702,057</b>	<b>25,347,485</b>

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	2020	2019
	Rupees	
<b>17.5 Workers Welfare Fund</b>		
Balance at the beginning of the year	10,752,319	2,389,671
Allocation for the year	2,886,951	8,862,648
	13,639,270	11,252,319
Less: payment during the year	-	(500,000)
Balance at the end of the year	13,639,270	10,752,319

**18. ACCRUED MARKUP**

This represents penalty / markup accrued at the rate of 7.13% on delayed repayment of installments against long term finance from NBP.

	2020	2019
	Rupees	
<b>19. TAXATION - NET</b>		
Opening balance	96,027,816	71,551,727
Add: Provision for the year	55,395,929	32,120,967
	151,423,745	103,672,694
Less: Tax deducted at source	(5,557,500)	(2,382,889)
Advance tax adjusted	-	(5,261,989)
Closing balance	145,866,245	96,027,816

**20. CONTINGENCIES AND COMMITMENTS**

**Contingencies:**

**20.1** 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 2015, 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/ 2015 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.

**20.2** The company is contesting a suit 444 of 2009 filed by Elahi Group for specific performance and damages in terms of various sales of sugar agreement between the parties. The plaintiff has claimed specific performance by way of supply of 6883MT of sugar and amount of Rs.150 million paid with damages of 50MT per month till the disposal of suit or in alternate decree for a sum of Rs.100m. The case of the Company is that the suit is frivolous as it has fulfilled its contractual obligation and total quantity of sugar as per agreements stands lifted by the party against Delivery Orders issued against payment received during 2006-07. The suit is still pending in the court. In the opinion of the legal counsel, no liability is expected to arise against the company in the subject suit.

- 20.3 In respect of the year 2014 and 2015, the impugned order passed by DCIR against the Company u/s 122 (1) of the Income Tax Ordinance, 2001, was set aside by the CIR(A) during the current year and the demand of 11.31 million and 8.48 million was vacated. The Department has filed appeal with the Tribunal which is yet to be fixed. The Company expects that the CIR(A) appeals order will be upheld on merit and hence no provision has been made.
- 20.4 During the year, the CIR (Appeals), Karachi annulled the impugned order passed by the DCIR, Audit Unit 03, Zone II, LTU, Karachi in respect of tax year from October 2013 to September 2014 whereby impugned demand of Rs 167.729 million on account of short payment of sales tax as per returns filed were alleged that now stands vacated. The department's appeal with the Appellant Tribunal has not been fixed. No provision has been made in the accounts as the Company case is on merit and it expects that the Tribunal shall uphold the Appellant Order.
- 20.5 During the year, the DCIR, Unit 03 & 04, Zone - II, LTU, Karachi passed impugned order on December 30, 2019 creating impugned demand of Rs 74.679 million on account of sales tax and further tax based on stock taking done as on February 01, 2019 and earlier date. The Company's appeal against the impugned order was upheld by the CIR (Appeals) vide order dated April 03, 2020 and the impugned order was annulled and the demand vacated in view of the tax paid under Amnesty Scheme, 2019. The department has filed appeal with the ITAT where no date is yet fixed, The Company's case is protected under the scheme and hence no provision has been made in view of payment made under the Scheme.
- 20.6 An order dated May 22, 2004, issued by the Central Exercise and Sales Tax Appellant Tribunal creating demand of sales tax of Rs 14.155 million along with a penalty of Rs 0.30 million on the in house consumption as a fuel and sale of baggage during the period from July 01, 1996 to July 12, 1997. The Company filed an appeal before the High Court of Sindh, Karachi challenging the imposition of sales tax and also challenged the retrospective application of applicability of rate of sales tax at the rate of Rs 200 per metric on the sale of baggage that was imposed subsequently vide SRO 178(I) / 2002 instead of applying the rate Rs 20 per metric ton as notified by the Collector relevant to the time of sale made by the Company during the period from July 01, 1996 to July 12, 1997. The suit is still pending in the court. In the opinion of the legal counsel, no liability is expected to arise against the company in the subject suit on merit.

**Commitments:**

There were no material commitments as at September 30, 2020 (2019: Nil).

		2020	2019
	Note	Rupees	
<b>21. SALES REVENUE - net</b>			
Revenue from local sales - net	21.1	<u>3,847,862,817</u>	<u>2,213,449,617</u>
<b>21.1 Revenue from local sales - net</b>			
Sale of sugar - gross		3,923,681,750	2,258,690,747
Sale of baggasse-gross		41,722,043	-
		<u>3,965,403,793</u>	<u>2,258,690,747</u>
Less: Sales tax		<u>(581,943,646)</u>	<u>(261,396,630)</u>
		3,383,460,147	1,997,294,117
Sale of Molasses		464,402,670	216,155,500
		<u>3,847,862,817</u>	<u>2,213,449,617</u>
<b>22. COST OF SALES</b>			
Opening stock of finished goods		-	-
Add: Cost of finished goods manufactured		<u>3,771,568,396</u>	<u>2,152,623,315</u>
		3,771,568,396	2,152,623,315
Closing stock of finished goods		-	-
		<u>3,771,568,396</u>	<u>2,152,623,315</u>
<b>22.1 Cost of finished goods manufactured</b>			
Raw materials consumed		3,465,399,520	1,900,184,011
Conversion costs incurred	22.1	<u>305,713,801</u>	<u>252,373,720</u>
		3,771,113,321	2,152,557,731
- Opening work in process		455,075	520,659
- Closing work in process		-	(455,075)
		<u>455,075</u>	<u>65,584</u>
		<u>3,771,568,396</u>	<u>2,152,623,315</u>
<b>22.1.1 Conversion costs incurred</b>			
Chemicals and packing material		53,477,245	36,997,248
Fuel and power		8,645,742	9,951,980
Oil and lubricants		5,860,931	6,125,233
Salaries, wages and other benefits		129,017,300	112,219,266
Charities & donations	22.1.1.1	2,327,054	1,953,127
Stores and spares consumed		67,961,848	45,297,536
Repair & maintenance		2,244,753	3,717,998
Vehicle maintenance		3,999,087	2,963,568
Contractors		3,983,909	4,211,233
Depreciation	6.1.2	23,190,281	24,996,335
Postage & telephone		601,790	501,047
Freight		2,249,012	1,993,870
Others		2,154,849	1,445,279
		<u>305,713,801</u>	<u>252,373,720</u>

22.1.1.1 None of the directors or their spouse has any interest in the donee organizations.

23.	ADMINISTRATIVE EXPENSES	Note	2020	2019
			Rupees	
	Directors' remuneration		3,480,000	3,393,675
	Salaries, wages and allowances		19,197,564	17,987,430
	Rent, rate and taxes		3,722,096	3,519,632
	Water, gas and electricity		272,110	403,116
	Printing and stationery		54,141	33,921
	Postage and telephone		210,969	184,001
	Vehicle maintenance		248,844	373,799
	Repair and maintenance		559,755	519,346
	Traveling and conveyance		118,860	95,480
	Legal and professional charges		2,273,145	1,262,716
	Provision for doubtful stores and spares	8	2,101,048	-
	Provision for doubtful advance to supplier	11.4	2,560,566	-
	Provision for doubtful advance to contractor	11.4	533,804	-
	Other receivables written off	11.5	230,180	-
	Auditors' remuneration	23.1	1,150,000	750,000
	Depreciation	6.1.2	679,695	604,110
	Provision for doubtful advances to growers	11.1	226,632	-
	Bank charges		354,501	691,509
	Other expenses		152,040	158,399
			<u>38,125,950</u>	<u>29,977,134</u>
23.1	<b>Auditors' remuneration</b>			
	<i>Audit services</i>			
	Annual audit fees		1,000,000	600,000
	<i>Non-audit services</i>			
	Tax advisory services		150,000	150,000
			<u>1,150,000</u>	<u>750,000</u>
24.	<b>DISTRIBUTION COSTS</b>			
	Loading and stacking		795,411	583,168
	Sugar bags numbering expense		234,984	173,658
	Sugar bagging expenses		2,559,576	1,745,951
	Advertisement expense		25,000	-
			<u>3,614,971</u>	<u>2,502,777</u>
25.	<b>OTHER INCOME</b>			
	Reversal of liability on settlement of loan		-	438,390,134
	Reversal of sales tax liability	25.1	109,683,664	-
	Reversal of liabilities		18,212,878	-
	Gain on disposal of vehicle		110,498	-
	Profit on saving account		92,124	46,923
	Others		-	10,000
			<u>128,099,164</u>	<u>438,447,057</u>
25.1	During the year, Company availed amnesty under the Asset Declaration Ordinance, 2019 on sales amounting to Rs. 1,606 million chargeable to sales tax under Sales Tax Act, 1990 which had been under declared upto June 30, 2018 .The Company had paid tax amounting to Rs. 32.124 million being 2% of undeclared sales, under the amnesty. Consequentially, the Company had reversed sales tax liability by Rs. 109.683 million.Further, since the Company paid such tax after the prescribed deadline of June 30, 2019, it also paid 40% default surcharge on the aforesaid tax, amounting to Rs. 12.849 million (reported separately in note 26 to the financial statements – under the head 'Other expenses').			
26.	<b>OTHER EXPENSES</b>			
	Workers profit participation fund		7,282,122	23,322,759
	Workers welfare fund		2,886,951	8,862,648
	Sales tax default surcharge	26.1	12,849,664	195,000
			<u>23,018,737</u>	<u>32,380,407</u>

26.1 This represents default surcharge paid on late payment of tax under provisions of the Asset Declaration Ordinance, 2018 as mentioned in note 25.1.

		2020	2019
		Rupees	
27.	<b>FINANCE COST</b>		
	Markup on Workers' Profit Participation Fund	17.4	-
	Mark up on overdue instalments of loan obtained from NBP	-	843,064
		<u>4,160,552</u>	<u>843,064</u>
28.	<b>TAXATION</b>		
	Current tax charge	55,395,929	32,120,967
	Deferred tax income	(4,885,625)	70,473,453
		<u>50,510,304</u>	<u>102,594,420</u>
28.1	<b>Status of income tax assessments</b>		

The income tax assessments of the Company are deemed to have been finalized up to, and including, the tax year 2020 (accounting year ended September 30, 2019) based on the returns of income filed by the Company with the concerned taxation authority. As per section 120 of the Income Tax Ordinance, 2001 ('the Ordinance'), a tax return filed by a taxpayer is treated as an assessment order issued by the concerned taxation authority unless the same is selected for re-assessment / audit as per the legal provisions stipulated in the Ordinance.

28.2 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.

		2020	2019
		Rupees	
29.	<b>EARNINGS PER SHARE</b>		
29.1	<b>Basic earnings per share</b>		
	Profit after taxation	<u>84,963,071</u>	<u>330,975,557</u>
		----- Number -----	
	Weighted average number of ordinary shares outstanding during the year	<u>11,619,500</u>	<u>11,619,500</u>
		----- Rupees -----	
	Earnings per share - basic	<u>7.31</u>	<u>28.48</u>
29.2	<b>Diluted loss / earnings per share</b>		

There was no dilutive effect on the basic earnings per share of the Company, since there were no potential ordinary shares in issue as at the reporting date.

### 30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Company's associate, and key management personnel (including directors). Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Remuneration of Chief Executive, Directors and executives is disclosed in note 34.3 to the financial statements. Transactions with related parties during the year, other than those disclosed elsewhere in the financial statements, are given below:

None

Name of the related party	Basis of relationship with the party	Particulars	2020	2019
			— Rupees —	
Syed Irfan Ali Shah	Director	Advances paid during the year	3,437,400	4,115,499
		Cane purchases during the year	3,437,400	3,115,499
		Advance as of the reporting date	1,000,000	1,000,000
		Salary payable	303,342	303,342
Syed Imtiaz Ali Shah	Director	Salary payable	596,098	596,098
		Loan payable	17,525,539	17,525,541

		2020	2019
		----- Rupees -----	
<b>31.</b>	<b>FINANCIAL INSTRUMENTS</b>		
<b>31.1</b>	<b>Categories of financial assets and liabilities</b>		
<b>31.1.1</b>	<b>Financial assets</b>		
	<i>At amortised cost</i>		
	Long term deposits	1,172,110	1,172,110
	Advances, prepayments and other receivables	84,030,142	72,930,454
	Bank balances	14,464,125	4,052,147
		<u>99,666,377</u>	<u>78,154,711</u>
<b>31.1.2</b>	<b>Financial liabilities</b>		
	<i>At amortised cost</i>		
	Current portion of long term finance	56,095,288	56,095,288
	Trade and other payables	772,892,407	996,418,815
	Accrued Markup	8,424,000	8,424,000
		<u>837,411,695</u>	<u>1,060,938,103</u>
<b>31.2</b>	<b>Risks arising from financial instruments</b>		
	The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:		
	- Credit risk		
	- Liquidity risk		
	- Market risk		

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### 31.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means. Written off financial assets are not subject to enforcement activity.

#### *Maximum exposure to credit risk and its management strategies*

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

	2020	2019
	Rupees	
Long term deposits	1,172,110	1,172,110
Advances, prepayments and other receivables	84,030,142	72,930,454
Bank balances	14,464,125	4,077,938
	<u>99,666,377</u>	<u>78,180,502</u>

#### **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:

Bank Name	Credit Rating Agency	Rating	
		Short term	Long term
Muslim Commercial Bank Limited	PACRA	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Allied Bank Limited	PACRA	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Faysal Bank Limited	PACRA	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
Askari Bank Limited	PACRA	A-1+	AA+
JS Bank Limited	PACRA	A-1+	AA-
Soneri Bank Limited	PACRA	A-1+	AA-

#### *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 changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. As of the reporting date, the Company was not exposed to any major concentrations of credit risk.

### 31.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

	September 30,2020			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees)			
<b>Non-derivative financial liabilities</b>				
Current portion of long term finance	56,095,288	56,095,288	56,095,288	-
Trade and other payables	772,892,407	772,892,407	772,892,407	-
Accrued markup	8,424,000	8,424,000	8,424,000	-
	<u>837,411,695</u>	<u>837,411,695</u>	<u>837,411,695</u>	<u>-</u>

	September 30,2019			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees)			
<b>Non-derivative financial liabilities</b>				
Current portion of long term finance	56,095,288	107,068,799	56,095,288	-
Trade and other payables	996,418,815	996,418,815	996,418,815	-
Accrued mark-up	8,424,000	8,424,000	8,424,000	-
	<u>1,060,938,103</u>	<u>1,111,911,614</u>	<u>1,060,938,103</u>	<u>-</u>

### 31.2.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### i) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. As of the reporting date, the Company was not exposed to any foreign currency risk as all its transactions entered into during the year were carried out in Pak Rupees.

#### ii) 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.

As of the reporting date, the Company was not exposed to any interest rate risk.



iii) **Other price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. As of the reporting date, the Company was not exposed to any material price risk.

32. **FAIR VALUE OF ASSETS AND LIABILITIES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

As of the reporting date, the Company did not hold any asset or liability carried at fair value. However, the fair value of all current assets and current liabilities approximate their carrying amount in these financial statements.

33. **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.

34. **DISCLOSURES REQUIRED BY THE COMPANIES ACT, 2017**

34.1 **Plant capacity and actual production**

	2020		2019	
	Quantity (metric tons)	No. of days	Quantity (metric tons)	No. of days
Sugarcane crushing capacity	<u>800,000</u>	<u>160</u>	<u>800,000</u>	<u>160</u>
Sugarcane crushed	<u>526,784</u>	<u>123</u>	<u>416,815</u>	<u>96</u>
White sugar produced	<u>56,165</u>		<u>39,592</u>	

34.1.1 The main reason for under utilization of the installed capacity is limited availability of sugarcane.

34.2 **Number of employees**

	2020	2019
	Number	
Total employees of the Company at the year end	<u>421</u>	<u>410</u>
Average employees of the Company during the year	<u>513</u>	<u>475</u>

34.3 Remuneration of the Chief Executive, Directors and Executives

		2020			
		Chief Executive	Director	Executives	Total
		----- Rupees -----			
Managerial remuneration		990,000	924,000	3,998,982	5,912,982
Other perquisites and benefits	34.3.1	810,000	756,000	3,390,125	4,956,125
		<u>1,800,000</u>	<u>1,680,000</u>	<u>7,389,107</u>	<u>10,869,107</u>
Number of persons		<u>1</u>	<u>1</u>	<u>3</u>	
		2019			
		Chief Executive	Director	Executives	Total
		----- Rupees -----			
Managerial remuneration		973,088	893,433	3,771,820	5,638,341
Other perquisites and benefits	34.3.1	796,163	730,992	3,086,060	4,613,215
		<u>1,769,251</u>	<u>1,624,425</u>	<u>6,857,880</u>	<u>10,251,556</u>
Number of persons.		<u>1</u>	<u>1</u>	<u>3</u>	

34.3.1 Other perquisites and benefits mainly include house rent allowance, utilities allowance, medical allowance and bonus.

34.3.2 The Chief Executive, directors and executives are provided with free use of Company-maintained cars in accordance with their terms of service.

34.4 Impact of COVID-19 on these financial statements

As in the rest of the world, Covid-19 adversely affected lifestyle and business operations in Pakistan. The Company complies with SOPs prescribed by the Federal and Provincial Governments. Sales and production activities were not affected during lockdown, and the shipments were dispatched as per schedule with minor disruptions. The Company remained up to date in all its financial commitments. Management believes that going concern assumption of the Company remains valid, and there are no material implications that require specific disclosure in the financial statements.

35. GENERAL

35.1 Reclassification of corresponding figures

Certain corresponding figures in these financial statements have been rearranged and reclassified for the purpose of comparison and better presentation which are as follows:

Reclassification from component	Reclassification to component	Rupees
Creditors for sugarcane (Trade and other payables)	Advance from customers (Trade and other payables)	<u>158,213,059</u>
Bank charges (Finance cost)	Bank charges (Administrative expenses)	<u>691,509</u>
Creditors for sugarcane (Trade and other payables)	Road cess payable (Trade and other payables)	<u>34,005,089</u>

Reclassification from component	Reclassification to component	Rupees
Rent expense (Administrative expenses)	Rent, rates and taxes (Administrative expenses)	<u>2,040,832</u>
Subscription, books and periodicals (Administrative expenses)	Other expenses (Administrative expenses)	<u>23,110</u>
Entertainment expenses (Administrative expenses)	Other expenses (Administrative expenses)	<u>9,789</u>
Advance to growers (Advances, prepayments and and other receivables)	Loan from sponsors	<u>4,730,376</u>
Advance tax (Advances, prepayments and and other receivables)	Advance tax adjusted (Taxation)	<u>5,261,989</u>
Spares (Stores and spares)	Stores (Stores and spares)	<u>1,423,438</u>
Creditors for Sugarcane (Trade and other payables)	Provision for sugarcane price differential (Deferred liability)	<u>51,065,530</u>
Advance from customers	Refund payable to customers	<u>262,875,578</u>
Legal and professional charges (Administrative expenses)	Auditors' remuneration (Administrative expenses)	<u>150,000</u>
<i>For 2018</i>		
Advance to growers (Advances, prepayments and and other receivables)	Loan from sponsors	<u>4,730,376</u>
Advance tax (Advances, prepayments and and other receivables)	Advance tax adjusted (Taxation)	<u>5,261,989</u>
Creditors for Sugarcane (Trade and other payables)	Provision for sugarcane price differential (Deferred liability)	<u>51,065,530</u>
Advance from customers	Refund payable to customers	<u>247,875,578</u>

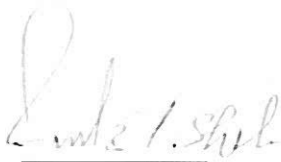
**35.2 Date of authorization of the financial statements for issue**

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on \_\_\_\_\_.

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35.3 Level of rounding

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

  
CHIEF EXECUTIVE

  
DIRECTOR

