

20
20 ANNUAL REPORT



NAVIGATING CHALLENGES

mehransugar.com

NAVIGATING CHALLENGES

Our aim has always been to perform with excellence without foregoing our principles and our reputation. However the past year has been a challenging one for the sugar industry.

The sugar industry in Pakistan and especially in Sindh where we are located has faced an unprecedented crisis of low cane crop. This crisis has affected the farmer, the miller and the consumer.

Despite the unprecedented encounters, we were able to navigate challenges in a way to protect our farmer and our shareholder.

The lower cane crop and resultantly higher cost of production and high prices of sugar became a challenge for the industry and led to the regulatory framework in place being challenged by the government.

That is why we picked the theme of "Navigating Challenges" which we feel befits the year it was.





CONTENTS

4	Key Figures	49	Organogram
5	Our Core Values	50	Chairman's Message
8	Vision & Mission	51	Directors' Report
12	Geographical Location	58	Corporate Governance Framework
16	Journey to Success	61	Corporate Social Responsibility
18	Company Information	64	Pattern of Shareholding
22	SWOT Analysis	75	Directors' Report (Urdu)
26	Code of Conduct and Ethical Values	76	Notice of the Annual General Meeting
28	Business Strategy & Goals	81	Notice of the Annual General Meeting (Urdu)
29	Management Committees	82	Statement of Compliance with the CCG
30	Board of Directors	84	Review Report to the Members on Statement of Compliance with the Code of Corporate Governance
32	Investing in Mehran Sugar	86	Unconsolidated Financial Statements
34	Investor Relations	138	Consolidated Financial Statements
36	Management Team		Proxy Form
38	Horizontal & Vertical Analysis		
44	Our Factory Profile		
45	Statement of Value Addition		
46	Six Years' Review at a Glance		
48	DuPont Analysis		

MAINTAINING RELATIONSHIPS IN CHALLENGING TIMES

An extremely short cane crop meant severe competition for procuring cane. This allowed farmers to be compensated for lower farm yields. The higher revenue to farmers meant that we paid over Rs. **One Billion** in payments above the government notified support price.

We see this payment as revising farmers' economics for sugarcane plantation and thus a long term investment which will switch farmers back to planting more cane which we are now witnessing for season 2021-2022.





KEY FIGURES

Turnover (Rs.)

7,416,618,258

Sucrose Recovery

11.13%

Profit before
tax (Rs.)

162,646,096

Earnings per
share (Rs.)

1.01

Sugar Production
(M.Tons)

72,821

Molasses production
(M. Tons)

29,550

Bagasse Sold
(M. Tons)

37,769

Market
Capitalization (Rs.)

3,455,201,066

OUR CORE VALUES

MAXIMIZING RETURNS

Our shareholders are a key stakeholder and we continually strive to create value for them. We pay dividends on regular basis to our shareholders and we intend to be progressive.

BINDING ASSOCIATIONS

We maintain a long-term working relationship with relevant stakeholders as they are part and parcel of our quest in enhancing our business opportunities. Our investments in joint venture companies such as Unicol, UniEnergy and Unifood Industires is a reflection of this.

ENGAGING GROWERS

We are committed to facilitate our growers and assist them in whatever way possible within our resources. Our premium quality seed loan policy for pest management is a reflection of this. We work with our farmer and support him in finding innovative and progressive solutions to sugarcane farming.

ENSURING SAFETY

We conduct our business with high regard for the health, safety and environment. We have established an HSE department and continually strive to make sure we can create a conducive work environment.

CLEANER ENVIRONMENT

We are committed to minimizing environmental impacts by reducing wastes and emissions. Mehran is proud to be one of the pioneers in establishing a fly ash discharge system and a state of the art Effluent Treatment Plant (ETP).

PROVIDING EDUCATION

We live by our principle of corporate social responsibility and make a difference through our social development programs. Education in the rural sector is direly needed and we continue to play a strong role in ensuring to fulfill this need. Our four schools i.e. DMS, TCF I, TCF II and TCF III have combined enrolment of more than 1,400 students.

NAVIGATING NATURE

Natural disasters are almost impossible to predict. The sudden spread of Covid-19 has disrupted lives, livelihoods, communities and businesses worldwide. Complying with the lockdown & promulgated SOPs, the Company implemented work-from-home policy and rotational office timing. We donated sugar to different schemes within our community and city that were affected by this pandemic.

Our donations to the health sector in the past three years through our commitment in contributing to the development of Usman Memorial Hospital was in hindsight an important and responsible one.

We also availed the excellent initiative given by SBP to maintain employees on payroll which will have far reaching Positive consequences.

Most of our business's being essential items were allowed to run but it was our responsibility to ensure strict SOP's and we are proud to remain compliant and responsible.





VISION

We remain focused on being one of Pakistan's leading and largest sugar producers. A modern sugar mill must utilise its raw materials efficiently to produce sugar, ethanol and power at the most competitive pricing. Our vision remains to be the most economical and energy efficient producer of sugar and to ensure that we utilise all our by-products as effectively as possible.





MISSION

Our Mission remains to ensure we can provide sustainable results and consistent growth to our shareholder. Our objective is to achieve this by utilising sugar and its by products to add value and grow our business.

Basic Purpose: The basic purpose of our Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar and brown sugar while utilising its sugar byproducts such as molasses and Baggasse to produce ethanol and power respectively. To ensure sustainability we also look to make long term investments in industries which we feel add value to our shareholder and to the country.

PROTECTING GOODWILL

As mentioned the after effects of a high sugar price which was fundamentally driven due to a lower crop was the onslaught by the government and a challenge to the regularity framework which governs the sugar industry.

The basis of this was the JIT report which was made in April 2020. Frustratingly we have spent the last 6 months in answering the many queries raised by different organizations which are working on the basis of the findings of the JIT report.

As a bona-fide taxpayer and responsible citizen we are incurring our maximum energy, time and efforts to fulfill all legal requirements of government enquiries and are proud and relieved to say that nothing wrong has been proven till date against our company and the reputation it holds.







GEOGRAPHICAL LOCATION



MEHRAN CORPORATE OFFICE



UNICOL ETHONAL PLANT



MEHRAN SUGAR PLANT



UNIFOOD - CAKE PLANT

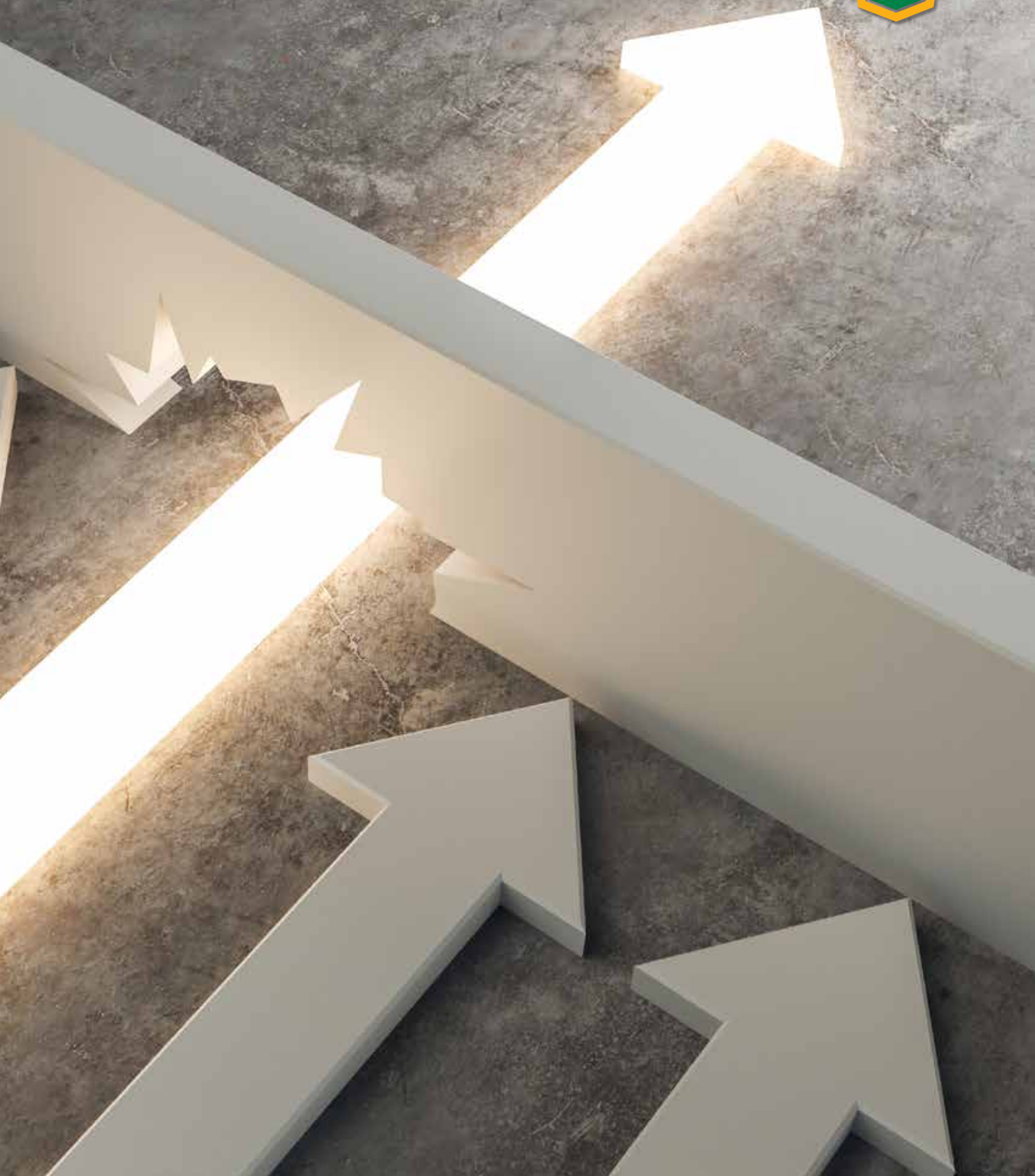
CAPITALIZING OPPORTUNITIES

The present pandemic we live through has been extremely challenging and thought provoking. However when we analyze the situation has given certain short term and long term opportunities.

In the short term the demand for hand sanitizers and through it our feedstock ethanol prices rallied and allowed decent contribution to our profitability at Unicol.

In the long term the lower interest rate environment created by this scenario will help reducing our cost of sugarcane financing payments as well as help our Long term investments in the capital markets.





JOURNEY TO SUCCESS

1965

The Company is incorporated as a public limited company.

1968

Shares of the Company listed on the Karachi Stock Exchange.

Plant commences trial production with a crushing capacity of 1,500 TCD. Complete plant is procured from M/s Mitsubishi Japan.

1978

Steady re-engineering increase the crushing capacity to 3,500 TCD.

1983

Recognised by the Karachi Stock Exchange as one of the Top 25 Company Award for the year.

2006

The Company crosses the Rs. 2.0 Billion sales milestone.

2007

The joint venture distillery, Unicol Limited commences commercial production.

2010

The Company crosses the Rs. 4.0 Billion sales milestone.

2013

Company first time ever crossed sucrose recovery of 11 percent.

The Company crossed the 100,000 M. tons milestone production for the first time.

2017

Sucrose Recovery of 11.06% was amongst highest in the country.

Bagasse Savings reached level of 35,000 Tons this year.

The state of the art Effluent Treatment Plant commenced its operations.

Upfront Tariff & Generation License have been awarded to 26.5 MW Hp-Cogen Power Plant.

2018

Sucrose Recovery of 11.52% was amongst the highest in the history of the Company as well as of the country.

Sugar exports of more than 74,000 tons achieved which is highest in the history of the company.

Bagasse Savings reached level of 50,000 Tons this year.

Profit of our joint venture project Unicol Ltd. crossed Rs. 1 billion mark for the first time.

Our associated Joint Venture Company Uni Food Industries Limited. started its commercial production.



1986

Again selected by the Karachi Stock Exchange for its Top 25 Company Award for the year.

1994

Company starts commercial production of second parallel milling unit, thus increasing crushing capacity to 7,000 TCD.

1998

The Company is awarded ISO-9002 - QMS Certification.

2001

Sales cross Rs. 1.0 Billion.

2014

Record highest sugar production of 123,210 M. tons.

Sales crossed Rs. 6.0 Billion.

Associated Company Unicol Limited doubled its ethanol production capacity to 200,000 LPD.

2015

Record highest sucrose recovery of 11.42 percent, which was the highest achieved in the country.

Company crossed half a billion profit before tax.

Started supply of co-generated electricity to the National Grid.

2016

The company crosses the Rs. 7.0 billion sales milestone.

Company paid its highest dividend of 57.5% translating into Rs. 184 million for the year.

2019

Sucrose Recovery again surpassed the benchmark of 11% consecutively in fifth year and remained at 11.44%, which is again one of the highest in the country.

Our joint venture project Unicol Ltd. again crossed Rs. 1 billion mark profit.

2020

Sucrose Recovery remained above 11% consecutively for the sixth year which is once again one of the highest in the country.

COMPANY INFORMATION

Board of Directors

Mr. Mohammed Kasim Hasham
Mr. Mohammed Ebrahim Hasham
Mr. Mohammed Hussain Hasham
Mr. Khurram Kasim
Mr. Ahmed Ebrahim Hasham
Mr. Muhammad Bashir
Mr. Amjad Waheed (Dr.)
Mr. Muhammad Amin Mukaty
Mrs. Anushey A. Hasham
Ms. Sofia Kasim

Chairman
CEO
Non-Executive Director
Non-Executive Director
Managing Director
Independent Director
Independent Director
Independent Director
Non-Executive Director
Non-Executive Director

Legal Advisor

Sayeed & Sayeed
Advocate & Legal Consultants
KMS Law Associates
Advocates & Corporate Consultants

Share Registrar

C & K Management Associates (Pvt.) Ltd.
404, Trade Tower,
Abdullah Haroon Road,
Near Metropole Hotel, Karachi
Ph: +92 - 21 -35687839, 35685930

Management Team

Mr. Mohammed Ebrahim Hasham
Mr. Ahmed Ebrahim Hasham
Mr. Muhammad Hanif Aziz
Mr. Syed Ehtesham-ud-din
Mr. Ubaid-ur-Rehman
Mr. Muhammad Shahid
Mr. Sumair Ali Khan

CEO
Managing Director
Chief Financial Officer
Resident Director
GM Technical
DGM Production
Company Secretary

Auditors

EY Ford Rhodes
Chartered Accountants

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
Standard Chartered Bank Limited

Board Committees

Audit Committee

Mr. Amjad Waheed
Mr. Mohammed Hussain Hasham
Mr. Khurram Kasim
Mrs. Anushey A. Hasham
Mr. Muhammad Yasir

Chairman
Member
Member
Member
Secretary

Executive Committee

Mr. Muhammad Ebrahim Hasham
Mr. Ahmed Ebrahim Hasham
Mr. Muhammad Hanif Aziz
Mr. Ehtesham-ud-din

Chairman
Member
Member
Member

Human Resource & Remuneration Committee

Mr. Muhammad Amin Mukaty
Mr. Mohammed Ebrahim Hasham
Ms. Sofia Kasim

Chairman
Member
Member

Registered Office

Executive Tower, Dolmen City,
14th Floor, Block-4, Marine Drive, Clifton,
Karachi-75600
Tel: (92 21) 35297814-17
Fax: (92 21) 35297818, 35297827
msm@mehransugar.com
www.mehransugar.com

Mills

Tando Adam Road, Distt. Tando Allahyar.
Tel: (022) 3414501, 3414502, 3414503
Fax: (022) 3414504



EXPLORING MARKETS

The present challenging scenario especially with the closure of schools and lockdowns made it difficult for our new investment at "Uni Food" in the food category.

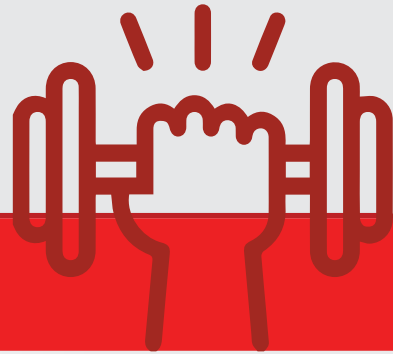
While the brand has developed well and sales continue we feel the present challenges shall delay the projections by 1-2 years.

While we go through this challenging time it will reflect on our balance sheet through capital losses on the investment which are to the tune of Rs.98.00 Million in this financial year.





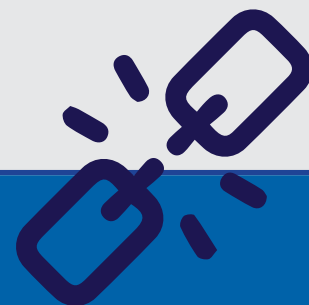
SWOT ANALYSIS



STRENGTHS

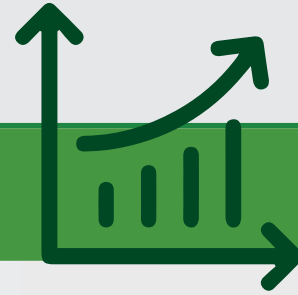
- Over 95 percent of cane in Mehran's cane zone is early maturing and high yielding which allows the Company to achieve sucrose recoveries, which are approximately 10% higher than the national average. This gives the Company a comparative advantage as compared to most other sugar mills in Pakistan.
- Mehran's goodwill in the region for payment and commitment allows it to procure cane competitively. The Company is thus able to get a preference in terms of quality, quantity and pricing.
- Mehran's Investment in Unicol has diversified its income base and allowed it to add value to its by-product molasses. Unicol has doubled its ethanol capacity to 200,000 LPD and has set up a 72 Tons per day CO2 plant. The investment continues to pay regular dividends to Mehran.
- Mehran has diversified investments of over Rs. 1.25 Billion in the capital markets which also continue to contribute to the balance sheet in the form of dividends and capital gains.
- Mehran's investment in energy efficiency has meant that Baggasse savings continues to increase. This in the future shall become a source of energy for future growth into other industries.
- Mehran's strength lies in its policy to grow in a conservative yet sustainable manner. This has allowed it to establish a strong balance sheet, which is not heavily leveraged, hence allowing the Company to explore other business avenues to maximise Shareholder return.

WEAKNESS



- The nature of the sugar industry remains a controlled one. The provincial government sets cane prices, which at times are not in line with sugar sales prices. This reliance on government intervention especially considering cane and sugar can be politically sensitive can have a negative impact on the overall business.
- Change in the size of the sugarcane crop can have an effect on the financial results of the Company. Sugarcane crop sizes vary depending on the weather, water availability and pricing of competitive crops. Sugarcane disease can have a detrimental effect on both farmer and factory yields, which could also affect profitability.
- Since sugar is a commodity, the Company does not have much pricing power or any relative advantage as compared to its competitors. The only advantage the Company has is in timing its sales keeping in mind market movements.
- Sugar prices have continued to remain extremely volatile, which doesn't allow one to forecast future revenue streams. While sugar production is a seasonal operation, sales continue throughout the year, thus holding inventory is a risk, especially in a high interest rate environment like Pakistan.
- Sugar cane prices are set by the government on the basis of cost of sugarcane production. Low farmer yields have meant that this price is set higher than the global average. The high sugar cane price makes sugar production at times unviable for sale in the global market.
- With changing global environment, innovation is the need of hour to remain competitive, profitable and sustainable. Sugarcane required continuous research for development of new varieties, which are disease resistant and have high farm and factory yields. Sadly public or private institutions have not been able to establish any quality research institutes in the country, which could eventually make sugarcane farming and sugar milling globally in competitive.
- Countries law and order situation has at times created hindrances to attract foreign quality manpower in areas of innovation for farm and factory.

OPPORTUNITIES



- A modern sugar complex is a sugar, ethanol and power producer. While we at Mehran have tapped sugar production and ethanol production, the opportunity to produce power remains a huge one.
- Pakistan remains a power deficit nation and the opportunity to produce power remains huge. The sugar industry has the potential to produce over 3,000 MW of power whereby individual mills can set up plants as large as 100 MW. Mehran has also stepped into power generation and its supply to the national grid by signing a 5 MW PPA with NEPRA. By realizing the further potential of generating power from our indigenous source of fuel i.e. bagasse, a by-product of sugar mill, we have embarked upon putting up a co-gen plant of 26.5 MW.
- The need of the time is to bring new varieties with high sucrose recovery to improve our overall sugar production. Therefore, research and development needs to be given preferred attention for continuous improvement. While Pakistan's national recovery remains between 9.50-10.50% there are varieties being developed which could fetch recoveries of 12.00% and higher. Such varieties would make Pakistan globally competitive thus enhancing both farmer and miller revenue. Mehran at its own has initiated a research project with the assistance of Mauritius Sugar Research Institute to study and suggest ways and means to increase farm yield.
- There also lies potential in increasing farm yields, which would reduce the cost of the farmer thus making sugar cane cheaper as a raw material.
- Pakistan has a large indigenous population of close to 200 Million. This population continues to grow at a healthy rate. The population growth along with income prosperity means that demand for sugar is expected to grow continually for the foreseeable future allowing for future growth in the industry. We foresee sugar demand growing at 4-5 percent annually while many developed countries are seeing stagnant growth.
- Growing awareness has paved the way for brand loyalty. Mehran has also ventured into retail segment by launching Branded Sugar through its two brands "Sugarie" and "Chashnik". These products are now showing their presence & potential in the niche market.

THREATS



- Mehran has one of the most densely populated cane zones in Pakistan. The quantity of cane in the area allows the company to pay minimal transport costs for cane arrivals which gives it a comparative advantage, though frequent intervention by other sugar mills has somewhat diluted this advantage.
- Sugar mills are typically located in rural areas, which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.
- Inflation affects the business due to cost increases. It also reduces the consumer buying power. Pakistan has been suffering from inflation since last few years. In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates, which affect the cost of doing business. A sudden surge in borrowing rates could adversely affect the Company's financials, though at present the rate has been declining. With increasing inflation, Sugar Mills have to produce specific quantity, which allows them to get benefit of economies of scale. It requires huge investment for expanding the capacity as well as robust maintenance activity, which may not be possible for every mill due to variety of factors. Hence, their competitiveness is affected.
- Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.
- In the last two decades, the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of crop. A major challenge going ahead is to ensure increased sugarcane cultivation to match crushing capacity. This requires not only availability of sufficient water but also motivation to growers towards sugarcane crop.
- Sugar cane requires abundant quantity of water for cultivation. Pakistan with its growing population can in the future face such water constraints which could mitigate the growth of sugarcane and the industry.

CODE OF CONDUCT & ETHICAL VALUES

The Company's reputation and its actions as a legal entity depend on the conduct of its employees. Each employee must commit to act according to the highest ethical standards and to know and abide by applicable laws. We each must assure that our personal conduct is beyond doubt and complies with the highest standards of conduct and business ethics.

These principles highlight our responsibility to:

- promote ethical business practices
- respect the environment and communities in which we operate
- assure equal employment opportunities
- value diversity in the workplace
- provide healthy and safe working environment
- respect human rights and trade ethically



CONFIDENTIALITY

Confidential business information must not be shared with others outside the company or used for the personal gain of oneself or others. Employees, their family and close acquaintances should not buy or sell company shares if they have material information that has not been made public and could affect our share price.

We expect employees to keep all information confidential. This might include plans to buy or sell business, product formulation, manufacturing processes, advertising, marketing plans, concepts, research and development, suppliers, customers, financial information, personnel and employment matters, and other information which is not generally known to the public. We will make sure that they are aware of their obligations and also expect them to take steps to prevent unintentional disclosure. These obligations apply to all Employees, including those who leave the company.



HEALTH AND SAFETY

We recognize the importance of health and safety within our business. We seek to provide a healthy, safe and clean working environment in line with local laws, regulations and industrial practice. We measure, appraise and report performance, as part of our commitment to the health and safety of our employees, contractors and everyone who works on or visits our sites.



THE ENVIRONMENT

We recognize our environmental responsibilities and our contribution to sustainable development. Our environment policy and its management processes deal not only with the environmental issues connected to our manufacturing processes and facilities, but also with Protecting the ecosystems from which we derive our raw materials, management of our supply chain, and distributing, selling and consumption of our products.

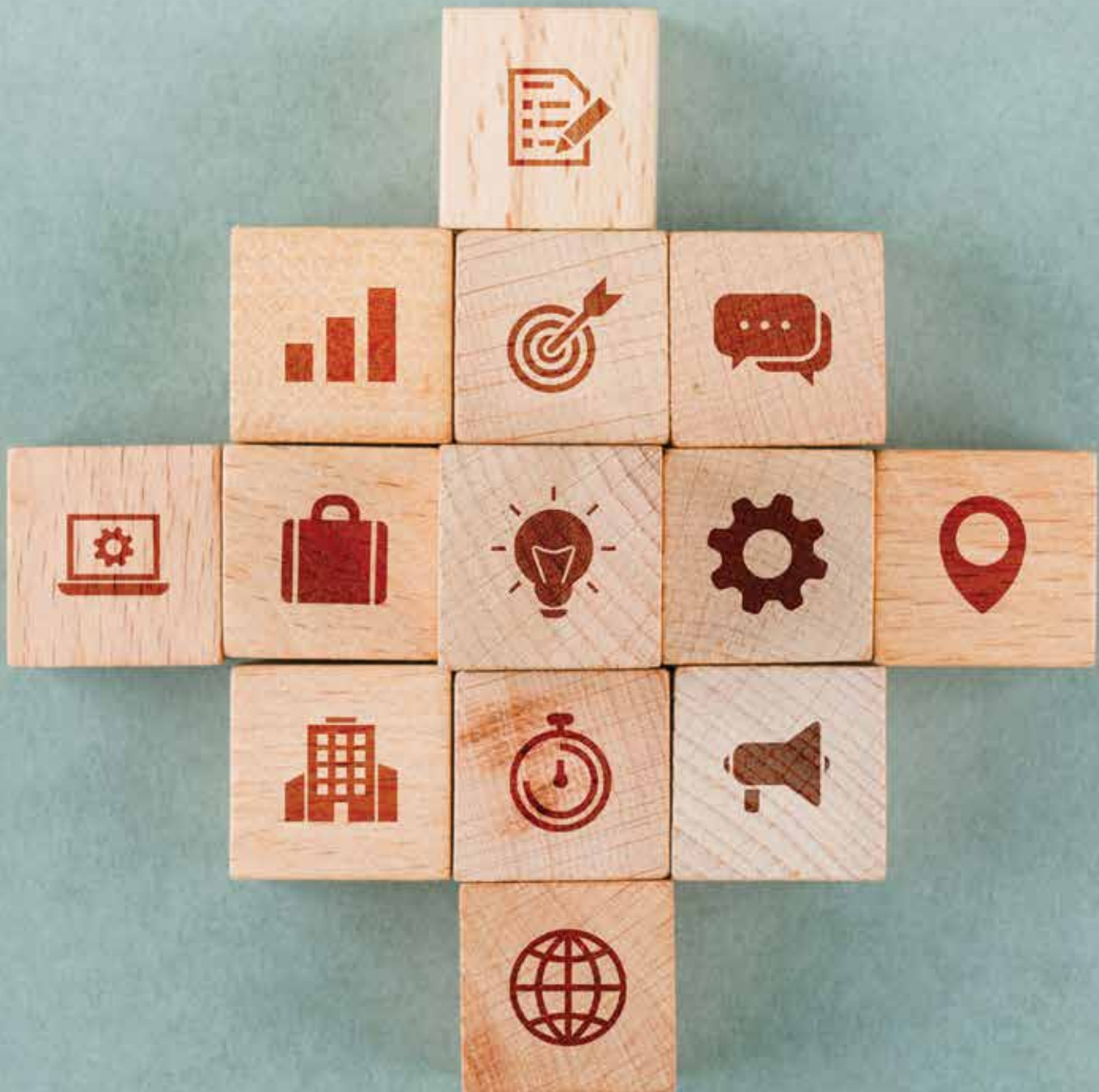


WORK ATMOSPHERE

MSML respects and highly values its diverse employee population. Accordingly, the company has an unwavering ethical commitment toward promoting a workplace that is respectful of personal differences and free of discrimination and harassment. This principle applies in our hiring and interviewing process as well as all aspects of our work environment.

BUSINESS STRATEGY AND GOALS

Mehran Sugar Mills Limited is a progressive and diversified sugarcane milling company with an objective to achieve growth through maximum capacity utilization, economies of scale and cost rationalization, without compromising the premium quality of products produced. We invest in our production facility and latest technologies on a systematic basis to achieve maximum productivity. Our ultimate goal is to ensure maximum returns to the shareholders within our resources.



MANAGEMENT COMMITTEES

Various committees have been formed to look after the operational and financial matters of the Company. A brief description of the composition and their related tasks are as follows:



Executive Committee

The Committee meets to discuss and coordinate various operational activities of the Company. The Chief Executive Officer of the Company is the Chairman of the Committee while Managing Director, Chief Financial Officer, Resident Director, Director Cane/ Development are the members of the Committee.



Human Resource & Remuneration Committee

The Human Resource Development Committee is responsible for necessary training and capacity building of staff at mill site as well as at Head office. It is also responsible for staff as well as executive Directors' annual appraisal and compensation. The Committee comprises of a Chairman, an independent Director, Chief Executive Officer and a non-executive Director.



Audit Committee

It is a statutory Committee formed as per requirements of Code of Corporate Governance; it is responsible to ensure that all functions of the Company operations are regularly audited and their reports are reviewed regularly for ensuring the work as per Company policy. It consists of a Chairman, an independent Director and three other non-executive Directors.

BOARD OF DIRECTORS



Muhammad Kasim Hasham

Chairman

Bachelor's Degree

Karachi University



Muhammad Ebrahim Hasham

Chief Executive Officer

M.A (Management)

Chapman University, California, USA.



Muhammad Hussain Hasham

Director (Non-Executive)

B.A (Business)

Chapman University,
California, USA.



Ahmed Ebrahim Hasham

Managing Director

Bachelor of Arts
(Economics and IR)

Tufts University,
Medford MA, USA.



Khurram Kasim

Director (Non-Executive)

Bachelor of Science
(Marketing)

Babson College,
Massachusetts, USA.



Dr. Amjad Waheed
Director (Independent)

Ph. D (Business Administration)
Southern Illinois University, USA.



Muhammad Bashir
Director (Independent)

B.Com, LLB, Chartered Accountant
Institute of Chartered
Accountants of Pakistan.



Anushey A. Hasham
Director (Non-Executive)

B.A (Management and Marketing)
New York University (NYU)
New York, USA



Sofia Kasim
Director (Non-Executive)

Bachelor of Arts
Karachi University



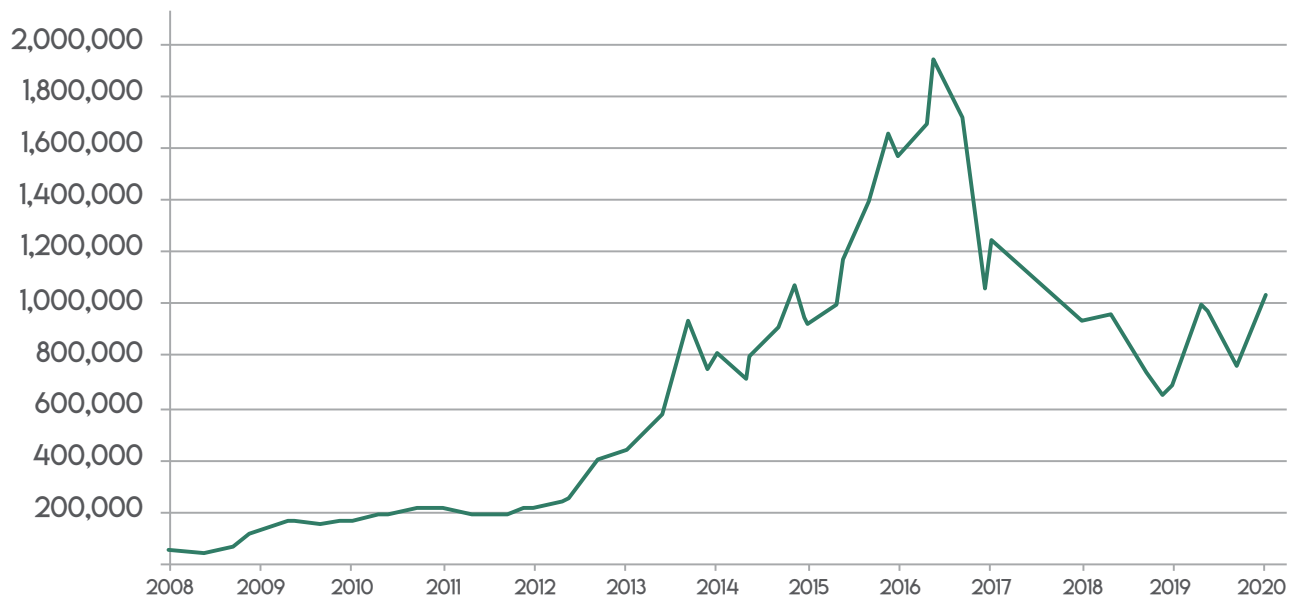
Muhammad Amin Mukaty
Director (Independent)

Masters in Business
Administration
California State University,
Fullerton, USA

INVESTOR RELATIONS

A shareholder, who on October 1, 2008 invested Rs. 50,000 and acquired 1,863 shares of Mehran Sugar Mills Ltd. at a price of Rs. 26.84 per share, and if all the dividends received were re-invested, would have Mehran shares worth Rs. 1,041,437 on September 30, 2020 representing a cumulative gain of 1,983%. The average annual return of the Mehran share over this period was 39.5% versus the average annual return of the KSE 100 index was 14.83%.

LONG-TERM SHAREHOLDER RETURN



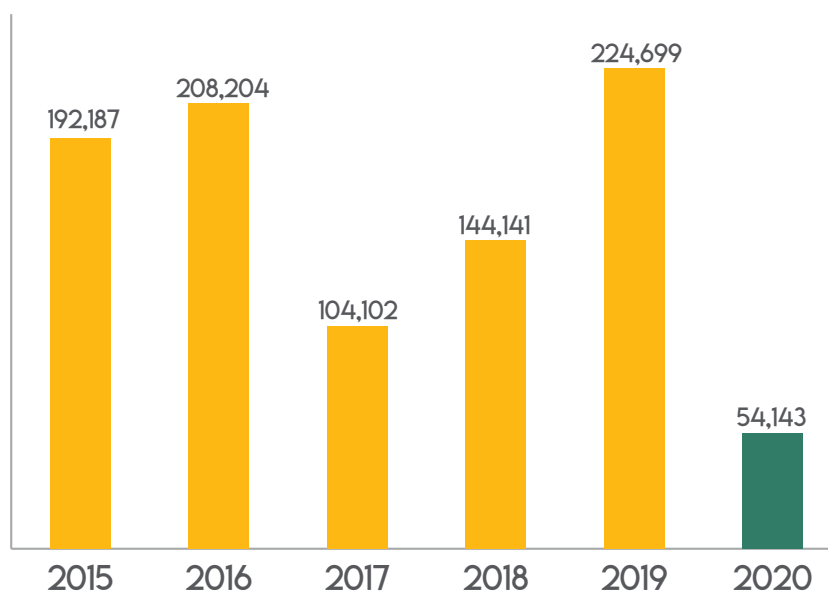
SHARE PERFORMANCE 2020



Mehran Sugar Mills Limited assigned 54.14 millions to Dividends in 2019-20, which is Rs. 1.25 per share

SHAREHOLDERS' REMUNERATION

RUPEES IN THOUSAND



INVESTOR RELATIONS

Share Registrar

C & K Management Associates (Pvt) Ltd.
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi
Ph: +92 - 21 -35687839, 35685930

Contact Person

Mr. Muhammad Zakir

Date of Annual General meeting

28/01/2021

Date of Board of Directors meeting

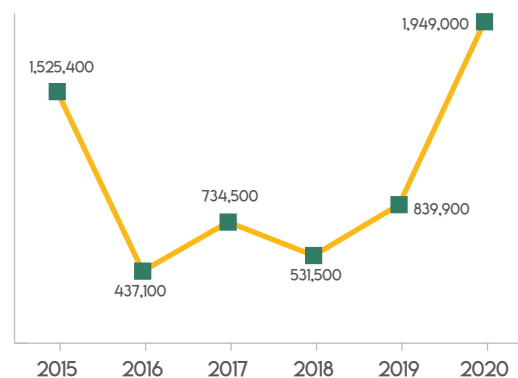
1st Qtr	Half Year	3rd Qtr	Annual
27/01/2021	25/05/2021	27/07/2021	21/12/2021

	2020	2019	2018	2017	2016	2015
Number of Shares (Issued / Paid-up)	46,597,452	40,519,524	32,031,245	32,031,245	32,031,245	32,031,245
Earning per share	1.01	9.97	12.89	4.11	16.91	13.43
Break-up value per share	55.96	59.60	81.46	69.25	72.54	58.12
Market Capitalization	3,455,201,066	2,329,872,630	3,387,304,159	4,498,147,735	5,767,225,662	3,527,280,699
Market value of share on 30th September	74.15	57.50	105.75	140.43	180.05	110.12
P/E Ratio	73.42	5.77	8.20	34.17	10.65	8.20
Cash Dividend %	12.5	32.50	30.00	32.50	65.00	60.00
Bonus Shares %	5.00	25.00	15.00	-	-	-
Number of shares Traded	1,949,000	839,900	531,500	734,500	437,100	1,525,400
Highest price during the year	91.44	122.88	140.00	241.50	210.00	143.32
Lowest price during the year	48.00	48.45	94.00	110.00	108.00	79.01

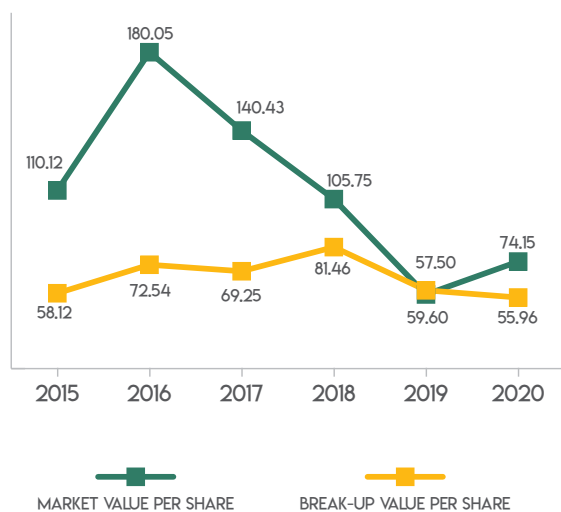
SHARE PRICE TREND



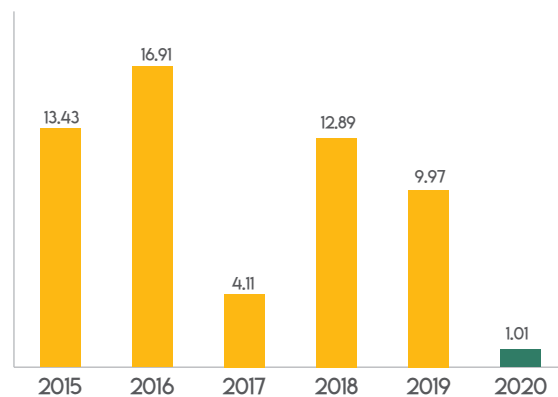
MEHRAN'S SHARES TURNOVER



BREAKUP VS MARKET VALUE



EARNINGS PER SHARE



MANAGEMENT TEAM



Mr. Mohammed Ebrahim Hasham

Chief Executive Officer

Joined Mehran in 1973

M.A. (Management) Chapman University, California, USA

Work Experience:

47 years of practical experience in the sugar industry.



Mr. Ahmed Ebrahim Hasham

Managing Director

Joined Mehran in 2000

Bachelor of Arts (Economics and IR) Tufts University, Medford MA, USA

Work Experience:

20 years of practical experience in various sectors



Mr. Muhammad Hanif Aziz

CFO

Joined Mehran in 2004

FCMA - Institute of Cost & Management Accountants of Pakistan

FCIS - Institute of Corporate Secretaries of Pakistan

Work Experience:

36 years of practical experience with multinational and national companies.



Mr. Syed Ehtesham-ud-Din

Resident Director

Joined Mehran in 2004

Bachelor of Arts

Work Experience:

39 years of practical experience in the sugar Industry.



Mr. Ubaid-Ur-Rehman

GM Technical

Joined Mehran in 2012

B-Tech (Hons) in Mechanical Engineering From Mehran University of Engineering - Jamshoro

Work Experience:

38 years of practical experience in the sugar Industry.



Mr. Muhammad Shahid

DGM Production

Joined Mehran in 2018

Master of Science (Chemistry)
From Punjab University

Work Experience:

28 years of practical experience in the sugar Industry.



Mr. Sumair Ali Khan

Company Secretary

Joined Mehran in 2016

ACA - Institute of Chartered Accountants of Pakistan

APFA - Institute of Public Finance Accountants of Pakistan

Work Experience:

14 years of practical experience with national companies.

HORIZONTAL & VERTICAL ANALYSIS

STATEMENT OF PROFIT OR LOSS

Rupees in thousand

HORIZONTAL ANALYSIS

	2020		2019	
	Rs.	%	Rs.	%
Turnover	6,424.68	20.95	5,311.77	10.87
Cost of sales	(5,960.06)	32.70	(4,491.46)	6.91
Gross Profit	464.62	(43.36)	820.31	39.11
Distribution costs	(47.08)	(20.96)	(59.56)	(46.56)
Administrative expenses	(218.92)	(14.16)	(255.03)	(7.69)
Other expenses	(6.11)	(51.96)	(12.71)	(81.68)
Other income	235.53	198.06	79.02	(53.39)
Share of Profit from an associates	76.92	(76.32)	324.89	(4.45)
Finance costs	(342.32)	(11.03)	(384.77)	81.15
Profit before taxation	162.65	(68.24)	512.15	19.18
Taxation	(115.62)	6.75	(108.31)	543.77
Net Profit for the year	47.03	(88.36)	403.83	(2.20)

VERTICAL ANALYSIS

	2020		2019	
	Rs.	%	Rs.	%
Turnover	6,424.68	100.00	5,311.77	100.00
Cost of sales	(5,960.06)	(92.77)	(4,491.46)	(84.56)
Gross Profit	464.62	7.23	820.31	15.44
Distribution costs	(47.08)	(0.73)	(59.56)	(1.12)
Administrative expenses	(218.92)	(3.41)	(255.03)	(4.80)
Other expenses	(6.11)	(0.10)	(12.71)	(0.24)
Other income	235.53	3.67	79.02	1.49
Share of Profit from an associates	76.92	1.20	324.89	6.12
Finance costs	(342.32)	(5.33)	(384.77)	(7.24)
Profit before taxation	162.65	2.53	512.15	9.64
Taxation	(115.62)	(1.80)	(108.31)	(2.04)
Net Profit for the year	47.03	0.73	403.83	7.60

2018		2017		2016		2015	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
4,790.79	(12.91)	5,500.84	(22.67)	7,113.23	63.10	4,361.36	(32.88)
(4,201.11)	(19.72)	(5,232.83)	(17.86)	(6,370.35)	73.04	(3,681.45)	(37.25)
589.68	120.03	268.00	(63.92)	742.88	9.26	679.91	7.70
(111.45)	34.21	(83.04)	125.12	(36.89)	(8.90)	(40.49)	(62.12)
(276.26)	13.58	(243.24)	23.20	(197.44)	13.88	(173.38)	12.53
(69.39)	641.61	(9.36)	(77.29)	(41.21)	48.56	(27.74)	21.20
169.54	(53.26)	362.73	98.19	183.03	13.56	161.18	21.98
340.02	239.63	100.11	(13.89)	116.26	23.72	93.97	77.36
(212.41)	8.00	(196.67)	99.41	(98.63)	(32.71)	(146.57)	(29.87)
429.72	116.43	198.55	(70.28)	668.01	22.15	546.88	69.03
(16.82)	(74.84)	(66.87)	(47.01)	(126.20)	8.01	(116.84)	114.64
412.90	213.57	131.68	(75.70)	541.81	25.99	430.03	59.80

2018		2017		2016		2015	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
4,790.79	100.00	5,500.84	100.00	7,113.23	100.00	4,361.36	100.00
(4,201.11)	(87.69)	(5,232.83)	(95.13)	(6,370.35)	(89.56)	(3,681.45)	(84.41)
589.68	12.31	268.00	4.87	742.88	10.44	679.91	15.59
(111.45)	(2.33)	(83.04)	(1.51)	(36.89)	(0.52)	(40.49)	(0.93)
(276.26)	(5.77)	(243.24)	(4.42)	(197.44)	(2.78)	(173.38)	(3.98)
(69.39)	(1.45)	(9.36)	(0.17)	(41.21)	(0.58)	(27.74)	(0.64)
169.54	3.54	362.73	6.59	183.03	2.57	161.18	3.70
340.02	7.10	100.11	1.82	116.26	1.63	93.97	2.15
(212.41)	(4.43)	(196.67)	(3.58)	(98.63)	(1.39)	(146.57)	(3.36)
429.72	8.97	198.55	3.61	668.01	9.39	546.88	12.54
(16.82)	(0.35)	(66.87)	(1.22)	(126.20)	(1.77)	(116.84)	(2.68)
412.90	8.62	131.68	2.39	541.81	7.62	430.03	9.86

HORIZONTAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

Rupees in thousand

	2020		2019	
	Rs.	%	Rs.	%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2,191.14	0.02	2,190.68	1.03
Right-of-Use-Assets	80.52	100.00	-	-
Long term investment	1,235.65	(9.30)	1,362.37	14.46
Long term deposits	0.85	(1.16)	0.86	(1.15)
	3,508.16	(1.29)	3,553.92	5.79
CURRENT ASSETS				
Biological assets	16.62	9.03	15.25	73.52
Stores and spare parts	110.34	7.73	102.42	0.74
Stock-in-trade	60.78	(94.27)	1,060.60	(9.13)
Trade debts	18.21	(76.99)	79.13	(39.40)
Loans and advances	46.27	(60.34)	116.69	0.54
Trade deposits and short-term prepayments	4.36	(52.93)	9.26	(28.12)
Other receivables	278.39	(12.33)	317.56	(45.32)
Short-term investments	1,108.08	11.32	995.38	(20.92)
Taxation – net	39.36	(2.21)	40.25	(51.11)
Cash and bank balances	10.14	(98.49)	672.98	4,118.22
	1,692.56	(50.36)	3,409.53	(1.88)
TOTAL ASSETS	5,200.72	(25.31)	6,963.45	1.89
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	465.97	15.00	405.20	26.50
Reserves	2,141.53	6.56	2,009.70	(12.20)
	2,607.51	7.98	2,414.90	(7.45)
NON-CURRENT LIABILITIES				
Long-term financing	1,125.82	53.00	735.83	(1.29)
Lease liabilities	29.26	42.08	20.59	13.10
Market committee fee payable	28.68	22.64	23.38	(10.45)
Deferred liabilities	4.45	(6.66)	4.76	(0.47)
Deferred income - government grant	3.61	100.00	-	-
Deferred taxation - net	170.97	(14.34)	199.58	(11.60)
Provision for quality premium	119.29	-	119.29	-
	1,482.07	34.31	1,103.44	(6.14)
CURRENT LIABILITIES				
Trade and other payables	454.31	(32.89)	676.96	50.93
Contract liabilities (advances from customers)	36.49	(91.22)	415.59	46.99
Unclaimed dividend	18.65	5.41	17.69	(9.28)
Accrued mark-up	20.34	(83.79)	125.50	154.80
Short-term borrowings	297.98	(82.98)	1,750.71	(10.99)
Current portion of long-term financing	112.81	(64.28)	315.83	55.33
Current portion of lease liabilities	13.01	33.16	9.77	(52.99)
Current portion of market committee fee payable	3.76	-	3.76	-
Current portion of deferred income - government grant	2.41	100.00	-	-
Provision for market committee fee	43.97	17.48	37.42	23.10
Income tax payable	-	-	-	-
Sales tax and federal excise duty payable	107.41	16.90	91.88	52.36
	1,111.14	(67.75)	3,445.11	11.66
TOTAL EQUITY AND LIABILITIES	5,200.72	(25.31)	6,963.45	1.89

2018		2017		2016		2015	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
2,168.33	(0.91)	2,188.13	12.04	1,952.92	18.43	1,649.07	4.05
-	-	-	-	-	-	-	-
1,190.22	21.74	977.68	27.71	765.56	17.35	652.36	16.83
0.87	(21.63)	1.11	30.47	0.85	(19.16)	1.06	-
3,359.42	6.08	3,166.92	16.46	2,719.34	18.10	2,302.49	7.38
8.79	(50.26)	17.66	(59.72)	43.85	(10.20)	48.83	(17.13)
101.67	21.21	83.88	16.09	72.25	(24.66)	95.91	54.14
1,167.16	(3.18)	1,205.46	192.56	412.04	(71.83)	1,462.63	218.01
130.58	(25.17)	174.51	1,552.61	10.56	(74.92)	42.10	(1.81)
116.07	(21.76)	148.34	37.08	108.22	205.89	35.38	3.02
12.88	66.13	7.75	18.94	6.52	(33.60)	9.82	(65.29)
580.80	12,824.15	4.49	20.89	3.72	(45.61)	6.84	45.49
1,258.74	51.60	830.32	(24.91)	1,105.80	52.44	725.42	48.68
82.33	50.75	54.62	100.00	-	(100.00)	9.97	(82.69)
15.95	(44.53)	28.76	(16.49)	34.44	(24.40)	45.55	37.24
3,474.98	35.96	2,555.80	42.19	1,797.40	(27.60)	2,482.45	95.48
6,834.40	19.43	5,722.73	26.70	4,516.74	(5.61)	4,784.94	40.14
320.31	-	320.31	-	320.31	-	320.31	-
2,289.01	20.60	1,897.94	(5.25)	2,003.10	29.95	1,541.45	15.73
2,609.32	17.63	2,218.25	(4.53)	2,323.42	24.80	1,861.77	12.68
745.41	66.11	448.75	47.20	304.85	11.57	273.23	(14.17)
18.21	(42.54)	31.69	49.39	21.21	15.30	18.40	(18.57)
26.11	(60.42)	65.97	(6.20)	70.33	168.86	26.16	(7.69)
4.79	(1.91)	4.88	4.98	4.65	(50.64)	9.41	17.62
-	-	-	-	-	-	-	-
225.77	(21.67)	288.21	(10.67)	322.64	11.55	289.25	23.28
119.29	-	119.29	-	119.29	-	119.29	-
1,139.58	22.62	958.79	13.74	842.97	14.57	735.74	0.62
448.53	0.77	445.09	(16.59)	533.59	44.91	368.21	213.41
282.73	(53.50)	608.07	9.42	555.70	(55.83)	1,257.97	693.18
19.50	(45.48)	35.77	49.98	23.85	(46.74)	44.78	274.95
49.25	52.37	32.32	265.60	8.84	(23.28)	11.53	(60.75)
1,966.89	76.08	1,117.04	100.00	-	(100.00)	190.89	(58.32)
203.33	30.32	156.02	(6.97)	167.72	11.06	151.02	11.13
20.79	(14.91)	24.43	61.51	15.13	1.77	14.87	(6.67)
3.76	-	3.76	-	3.76	100.00	-	-
-	-	-	-	-	-	-	-
30.40	52.25	19.97	112.29	9.41	(81.00)	49.51	17.26
-	-	-	(100.00)	22.20	100.00	-	-
60.31	(41.57)	103.20	915.64	10.16	(89.70)	98.66	60.59
3,085.50	21.21	2,545.68	88.52	1,350.35	(38.27)	2,187.43	112.20
6,834.40	19.43	5,722.73	26.70	4,516.74	(5.61)	4,784.94	40.14

VERTICAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

Rupees in thousand

	2020		2019	
	Rs.	%	Rs.	%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2,191.14	42.13	2,190.68	31.46
Right-of-Use-Assets	80.52	1.55	-	-
Long term investment	1,235.65	23.76	1,362.37	19.56
Long term deposits	0.85	0.02	0.86	0.01
	3,508.16	67.46	3,553.92	51.04
CURRENT ASSETS				
Biological assets	16.62	0.32	15.25	0.22
Stores and spare parts	110.34	2.12	102.42	1.47
Stock-in-trade	60.78	1.17	1,060.60	15.23
Trade debts	18.21	0.35	79.13	1.14
Loans and advances	46.27	0.89	116.69	1.68
Trade deposits and short-term prepayments	4.36	0.08	9.26	0.13
Other receivables	278.39	5.35	317.56	4.56
Short-term investments	1,108.08	21.31	995.38	14.29
Taxation – net	39.36	0.76	40.25	0.58
Cash and bank balances	10.14	0.20	672.98	9.66
	1,692.56	32.54	3,409.53	48.96
TOTAL ASSETS	5,200.72	100.00	6,963.45	100.00
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	465.97	8.96	405.20	5.82
Reserves	2,141.53	41.18	2,009.70	28.86
	2,607.51	50.14	2,414.90	34.68
NON-CURRENT LIABILITIES				
Long-term financing	1,125.82	21.65	735.83	10.57
Lease liabilities	29.26	0.56	20.59	0.30
Market committee fee payable	28.68	0.55	23.38	0.34
Deferred liabilities	4.45	0.09	4.76	0.07
Deferred income - government grant	3.61	0.07	-	-
Deferred taxation - net	170.97	3.29	199.58	2.87
Provision for quality premium	119.29	2.29	119.29	1.71
	1,482.07	28.50	1,103.44	15.85
CURRENT LIABILITIES				
Trade and other payables	454.31	8.74	676.96	9.72
Contract liabilities (advances from customers)	36.49	0.70	415.59	5.97
Unclaimed dividend	18.65	0.36	17.69	0.25
Accrued mark-up	20.34	0.39	125.50	1.80
Short-term borrowings	297.98	5.73	1,750.71	25.14
Current portion of long-term financing	112.81	2.17	315.83	4.54
Current portion of lease liabilities	13.01	0.25	9.77	0.14
Current portion of market committee fee payable	3.76	0.07	3.76	0.05
Current portion of deferred income - government grant	2.41	0.05	-	-
Provision for market committee fee	43.97	0.85	37.42	0.54
Income tax payable	-	-	-	-
Sales tax and federal excise duty payable	107.41	2.07	91.88	1.32
	1,111.14	21.37	3,445.11	49.47
TOTAL EQUITY AND LIABILITIES	5,200.72	100.00	6,963.45	100.00

2018		2017		2016		2015	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
2,168.33	31.73	2,188.13	38.24	1,952.92	43.24	1,649.07	34.46
-	-	-	-	-	-	-	-
1,190.22	17.42	977.68	17.08	765.56	16.95	652.36	13.63
0.87	0.01	1.11	0.02	0.85	0.02	1.06	0.02
3,359.42	49.15	3,166.92	55.34	2,719.34	60.21	2,302.49	48.12
8.79	0.13	17.66	0.31	43.85	0.97	48.83	1.02
101.67	1.49	83.88	1.47	72.25	1.60	95.91	2.00
1,167.16	17.08	1,205.46	21.06	412.04	9.12	1,462.63	30.57
130.58	1.91	174.51	3.05	10.56	0.23	42.10	0.88
116.07	1.70	148.34	2.59	108.22	2.40	35.38	0.74
12.88	0.19	7.75	0.14	6.52	0.14	9.82	0.21
580.80	8.50	4.49	0.08	3.72	0.08	6.84	0.14
1,258.74	18.42	830.32	14.51	1,105.80	24.48	725.42	15.16
82.33	1.20	54.62	0.95	-	-	9.97	0.21
15.95	0.23	28.76	0.50	34.44	0.76	45.55	0.95
3,474.98	50.85	2,555.80	44.66	1,797.40	39.79	2,482.45	51.88
6,834.40	100.00	5,722.73	100.00	4,516.74	100.00	4,784.94	100.00
320.31	4.69	320.31	5.60	320.31	7.09	320.31	6.69
2,289.01	33.49	1,897.94	33.17	2,003.10	44.35	1,541.45	32.21
2,609.32	38.18	2,218.25	38.76	2,323.42	51.44	1,861.77	38.91
745.41	10.91	448.75	7.84	304.85	6.75	273.23	5.71
18.21	0.27	31.69	0.55	21.21	0.47	18.40	0.38
26.11	0.38	65.97	1.15	70.33	1.56	26.16	0.55
4.79	0.07	4.88	0.09	4.65	0.10	9.41	0.20
-	-	-	-	-	-	-	-
225.77	3.30	288.21	5.04	322.64	7.14	289.25	6.05
119.29	1.75	119.29	2.08	119.29	2.64	119.29	2.49
1,139.58	16.67	958.79	16.75	842.97	18.66	735.74	15.38
448.53	6.56	445.09	7.78	533.59	11.81	368.21	7.70
282.73	4.14	608.07	10.63	555.70	12.30	1,257.97	26.29
19.50	0.29	35.77	0.63	23.85	0.53	44.78	0.94
49.25	0.72	32.32	0.56	8.84	0.20	11.53	0.24
1,966.89	28.78	1,117.04	19.52	-	-	190.89	3.99
203.33	2.98	156.02	2.73	167.72	3.71	151.02	3.16
20.79	0.30	24.43	0.43	15.13	0.34	14.87	0.31
3.76	0.06	3.76	0.07	3.76	0.08	-	-
-	-	-	-	-	-	-	-
30.40	0.44	19.97	0.35	9.41	0.21	49.51	1.03
-	-	-	-	22.20	0.49	-	-
60.31	0.88	103.20	1.80	10.16	0.23	98.66	2.06
3,085.50	45.15	2,545.68	44.48	1,350.35	29.90	2,187.43	45.71
6,834.40	100.00	5,722.73	100.00	4,516.74	100.00	4,784.94	100.00

OUR FACTORY PROFILE

Date of Incorporation

December 22, 1965

Date of Commencement of Business

March 19, 1966

Start of Commercial Production

January 1969

Installed Capacity

12,500 Tons Cane Crushing Per Day

Total Land Area

127 Acres

Total Farming Area

174 Acres

Permanent Employees

326

No. of Students

Daood Memorial School – 485

MSM Colony

The Citizens Foundation – 424

Piyaro Lund

The Citizens Foundation – 369

Hurri1

The Citizens Foundation – 169

Hurri2

No. of Faculty members

Daood Memorial School - 19

The Citizens Foundation Piyaro Lund – 15

The Citizens Foundation Hurri1 – 13

The Citizens Foundation Hurri2 – 06

No. of Apprentice at Vocational Training Centre

16

Housing

86 Family Homes for Executives, Officers and Workers and a Hostel consisting of 66 rooms for Workers and Contractors

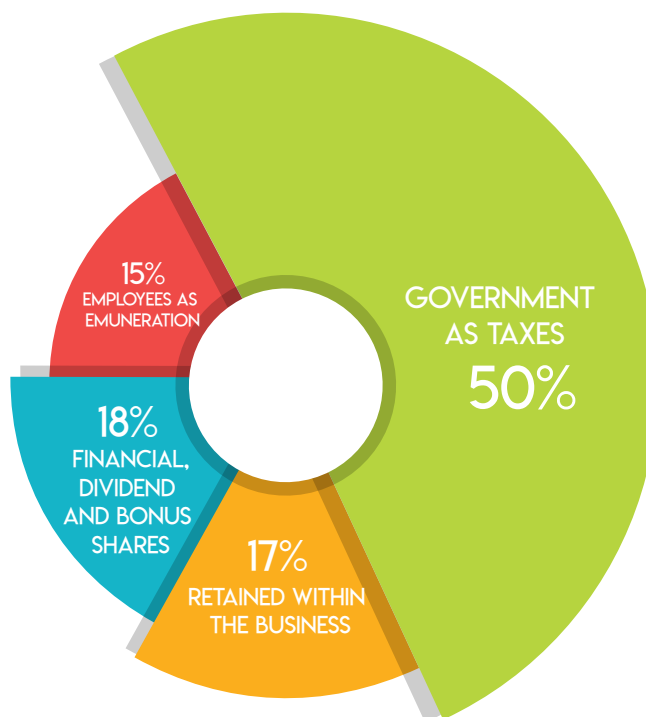
Facilities at our Mills

- Two Mosques - Factory & Colony.
- Recreation Centre at officers mess equipped with Indoor Games, TV, Videos and other facilities.
- Cricket Ground, Tennis Court, Park, School/ College Bus facility.
- Private Electric Generator for Uninterrupted Power Supply.
- Clean Water Supply with UV Filters.
- Transport Facility for City & Adjoining Areas.
- Accommodation for Officers and Company Guests with all facilities.
- Hostel of 36,000 sq.ft for accommodation for seasonal workers and staff of various contractors engaged during crushing season.

STATEMENT OF VALUE ADDITION

	2020 Rupees	%	2019 Rupees	%
WEALTH GENERATED				
Net revenue	7,416,618,258		5,931,544,867	
Expenses	5,127,569,546		4,258,040,125	
Wealth generated	<u>2,289,048,712</u>	<u>100</u>	<u>1,673,504,742</u>	<u>100</u>
WEALTH DISTRIBUTED				
To Government				
Sales Tax, Income Tax, Road Cess, WWF	1,137,304,005	50	757,645,514	45
To Employees				
Salaries, WPPF, Benefits and Other related cost	340,224,935	15	371,977,762	22
To Providers of capital				
Mark-up on borrowed funds	342,318,751	15	384,774,303	23
Shareholders as Dividend/Bonus shares	81,546,222	3	224,699,299	14
	423,864,973	18	609,473,602	37
Retained with the business				
Depreciation	177,824,021	8	170,873,619	10
Retained profit	209,830,778	9	(236,465,755)	(14)
	387,654,799	17	(65,592,136)	(4)
	<u>2,289,048,712</u>	<u>100</u>	<u>1,673,504,742</u>	<u>100</u>

VALUE ADDITION AND DISTRIBUTION DURING THE YEAR 2020 Rs. 2,289.05 MILLION



SIX YEARS' REVIEW AT A GLANCE

	2020	2019	2018	2017	2016	2015
Operational Trends						
Sugarcane crushed - M.Tons	654,339	702,259	1,043,279	1,056,198	940,626	946,871
Sugar produced - M.Tons	72,821	80,332	120,200	116,780	106,400	108,136
Sucrose recovery - %	11.13	11.44	11.52	11.06	11.31	11.42
Crushing days	105	94	129	133	105	108
Average crushing per day - M.Tons	6,232	7,471	8,087	7,941	8,958	8,767
Balance Sheet						
	Rupees in million					
Share capital	465.97	405.20	320.31	320.31	320.31	320.31
Reserves	2,141.53	2,009.70	2,289.01	1,897.94	2,003.10	1,541.45
Shareholders' equity	2,607.50	2,414.90	2,609.32	2,218.25	2,323.41	1,861.76
Non current liabilities	1,482.07	1,103.44	1,139.58	958.79	842.97	735.74
Current liabilities	1,111.14	3,445.11	3,085.50	2,545.68	1,350.35	2,187.43
Total Equity & Liabilities	5,200.71	6,963.45	6,834.40	5,722.72	4,516.73	4,784.93
Fixed Assets	2,191.14	2,190.68	2,168.33	2,188.13	1,952.92	1,649.07
Non current assets	1,317.01	1,363.24	1,191.09	978.79	766.42	653.42
Current assets	1,692.56	3,409.53	3,474.98	2,555.80	1,797.39	2,482.44
Total assets	5,200.71	6,963.45	6,834.40	5,722.72	4,516.73	4,784.93
Financial Trends						
	Rupees in million					
Turnover	6,424.68	5,311.77	4,790.79	5,500.84	7,113.23	4,361.36
Gross profit	464.62	820.31	589.68	268.00	742.88	679.91
EBITDA	661.88	1,067.79	808.84	548.14	904.04	823.59
Operating profit	428.04	572.03	302.12	295.11	650.37	599.47
Pre-tax profit	162.65	512.15	429.72	198.55	668.01	546.88
After-tax profit	47.03	403.83	412.90	131.68	541.81	430.03
Capital Expenditure	267.65	178.29	242.63	490.27	216.19	211.41
Cash Flows						
	Rupees in million					
Operating activities	440.52	1,149.39	(647.40)	(1,078.01)	993.36	854.17
Investing activities	276.15	(167.93)	(515.78)	16.98	(634.82)	(396.14)
Financing activities	(1,379.52)	(324.43)	1,150.37	1,055.36	(369.65)	(445.66)
Cash and Cash equivalents at the end of the year	10.14	672.98	15.95	28.76	34.44	45.55
Profitability Indicators						
Gross profit margin (%)	7.23	15.44	12.31	4.87	10.44	15.59
Net profit margin (%)	0.73	7.60	8.62	2.39	7.62	9.86
Return on shareholders' equity (%)	1.80	16.72	15.82	5.94	23.32	23.10
Return on capital employed (%)	12.35	25.49	17.13	12.44	24.21	26.70
Return on total assets (%)	0.90	5.80	6.04	2.30	12.00	8.99
EBITDA margin (%)	10.30	20.10	16.88	9.96	12.71	18.88
	2020	2019	2018	2017	2016	2015

Capital Efficiency / Operating Performance

Inventory turnover ratio	10.63	4.03	3.54	6.47	6.80	3.83
Inventory turnover in days	34	91	103	56	54	95
Debtors turnover ratio	46.15	16.63	20.94	32.56	14.56	18.55
Debtors turnover in days	8	22	17	11	25	20
Creditors turnover ratio	11.16	9.58	11.18	12.44	17.54	22.07
Creditors turnover in days	33	38	33	29	21	17
Operating cycle in days	9	75	87	38	58	98
Total assets turnover ratio	1.06	0.77	0.76	1.07	1.53	1.06
Fixed assets turnover ratio	2.93	2.44	2.20	2.66	3.95	2.70
Capital employed turnover ratio	1.57	1.51	1.28	1.73	2.25	1.68

Investment Valuation

			Rupees			
Earnings per share	1.01	9.97	12.89	4.11	16.91	13.43
Break-up value per share	55.96	59.60	81.46	69.25	72.54	58.12
Price earning ratio	73.42	5.77	8.20	34.17	10.65	8.20
Dividend yield (%)	1.69	5.65	2.84	2.31	3.61	5.45
Dividend payout (%)	123.76	32.60	23.27	79.08	38.44	44.68
Market value per share on 30th September	74.15	57.50	105.75	140.43	180.05	110.12
Cash Dividend (%)	12.50	32.50	30.00	32.50	65.00	60.00
Bonus Shares (%)	5	25.00	15.00	-	-	-

Financial gearing

Debt Ratio	0.5 : 1	0.65 : 1	0.62 : 1	0.61 : 1	0.49 : 1	0.61 : 1
Debt : Equity Ratio	31 : 69	24 : 76	23 : 77	18 : 82	12 : 88	14 : 86
Interest cover ratio	(1.11)	(0.58)	3.02	2.01	7.77	4.73

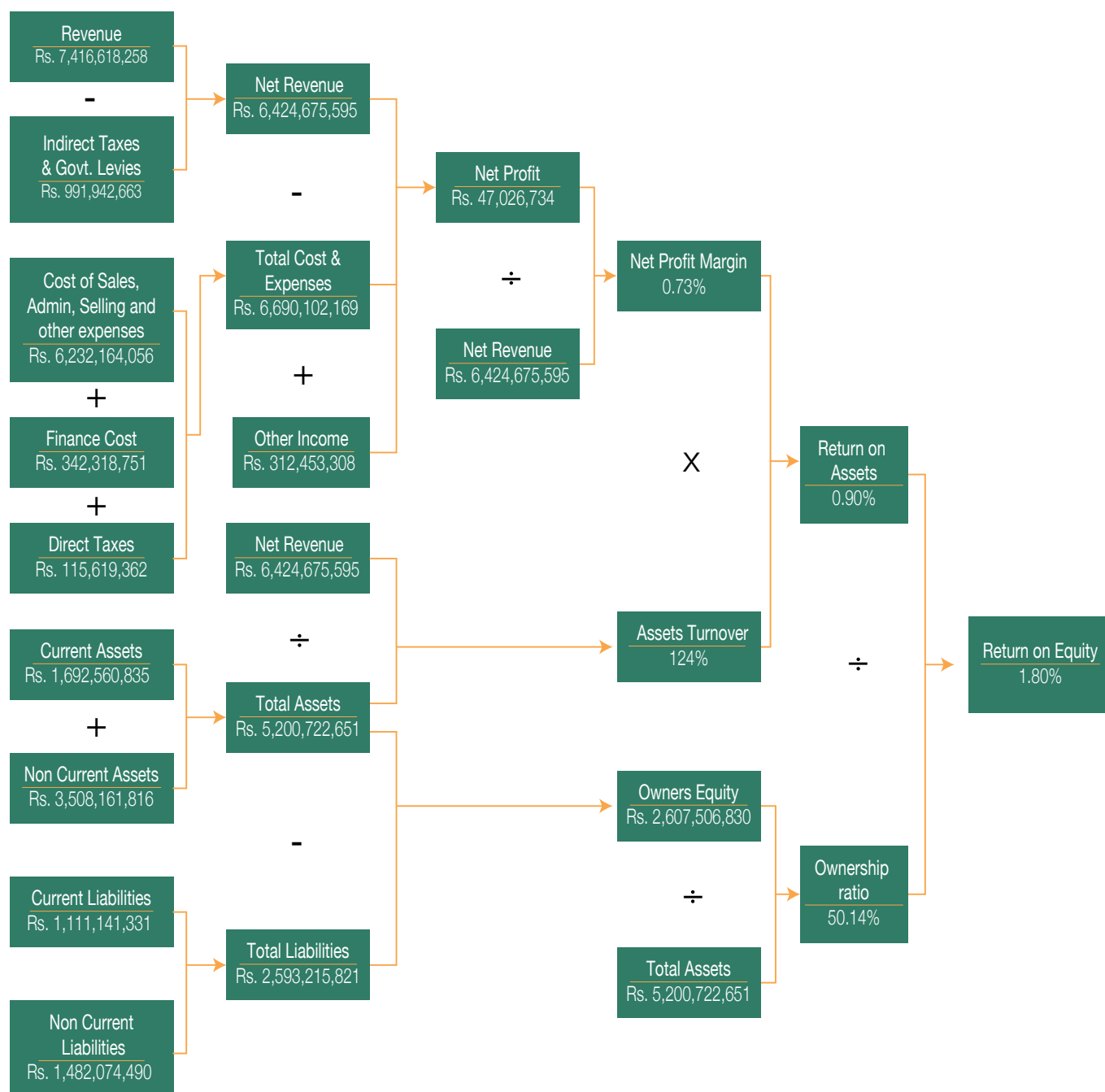
Liquidity measurement

Current ratio	1.52 : 1	0.99 : 1	1.13 : 1	1 : 1	1.33 : 1	1.13 : 1
Quick ratio/Acid test ratio	1.47 : 1	0.68 : 1	0.75 : 1	0.53 : 1	1.03 : 1	0.47 : 1

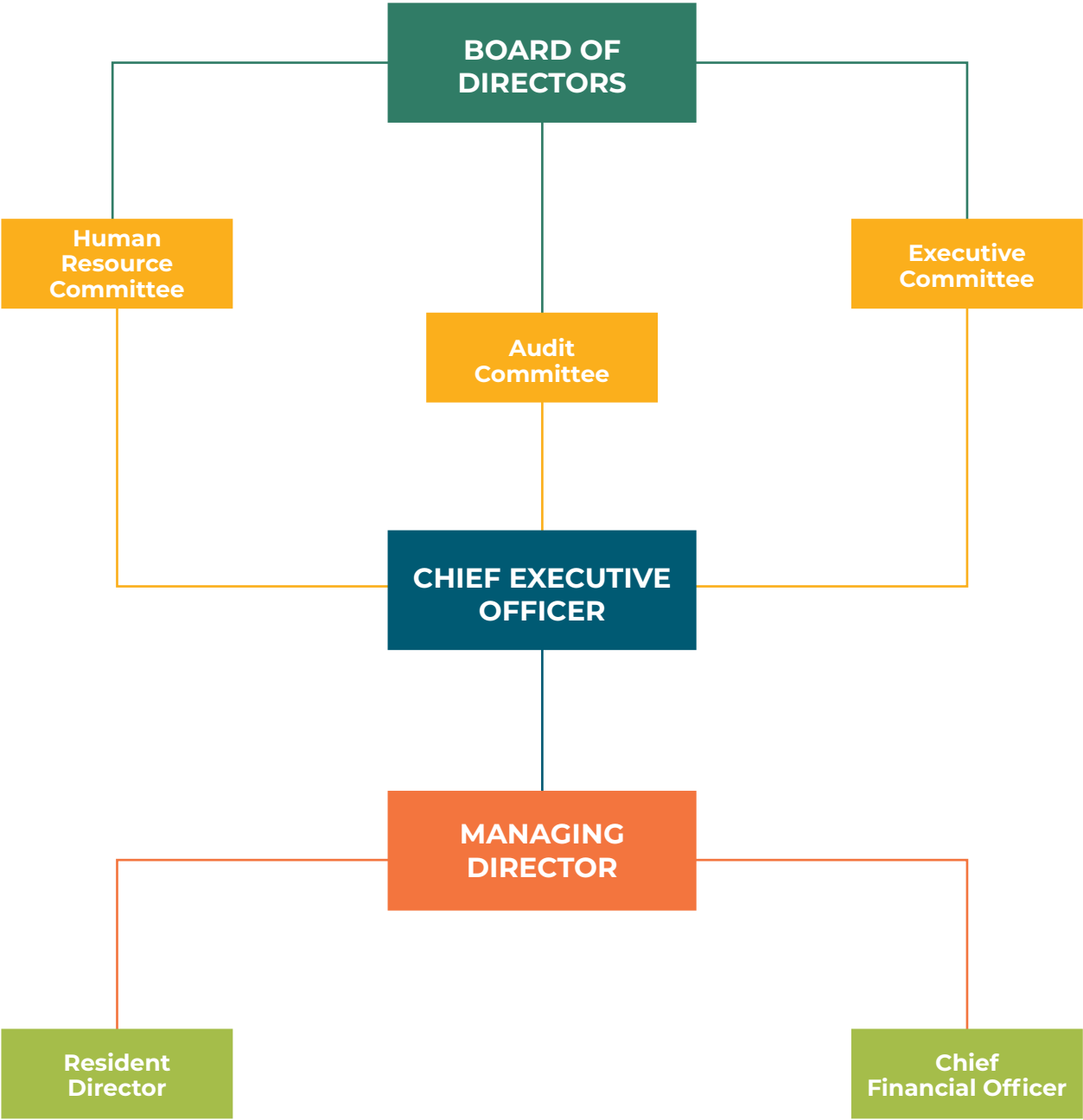
Value addition

			Rupees in million			
Employees as remuneration	340.22	371.98	366.67	351.59	338.88	288.60
Government as taxes	1,137.30	757.65	313.94	496.57	662.49	347.80
Financial charges to providers of finance	342.32	384.77	212.41	196.67	98.63	146.57
Shareholders as cash & stock dividend	81.55	224.70	144.14	104.10	208.20	192.19
Retained within the business	387.65	(65.59)	381.46	151.82	493.68	419.16

DUPONT ANALYSIS



ORGANOGRAM



CHAIRMAN'S MESSAGE



Dear Shareholders,

The coronavirus pandemic has caused remarkable global turmoil with an uncertain outlook. Our Board sincerely hopes that you and your loved ones are staying safe and healthy.

During such a time it has become important to balance work in a responsible manner to fulfil the needs of the economy by providing services and products. Your company caters to the economy by producing some essential products like sugar and ethanol.

Other than the health crisis this has been a challenging year for the company and our industry. The industry felt the impact of some of the continued macro-economic challenges being faced by the country while also facing a shortage of sugarcane and thus sugar. This fundamental shortage of sugar created unprecedented price hikes especially at the end of the season which put the industry in the midst of inquiries by different government agencies. These have challenged the regulatory environment under which the industry operates thus opening up a debate on how should the sugar industry be regulated in the future.

Board Performance

Our Board of Directors continue to play an active and effective role in driving your Company towards achieving the objectives; and the Board was involved in setting the direction for the Company and also in reviewing its performance.

Your Company is focused on implementing a credible, competitive and affordable business plan that delivers top quality business performance, better returns for our investors, positively impacting the communities we operate in and playing its due role in national development. We thank our shareholders, customers, staff and all other stakeholders for their dedication, sustained support and trust in the Company as we continue our journey. We remain optimistic that we shall navigate through the end of this storm and become a stronger, competitive and more diversified company.

A handwritten signature in black ink, appearing to read 'M. Kasim Hasham'.

Mohammed Kasim Hasham
Chairman

DIRECTORS' REPORT

ABOUT THE COMPANY

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company in December 1965 under repealed Companies Act, 1913. The main business of the company is manufacturing of refined sugar as well as having investments in allied and other industries. Our factory is located in Tando Allahyar district and it has an aggregate capacity of 12,500 TCD. Over the years, we have worked with our farmer to develop a cane region with early maturing and high yielding varieties, which remains our competitive advantage.

Our present focus remains in making our factory one of the most energy efficient factories in Pakistan by investing in state of the art technology.

During 2004, Mehran along with two joint venture partners has invested to setup Unicol limited. Unicol Limited was set up as a Greenfield ethanol project and today it has an Ethanol production capacity of 200,000 litres per day and a CO2 production capacity of 72 Tons per day. Gradually, Unicol has become a market leader in ethanol exports in Pakistan and has been awarded the top 100 exporters of Pakistan trophy.

Mehran's investment in other businesses is discussed in detail in the later part of this report.

ECONOMY

The present government faces formidable macroeconomic challenges. To address the issue of macroeconomic instability and to put the economy on the path of persistent growth and stability, the government has introduced a comprehensive set of economic and structural reform measures. The stabilization process gained momentum with the commencement of the IMF's 39 months Extended Fund Facility (EFF) arrangement program.

At the conclusion of the first half of 2020, the economy seemed to be on the path to stability. The trade deficit had dropped significantly, fiscal deficit was largely contained, foreign exchange reserve situation was at ease, the credit rating had improved from negative to stable and the country's rank on the Ease of Doing business Index had climbed 28 notches.

However, the trade deficit improvement was mainly due to substantial decline in imports at the expense

of GDP growth while the fiscal consolidation was appended from reduction in PSDP.

While primary balance continued to remain in surplus during the current fiscal year. In addition, stable exchange rate, healthy growth in FDI (126.8 percent), improved ranking in World Bank's ease of doing business index, and 'Stable' credit outlook to B3 from 'Negative' by Moody's, reaffirmed the successful policies of Government in stabilizing the economy and laying a foundation for robust growth. Nevertheless, the government remained cognizant of painful impact of these stabilization measures in terms of economic slowdown, rising inflation, low pace of job opportunities and resultantly its impact on the lowest income groups of the society.

To control the price hike, the government made efforts through ensuring smooth supply of commodities, checking hoarding, smuggling and undue profiteering. Further, vigilant monitoring of prices both at federal and provincial level was ensured. In addition, to check inflationary impact, government borrowing from SBP has been discontinued and restriction has been imposed on supplementary grants to control aggregate demand and ease out inflationary pressures. The emphasis has been on price control through different policy, administrative and relief measures.

The second half of 2020 commenced under the panic of COVID-19, which soon became a national issue and the resultant lockdowns all across the country coupled with global depression, ended up crushing the economy, which caused shrinkage in growth.

Country's debt burden was already significant, and the post COVID-19 scenario has made it more difficult to service the enormous debt identical to a number of developing countries. The government knocked doors of IMF, WB and ADB to obtain fresh loans to fight the COVID-19 crises and had managed to secure USD 1.4 Billion under the RFI. As the economy slowly reopens, it is expected that the adverse impact of COVID-19 will be bottoming out. However, the framework for recovery will depend on various factors like extent of adverse impact on various sectors, duration as well as severity of lockdowns and the associated risks. The outlook therefore carries challenges due to uncertainties associated with it.

The Federal & Provincial governments have taken

multiple steps to counter the impact of COVID-19 pandemic which includes PKR 1.2 Trillion fiscal relief package, 'Ehsaas' emergency cash program and a package for construction sector to stimulate economic activity in the country. The SBP has also taken various steps including reduction in interest rate to 7 percent, refinancing schemes and various incentives for export-oriented industries as well as rescheduling of loans and deferment of loan repayments.

FY21 is expected to remain under the shadow of the pandemic. IMF has predicted a growth of 2%. CPI is expected to remain low considering the curbed demand and dropping global commodity prices. FATF compliances continue to be an acute factor and while the government is confident; all efforts should be made to achieve maximum possible compliance ahead of the assessment in February 2021.

INDUSTRY REVIEW

Crushing Season 2019-2020 proved to be another short year on account of smaller crop due to the lower cultivation and yields. However, the carry forward stocks and conflicting estimates about national production at the start of the year kept sugar prices under pressure in the initial stage of the crushing season. However, as it was evident that the crop was going to be short prices started rallying.

The annual production was 4.8 million tons compared to 5.5 million tons during the preceding year, which was a 5 year low.

Anticipating the short cane supply, sugar mills continued to buy sugarcane at market price to attain maximum capacity utilization and better absorption of the costs.

Thus, farmers were able to get very good return on their harvest which has again made sugarcane farming very lucrative. Sugar cane prices for most of the season remained considerably higher than the minimum notification price.

This scenario has created a positive long-term impact, as it has brought improvement in the future plantation of sugarcane as long as the water situation remains satisfactory which augurs well for sugar mills. The increase in rainfall during the last one year has also improved water supply across the country and we hope and pray for healthier crops in the next few years.

The price of sugar continued to increase throughout the financial year largely as a result of the lower cane crop and sugar shortage. This was also predominantly

because sales tax had been increased from a fixed 8 percent to 17 percent of selling price this effectively doubling it.

In order to ascertain the causes of rising sugar prices and depleting sugar stocks, Federal Government had constituted a Sugar Inquiry Commission. The Commission had submitted their findings and recommendations to the government for appropriate action. Sadly, the report rather than just focusing on the main agenda went on a witch-hunt to challenge the entire regulatory framework of the sugar industry and the shortcomings within it.

Since then, the industry has been going through a series of inquiries from various government agencies. However, the response to these actions is being taken in a collective manner and judicial assistance is sought wherever required.

In order to address expected shortfall of sugar the government allowed import of 300,000 tons of sugar in August. Government institutions and private importers participated in this import.

Notably, the import and local supply thereof was allowed at Zero customs duty and reduced GST rate of 1% as compared to standard rate of 17%, which was charged to the industry.

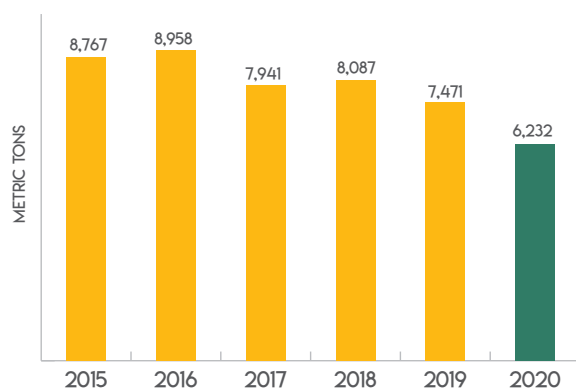
We continue to be of the view that if a GST is to be charged it should be similar across the board or sugar being an essential item and a basic household commodity should not have any GST on the commodity at all.

During the year, the Government of Pakistan through the Finance Act 2019 increased the minimum tax rate by 0.25%. Due to the minimum tax regime, the Company pays Corporate Tax irrespective of the level of profits earned in the period, which unfairly erodes its operating profit. This minimum tax on turnover mechanism is punitive in nature for our industry and results in our effective tax rate being well in excess of the standard 29% corporate rate of income tax. We are hopeful for a change in the taxation regime and look forward to early action by the authorities to resolve this major issue.

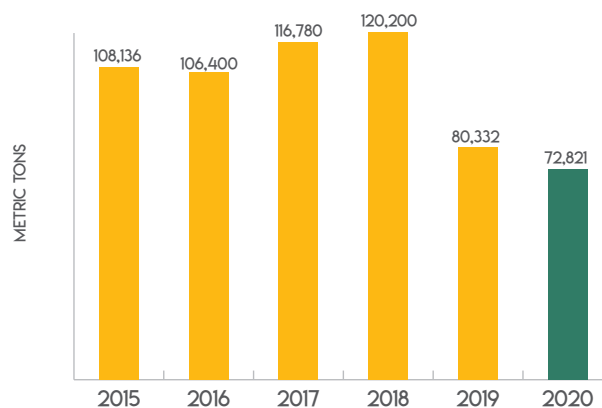
Stability in sugar price is mutually beneficial for industry and agriculture. This equation of sustainable sugar prices for minimum cane price is critical for the sustainability and growth of the industry. Sadly, not much emphasis is given to find a sustainable solution on how to relate the price of sugarcane to the price of sugar, which remains the core problem within the sugar industry.

Operational Highlights	2019-20	2018-19
Crushing - M. Tons	654,339	702,259
Capacity utilization	49.85%	59.77%
Sucrose recovery	11.13%	11.44%
Sugar production - M. Tons	72,821	80,332
Molasses production - M. Tons	29,550	33,182
Molasses recovery	4.52%	4.73%

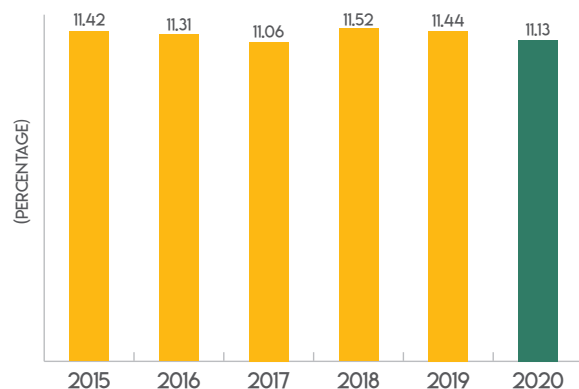
AVERAGE CRUSHING PER DAY



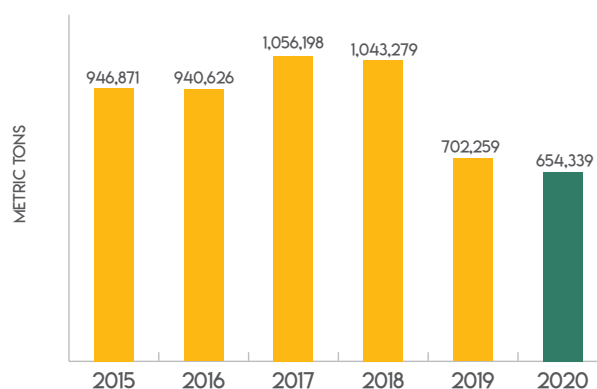
SUGAR PRODUCED



SUCROSE RECOVERY

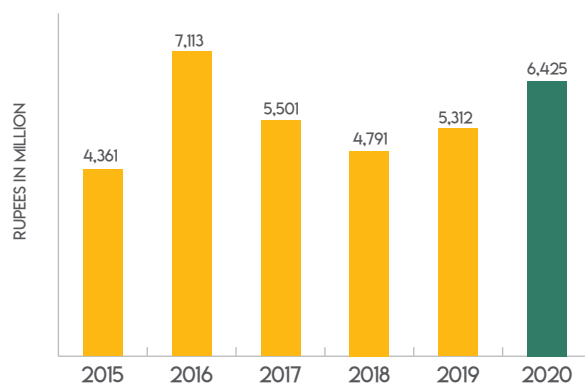


CANE CRUSHED

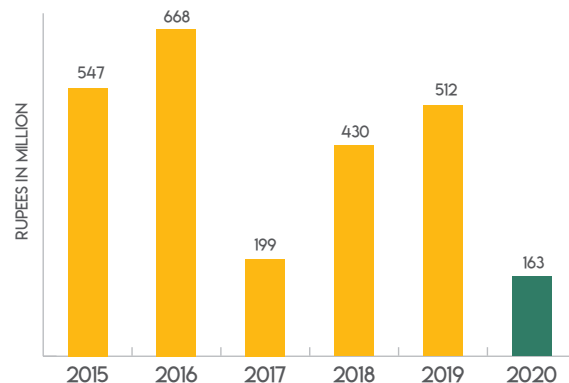


Financial Highlights	2019-20	2018-19
	(Rupees in Thousands except EPS)	
Local sales	7,257,267	5,476,540
Export sales	159,352	455,005
Total turnover	7,416,618	5,931,545
Sales tax	991,943	619,772
Gross profit	464,619	820,312
Gross profit margin	7.23%	15.44%
Profit before tax	162,646	512,147
Profit before tax margin	2.53%	9.64%
Net profit after tax	47,027	403,834
Net profit margin	0.73%	7.60%
Earnings per share	1.01	8.67

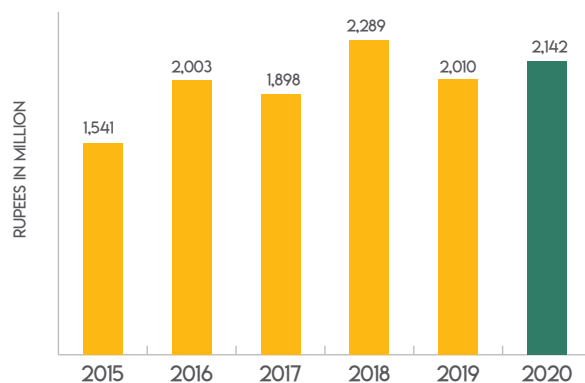
TURNOVER



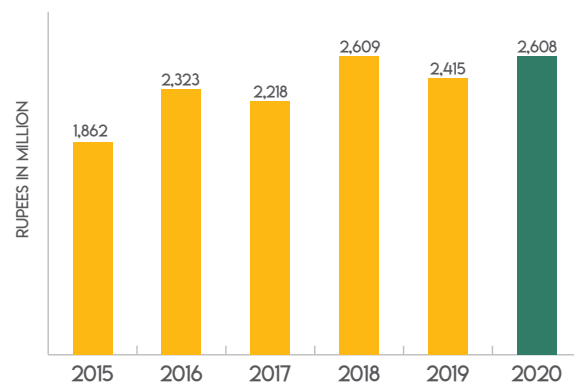
PRE-TAX PROFIT



RESERVES



SHAREHOLDERS' EQUITY



The lower cane cultivation meant your company recorded its lowest production in the last 10 years.

The lower crop caused an intense price war and payments for cane were extremely prompt. The immediate payment to farmer while sugar is sold and distributed annually meant a large cost of borrowing. This along with the double-digit mark up rates meant that our financial expenses were one of the highest they have been in the last decade. This has now become a major cost component and dent to our profitability for the year.

Another major factor has been the high income tax and sales tax. This was the first year our total tax payment crossed Rs. 1 billion.

Following factors were primarily responsible for our operational and financial results:

- Overall turnover showed improvement in the wake of higher realised value of sugar. Sales volume remained more or less similar to last year however a majority of it consisted of local sales. Increase in costs also reduced gross profit and hence profitability went down despite similar volumes.
- Selling prices of both by-products (molasses & bagasse) improved substantially during the year as compared to last year due to decline in production and strong demand of the ethanol and biomass industry. Prices for molasses and Bagasse were 50 and 42 percent higher respectively.
- Cost of sugarcane rose significantly during the year due to the supply and demand scenario.
- Reduction in crushing volume also reduced overhead absorption as compared to the previous year and capacity utilization also went down.
- Unicol contributed Rs.174.59 million which was less than last year's share of Rs.379.76 million. However, bulk of this contribution was offset by Unifood share of loss amounting to Rs.97.88 million.
- The equity market initially remained under pressure on the back of depressed market participation emanating from Covid-19, poor investor confidence, weak economic conditions, regulatory tightening and continued foreign investor selling during the period. However, as

the trend reversed, we realized handsome gains amounting to Rs.385 million.

- Sucrose recovery was 11.13% as compared to 11.44% the previous year but was still one of the highest in the country. This decline was attributed to reduction in crushing volume at the end of season in March when recoveries are at their peak and also because we had crush outer area cane which was lower in recovery.
- Dividend income from equity investments contributed Rs. 48.61 million as compared to Rs. 65.05 million earned during last year predominantly due to a cap on dividend on certain companies due to Covid-19.
- Finance cost did not reduce substantially despite reduction in policy rate to 7%, which is mainly due to unprecedented escalation in price of sugarcane and our policy to make prompt payments to sugarcane growers, which resulted increased working capital requirements. This has affected profitability substantially.

UNICOL LIMITED

The advent of Covid-19 brought a new horizon for Unicol. Ethanol demand increased manifold globally due to its use in hand sanitizers. The supply demand equilibrium improved selling price and helped the company in achieving sustainable profitability, which initially looked difficult due to the high feedstock prices. The Ethanol and CO2 plants operated smoothly and ran at capacity.

The company was able to sell 50,806 tons of ethanol and 9,933 tons of CO2 for the year.

Following are the key data related to Unicol Ltd.:

Financial Highlights	2019-20	2018-19
	(Rupees in Thousands except EPS)	
Sales	5,823,337	5,501,599
Gross profit	1,120,016	1,704,160
Gross profit margin	19.23%	30.98%
Profit before tax	582,597	1,166,523
Profit after tax	523,767	1,109,767
Net profit margin	8.99%	20.13%
Earnings per share	3.49	7.35

While molasses prices escalated compared to the previous year, the rupee dollar parity ensured that final related prices in PKR remained favorable.

The reduction in the production of molasses escalated its price, from Rs. 9,500/- to Rs. 14,000/- per ton which saw an increase of 58 percent. This scenario is expected to continue in the coming year as well. Therefore, it is essential to ensure timely buying of molasses at competitive prices to remain viable in the international market.

Unicol was able to earn a profit after tax of Rs. 523.77 million for the year as compared to Rs. 1.11 billion last year.

Profit before tax for Unicol was Rs. 582.60 million as compared to Rs. 1.167 billion in the same period last year.

After a decade of operations, where the company saw continuous growth Unicol now continues to pay consistent dividends to its shareholders.

During the financial year, Mehran received a dividend of Rs. 275 million from Unicol.

UNI-FOOD INDUSTRIES LIMITED

The company closed sales at close to Rs. 1 billion. However, results and growth were substantially affected due to the closure of schools and markets.

The company's long-term investments in marketing and distribution along with lower sales has meant that the company will still take time to come in profit.

The sponsors continue to inject equity when needed as they foresee the long-term value of the project. Our investment in Unifood stood at Rs. 321.54 million till this period, which represents 24 percent equity of the company.

MEHRAN ENERGY

Our 26.5 MW bagasse power project remains stagnant during the period. Considering the challenges to IPP's we are reassessing what would be the best way to create value as we become and energy efficient mill and a potential power producer.

CONSUMER DIVISION

Our Consumer Division is responsible for marketing of packaged brown and white sugar. It continues to progress steadily over the years. The 'Sugarie' and 'Chashnik' brands have captured attention of the premium brand market.

During the year under review, the volumes and turnover showed healthy increase. The market penetration has also increased and the product is now available in all major cities of Punjab and Sindh while KPK market has also started to accept the product.

With dedicated sales team in Karachi, Lahore and Islamabad regularly visiting adjoining cities/towns and publicity campaign on social media, awareness has enlarged. With more emphasis on its quality, packaging and health benefits, we are also spending on automation of production process to make it safer and healthier while also looking at the opportunity to add more products to our mix.

FUTURE OUTLOOK

As we have continually mentioned in our report, Farmers have been getting handsome returns for their crop during the last two seasons. Hence, plantation has been steadily increasing. While Crop for the current season is only 10-15 percent larger, we feel next year shows improvement as sowing results are encouraging. This is a welcome sign for industry, as it will allow mills to attain better capacity utilization in season 2021-22 and allow availability of sugarcane at stable price and molasses for the ethanol industry at a stable price as well.

The provincial governments have increased minimum support price by Rs.10 per maunds for season 2020-21. Hence, new support price of sugarcane in Sindh and other provinces is Rs.202 and Rs.200 respectively. Sind continues to notify Quality premium, which is non-existent in Punjab and KP which while favourable to the farmer is a huge disadvantage to mills in the province.

The sugarcane harvesting in our area started earlier than last year, which has allowed mills to crush higher volume compared to the previous season during the same period. However, mills are still crushing at low capacities.

We expect the harvest to normalise by January. A better understanding of the crop size would be available by early February.

We feel the challenge this year would again be the equilibrium between sugarcane prices and sugar price. While cane prices remain bullish and are being paid for promptly, our biggest challenge is to convince the government that higher sugar prices

would be required to equate the high raw material cost.

A lower borrowing rate would substantially help our balance sheet this year. Also reasonable molasses and bagasse prices would help absorb costs.

The initial trend of recovery is showing that we should be able to maintain a level close to last year. We also foresee that sugar production would be 15-20 percent higher than last year.

Our investment in Unicol will continue to pay healthy dividends throughout the year, which shall contribute positively. We foresee Unicol profitability to remain similar or higher for the upcoming year.

We also expect our investment portfolio to perform well as the sentiment and fundamentals both remain well in line. Overall income from the portfolio is expected to increase both in the form of dividends and capital gain.

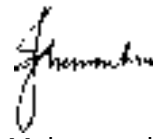
ACKNOWLEDGMENT

We continue to focus towards a stable and long-term future based on stakeholder's satisfaction. In attaining our objective, the devotion and efforts of

the workers, staff and executives are appreciable and anticipate that in the future as well; we expect them to continue to contribute towards the enhancement of the productivity and well-being of the Company with greater zeal and spirit. The Board further extends its gratitude to the government functionaries, associations, banking and financial institutions, shareholders and vendors for their valued support and co-operation for the betterment and prosperity of the Company.

Detailed report on Company's effort towards CSR and compliance of corporate governance regulations and Pattern of Shareholding as at September 30, 2020 are annexed in the report.

For and on behalf of the Board of Directors



Mohammed
Ebrahim Hasham
Chief Executive Officer



Ahmed
Ebrahim Hasham
Managing Director

Karachi: December 30, 2020

CORPORATE GOVERNANCE FRAMEWORK

Board of Directors

The Board of Directors of the Company consists of ten members (including two female members), comprising three independent, five nonexecutive (including the Chairman) and two executive Directors. The Board is responsible for independently and transparently monitoring the performance of the Company and taking strategic decisions to achieve sustainable growth in the Company operations. Written notices of the Board meetings were sent to the members seven days before the meetings.

During the year under review, four meetings of the Board convened and the attendance of the members was as follows:

S. No.	Name of Directors	Meetings attended
1	Mr. Mohammed Kasim Hasham – Chairman	4
2	Mr. Mohammed Ebrahim Hasham – Chief Executive Officer	4
3	Mr. Mohammed Hussain Hasham – Director (Non-Executive)	3
4	Mr. Khurram Kasim – Director (Non-Executive)	2
5	Mr. Ahmed Ebrahim Hasham – Managing Director	4
6	Mr. Muhammad Iqbal – Retiring Director*	1
7	Mr. Muhammad Amin Mukaty – Director (Independent)**	3
8	Dr. Amjad Waheed – Director (Independent)	3
9	Mr. Muhammad Bashir – Director (Independent)	3
10	Mrs. Anushey A. Hasham – Director (Non-Executive)**	3
11	Ms. Sofia Kasim – Director (Non-Executive)**	3

* Mr. Muhammad Iqbal was director of the company until January 28, 2020 when new election held, he did not offer himself for re-election.

** New Members of the Board elected by shareholders in AGM held on January 28, 2020.

The leave of absence granted to the directors who could not attend some of the meetings due to being out of country or ill health.

Directors' Remuneration

The Board of Directors has approved a "Remuneration Policy for Directors"; the salient features of which are:

- The Company will not pay any remuneration to its non-executive directors except as meeting fee for attending the Board and its Committee meetings.
- The remuneration of a director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.
- A director shall be provided or reimbursed for all travelling, boarding, lodging and other expenses incurred by them for attending meetings of the Board, its Committees and / or General Meetings of the Company.

Statement of Ethics & Business Practices

The Board has adopted the statement of Ethics & business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

Audit Committee

The Audit Committee of the Company comprises of three non-executive and one independent (the Chairman) Directors. Four meetings of the audit committee were held during the year. Attendance of the members was as follows:

S.No.	Name of Directors	Meetings attended
1	Dr. Amjad Waheed (Chairman)	4
2	Mr. Mohammed Hussain Hasham	2
3	Mr. Khurram Kasim	3
4	Mr. Muhammad Iqbal*	2
5	Mrs. Anushey A. Hasham**	2

* Mr. Muhammad Iqbal was director of the company until January 28, 2020 when new election held, he did not offer himself for re-election.

** New Members of the Board elected by shareholders in AGM held on January 28, 2020.

The leave of absence granted to the members who could not attend some of the meetings due to being out of country or ill health.

Human Resource and remuneration committee

The committee comprises of three members, the Chairman of the committee is an independent Director. During the year, two meetings of the committee were held. Attendance of the members was as follows:

S.No.	Name of Directors	Meetings attended
1	Mr. Muhammad Amin Mukaty (Chairman)	1
2	Mr. Mohammed Ebrahim Hasham	2
3	Mr. Khurram Kasim*	1
4	Ms. Sofia Kasim	1

* Mr. Khurram Kasim ceased to be the member since new formation of the committee after election of directors.

External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. EY Ford Rhodes, Chartered Accountants, who have completed the audit of financial statements of the Company for the year ended September 30, 2020. M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for re-appointment for the year ending September 30, 2021, Audit Committee has also recommended for re-appointment, however shareholders approval for the said appointment will be sought in AGM.

Corporate & Financial Reporting Framework

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of accounts as required under the law;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- The summary of key operating and financial data for last six years is annexed;
- The Company has made contribution towards the national exchequer in the form of Federal, Provincial and local taxes and levies; as disclosed in annexed Financial Statements.

- The Company has proposed the final cash dividend of PKR 1.00 per share (i.e. 10%) and final bonus shares of 15 shares per 100 shares held (i.e. 15%) subject to the approval of shareholders in the upcoming Annual General Meeting scheduled to be held on January --, 2021.
- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2020 was Rs. 171 million (un-audited);
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2020, a net liability of Rs. 4.45 million as at September 30, 2020 has been provided;
- The Pattern of Shareholding as at 30th September, 2020 is annexed;

Adequacy of Internal Financial Controls

The system of internal control is sound in design and effectively implemented and monitored, we confirm compliance of Corporate Governance with highest standard.

Certificate of Related Parties Transactions

It is confirm that the transactions entered with related parties have been verified by the audit committee and the Board, and provides the information about the amount due from related parties at the balance sheet date, and the proportion of receivables from related parties provided as doubtful debts, if any.

Material Changes

There have been no material changes since September 30, 2020 and the Company has not entered into any commitment, which would affect its financial position at the date.

For and on behalf of the Board of Directors


 Mohammed
 Ebrahim Hasham
 Chief Executive Officer


 Ahmed
 Ebrahim Hasham
 Managing Director

Karachi: December 30, 2020

CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBILITY TO STAKEHOLDERS

Investment in Human Capital

Focus on our human capital is one of the core areas of our corporate strategy. The Company regards its employee relations far more importantly than a mere legal and ethical obligation. We are committed to creating a culture for our most valued asset, comprising of satisfactory compensation and benefits, congenial and safe working environment, job satisfaction, professional growth, development and competitive career opportunities.

Our employee-training program is being continually upgraded to remain in line with the changing needs of our Company and industry. Our company is focused towards being the leader in sugar production technology, which largely entails automation and process flow improvements.

To cater to our automation and technological needs, we continue to invest in our Human Resource through training programs at PIM, MAP and In-house Technical Trainings through UIT and NED University as well as other leading resources.

We have engaged BMA a renowned technical consultant from Germany for evaluation of our plant heat mass balance, boilers steam efficiencies and to educate us for installation of FFEs. During the exercise, our technical team along with our sugar technology partner IPRO has helped train our technical team for the needs of the future and in the direction our company wants to focus one. Both IPRO and BMA have shared a comprehensive report on the way forward.

Using the worlds leading sugar technologists to interact and help train our team with new ideas remains one of the key focus of ours to change our work culture and to raise the standard of work.

Investment in our Working Environment

A conducive work environment remains the basis for a productive team. We have in the preceding 5 years invested Rs. 70.0 million on uplifting our working environment for employees at both Head office and Mills. At the mill, our Management House and technical House have been modernised. Our focus on a digital environment means that our connectivity from plant site globally is now excellent.

We also continue to invest in our Colony residences with an annual budget. One of the key areas of investment has been the provision of latest drinking water filter plants at 3 different locations in the factory. Annually we continue to pave the colony with an aim to pave all required areas in the next 5 years.

We have also invested Rs. 35 million on Water conservation EMP plan in order to conserve Canal water and utilizing Sugarcane water for the plant process. Our eventual goal is to create an environment of zero water inflow from the canal and 100 percent process water utilisation from sugarcane directly.

Investment in employee HSE

MSML employees are at the heart of the corporate strategy of the Company. The core objective of the Company is to create conducive working environment, in line with the best industrial practices and ensuring adherence to the requirements of the health and safety codes. The HSE department is entrusted with the responsibility of monitoring of HSE compliance and ensures mandatory usage of relevant safety equipment at work for workers. Continuing the standard practice this year the HSE department has conducted a three day workshop on safety training which our seasonal contractors and supervisory staff also attended. In addition to this Annual third party external environmental & safety audits, scheduled internal audit & inspection were performed. Through demonstrations safety observation culture was promoted to eliminate hazards which may lead to accidents, more than 3000 safety observations were made. For the awareness of employees and contractors, Global Health and Safety/ Environmental Days were also observed during the year.

SOPs adopted during Covid-19

Natural disasters are almost impossible to avoid. The sudden spread of Covid-19 has disrupted lives, livelihoods, communities and businesses worldwide. Complying with the lockdown & promulgated SOPs, the Company implemented work-from-home policy for the office staffs, thinning the work force at Mill and took all steps for the health and safety of the employees. We donated sugar to different schemes

within our community and city that were affected by this pandemic.

The Company's management is fully aware of the business challenges posed by the Covid-19 outbreak and closely monitoring any future possible impacts on the Company's operations and believes that its current policies for managing affairs of the Company are adequate in response to the current situation.

CONTRIBUTION TOWARDS EDUCATION IN RURAL PAKISTAN

We strongly believe that every sugar mill must play its role to assist in strengthening the educational environment around its vicinity. Since sugar mills are located in the rural areas of Pakistan they have an ideal opportunity to contribute where the need for education is most extreme.

One of the core initiatives of our social development programs is to provide education in the rural areas specifically near our mill premises. For this reason, three schools are running to provide quality education to our students.

• Daood Memorial School (DMS)

The school is situated within the premises of the mills primarily for our employees and generally for the youth of the surrounding areas. Since its incorporation in 1998-99, the Company is providing full operational, financial and logistic support to the school. By the grace of God, and continuous efforts of the management and the teachers, the school is growing steadily, currently 485 students are enrolled, and 21 faculty members are entrusted to provide quality education. While the number of students increases, we have continued to ensure that there is no compromise on the education standards of the schools. This is benchmarked through teacher training programs as well as results of our students.

• Collaboration with TCF

We have built and supported three schools with The Citizens Foundation (TCF - a renowned NGO) in rural vicinities of Sindh. These school all staff belonging to the nearby communities. These campuses have generated employment for the local women who want to contribute towards education. For establishment of such Schools MSM has contributed a Sum of Rupees Rs 36.96 million apart from the operational support.

Presently more than 900 students are enrolled with these campuses coupled with more than 50 faculty members. Our first supported School in Piyaro Lund area, 13 Kms from our factory is operational since 2011 the other two supported schools situated within the locality of 12 – 18 Kms from our factory premises were in operation in 2016 & 2018.

• Vocational training

In order to empower women of surrounding areas, a Vocational training Centre has been established within the MSML Staff Colony, which provides basic training to the women of the colony and surrounding areas for sewing, embroidery, cooking and stitching. Over the years the entire center has been renovated to give a modern look.

• Health services

In 2017, we had pledged to contribute to the renovation and complete uplift of the Usman Memorial Hospital (UMH). UMH is now a 100 bed modern hospital. It caters to the needs of our communities, providing quality care at affordable rates. UMH has a wide range of services to offer by a great team of doctors and surgeons on our panel. Mehran supported & contributed immensely in this project and since then we have donated a sum of Rs. 69.7 million to UMH, which was approximately 10 percent of the cost of the project.

Our efforts in this regard were also recognized by Pakistan Centre of Philanthropy, which gave Mehran an award under the category of "Corporate Philanthropy and Sustainable Development Goals in Pakistan".

• Farmer support services

We believe that the farmers are the enablers of our sustainable growth throughout the year, the Company's representatives interact with the farmers to share the latest research and developments in emerging new varieties of sugarcane and providing them seeds to grow high yielding sugarcane crop. Our supply of seed as loan to growers has been extremely beneficial in ensuring a better crop in our area.

We cultivate high yielding varieties at our farms and after cultivating them for three years, we give them on loan to farmers for commercial purposes. This program has been a major benefactor to create rural wealth in our region for both miller

and farmer as it has helped improve both farm and factory yields.

- **Customer satisfaction**

Mehran Sugar Mills limited is always keen to produce premium quality sugar, which qualifies international as well as "PSQCA" standards. Accordingly, the Company is in the process of establishing the Quality Management System based on the requirements of ISO 9001:2015 standards. For quality assurances management, a dedicated management representation is entrusted to implement and monitor the implementation of relevant policies.

RESPONSIBILITY TO SOCIETY

- **Governance structure**

The Company's governance structure has helped to achieve best practice and drive performance from the boardroom to our employees, customers, society and the environment. The business integrity has led to long term success and we are committed to conduct our business responsibility and with integrity with an aim to strengthen our reputation. We pledge to observe all the governing laws of the jurisdiction in which we operate and to comply with the best practices of the code of corporate governance.

- **Contribution towards economy**

The Company is a noteworthy contributor to the national economy and has contributed to the national exchequer Rs. 1.137 Billion in respects of payments towards Federal excise duty, income tax and other statutory levies. Our associated company UNICOL Limited was also able to export more than USD 36 million of ethanol in the last financial year.

RESPONSIBILITY TO ENVIRONMENT

Mehran is highly conscious of ensuring that its production facility is environmentally compliant in all respects. We are conscious that it's our responsibility to ensure compliance so as to be of no concern to the communities where we operate. We strive to make sure that the impact of our business is sustainable.

- **Emission and discharges**

Mehran is proud to state that we are one of the few mills in Pakistan, which has installed a modern fly ash system on 100% of its boilers thus ensuring zero fly ash discharge. The Company has invested approximately Rs. 80 million in the last five years on installing this system as well as maintaining it to ensure it runs at capacity and functions accordingly.

- **Waste Water Treatment**

Over the last 3 years, we at Mehran have been striving to create an efficient waste water management system. We have recently completed stage three of our water discharge system whereby we have accomplished 90 percent reuse of waste water at the plant. The remaining water is used in our farms adjoining the factory. We have invested a total of Rs. 162 million on the project and are proud to state that our waste water system was created in house by our capable engineering team. This plant is operational now and is only second of its kind in the entire sugar industry of the country.

- **Plantation Drive**

We as a nation and responsible citizens need to understand the importance of plantation and must focus upon making our country green. Besides, community awareness and inculcation of civic sense is the need of time. We as a Company will ensure playing its role in this field accordingly this year, we have planted more than 5,000 Trees in the vicinity of our Mills, Colony, and adjacent areas. We shall continue this endeavour sustainably and passionately.

For and on behalf of the Board of Directors


Mohammed
Ebrahim Hasham
Chief Executive Officer


Ahmed
Ebrahim Hasham
Director

Karachi: December 30, 2020

PATTERN OF SHAREHOLDING

As at September 30, 2020

Number of Shareholders	Shareholdings			Total Number of Shares held
	From		To	
813	1	-	100	16,216
272	101	-	500	72,879
122	501	-	1,000	90,785
87	1,001	-	2,000	127,944
75	2,001	-	4,000	206,484
60	4,001	-	8,000	358,476
20	8,001	-	10,000	188,954
32	10,001	-	15,000	402,636
24	15,001	-	25,000	463,855
14	25,001	-	40,000	465,098
10	40,001	-	60,000	492,626
6	60,001	-	90,000	439,012
2	90,001	-	100,000	195,623
1	100,001	-	125,000	122,466
8	125,001	-	150,000	1,072,948
2	150,001	-	200,000	366,338
1	200,001	-	250,000	218,212
3	250,001	-	300,000	856,298
8	300,001	-	500,000	3,180,394
2	500,001	-	700,000	1,075,627
2	700,001	-	800,000	1,478,437
1	800,001	-	1,000,000	898,150
2	1,000,001	-	2,000,000	3,500,793
2	2,000,001	-	5,000,000	9,865,371
1	5,000,001	-	6,500,000	6,320,989
2	6,500,001	-	7,500,000	14,120,841
1,572		Total		46,597,452

Shareholders's Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	1,517	44,489,146	95.48%
Joint Stock Companies	34	1,488,162	3.19%
Insurance Companies	2	469,871	1.01%
Financial Institutions	4	4,514	0.01%
Gratuity/Pension/other retiremnt funds	9	115,633	0.25%
Others	6	30,126	0.06%
	1,572	46,597,452	

ADDITIONAL INFORMATION

As at September 30, 2020

Categories	Number of Folios	Shares held
a) <u>NIT & ICP</u>		
Investment Corporation of Pakistan	1	1,573
	1	1,573
b) <u>Directors / CEO and their spouse and minor children</u>		
Mr. Mohammed Kasim Hasham	1	7,329,795
Mr. Mohammed Ebrahim Hasham	1	6,320,989
Mr. Mohammed Hussain Hasham	1	6,791,046
Mr. Khurram Kasim	1	4,918,563
Mr. Ahmed Ebrahim Hasham	1	4,946,808
Mr. Muhammad Iqbal	1	11,832
Mr. Dr. Amjad Waheed	1	4,598
Mr. Muhammad Basheer	1	34,964
Mr. Muhammad Amin Mukaty	1	7,500
Mrs. Anushey A. Hasham	1	218,212
Mrs. Sofia Kasim	1	506,000
Mrs. Kulsoom Kasim	1	898,150
Mrs. Khursheed Ebrahim	1	1,755,093
Mrs. Mary Hussain	1	1,745,700
	14	35,489,250
c) <u>Executives</u>		
Muhammad Hanif Aziz (Chief Financial Officer)	2	48,600
d) <u>Public Sectors Companies and Corporations</u>		
State Life Insurance Corp. of Pakistan	1	469,821
e) <u>Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds</u>		
EFU General Insurance Ltd.	1	50
Habib Bank Limited	2	2,576
Investment Corp. of Pakistan	1	1,573
MCB Bank Limited - Treasury	1	365
State Life Insurance Corp. of Pakistan	1	469,821
	6	474,385
f) <u>General Public</u>		
Physical	821	1,417,101
CDC	751	45,180,351
	1572	46,597,452
g) <u>Shareholders holding 5% or more voting interest</u>		
Mr. Mohammed Kasim Hasham	1	7,329,795
Mr. Mohammed Ebrahim Hasham	1	6,320,989
Mr. Mohammed Hussain Hasham	1	6,791,046
Mr. Khurram Kasim	1	4,918,563
Mr. Ahmed Ebrahim Hasham	1	4,946,808
	5	30,307,201

ہم یہ بھی توقع کرتے ہیں کہ ہمارا سرمایہ کاری پورٹ فولیو بہتر کارکردگی کا مظاہرہ کرے گا، اسٹاک مارکیٹ چونکہ گذشتہ کچھ عرصے کی شدید مندی کے بعد اب تیزی کی طرف لوٹنے لگی ہے جس سے ہماری اس میں کی گئی سرمایہ کاری سے بہتر نتائج کی توقع ہے۔ پورٹ فولیو سے حاصل ہونے والی مجموعی آمدنی سے ہمیں بہتر مالی نتائج حاصل ہونگے۔

اظہار تشکر

ہم اپنی پوری کوشش اور توجہ اس بات کی جانب مبذول کئے ہوئے ہیں کہ اسٹیک ہولڈر کو ایک ایسا بہتر، محفوظ اور طویل المدتی مستقبل فراہم کر سکیں کہ جس پر وہ طمانیت محسوس کرے۔ اس مقصد کے حصول میں، ہم کارکنوں، عملے اور ایگزیکٹوز کی انتھک کوششوں کو سراہتے ہیں اور مستقبل میں بھی ان سے ایسی ہی امید رکھتے ہیں کہ وہ مزید زیادہ جوش و جذبے کے ساتھ کمپنی کی بہتر پیداوار اور فلاح و بہبود کے لئے اپنا فعال کردار ادا کرتے رہیں گے۔ بورڈ اس اہم موقع پر حکومتی عہدیداران، انجمنوں، بینکاری اور مالیاتی ادارے، شیئر ہولڈرز اور گاہکوں کے قابل قدر تعاون کو کیسے نظر انداز کر سکتا ہے، اس بھرپور تعاون پر ہم انہیں خراج تحسین پیش کرتے ہیں اور ان کا شکریہ ادا کرتے ہیں۔ کمپنی کی سی ایس آر کی طرف سے کی جانے والی کوششوں اور کارپوریٹ گورننس کے ضوابط کی تعمیل اور پیٹرن آف شیئر ہولڈنگ کے بارے میں 30 ستمبر، 2020 کو تفصیلی رپورٹ کو مربوط کیا گیا ہے۔

کراچی: دسمبر 30 2020

حسب الحکم بورڈ آف ڈائریکٹرز

Atiqe Ehsan

احمد ابراہیم ہاشم
مینجنگ ڈائریکٹر

Atiqe Ehsan

محمد ابراہیم ہاشم
چیف ایگزیکٹو آفیسر

مستقبل کا منظر نامہ

جیسا کہ ہم نے اپنی رپورٹ میں ذکر کیا ہے کہ کاشت کاروں کو پچھلے دو سیزن کے دوران اپنی فصل کا بہترین معاوضہ مل رہا ہے۔ لہذا، گنے کی کاشت میں مسلسل اضافہ ہو رہا ہے۔ اگرچہ موجودہ سیزن کے لئے گنے کی فصل میں یہ اضافہ صرف 10-15 فیصد زیادہ ہے، تاہم آئندہ سال مزید بہتری نظر آرہی ہے کیونکہ گنے کی کاشت میں اضافے کے نتائج حوصلہ افزا ہیں اور یہ بات صنعت کے لئے ایک خوش آئند علامت ہے، کیونکہ اس سے ملوں کو مناسب حجم میں گنا دستیاب ہو سکے گا اور وہ 2021-22 کے سیزن میں اپنی کرشنگ صلاحیت کا بہتر استعمال کر سکیں گی، گنے کے حجم میں اضافے کی بدولت گنے اور مولیسس کی قیمتیں بھی اعتدال میں رہیں گی اور مولیسس کا زیادہ مقدار میں حصول بھی ممکن ہو سکے گا جو کہ اینتھنول انڈسٹری کو مولیسس کی مناسب قیمت پر دستیابی کو یقینی بنائے گا۔

صوبائی حکومتوں نے سیزن 2020-21 کے لئے کم سے کم امدادی قیمت میں 10 روپے فی من اضافہ کیا ہے۔ لہذا، سندھ اور دیگر صوبوں میں گنے کی نئی امدادی قیمت بالترتیب 202 روپے اور 200 روپے فی من ہے۔ صوبہ سندھ میں موجود ملوں کو کوالٹی پریمیم بھی ادا کرنے کا حکم ہے، جبکہ پنجاب اور کے پی کے لئے نہیں ہے یہ بات صوبہ سندھ کے کسان کے لئے تو سازگار ہے لیکن اس صوبے میں موجودہ ملوں پر اس کا بہت بڑا بوجھ ہے۔

ہمارے علاقے میں گنے کی کٹائی کا آغاز پچھلے سال کے مقابلے میں جلد شروع ہوا تھا، جس کی بناء پر ملوں کو اسی عرصے کے دوران پچھلے سیزن کے مقابلے میں زیادہ مقدار کرشنگ کرنے کی سہولت ملی۔ تاہم، ملیں، زمیندار کی جانب سے گنے کی کٹائی نہ کرنے کے رجحان کے سبب اب تک بھی اپنی کرشنگ صلاحیت کا بہت ہی کم استعمال کر پارہی ہیں جس کی وجہ سے بہت کم کرشنگ کرپائی ہیں۔ ہم توقع کرتے ہیں کہ جنوری 2021 تک گنے کی کٹائی کا عمل بہتر ہو جائے گی اور گنے کی فصل کے حجم سے متعلق ہمیں درست معلومات فروری 2020 تک دستیاب ہو جائیں گی۔

ہمیں لگتا ہے کہ اس سال بھی چینی اور گنے کی قیمتوں کے مابین مناسب توازن قائم رہے گا اگرچہ گنے کی قیمت میں تیزی کا رجحان برقرار ہے اور گنے کی رقم ادائیگی بھی فوری کی جارہی ہے، سب سے بڑا مسئلہ حکومت کو اس بات پر قائل کرنا ہے کہ ملیں یہ بہتر قیمت تب تک ہی ادا کرنے کے قابل ہوں گی جب تک چینی کی قیمت میں بہتری اور استحکام کا رجحان برقرار ہے۔ ہماری کوشش ہے کہ اس سال کم سے کم قرض لیا جائے تاکہ اس پر لگنے والی سود کو کم سے کم سطح پر محدود رکھا جاسکے اس عمل سے ہماری بیلنس شیٹ کو کافی حد تک مدد ملے گی نیز مولیسس اور بگاس کی قیمتوں میں مناسب اضافہ، جذب میں مددگار ثابت ہوگا۔

ریکوری کے ابتدائی اعداد یہ ظاہر کر رہے ہیں کہ ہم ریکوری میں کم و بیش پچھلے سال کی سطح تک ہونگے ہم یہ بھی پیش گوئی کر سکتے ہیں کہ چینی کی پیداوار گزشتہ سال کی نسبت 15 سے 20 فیصد زیادہ ہوگی۔ یونی کول سے سال بھر اچھے منافع کی توقع ہے جو ہماری آمدن میں مثبت کردار ادا کرے گی، یونی کول کی جانب سے آنے والے سال تک اسی طرح یا اس سے بھی بہتر منافع کی پیش گوئی کرتے ہیں۔

یونی فوڈز انڈسٹریز لمیٹڈ

یونی فوڈز کا مجموعی ٹرن اوور 1 بلین روپے تک پہنچ رہا تھا تاہم موجودہ حالات کی وجہ سے طلب میں اضافہ نہیں ہو رہا، اس وجہ سے پیداواری صلاحیت کے استعمال میں کمی واقع ہوئی ہے جو کہ اخراجات میں اضافہ کا باعث بن رہی ہے۔ طلب میں کمی کی موجودہ وجہ اسکولوں اور مارکیٹوں کی بندش بھی ہے۔ مجموعی طور پر ملک میں جاری سست معاشی سرگرمیوں کی بدولت ترقی کی رفتار نسبتاً کچھ کم ہے۔ کم فروخت کے ساتھ ساتھ مارکیٹنگ اور تقسیم کے اخراجات کو دیکھتے ہوئے لگتا ہے کہ کمپنی کو اب بھی منافع بخش ہونے میں مزید وقت لگے گا۔ ہم اس کے بہتر مستقبل کے بارے میں یقین رکھتے ہیں۔ ہمارے شراکت داران اس منصوبے میں مسلسل سرمایہ کاری جاری رکھے ہوئے ہیں۔ اب تک یونی فوڈز میں ہماری ایکویٹی سرمایہ کاری 310.75 ملین روپے ہے جو کہ کمپنی میں 24 فیصد ایکویٹی کی نمائندگی ہے۔

مہران انرجی لمیٹڈ

ہم اس منصوبے میں بھاری سرمایہ کاری کر چکے ہیں مگر IPPs پر عائد سخت شرائط نے ہمارے اس 26.5 میگاواٹ کے پاور پروجیکٹ کو جمود کا شکار کر دیا ہے۔ ہم اس بات کا جائزہ لے رہے ہیں کہ کس طرح اس منصوبے کو قابل عمل بنا سکتے ہیں، تاکہ ہم توانائی پیدا کرنے والی ملز کی صف میں اپنا وجود برقرار رکھ سکیں اور نیشنل گرڈ میں بجلی شامل کر کے ملک و قوم کو لوڈ شیڈنگ کی پریشانی سے نجات دلانے میں اپنا کردار ادا کر سکیں۔

کنزیومر ڈویژن

پیکجیڈ براؤن اور وائٹ شوگر کی مارکیٹنگ کنزیومر ڈویژن کے سپرد ہے جس نے گزشتہ برسوں مستقل ترقی کی ہے۔ "شوگری" اور "چائٹک" برانڈز نے مارکیٹ میں اپنی منفرد جگہ بنالی ہے اور گاہکوں کی توجہ اپنی جانب مبذول کرانے میں کامیاب رہے ہیں، متذکرہ عرصے کے دوران، حجم اور کاروبار دونوں میں اضافہ کار جھان رہا۔ ملکی مارکیٹ میں یہ دونوں برانڈز استحکام حاصل کر رہے ہیں۔ اور اب پنجاب اور سندھ کے تمام بڑے شہروں میں باآسانی دستیاب ہیں اس کے ساتھ ساتھ اب کے پی کے کی مارکیٹ میں بھی اس کی فروخت میں بہتری آرہی ہے۔ ہماری پرعزم، تجربہ کار اور کام کرنے کے جذبے سے سرشار سیلز ٹیم کراچی، لاہور اور اسلام آباد اور ان سے ملحقہ شہروں، قصبوں اور دیہاتوں کا باقاعدگی سے وزٹ کرتی ہے۔ شوسل میڈیا سے بھی تشہری مہم میں اضافہ کر دیا گیا ہے تاکہ عام صارف کو ان سے متعارف کرایا جاسکے۔ ہمارے لئے انسانی صحت سب سے اہم ہے اس لئے ان اشیاء کو مزید مفید بنانے کے لئے ہم اس کے معیار اور پیکجنگ کے لئے جدید ترین آٹومیشن کر رہے ہیں جس کے لئے اس مد میں خطیر سرمایہ کاری کی جا رہی ہے۔ نیز اس صنف میں مزید ورائٹیز شامل کرنے پر بھی غور جاری ہے۔

اچھے اور اطمینان بخش رہے۔ ایٹھونول اور CO2 کے پلانٹس نے اچھی کارکردگی کا مظاہرہ کیا، کمپنی نے دوران سیزن مارکیٹ کی قیمت ادا کر کے مو لیس خریدنے کی پالیسی کو اپنایا ہوا ہے، اور پورے سال کے لئے مو لیس کی خریداری کی کوشش جاری ہے۔ اس سال میں کمپنی 50,806 ٹن ایٹھونول اور 9,903 ٹن CO2 مارکیٹ میں فروخت کرنے میں کامیاب رہی۔

یونی کول سے متعلق اہم مالیاتی اعداد و شمار مندرجہ ذیل ہیں:

مالیاتی معلومات (فنانشل ہائی لائٹس)	2019-20	2018-19
مجموعی فروخت (ٹرن اوور)	5,501,599	5,167,711
خالص منافع	1,704,160	1,796,594
خالص منافع کی شرح	30.98%	34.77%
قبل از ٹیکس منافع	1,166,523	1,236,832
بعد از ٹیکس منافع	1,109,767	1,213,956
بعد از ٹیکس منافع کی شرح	20.13%	23.49%
فی حصص آمدنی	7.35	8.09

اگرچہ پچھلے سال کے مقابلے مو لیس کی قیمتیں بڑھ گئیں ہیں، تاہم روپے کی ڈالر کے مقابلے میں کچھ بہتری نے اس بات کو یقینی بنایا تاہم مولا سس کی پیداوار میں کمی کی وجہ سے اس کی قیمتوں میں نمایاں اضافہ ہو گیا یہ اضافہ 9,500 روپے فی میٹرک ٹن سے 14,000 فی میٹرک ٹن تک ہو گیا جو کہ 58% بنتا ہے، اس صورتحال کو دیکھ کر یوں لگتا ہے کہ آنے والے سال میں بھی یہ رجحان جاری رہے گا۔ لہذا بین الاقوامی مارکیٹ میں اعتماد اور ساکھ قائم رکھنے کے لئے ضروری ہے مسابقتی قیمت کے عوض مو لیس کی خریداری کو یقینی بنایا جائے۔ یونی کول نے اس سال بعد از ٹیکس منافع 523.77 ملین روپے حاصل کیا جبکہ پچھلے سال یہ 1.11 بلین روپے تھا۔ یونی کول کا قبل از ٹیکس منافع 582.60 ملین روپے تھا جبکہ پچھلے سال 1.167 بلین روپے تھا۔

ایک دہائی کی مستقل سرمایہ کاری اور ترقی و نمو کے بعد، اب یونی کول نے اپنے آپ کو بہترین معیار کی ایٹھونول مصنوعات فراہم کنندہ کے طور پر منوالیا ہے اور مارکیٹ میں اپنا ایک منفرد مقام بنالیا ہے۔ یہ لگاتار اپنے اسٹیک ہولڈرز کو بہترین منافع فراہم کر رہا ہے اور یہ منافع ان کی مجموعی آمدن میں مثبت حصہ ہے۔ متذکرہ مالی سال کے لئے یونی کول کی جانب سے مہران نے 275 ملین روپے وصول کئے۔

- گذشتہ سال کے مقابلہ میں کم پیداوار اور زیادہ مانگ کی وجہ سے دونوں ضمنی مصنوعات (مولیسیس اور بگاس) کی قیمت فروخت میں کافی حد تک بہتری آئی، مولیسیس اور بگاس کی قیمتوں میں اضافہ بالترتیب 50 اور 42 فیصد زائد رہا۔
- سپلائی اور طلب کے منظر نامے کی وجہ سے گنے کی قیمت میں نمایاں اضافہ ہوا۔
- کرشنگ کے حجم میں کمی نے اوور ہیڈ لیبرز اور پشن کو کم کر دیا، کیونکہ پچھلے سال کے مقابلے میں فیکٹری کم عرصہ چلی اور اس کی پیداواری صلاحیت کا استعمال بھی کم ہوا۔
- یونیکول سے حاصل ہونے والا منافع 174.59 ملین روپے رہا، پچھلے سال حاصل ہونے والا منافع 379.76 ملین روپے تھا، جبکہ یونی فوڈر سے ہونے والے 97.88 ملین روپے کے نقصان نے اس نفع کو جزوی طور پر کم کر دیا۔
- کرونا وائرس (Covid19) کے اثرات، ایکونومی مارکیٹ میں سود کی بلند شرح، سرمایہ کاروں میں اعتماد کا فقدان، کمزور معاشی حالات، ریگولیٹری سختی اور غیر ملکی سرمایہ کاروں کی جانب سے مسلسل فروخت کے رجحان سے پیدا ہونے والی صورتحال نے مارکیٹ کو دباؤ میں لئے رکھا۔ تاہم جیسے ہی اس رجحان میں بہتری آئی تو اس کے خوشگوار اثرات منٹج ہوئے اور ہمارا منافع 385 ملین روپے تک پہنچ گیا۔
- پچھلے سال سکروز کی ریکوری 11.44% تھی جبکہ اس سال 11.13% رہی، اس کمی کا سبب کرشنگ کے حجم میں کمی کو قرار دیا جاسکتا ہے سیزن کا اختتام مارچ تک متوقع ہے اور آنے والا یہ دورانیہ سکروز کی ریکوری کے عروج کا ہے، لیکن ہماری ریکوری میں کمی کی ایک وجہ آؤٹرایریا سے لیا جانے والا گنا بھی ہے جس کی ریکوری نسبتاً مقامی گنے کے، کم ہے۔ پھر بھی ہم توقع کرتے ہیں کہ کرشنگ کے حجم میں کمی کے باوجود ہم بہتر ریکوری حاصل کر پائیں گے، تاہم حاصل کردہ سکروز ریکوری اب بھی ملک میں سب سے زیادہ ہے۔
- ایکویٹی میں کمی گئی سرمایہ سے ڈیوڈنڈ سے 48.61 ملین روپے حاصل ہوئے جبکہ گذشتہ سال کے دوران یہ رقم 65.05 ملین روپے تھی۔ بنیادی طور پر کرونا وائرس (Covid19) کی وجہ سے کچھ فیکٹری / پلانٹ اس ڈیوڈنڈ کے معاملے میں پابند تھیں
- پالیسی شرح میں 7 فیصد تک کمی کے باوجود پیداواری لاگت میں خاطر خواہ کمی واقع نہ ہو پائی جس کی بنیادی وجہ گنے کی قیمت میں غیر معمولی اضافہ اور گنے کے کاشتکاروں کو فوری ادائیگی کی ہماری پالیسی ہے جس کے نتیجے اخراجات کے لئے گئے قرضہ جات کی وجہ سے مالیاتی اخراجات میں اضافے نے منافع کا بڑی حد تک متاثر کیا ہے۔

یونی کول

ہتھنول چونکہ ایک جراثیم کش محلول بھی ہے اور سینی ٹائزر میں بھی اس کا استعمال ہوتا ہے اس لئے کرونا وائرس (Covid19) کے خوفناک ماحول میں اس کی طلب میں بین الاقوامی سطح پر غیر معمولی اضافہ ہوا ہے طلب میں کمی گنا اضافے کی وجہ سے اس کی قیمت میں اضافہ دیکھنے میں آ رہا ہے کمپنی کے مالی اور آپریشنل نمبرز متذکرہ عرصے کے دوران بہت

مالیاتی معلومات	2019-20	2018-19
روپے ہزاروں میں ماسوائے فی حصص آمدنی		
فروخت - مقامی مارکیٹ	7,257,267	5,476,540
فروخت - برآمدات	159,352	455,005
مجموعی فروخت	7,416,618	5,931,545
سیلز ٹیکس / فیڈرل ایکسائز ڈیوٹی	991,943	619,772
خالص منافع	464,619	820,312
خالص منافع کی شرح	7.23%	15.44%
قبل از ٹیکس منافع	162,646	512,147
قبل از ٹیکس منافع کی شرح	2.53%	9.64%
بعد از ٹیکس منافع	47,027	403,834
بعد از ٹیکس منافع کی شرح	0.73%	7.60%
فی حصص آمدنی	1.01	8.67

گنے کی فصل میں نمایاں کمی کے باعث کرشنک سیزن مختصر ثابت ہوا جس کی وجہ سے فیکٹری / پلانٹ گذشتہ 10 سالوں کی نسبت کم ترین پیداوار حاصل کر سکی۔

گنے کی فصل میں نمایاں کمی اور مقابلے کی فضا کو مد نظر رکھتے ہوئے مل کو گنے کی نقد ادائیگی کرنی ضروری ہے جس کی وجہ سے مل کو بلند شرح سود پر قرضہ جات حاصل کرنا پڑے جس سے چینی کی پیداواری قیمت میں مزید اضافہ ہوا۔ یہ بات قابل ذکر ہے کہ عمومی طور پر کرشنک سیزن صرف 100 دن پر محیط ہوتا ہے جبکہ چینی کی تیاری کے بعد اس کی فروخت سارے سال جاری رہتی ہے اور فروخت کا عمل مکمل ہونے پر رقم کی واپسی ممکن ہوتی ہے۔ اخراجات کی مد میں یہ بھاری اضافہ مستقل صورت اختیار کر گیا ہے جو کہ ہمارے منافع میں بڑی رکاوٹ کا سبب بن رہا ہے۔

اس ضمن میں ایک اہم عنصر محصولات (Taxes) کی مد میں بھاری اضافہ بھی ہے جس کی بدولت، اس سال میں ہم نے کل محصولات (Taxes) کی ادائیگی ایک ارب روپے سے بھی زائد کی ہے۔

بنیادی عوامل جو ان نتائج کے حصول میں کارفرما ہے:

- چینی کے نرخوں میں بہتری کی وجہ سے مجموعی طور پر کاروبار میں بہتری دیکھنے میں آئی، جبکہ چینی کی فروخت کا حجم کم و بیش پچھلے سال کی طرح رہا تاہم پچھلے سال کی نسبت اس سال، زیادہ تر فروخت مقامی سطح پر ہوئی۔ اخراجات کی مد میں ہونے والے بھاری اضافے نے مجموعی منافع کو بھی متاثر کیا ہے اور یہ رجحان جاری ہے۔

ملک میں چینی کی متوقع کمی کو دور کرنے کے لئے حکومت نے اگست میں 300,000 ٹن چینی کی درآمد کی اجازت دی۔ اس درآمد میں سرکاری اداروں اور نجی درآمد کنندگان نے حصہ لیا۔

قابل ذکر بات یہ ہے کہ اس کی درآمد اور مقامی فراہمی پر زیر و کسٹم ڈیوٹی لگائی گیا اور درآمد کو تمام محصولات سے استثناء دیا گیا، سیلز ٹیکس کی شرح بھی 1 فیصد کر دی گئی جبکہ معیاری شرح 17 فیصد ہے جو چینی کی مقامی صنعت سے وصول کی جاتی ہے۔

ہم یہ بات کہنے میں حق بجانب ہیں کہ اگر چینی روزمرہ کی خوراک سے متعلق ضروری اشیاء کی فہرست میں شامل ہے اور یہ گھریلو اجناس کے طور پر استعمال ہونے والی اشیاء کے طور پر استعمال ہونے والی اقسام میں بھی شامل ہے تو اس پر سیلز ٹیکس کیوں عائد ہے۔

سال کے دوران، حکومت پاکستان نے فنانس ایکٹ 2019 کے ذریعے Turnover Tax میں 0.25 فیصد اضافہ کیا۔ ٹرن اوور میکانزم پر یہ کم سے کم ٹیکس ہماری صنعت کے لئے کسی سزا سے کم نہیں اور اس کے نتیجے میں ہمارے موثر ٹیکس کی شرح انکم ٹیکس کے معیاری 29% کارپوریٹ ریٹ سے زیادہ ہے۔ ہم ٹیکس نظام میں تبدیلی کے لئے پرامید ہیں اور اس بڑے مسئلے کو حل کرنے کے لئے حکام کی طرف سے جلد کارروائی کے منتظر ہیں۔

چینی کی قیمت میں استحکام صنعت اور زراعت کے لئے باہمی طور پر فائدہ مند ہے۔ گنے کی کم سے کم قیمت کے لئے چینی کی قیمتوں کا یہ مساوات صنعت کی پائیداری اور نمو کے لئے اہم ہے۔ بد قسمتی سے گنے کی قیمت اور چینی کی قیمت میں کس طرح مساوات پیدا کرنی ہے اس بارے میں کوئی پائیدار حل تلاش کرنے پر زیادہ زور نہیں دیا جا رہا ہے، جبکہ یہ بات چینی کی صنعت کے لئے بنیادی مسئلہ بنی ہوئی ہے۔

آپریشنل اور مالی جائزہ

2018-19	2019-20	آپریشنل معلومات
702,259	654,339	کرشنگ (میٹرک ٹن)
59.77%	49.85%	پیداواری صلاحیت کا استعمال
11.44%	11.13%	سکروز کی ریکوری
80,332	72,821	چینی کی پیداوار (میٹرک ٹن)
33,182	29,550	مولیسس کی پیداوار (میٹرک ٹن)
4.73%	4.52%	مولیسس کی ریکوری

میں 7 فیصد کمی، ری فنانسنگ اسکیمیں اور برآمدی صنعتوں کے لئے مختلف مراعات کے ساتھ ساتھ قرضوں کی بحالی اور قرضوں کی ادائیگیوں کو موخر کرنا بھی شامل ہے۔

متوقع ہے کہ مالی سال 21 بھی وبائی مرض کے زیر سایہ ہی گزرے۔ آئی ایم ایف نے 2 فیصد شرح نمو کی پیش گوئی کی ہے۔ متوقع مانگ کو کم کرنے اور عالمی اجناس کی قیمتوں میں کمی کے رجحان کو دیکھتے ہوئے افراط زر کے کم رہنے کی امید ہے۔ ایف اے ٹی ایف کے نکات کی تعمیل شدہ مد سے جاری ہے اور حکومت اس سلسلے میں پُر اعتماد دکھائی دیتی ہے۔ فروری 2021 میں جانچ سے پہلے زیادہ سے زیادہ ممکنہ نکات کی تعمیل کے لئے حکومت سنجیدگی سے کوششیں کرتی نظر آ رہی ہے۔

چینی کی صنعت کا عالمی جائزہ

گنے کے کاشت کے رقبے میں کمی اور پیداوار میں کمی کی وجہ سے کرشنگ سیزن 21-2020 ایک اور مختصر سال ثابت ہوا۔ تاہم، سال کے آغاز میں قومی پیداوار کے بارے میں گزشتہ سال کی باقی ماندہ چینی کی پیداوار اور متضاد اندازوں نے کرشنگ سیزن کے ابتدائی مرحلے میں چینی کی قیمتوں کو دباؤ میں رکھا، اور یہ رجحان ابھی تک جاری ہے۔

پچھلے سال کے دوران 5.5 ملین ٹن کے مقابلے میں سالانہ پیداوار 4.8 ملین ٹن رہی، جو کہ گزشتہ 5 سال کی سب سے کم پیداوار تھی۔ گنے کی کاشت کے رقبے میں نمایاں کمی اور گنے کی فی ایکڑ پیداوار میں کمی کو دیکھتے ہوئے شوگر ملوں نے اپنی زیادہ سے زیادہ پیداواری صلاحیت کے استعمال اور اخراجات کو پورا کرنے کے لئے، مارکیٹ قیمت پر گنے کی خریداری جاری رکھی ہوئی ہے۔

اس طرح، کاشتکار کو اپنی فصل کی طے شدہ قیمت سے زائد قیمت وصول ہوئی جس نے دوبارہ گنے کی کاشت کو بہت منافع بخش بنا دیا ہے۔ سیزن کے بڑے حصے میں گنے کی قیمتیں، مقرر کردہ امدادی قیمت سے کافی زیادہ رہیں ہیں۔

اس منظر نامے کا مثبت اور طویل مدتی پہلو یہ ہے کہ اس سے مستقبل میں گنے کے کاشت کے رقبے میں اضافہ ہوگا، اس کے لئے پانی کی دستیابی ضروری ہے کیونکہ مناسب مقدار میں گنے کی دستیابی شوگر ملز کے ضروری ہے۔ بارشوں میں اضافے کے سبب ملک بھر میں پانی کی فراہمی کی صورت حال کو بہتر بنایا ہے ہم امید کرتے ہیں کہ اس کے آئندہ فصل پر مثبت نتائج ہونگے اور اس کے لئے ہم دعا گو ہیں۔

گنے کی فصل کم ہونے اور چینی کی قلت کے نتیجے میں چینی کی قیمت پورے مالی سال میں بڑھتی رہی۔ یہ بات قابل ذکر ہے کہ سیلز ٹیکس کو مقررہ شرح 8 فیصد سے بڑھا کر 17 فیصد کر دیا گیا ہے یہ ٹیکس کی مد میں تقریباً دو گنا اضافہ ہے۔

چینی کی قیمتوں میں اضافے اور چینی کے ذخیرے میں نمایاں کمی کی وجوہات کا پتہ لگانے کے لئے، وفاقی حکومت نے شوگر انکوائری کمیشن تشکیل دیا تھا۔ کمیشن نے مناسب کارروائی کے لئے حکومت کو اپنے نتائج اور سفارشات پیش کیں۔ تب سے ہی اس صنعت سے مختلف سرکاری اداروں کی جانب پوچھ گچھ کا سلسلہ جاری ہے۔ تاہم، ان کارروائیوں کا جواب اجتماعی انداز میں دیا جا رہا ہے اور جہاں ضرورت محسوس ہوتی ہے وہاں عدالتی مدد دی جاتی ہے۔

تاہم، تجارتی خسارے میں بہتری بنیادی طور پر شرح نمو کی گراوٹ اور درآمدات میں نمایاں کمی کی وجہ سے تھی جبکہ مالی استحکام حکومتی/عوامی ترقیاتی اخراجات (PSDP) میں کمی سے جوڑا گیا تھا۔

جبکہ رواں مالی سال کے دوران بنیادی توازن سرپلس (مثبت) سطح پر برقرار رہا۔ اس کے علاوہ، زرمبادلہ کی مستحکم شرح FDI میں صحت مند نمو (126.8 فیصد)، ورلڈ بینک کی بزنس انڈیکس میں ایزی ڈومیننگ بزنس درجہ بندی میں بہتری، اور موڈیز کے ذریعہ 'منفی' سے B3 کے لئے 'مستحکم' کریڈٹ آؤٹ لک نے حکومت کی کامیاب پالیسیوں کی تصدیق کی ہے۔ ان اداروں کی ریٹنگ کے مطابق معیشت کو مستحکم کرنے اور مضبوط شرح نمو کے حصول کیلئے ایک بنیاد رکھ دی گئی ہے۔ اس کے باوجود، حکومت کو معاشی سست روی، بڑھتے ہوئے افراط زر، روزگار کے مواقعوں میں کمی اور اس کے نتیجے میں معاشرے کے سب سے کم آمدنی والے طبقوں پر اس کے تکلیف دہ اثرات سے نمٹنا ہوگا۔

قیمتوں میں اضافے پر قابو پانے کے لئے، حکومت نے اشیاء کی آسانی سے فراہمی، ذخیرہ اندوزی کی جانچ، اسمگلنگ اور ناجائز منافع خوری کو روکنے کے لئے سخت اقدامات اٹھائے ہیں۔ مزید یہ کہ وفاقی اور صوبائی سطح پر بھی قیمتوں کی سخت نگرانی کو یقینی بنایا گیا ہے۔ اس کے علاوہ مہنگائی کے اثرات کو روکنے کے لئے، اسٹیٹ بینک سے حکومتی قرضے بھی بند کر دیئے گئے ہیں اور مجموعی طلب کو کنٹرول کرنے اور افراط زر کے دباؤ کو کم کرنے کے لئے اضافی گرانٹ پر بھی پابندی عائد کر دی گئی ہے۔ مختلف پالیسیوں، انتظامی اور امدادی اقدامات کے ذریعے بڑھتی ہوئی قیمتوں پر قابو پانے پر زور دیا گیا ہے۔

سال 2020 کی آخری ششماہی کا آغاز، کرونا وائرس (Covid19) کی تباہ کاریوں سے ہوا جو جلد ہی ایک قومی مسئلے کی صورت اختیار کر گیا اور اس کے نتیجے میں نہ صرف ملکی بلکہ بین الاقوامی سطح بھاری جانی و مالی نقصان کا سامنا کرنا پڑا۔ ان نقصانات کے نتیجے میں معیشت پر بے حد منفی اثرات مرتب ہوئے اور شرح نمو سنگٹھ کر رہ گئی۔

ملک پر قرضوں کا بوجھ پہلے ہی بہت زیادہ تھا، کرونا وائرس (Covid19) کے بعد کے منظر نامے نے متعدد ترقی پذیر ممالک کی طرح ہمارے ملک کے لئے بھی قرض کی ادائیگی کو مشکل بنا دیا ہے۔ کرونا وائرس (Covid19) کے بحرانوں سے نمٹنے کے لئے حکومت نے نئے قرضوں کے حصول کی خاطر آئی ایم ایف، ورلڈ بینک اور ایشین ترقیاتی بینک سے رجوع کیا اور آر ایف آئی اسکیم کے تحت 1.4 بلین ڈالر حاصل کرنے میں کامیاب رہی۔ چونکہ معیشت آہستہ آہستہ دوبارہ کھل رہی ہے، توقع کی جاتی ہے کہ COVID-19 کے منفی اثرات کے خاتمے کا آغاز ہوگا۔ تاہم، بحالی کا سفر مختلف عوامل پر منحصر ہوگا جیسے مختلف شعبوں پر منفی اثر کی حد، مدت کے ساتھ ساتھ لاک ڈاؤن کی شدت اور اس سے منسلک خطرات۔ اس لئے اس سے وابستہ غیر یقینی صورتحال کی وجہ سے مستقبل میں چیلنجوں کا سامنا کرنا پڑ سکتا ہے۔

وفاقی اور صوبائی حکومتوں نے COVID-19 وبائی امراض کے اثرات سے نمٹنے کے لئے متعدد اقدامات اٹھائے ہیں جس میں ملک میں معاشی سرگرمیوں کی حوصلہ افزائی کے لئے PKR 1.2 ٹریلین مالیاتی ریلیف پیکیج، 'احساس' ہنگامی نقد پروگرام اور تعمیراتی شعبے کے لئے ایک پیکیج شامل ہے۔ مرکزی بینک نے مختلف اقدامات اٹھائے ہیں جس میں شرح سود

ڈائریکٹر رپورٹ

تعارف

مہران شوگر ملز لمیٹڈ کو دسمبر 1965 میں پاکستان میں پبلک لمیٹڈ کمپنی کے طور پر، کمپنیز ایکٹ 1913 کے تحت شامل کیا گیا، فیکٹری/پلانٹ کا بنیادی مقصد چینی اور اس سے متعلق مصنوعات کی بہترین تیاری اس کے ساتھ ساتھ دیگر صنعتوں میں سرمایہ کاری ہے ہماری فیکٹری/پلانٹ ضلع ٹنڈوالہیار میں واقع ہے اور اس کی کرشنگ کی صلاحیت 12,500 ٹی سی ڈی ہے۔ ضلع ٹنڈوالہیار اگر آج گنے کی بہترین پیداوار کے لحاظ سے مشہور ہے تو اس میں ہماری سالوں کی انتھک محنت شامل ہے ہم نے نئی اور زیادہ پیداوار دینے والی گنے کی ورائٹیز کو اپنے ایریا کے کسانوں میں متعارف کرایا اور انہیں ان ورائٹیز کا بیج ایک سال کی اُدھار پر بغیر سود دیا۔ اسی لئے آج یہاں گنے کی جلد تیار ہونے اور بہتر سکروزر کھنے والی اقسام دستیاب ہیں جس کی وجہ سے فیکٹری/پلانٹ کو اعلیٰ درجے کا سکروزد دستیاب ہوتا ہے۔ جو کہ زائد چینی کے حصول میں مددگار ثابت ہوتا ہے۔

ہماری موجودہ سرمایہ کاری، توانائی کی بچت کے لئے جدید ترین ٹیکنالوجی کے حصول کے لئے ہے، ہماری بھرپور کوشش ہے کہ ہم پاکستان بھر میں اپنی صنف میں سب سے کم توانائی خرچ کرنے والی فیکٹری کے طور پر پہچانے جائیں۔

کمپنی نے 2004 میں دو مشترکہ شراکت داران کے ساتھ، یونی کول میں سرمایہ کاری کی ہے۔ یونی کول لمیٹڈ کو گرین فیلڈ ایستھنول پروجیکٹ کے طور پر تشکیل دیا گیا ہے۔ یونی کول میں ایستھنول کی پیداواری گنجائش 200,000 لاکھ لیٹر روزانہ اور CO₂ کی پیداواری صلاحیت 72 ٹن روزانہ ہے۔ وقت گزرنے کے ساتھ ساتھ یونی کول آج پاکستان میں ایستھنول کی برآمدات میں لیڈر کی حیثیت رکھتا ہے اور اسے برآمدات میں ٹاپ 100 ایکسپورٹرز میں شامل کرتے ہوئے پاکستان ٹرافی سے نوازا گیا ہے۔ مہران نے کچھ اور منصوبوں میں بھی سرمایہ کاری کی ہے جن پر ہم آگے چل کر اسی رپورٹ میں تفصیلی بات کریں گے۔

ملکی معیشت کا مجموعی جائزہ

موجودہ حکومت کو بڑے معاشی چیلنجوں کا سامنا ہے معاشی عدم استحکام کے حل اور معاشی ترقی کے حصول کے لئے حکومت نے معاشی اور اسٹرکچرل اصلاحات پر مشتمل ایک جامع دستاویز تشکیل دی ہے معاشی استحکام کے لئے اٹھائے جانے والے ان اقدامات کی بدولت، آئی ایم ایف کے 39 ماہ کی ایکسٹنڈڈ فنڈ فیسلٹی (ای ایف ایف) کے پروگرام کے آغاز کے ساتھ ہی بہتری کے آثار نمایاں ہیں

سال 2020 کی پہلی ششماہی کے اختتام پر ایسا محسوس ہوتا تھا کہ معیشت استحکام کی راہ پر گامزن ہے، تجارتی خسارے میں بھی نمایاں کمی واقع ہوئی، زرمبادلہ کے ذخائر تسلی بخش سطح پر تھے، کریڈٹ ریٹنگ منفی سے مستحکم ہو گئی تھی اور ملک ایزی ڈونینگ بزنس انڈیکس میں بھی 28 درجہ بہتری پر آگیا تھا۔

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 55th Annual General Meeting of the members of the Company will be held through video link on Friday, February 12, 2021 at 1600 PST to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 28, 2020;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2020;
3. To consider and approve 5% bonus shares i.e. 5 shares for every 100 shares held by the members, in addition to interim dividend already issued @ 12.5% i.e. Rs. 1.25 per share for the year ended September 30, 2020 as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2021 and to fix their remuneration. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants being eligible, have offered themselves for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought appropriate, approve an increase in the authorized share capital of the Company and for this purpose pass the following special resolution, with or without any amendments and to approve the consequent amendments in the Memorandum and Articles of Association of the Company, subject to requisite approvals, if any:

RESOLVED

"that the authorized share capital of the company be and is hereby increased from Rs. 500,000,000 divided into 50,000,000 shares Rs.10 each to Rs.750,000,000 divided into 75,000,000 shares of Rs.10 each ranking pari passu in every respect with the existing ordinary shares of the Company."

(Statement as required u/s 134(3) of the Companies Act 2017 is annexed with this notice)

6. To apprise and review the status of investments in Associated Companies, for which statement as required by S.R.O 27(I)/2012 dated January 16, 2012 is annexed with this notice.
7. To transact any other business with the permission of the Chair.

By order of the of Board of Directors

Sumair Ali Khan
Company Secretary

Karachi: January 26, 2021

NOTES

1. The share transfer books of the Company will remain closed from February 05, 2021 to February 12, 2021 (both days inclusive).

2. Participation through video link

In view of SECPs' Circular No. 5 dated March 17, 2020 and No. 33 dated November 5, 2020, company intends to hold AGM through video link. The meeting can be attended using computers / smart phones having internet link. The shareholders are requested to register themselves by providing the following information along with valid copy of CNIC with the subject "AGM" through e-mail at sumair.ali@mehransugar.com by the close of business hours on January 26, 2021.

Name of Shareholder _____

Folio / CDC A/c # _____

CNIC No. _____

E-mail address _____

WhatsApp No. _____

The shareholders who register themselves shall be provided (after due verification) a video link by the company on the same e-mail / WhatsApp No. they provided to the company. The login

facility will remain open from start of the meeting till its proceedings are concluded.

2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.
3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their CNIC along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.
4. The shareholders are requested to notify the Company immediately the change in their address, if any.
5. The shareholders are also requested to intimate us their CNIC # to implement the requirements of Annual Returns (Form A) which the Company is required to file with the SECP under section 130 of the Companies Act 2017. It is also important to note that as per provision of Section 243 of the Companies Act 2017 Dividend shall not be transferred to such shareholders bank accounts.

Statement under section 134 (3) of the Companies Act 2017

1. Material Fact

To increase authorized share capital of the company from Rs. 500,000,000 divided into 50,000,000 shares Rs.10 each to Rs.750,000,000 divided into 75,000,000 shares of Rs. 10 each.

2. Reason

In order to cater future increase in paid-up share capital.

3. Amendments required

The proposed increase in authorized share capital of the company also required the amendments in clause V of the Memorandum of Association and Article 3 of the Article of Association of the company, therefore Board of Directors of the company recommended alteration in the Memorandum and Article of Association of the company to reflect increase in authorized share capital of the company as follows:

Proposed amended clause V of the Memorandum of Association:

- V. The Capital of the Company is Rs. 750,000,000 (Rupees seven hundred fifty million) divided into 75,000,000 ordinary shares of Rs. 10/- each. The Company shall have powers to increase, reduce or reorganize the capital of the Company and divide shares in the capital, for the time being, into several classes, in accordance with the provisions of the Companies Act 2017.

Proposed amended Article 3 of the Articles of Association:

3. The share capital of the company is Rs. 750,000,000 (Rupees seven hundred fifty million) divided into 75,000,000 ordinary shares of Rs. 10/- each.
4. Direct / Indirect Interest of Directors/Sponsors

The Directors / Sponsors have no direct / indirect interest in the increase of authorized share capital and alteration in memorandum and article of association of the company, except to the extent of their shareholding in the company.

The new issued ordinary share capital shall rank pari passu with the existing share capital in all respect.

Documents related to this amendment can be inspected at the Registered Office of the Company on any working day during business hours of the company from the date of publication of this notice to the conclusion of the general meeting.

Statement as required by S.R.O 27(I)/2012 dated January 16, 2012

Associated Companies	Total Investment Approved	Amount of Investment made to date	Reasons for not having made complete investments so far	Material Change in financial Statements of associated company since resolution
Mehran Energy Limited	750.00 Million	42.4 Million	There is no progress in the project during the year.	No material change.
Uni-food Industries Limited	400.00 Million	321.54 Million	<p>The plant has started commercial production in March 2018 of its signature product Long cakes and Cupcakes both with different fillings.</p> <p>The company sales crossed Rs. 1 billion; however, results and growth were substantially affected due to the closure of schools and markets due to Covid-19. A nationwide distribution network has been established along with creation of a master brand by the name "Good Goodies". As communicated to the members of the company last year that once the master brand is established and distribution outlined it will make it easier for the company to add different products in its portfolio. Company is looking to add some new products in its portfolio as well as to expand its existing line of production.</p>	Sales Crosses Rs. 1 billion.
UniEnergy Limited	650.00 Million	20.00 Million	During the year under review, no progress was recorded on the wind power project. Management is keeping a close eye on NEPRA's policy in regards to assess its future prospects.	No material change.

وہ شیئر ہولڈرز جو خود کو رجسٹرڈ کرائیں گے انہیں (بعد از تصدیق) کمپنی کی جانب سے اسی ای میل / واٹس ایپ نمبر پر جو انہوں نے کمپنی کو فراہم کیا تھا پریڈیولنک فراہم کیا جائے گا۔ لاگ ان سہولت اجلاس کے آغاز سے اس کی کارروائی کی تکمیل تک کھلی رہے گی۔

3. سالانہ اجلاس عام میں شرکت اور رائے دہی کا اہل ممبر کسی دوسرے ممبر کو اپنا / اپنی پر کسی مقرر کر سکتا ہے تاکہ وہ اس کی جانب سے شرکت اور رائے دہی میں حصہ لے سکے۔ پر کسی کے موثر ہونے کے لئے لازم ہے کہ وہ سالانہ اجلاس عام کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کو اس کے پراکسی فارم، رجسٹرڈ آفس میں موصول ہو جائیں۔

4. شیئر ہولڈرز سے التماس ہے کہ اپنے موجودہ پتے میں کسی بھی قسم میں تبدیلی کی صورت میں فوری طور پر کمپنی ہذا کو مطلع کریں۔

5. شیئر ہولڈرز سے یہ بھی استدعا ہے کہ وہ اپنے CNIC نمبر سے آگاہ کر دیں تاکہ سالانہ ریٹرنز (فارم A) کی ضروریات کی تعمیل کی جاسکے جو کہ کمپنی کے لئے SECP کمپنیز ایکٹ مجریہ 2017 کی دفعہ 130 کے تحت جمع کرانا لازم ہے۔ یہ بھی ضرور نوٹ

فرم الیں کہ کمپنیز ایکٹ مجریہ 2017 کی دفعہ 243 کی شرائط کے مطابق منافع منقسمہ ایسے شیئر ہولڈرز کے لنک اکاؤنٹ میں منتقل نہیں کیا جاسکتا کہ جنہوں نے اپنا قومی شناختی کارڈ کی کاپی کمپنی کو جمع نہیں کرایا۔

6. ایسوسی ایٹڈ کمپنیز میں سرمایہ کاری کے اسٹیٹس سے مطلع کرنا اور جائزہ لینا جس کے لئے ضروری معلومات پر مشتمل ایک ضمیمہ ایس آر او 2012/27(1) بتاریخ 16 جنوری 2012 کے تحت اس نوٹس کے ساتھ منسلک ہے۔

7. صدر مجلس کی اجازت ہے کسی دیگر امور کی انجام دہی۔

حسب الحکم بورڈ آف ڈائریکٹرز

سمیر علی خان

کمپنی سیکریٹری

کراچی، جنوری 27، 2021

نوٹ

1. کمپنی کی شیئر منتقلی کتب مورخہ 5 فروری 2021 تا 12 فروری 2021 (بشمول دونوں ایام) بند رہیں گی۔

2. شرکت بذریعہ ویڈیولنک:

سیکیورٹی ایکسچینج کمیشن آف پاکستان کے سرکلر نمبر 5 بتاریخ 17 مارچ 2020 اور نمبر 33 بتاریخ 5 نومبر 2020 کی روشنی میں کمپنی سالانہ اجلاس عام بذریعہ ویڈیولنک منعقد کرنے کی خواہشمند ہے اجلاس میں شرکت: کمپیوٹر/اسمارٹ فونز حامل انٹرنیٹ لنک کے استعمال سے کی جاسکتی ہے۔ شیئرز ہولڈرز سے استدعا ہے کہ مندرجہ ذیل معلومات بمع فعال CNIC کی نقل بعنوان ”AGM“ بذریعہ ای میل sumair.ali@mehransugar.com مورخہ 10 فروری 2021 کاروباری اوقات کے اختتام تک فراہم کر کے اپنا اندراج کرائیں۔

شیئر ہولڈرز کا نام

فولیو/سی ڈی سی کھاتہ نمبر

CNIC نمبر

فولیو/سی ڈی سی کھاتہ نمبر

وائٹس ایپ نمبر

نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا کمپنی کے اراکین کو اطلاع دی جاتی ہے کہ کمپنی کا 55 واں سالانہ اجلاس عام، بذریعہ ویڈیولنک بروز جمعہ مورخہ 12 فروری 2021 کو بوقت شام 4:00 بجے مندرجہ ذیل امور کی انجام دہی کے لئے منعقد کیا جائے گا۔

عمومی معاملات

1. 28 جنوری 2020 کو ہونے والے سالانہ اجلاس عام کی کاروائی کی توثیق۔
2. 30 ستمبر 2020 کو ختم ہونے والے کاروباری سال کے لئے کمپنی ہذا کے آڈٹ شدہ مالیاتی گوشواروں، ہمراہ ڈائریکٹرز اور آڈیٹرز رپورٹ کی وصولی، غور و خوض اور منظوری۔
3. 30 ستمبر 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے بورڈ آف ڈائریکٹرز کی سفارش کے مطابق 5 فیصد بونس شیئرز یعنی اراکین کی ملکیت میں ہر 100 حصص کے لئے 5 حصص، اس کے علاوہ پہلے سے جاری کردہ عبوری منافع منقسمہ بحساب 12.5 فیصد یعنی مبلغ 1.25 روپے فی حصص کی منظوری۔
4. 30 ستمبر 2021 کو ختم ہونے والے مالی سال کے لئے آڈیٹرز کی تقرری اور ان کے مشاہرے کا تعین، سبکدوش ہونے والے آڈیٹر میسرز ای وائی فورڈر ہوڈز، چارٹرڈ اکاؤنٹنٹس نے اس ضمن میں اہل ہونے کے سبب دوبارہ تقرری کے لئے اپنی خدمات پیش کی ہیں۔

خصوصی معاملات

5. کمپنی کے مجوزہ مجاز سرمایہ کاری (کیپٹل) کی حد میں اضافہ پر غور و خوض اور اگر موزوں سمجھا جائے تو اس کی منظوری اور اس مقصد کے لئے مندرجہ ذیل مجوزہ خصوصی قرارداد (یا کچھ ترمیم کے ساتھ) کی منظوری اور اسی لحاظ سے کمپنی کے آرٹیکل آف ایسوسی ایشن اور میمورنڈم آف ایسوسی ایشن میں مطلوبہ ترمیم کی منظوری۔

قرارداد

"یہ کہ کمپنی کا موجودہ زیادہ سے زیادہ مجاز سرمایہ (کیپٹل) کی حد مبلغ 500,000,000 روپے یعنی 50,000,000 حصص بحساب 10 روپے فی حصص سے بڑھا کر مبلغ 750,000,000 روپے یعنی 75,000,000 حصص بحساب 10 روپے فی حصص کیا جاتا ہے جس پر چارج ریٹنگ موجودہ حصص کے برابر ہی ہوگی۔"

(کمپنیز ایکٹ مجریہ 2017 کی دفعہ (3) 134 کے تحت ضروری معلومات پر مشتمل خصوصی ضمیمہ اس نوٹس کے ساتھ منسلک ہے۔)

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'Regulations') in the following manner:

1. The total number of directors is ten (10) as per the following:

- Male: Eight (08)
- Female: Two (02)

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Amjad Waheed Mr. Mohammed Bashir Kodvawala Mr. Mohammad Amin Mukaty
Non-Executive Directors	Mr. Mohammed Kasim Hasham-Chairman Mr. Mohammed Hussain Hasham Mr. Khurram Kasim Ms. Sofia Kasim Mrs. Anushey A. Hasham
Executive Directors	Mr. Mohammed Ebrahim Hasham Mr. Ahmed Ebrahim Hasham

3. The directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company.

4. The Company has prepared a Code of Conduct called "Business Conduct Guidelines" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and the Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act, and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.

9. The Board has duly complied with the Directors' Training Program requirements and the criteria as prescribed in the Regulations.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed following Committees comprising of members given below:

Members of Audit Committee	Designation
Mr. Amjad Waheed-Chairman	Independent Director
Mr. Khurram Kasim	Non-Executive Director
Mr. Mohammad Hussain Hasham	Non-Executive Director
Mrs. Anushey A. Hasham	Non-Executive Director

Members of Human Resource and Remuneration Committee	Designation
Mr. Muhammad Amin Mukaty – Chairman	Independent Director
Mr. Mohammad Ebrahim Hasham	Executive Director
Ms. Sofia Kasim	Non-Executive Director

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

14. The frequency of meetings of the Committees were as per following:
- a. Audit Committee: (Four) Quarterly meetings during FY 2020 ended 30 September 2020
 - b. Human Resource and Remuneration Committee: (Two) Half yearly meetings during FY 2020 ended 30 September 2020
15. The Board has outsourced the internal audit function to Grant Thornton who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with; and
19. With regards to compliance with Regulation 6 of the CCG it may be noted that all possible steps for election of Directors were taken, but due to the paucity of time and logistic difficulties the Board of Directors, while fixing the number of Directors in their Board meeting held on December 20, 2019 discussed that it was difficult to persons with the requisite skill set and experience required in short period of time. Considering the same, the Board decided to take a cautious approach and had agreed to keep the number of Independent Directors at 3. The number of independent Directors should be reviewed after 3 years for the next election of Directors.
20. Two Board meetings held on December 20, 2019 & December 30, 2019 respectively were not attended by the CFO due to his sudden injury while meeting held on May 30, 2020 not attended by the Company Secretary as he was affected from COVID. However, leave of absence had been granted to them.



MOHAMMED KASIM HASHAM
Chairman

December 30, 2020

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF MEHRAN SUGAR MILLS LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN

THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019


We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), prepared by the Board of Directors of Mehran Sugar Mills Limited for the year ended 30 September 2020 in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors, for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 September 2020.



Chartered Accountants

Place: Karachi

Date: 20 January 2021








www.jamapunji.pk










**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

UNCONSOLIDATED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the members of Mehran Sugar Mills Limited

Report on the Audit of unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Mehran Sugar Mills Limited** (the Company), which comprise the unconsolidated statement of financial position as at **30 September 2020**, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 September 2020** and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p>First time adoption of IFRS 16</p> <p>As referred to in note 3.1 to the unconsolidated financial statements, the Company has adopted IFRS 16 'Leases' (the standard) with effect from 01 October 2019 using modified retrospective approach.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Company is required to recognise right-of-use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<p>Our audit procedures to review the application of IFRS 16, amongst others, include the following:</p> <ul style="list-style-type: none"> ▪ We evaluated the appropriateness of the new accounting policies for recognition, measurement, presentation and disclosure of lease contracts in the unconsolidated financial statements; ▪ we obtained an understanding of the process and controls in place for identification of in-scope lease contracts (considering recognition exemption available under the standard i.e. short-term leases and leases of low value assets); ▪ we corroborated the completeness of leases identified by the management by reviewing and analysing the existing lease arrangements as of the date of initial application and reviewing the rent expense ledgers for the year; ▪ we performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts; ▪ we evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate, lease term etc.; and ▪ we assessed the adequacy and appropriateness of disclosures in the unconsolidated financial statements as required under the standard and applicable financial reporting framework.

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the unconsolidated and consolidated financial statements and our Auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a. proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b. the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c. investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d. zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent Auditor's report is **Arif Nazeer**.

محمد رفیع نقوی

Chartered Accountants
Date: 20 January 2021
Place: Karachi

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,191,140,553	2,190,683,368
Right-of-use assets	7	80,522,018	-
Long-term receivable	8	-	-
Long-term investments	9	1,235,646,845	1,362,374,662
Long-term deposits		852,400	862,400
		3,508,161,816	3,553,920,430
CURRENT ASSETS			
Biological assets	10	16,621,474	15,245,232
Stores and spare parts	11	110,342,728	102,423,181
Stock-in-trade	12	60,781,473	1,060,595,943
Trade debts	13	18,205,601	79,134,253
Loans and advances	14	46,274,164	116,690,640
Trade deposits and short-term prepayments	15	4,358,221	9,259,524
Other receivables	16	278,392,666	317,561,175
Short-term investments	17	1,108,082,670	995,383,024
Taxation – net		39,360,993	40,252,287
Cash and bank balances	18	10,140,845	672,983,635
		1,692,560,835	3,409,528,894
TOTAL ASSETS		5,200,722,651	6,963,449,324
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 (2019: 50,000,000) ordinary shares of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up share capital 46,597,452 (2019: 40,519,524) ordinary shares of Rs.10/- each	19	465,974,520	405,195,240
Reserves	20	2,141,532,310	2,009,701,610
		2,607,506,830	2,414,896,850
NON-CURRENT LIABILITIES			
Long-term financing	21	1,125,818,640	735,830,843
Lease liabilities	22	29,257,534	20,591,783
Market committee fee payable	23	28,676,760	23,382,350
Deferred liabilities	24	4,445,294	4,762,469
Deferred income - government grant	25	3,614,418	-
Deferred taxation - net	26	170,970,925	199,581,276
Provision for quality premium	27	119,290,919	119,290,919
		1,482,074,490	1,103,439,640
CURRENT LIABILITIES			
Trade and other payables	28	454,312,396	676,956,571
Contract liabilities (advances from customers)		36,489,970	415,587,300
Unclaimed dividend		18,648,988	17,692,483
Accrued mark-up		20,338,515	125,500,017
Short-term borrowings	29	297,981,575	1,750,705,674
Current portion of long-term financing	21	112,811,399	315,833,332
Current portion of lease liabilities	22	13,014,176	9,773,410
Current portion of market committee fee payable	23	3,757,652	3,757,652
Current portion of deferred income - government grant	25	2,409,613	-
Provision for market committee fee	30	43,967,017	37,423,627
Sales tax and federal excise duty payable		107,410,030	91,882,768
		1,111,141,331	3,445,112,834
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		5,200,722,651	6,963,449,324

The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

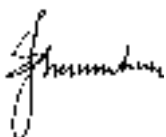
DIRECTOR

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

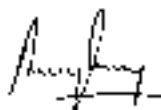
For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
Turnover - gross	32	7,416,618,258	5,931,544,867
Sales tax		(991,942,663)	(619,771,722)
Turnover - net		6,424,675,595	5,311,773,145
Cost of sales	33	(5,960,056,278)	(4,491,460,810)
Gross profit		464,619,317	820,312,335
Distribution costs	34	(47,076,915)	(59,559,302)
Administrative expenses	35	(218,924,611)	(255,031,104)
Other expenses	36	(6,106,252)	(12,711,943)
Other income	37	235,533,192	79,021,066
		(36,574,586)	(248,281,283)
Operating profit		428,044,731	572,031,052
Share of profit from associates – net		76,920,116	324,890,323
Finance costs	38	(342,318,751)	(384,774,303)
Profit before taxation		162,646,096	512,147,072
Taxation	39	(115,619,362)	(108,312,841)
Net profit for the year		47,026,734	403,834,231
Basic and diluted earning per share	40	1.01	8.67

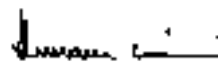
The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



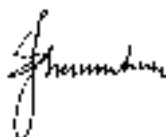
DIRECTOR

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

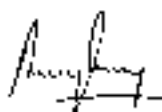
For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
Net profit for the year		47,026,734	403,834,231
Other comprehensive income			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Actuarial gain / (loss) on defined benefit plan	24.1	327,537	(76,634)
Gain / (loss) on disposal of equity instruments designated at fair value through other comprehensive income (net of current tax)		234,060,428	(69,955,468)
Unrealised gain / (loss) on remeasurement of equity instruments designated at fair value through other comprehensive income (net of deferred tax)		9,962,301	(345,568,585)
		244,350,266	(415,600,687)
Total comprehensive income / (loss) for the year - net of tax		291,377,000	(11,766,456)

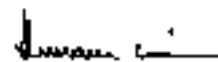
The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

For the year ended September 30, 2020

The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		162,646,096	512,147,072
Adjustments for non-cash charges and other items:			
Depreciation			
- Operating fixed assets	6.1.1	156,919,787	170,873,619
- Right of use assets	7.1	20,904,234	-
Amortization of deferred income - government grant	37	(945,064)	-
Share of profit from associates - net		(76,920,116)	(324,890,323)
Gain on disposal of operating fixed assets		(26,385,910)	(6,668,749)
Finance costs	38	342,318,751	384,774,303
Provision for gratuity	24.1	560,900	450,993
Provision for market committee fee	33	6,543,390	7,022,588
Allowance for expected credit loss on term deposit certificates	36	3,300,000	-
Gain on disposal of equity instruments at fair value through profit or loss	37	(44,877,499)	-
Unrealised gain on remeasurement of equity instruments at fair value through profit or loss	37	(90,245,992)	-
Allowance for expected credit loss on other receivables	16	26,541,037	-
Working capital changes	41	559,689,458	810,923,586
		877,402,976	1,042,486,017
Gratuity paid	24.1	(550,538)	(550,168)
Income taxes paid		(152,204,762)	(92,420,112)
Finance costs paid		(443,022,524)	(308,528,629)
Market committee fee paid	23	(3,757,652)	(3,757,652)
Long term deposits - net		10,000	10,000
Cash flows generated from operating activities		440,523,596	1,149,386,528
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(234,637,056)	(182,157,776)
Proceeds from disposal of operating fixed assets	6.1.2	35,128,152	13,654,215
Investments made		(2,894,979,049)	(879,239,973)
Proceeds from disposal of short-term investments		3,095,640,364	654,815,682
Dividend received	9.2	274,999,983	224,999,987
Cash flows generated from / (used in) investing activities		276,152,394	(167,927,865)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		192,572,078	102,916,668
Short-term borrowings repaid		(1,452,724,099)	(216,187,602)
Lease rentals paid		(21,555,802)	(26,689,289)
Dividends paid		(97,810,957)	(184,468,992)
Cash flows used in financing activities		(1,379,518,780)	(324,429,215)
Net (decrease) / increase in cash and cash equivalents		(662,842,790)	657,029,448
Cash and cash equivalents at the beginning of the year		672,983,635	15,954,187
Cash and cash equivalents at the end of the year	18	10,140,845	672,983,635

The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

1 THE COMPANY AND ITS OPERATIONS

1.1 Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company in December 1965 under the repealed Companies Act, 1913. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in the manufacturing and sale of sugar and its by-products. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

1.2 These unconsolidated financial statements are separate financial statements of the Company in which investments in subsidiary and associates are accounted for on the basis of cost less impairment losses, if any and equity method respectively.

1.3 Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi 14th Floor Dolmen Executive Tower, Marine Drive, Clifton	Head office
Tando Allahyar, Sindh Tando Adam Road Deh Rechal, P.O. Khokhar	Mill Farm

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

2.2 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for short-term investments which are carried at fair value, investment in associates calculated using equity method of accounting, biological assets carried at fair value less costs to sell and staff gratuity carried at present value of defined benefit obligation and market committee fee payable recorded at present value.

3 STANDARDS, AMENDMENTS, INTERPRETATION AND IMPROVEMENTS ADOPTED DURING THE YEAR

3.1 New standards, amendments, interpretation and improvements effective during the year

The Company has adopted the following standards, amendments, interpretation and improvements to IFRSs which became effective for the current year.

Standards, amendments or interpretation;

IFRS 9 - Prepayment Features with Negative Compensation (Amendments);

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Improvements to Accounting Standards issued by the IASB (2015-2017 Cycle)

IFRS 3 - Business Combinations - Previously Held Interest in a Joint Operation;
IFRS 11 - Joint Arrangements - Previously Held Interest in a Joint Operation;
IAS 12 - Income Taxes – Income Tax Consequences of Payment on Financial Instruments Classified as Equity; and
IAS 23 - Borrowing Costs – Borrowing Costs Eligible for Capitalization.

The adoption of the above standards, amendments, interpretation and improvements to accounting standards did not have any material impact on these unconsolidated financial statements except for IFRS 16. The impact of adoption of IFRS 16 is given below:

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on statement of financial position model.

The Company adopted IFRS 16 using the modified retrospective approach with the date of initial application of October 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly the information presented for prior years has not been restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

The new accounting policy in respect of leases is disclosed in note 5.3 to these unconsolidated financial statements. The impact of adoption of IFRS 16 as at October 01, 2019 is summarised below:

	Vehicles Rupees	Farms Rupees	Total Rupees
Assets			
Operating fixed assets - leased	(73,528,534)	-	(73,528,534)
Right-of-use assets	73,528,534	18,624,311	92,152,845
Trade deposits and short-term prepayments	-	(5,230,916)	(5,230,916)
	-	13,393,395	13,393,395
Liabilities			
Liabilities against assets subject to finance leases	(30,365,193)	-	(30,365,193)
Lease liabilities	30,365,193	13,393,395	43,758,588
	-	13,393,395	13,393,395

In respect of vehicles, as before the adoption of IFRS 16, the leases were classified as finance lease applying IAS 17. The carrying amount of right-of-use assets and lease liabilities were recognised at an amount equal to the carrying amount of operating fixed assets - leased and liabilities against assets subject to finance lease respectively, immediately before October 01, 2019 measured applying IAS 17. Therefore, upon first time application of IFRS 16, there is no material impact with respect to recognition and measurement of leased assets (now right-of-use assets) and liabilities against assets subject to finance leases (now lease liabilities).

In respect of farms, the right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for related prepayments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease as at October 01, 2019.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

The impact of adoption of IFRS 16 on unconsolidated statement of profit or loss for the year ended September 30, 2020 is summarized below:

	Rupees
Decrease in rent expenses	(3,268,368)
Increase in depreciation expense	5,829,533
Increase in finance costs	1,335,119
	<u>3,896,284</u>

The lease liabilities as at October 01, 2019 can be reconciled to the operating lease commitments as at September 30, 2019 as follows:

	Rupees
Operating lease commitments as at September 30, 2019	15,687,000
Finance lease obligation commitments as at September 30, 2019	30,365,193
Impact of discounting	(2,118,845)
Short-term leases	(174,760)
Total lease liability as at October 01, 2019	<u>43,758,588</u>

Average incremental borrowing rate as at October 01, 2019	<u>14.00%</u>
--	---------------

3.2 Standards and amendments to approved accounting standards that are not yet effective

The following standards and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards:

Amendments		Effective Date (annual periods beginning on or after)
IFRS 3 IFRS 9 / IAS 39 / IFRS 7	Definition of a Business (Amendments)	01 January 2020
IAS 1 / IAS 8 IFRS 9 / IAS 39 / IFRS 7 / IFRS 4 / IFRS 16	Interest Rate Benchmark Reform (Amendments)	01 January 2020
IFRS 3 IAS 16	Definition of Material (Amendments)	01 January 2020
IFRS 3 IAS 16	Interest Rate Benchmark Reform - Phase 2 (Amendments)	01 January 2021
IAS 16	Reference to the Conceptual Framework (Amendments)	01 January 2022
IAS 37	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
IAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2022
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	01 January 2023
		Not yet finalized
		IASB effective date (annual periods beginning on or after)

Improvements to accounting standards issued by the IASB (2018 – 2020 cycle)

IFRS 9	Financial Instruments - Fee in the '10 percent' test for the derecognition of financial liabilities	01 January 2022
IAS 41	Agriculture - Taxation in fair value measurement	01 January 2022

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards		IASB effective date (annual periods beginning on or after)
IFRS 1	First time adoption of IFRSs	01 January 2004
IFRS 17	Insurance Contracts	01 January 2023

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's unconsolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgments and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the unconsolidated financial statements:

4.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation and useful life used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

4.2 Allowance for expected credit loss

The Company uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss pattern. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic condition. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in future. The information about the ECLs on the Company's financial assets exposed to credit risk is disclosed in Note 45.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

4.3 Inventories

The Company reviews the net realisable value (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4.4 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

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

4.5 Employees' benefits

Certain actuarial assumptions have been adopted as disclosed in note 24.2 to the financial statement for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases and mortality rates.

4.6 Biological assets

The Company reviews the fair value of biological assets to assess changes in fair value less cost to sell during a period. Agriculture produce is measured at fair value less cost to sell at the point of harvest because harvested produce is a marketable commodity as there is no "measurement reliability" exception for produce.

4.7 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

4.8 Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses if any except for freehold land, which is stated at cost less any impairment value.

Depreciation is charged to the unconsolidated statement of profit or loss using the reducing balance method, at the rates specified in note 6.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

The carrying values of the Company's operating fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Repairs and maintenance cost is written off to the unconsolidated statement of profit or loss in the year in which it is incurred. Major renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the Company.

An item of operating fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of operating fixed assets is recognised in the period of disposal.

Capital work-in-progress

These are stated at cost less accumulated impairment, if any, and represent expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for their intended use.

5.2 Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless, the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method. Right-of-use assets are subject to impairment.

5.3 Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments represent fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees wherever applicable. Wherever applicable, the lease payments may also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

5.4 Investments

Subsidiary

This is stated at cost. Provision is made for permanent impairment in the value of investment, if any.

Associates

Investment in associates are accounted for using equity method of accounting. Investments over which the Company has "significant influence" are accounted for under this method i.e., investments to be carried at the reporting date at cost plus post-acquisition changes in the share of net assets of associates, less any impairment in value, if material. The unconsolidated statement of profit or loss reflects the Company's share of the results of operations of associates after the date of acquisition.

As the financial statements of all the associates may not necessarily be available at the year end, the Company uses the financial statements of the associates with a lag of three months for applying the equity method of accounting. Further, the Company considers the investment in associates as strategic investment.

5.5 Biological assets

These are measured at fair value less costs to sell on initial recognition and at each reporting date. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the reporting date is included in the unconsolidated statement of profit or loss for the period in which it arises.

To ascertain the fair value of the biological assets, the fair value less estimated point-of-sale costs of crops at the end of each reporting period is determined using prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets. Since, there exists an active market for the agricultural produce, the estimated selling price is obtained using the observable inputs and the estimated selling costs are the harvesting charges farmer takes for cutting the crop.

5.6 Stores and spare parts

Stores, spares and consumables are stated cost less provision for slow moving and obsolete items, if any. Cost is determined by the weighted moving average cost method. Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

5.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and sell.

Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

5.8 Trade debts, loans and advances, trade deposits and short-term prepayments and other receivables

Trade debts, loans and advances, trade deposits and short-term prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses where applicable, if any. Allowance for expected credit loss is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans and advances, trade deposits and short-term prepayments and other receivables. Bad debts, if any, are written off as and when considered irrecoverable.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

5.9 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current accounts held with banks, which are subject to insignificant risk of change. These are carried at cost.

5.10 Employees' benefits

Gratuity

The Company operates an unfunded gratuity scheme for its permanent mill employees. An actuarial valuation of all defined benefit scheme is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the unconsolidated statement of comprehensive income.

All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or termination benefits.

Provident fund

The Company operates a recognised provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the fund by the Company and employees in accordance with the fund's rules. Contributions are made by the employees at mill and the employees at head office at the rate of 11% and 10% respectively, of the aggregate of basic salary.

Investments made in provident fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder.

Compensated absences

The Company accrues its liability towards leaves accumulated by employees on an accrual basis using current salary level.

5.11 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with Income Tax Ordinance, 2001. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to the unconsolidated statement of profit or loss except to the extent it relates to items recognised directly in other comprehensive income in which case it is recognised in the unconsolidated statement of comprehensive income.

Deferred

Deferred tax is recognised using the liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Deferred tax relating to items recognised outside consolidated statement of profit or loss is recognised outside consolidated statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in consolidated statement of comprehensive income or directly in equity.

5.12 Trade and other payables

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

5.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event if 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 reviewed at each reporting date and adjusted to reflect the current best estimate.

5.14 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and 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
- there is present 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.

5.15 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

5.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

5.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'Solely Payments of Principal and Interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the unconsolidated statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. This category is applied to equity instruments disclosed in note 17.2 to these unconsolidated financial statements, where the Company elected the irrevocable option.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Financial assets at fair value through profit or loss are carried in the unconsolidated statement of financial position at fair value with net changes in fair value recognised in the unconsolidated statement of profit or loss. This category is applied to equity instruments disclosed in note 17.3 to these unconsolidated financial statements which are held for trading.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's unconsolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Allowance for expected credit loss - note 4.2
- Trade debts - note 13

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss. For more information, refer to notes 21 & 29.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.18 Revenue from contracts with customers

The Company is in the business of sale of goods. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Performance obligations held by the Company are not separable, and are not partially satisfied, since they are satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

The Company recognizes trade debts when the performance obligations have been met, recognizing the corresponding revenue. Moreover, the considerations received before satisfying the performance obligations are recognized as contract liabilities (advances from customers).

Dividend income is recognised when the right to receive dividend is established.

Income from sale of electricity is recognised upon the output delivered at rates specified under the agreement with the Hyderabad Electricity Supply Company (HESCO).

Farm and other income is recognised on an accrual basis.

5.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the unconsolidated financial statements in the period in which these are approved. However, if these are approved after the reporting period but before the unconsolidated financial statements are authorised for issue, disclosure is made in the unconsolidated financial statements.

5.20 Operating segment

For management purposes, the activities of the Company are organized into one operating segment i.e., manufacturing, marketing and sale of sugar. The Company operates in the said reportable operating segment based on the nature of products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in these unconsolidated financial statements are related to the Company's only reportable segment.

5.21 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

Following accounting policy was effective for the period ended on or before September 30, 2019.

5.22 Leased assets

Leases, recorded under the requirements of IAS 17 – "Leases", which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Assets acquired under finance lease are depreciated using the same basis as for owned assets.

6	PROPERTY, PLANT AND EQUIPMENT	Note	2020 Rupees	2019 Rupees
	Operating fixed assets	6.1	2,098,419,192	2,064,953,414
	Capital work-in-progress	6.2	92,721,361	125,729,954
			<u>2,191,140,553</u>	<u>2,190,683,368</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

6.1 Operating fixed assets

Description	COST				ACCUMULATED DEPRECIATION				BOOK VALUE	Dep. Rate
	At October 01, 2019	Impact of initial application of IFRS 16 (note 3.1)	Additions / *transfers from capital work-in-progress/ **transfers from right-of-use assets / (deletions)	At September 30, 2020	At October 01, 2019	Impact of initial application of IFRS 16 (note 3.1)	Charge for the year (note 6.1.1) / **transfers from right-of-use assets / (deletions)	At September 30, 2020	At September 30, 2020	
	Rupees									%
Owned										
Freehold land	83,394,207	-	-	83,394,207	-	-	-	-	83,394,207	-
Buildings on freehold land										
- Factory	300,937,867	-	*16,160,196	317,098,063	162,051,959	-	14,696,602	176,748,561	140,349,502	10%
- Non-factory	50,996,147	-	627,225	51,623,372	19,528,372	-	1,576,002	21,104,374	30,518,998	5%
Plant, machinery and equipment (refer note 6.2)	2,897,670,979	-	22,999,894	3,118,331,019	1,262,419,868	-	131,816,181	1,377,867,356	1,740,463,663	7.50%
			*217,535,446 (19,875,300)				(16,368,693)			
Furniture and fittings	8,976,353	-	200,000	9,176,353	4,646,069	-	434,695	5,080,764	4,095,589	10%
	17,642,933	-	202,000	17,400,433	14,206,699	-	680,595	14,667,737	2,732,696	
Vehicles			**13,243,600 (13,688,100)				**8,232,908 (8,452,465)			20%
Office premises	85,022,551	-	-	85,022,551	26,258,303	-	2,938,212	29,196,515	55,826,036	5%
Office equipment	6,272,547	-	170,000	6,442,547	3,856,901	-	247,232	4,104,133	2,338,414	10%
Electric installation	27,596,079	-	4,877,540	32,473,619	9,648,037	-	2,133,787	11,781,824	20,691,795	10%
Weighbridge and scales	4,561,889	-	-	4,561,889	1,990,531	-	257,136	2,247,667	2,314,222	10%
Workshop tools and other equipment	6,341,923	-	-	6,341,923	5,148,831	-	119,309	5,268,140	1,073,783	10%
Computers	12,771,389	-	1,809,901	14,581,290	10,637,305	-	968,141	11,605,446	2,975,844	30%
Air conditioners and refrigerators	16,683,769	-	3,063,447	19,747,216	7,050,878	-	1,051,895	8,102,773	11,644,443	10%
	3,518,868,633	-	33,950,007	3,766,194,482	1,527,443,753	-	156,919,787	1,667,775,290	2,098,419,192	
			*233,695,642				-			
			**13,243,600 (33,563,400)				**8,232,908 (24,821,158)			
Leased										
Vehicles	150,338,990	(150,338,990)	-	-	76,810,456	(76,810,456)	-	-	-	20%
	3,669,207,623	(150,338,990)	33,950,007	3,766,194,482	1,604,254,209	(76,810,456)	156,919,787	1,667,775,290	2,098,419,192	
			*233,695,642				-			
			**13,243,600 (33,563,400)				**8,232,908 (24,821,158)			
2020	3,669,207,623	(150,338,990)	247,325,849	3,766,194,482	1,604,254,209	(76,810,456)	140,331,537	1,667,775,290	2,098,419,192	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Description	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Dep. Rate
	At October 01, 2018	Additions / *transfers from capital work-in-progress/ **transfers from leased assets / (deletions)	At September 30, 2019	At October 01, 2018	Charge for the year (note 6.1.1) / (deletions)	At September 30, 2019	At September 30, 2019	
	Rupees							%
Owned								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	294,286,575	*6,651,292	300,937,867	146,804,949	15,247,010	162,051,959	138,885,908	10%
- Non-factory	50,996,147	-	50,996,147	17,872,173	1,656,199	19,528,372	31,467,775	5%
Plant, machinery and equipment (refer note 6.2)	2,751,051,403	28,118,001 *119,671,803 (1,170,228)	2,897,670,979	1,134,038,372	129,044,895 (663,399)	1,262,419,868	1,635,251,111	7.50%
Furniture and fittings	8,976,353	-	8,976,353	4,164,926	481,143	4,646,069	4,330,284	10%
Vehicles	18,750,233	1,071,600 **14,625,600 (16,804,500)	17,642,933	15,064,357	828,617 **8,639,588 (10,325,863)	14,206,699	3,436,234	20%
Office premises	85,022,551	-	85,022,551	23,165,448	3,092,855	26,258,303	58,764,248	5%
Office equipment	6,272,547	-	6,272,547	3,588,496	268,405	3,856,901	2,415,646	10%
Electric installation	24,994,502	2,601,577	27,596,079	7,751,521	1,896,516	9,648,037	17,948,042	10%
Weighbridge and scales	4,561,889	-	4,561,889	1,704,825	285,706	1,990,531	2,571,358	10%
Workshop tools and other equipment	6,341,923	-	6,341,923	5,016,265	132,566	5,148,831	1,193,092	10%
Computers	12,213,889	557,500	12,771,389	9,838,286	799,019	10,637,305	2,134,084	30%
Air conditioners and refrigerators	15,124,903	1,558,866	16,683,769	6,075,786	975,092	7,050,878	9,632,891	10%
	3,361,987,122	33,907,544 *126,323,095 *14,625,600 (17,974,728)	3,518,868,633	1,375,085,404	154,708,023 (10,989,262) **8,639,588	1,527,443,753	1,991,424,880	
Leased								
Vehicles	146,907,590	18,057,000 **14,625,600	150,338,990	69,284,448	16,165,596 **8,639,588	76,810,456	73,528,534	20%
	3,508,894,712	51,964,544 *126,323,095 **14,625,600 (17,974,728) **126,323,095	3,669,207,623	1,444,369,852	170,873,619 (10,989,262) **8,639,588 **8,639,588	1,604,254,209	2,064,953,414	
2019	3,508,894,712	160,312,911	3,669,207,623	1,444,369,852	159,884,357	1,604,254,209	2,064,953,414	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
6.1.1 Depreciation charge for the year has been allocated as follows			
Cost of sales	33	150,599,017	148,262,892
Administrative expenses	35	6,320,770	22,610,727
		156,919,787	170,873,619

6.1.2 The following operating fixed assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser	Relationship with purchaser
	(Rupees)							
Plant, machinery and equipment								
1.5 MW Turbine	19,875,300	16,368,693	3,506,607	22,500,000	18,993,393	Negotiation	Adamjee Insurance	Vendor
Vehicles								
Mercedes Benz	7,300,000	4,055,556	3,244,444	8,125,000	4,880,556	Negotiation	Sam Automobile	Vendor
Toyota Corolla XLI	1,627,500	1,126,977	500,523	1,116,123	615,600	Negotiation	Sam Automobile	Vendor
Other assets with book value less than Rs. 500,000 each	4,760,600	3,269,932	1,490,668	3,387,029	1,896,361			
TOTAL	33,563,400	24,821,158	8,742,242	35,128,152	26,385,910			

6.1.3 Particulars of immovable assets of the Company are as follows:

Particulars	Usage of Property	Address	Covered Area (Sq. ft.)
Freehold land	Mill	Tando Adam road , Tando Allahyar	5.5 million
Office premises	Registered Office	14th Floor Dolmen Executive Tower, Dolmen City, Marine Drive, Clifton, Karachi	5,850
Building on freehold land	Office at mill	Tando Adam road , Tando Allahyar	-
		Buildings on freehold land	Plant, machinery and equipment
		Total	
		----- Rupees -----	

6.2 Capital work-in-progress

Balance as at September 30, 2018	29,674,409	74,128,408	103,802,817
Capital expenditure incurred / advances made during the year	6,532,802	141,717,430	148,250,232
Transferred to operating fixed assets	(6,651,292)	(119,671,803)	(126,323,095)
Balance as at September 30, 2019	29,555,919	96,174,035	125,729,954
Capital expenditure incurred / advances made during the year	9,423,591	191,263,458	200,687,049
Transferred to operating fixed assets	(16,160,196)	(217,535,446)	(233,695,642)
Balance as at September 30, 2020	22,819,314	69,902,047	92,721,361

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
7 RIGHT-OF-USE ASSETS			
Balance at the beginning of the year		-	-
Impact of initial application of IFRS 16 as at October 01, 2019	3.1	92,152,845	-
Additions during the year		14,284,100	-
Transferred to operating fixed assets during the year	6.1	(5,010,693)	-
Depreciation charged during the year	7.1	(20,904,234)	-
Balance at the end of the year		80,522,018	-
Depreciation rate for the following are as follows:			
Vehicles		20%	-
Farms		32%	-
7.1 Depreciation charge for the year has been allocated as follows:			
Administrative expenses	35	20,904,234	-
		2020 Rupees	2019 Rupees
8 LONG-TERM RECEIVABLE			
Tender earnest money		1,000,000	1,000,000
Down payment		33,125,000	33,125,000
Other costs		8,385,996	8,385,996
	8.1	42,510,996	42,510,996
Allowance for expected credit loss (ECL)		(42,510,996)	(42,510,996)
		-	-
8.1	Represents down payment made in respect of purchase of Thatta Sugar Mills (the Mill) and other costs incurred in running the Mill from November 1992 up to July 1993, when the Mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs. 402 million against the Company. The case is currently pending in the Honorable High Court of Sindh (the Court) for recording of evidences. While the Company's suit for recovery of compensation is pending in the Court, the GoS invited bids for the sale of the Mill through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The Company has made provision against the aforesaid receivable of Rs. 42.510 million as a matter of prudence and the fact that the debt is outstanding for a considerable period.		
9 LONG TERM INVESTMENTS	Note	2020 Rupees	2019 Rupees
Subsidiary			
Mehran Energy Limited (MEL)			
4,000,000 (2019: 4,000,000) ordinary shares of Rs. 10 each	9.1	40,000,000	40,000,000
% of holding: 100% (2019: 100%)			
Advance against right issue of shares		2,398,289	2,199,839
		42,398,289	42,199,839

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
Associates			
Unicol Limited (UL)			
49,999,997 (2019: 49,999,997) ordinary shares of Rs.10 each			
% of holding: 33.33% (2019: 33.33%)			
	9.2	1,076,575,935	1,176,986,929
UniEnergy Limited (UEL)			
1,999,998 (2019: 1,999,998) ordinary shares of Rs. 10 each			
% of holding: 20% (2019: 20%)			
	9.3	20,059,665	19,852,179
UniFoods Industries Limited (UFL)			
31,745,600 (2019: 23,959,200) ordinary shares of Rs. 10 each			
% of holding: 24% (2019: 24%)			
	9.4	96,612,956	123,335,715
		1,193,248,556	1,320,174,823
		1,235,646,845	1,362,374,662

- 9.1** MEL is in a start-up phase and has not commenced its commercial operations. The principal activities of the MEL will be to build, operate and maintain a 26.5 MW high pressure co-generation bagasse based power plant for the generation and supply of electric power in relation thereof. MEL obtained letter of Intent (LOI) from the Government of Sindh (GOS) on November 07, 2016. The Company, along with other sugar based power projects are currently undergoing litigation at different levels. Central Power Purchasing Authority (CPPA) has also filed an appeal in Islamabad High Court against the decision of NEPRA, which is pending adjudication. The management of the Company is confident that petition will be decided in favour of the Company and MEL will secure the project on the allocated tariffs to start its commercial operations accordingly.
- 9.2** UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (Co2). The summarised financial information of UL is as follows:

	2020 Rupees	2019 Rupees
Aggregate amount of:		
- assets	5,701,410,000	5,868,887,000
- liabilities	2,471,682,000	2,337,926,000
- revenue	5,823,337,000	5,501,600,000
- profit after taxation	523,767,000	1,109,767,900

Movement of investment is as follows:

Opening balance	1,176,986,929	1,022,228,271
Share of profit – net of tax	174,588,989	379,758,645
	1,351,575,918	1,401,986,916
Dividend received during the year	(274,999,983)	(224,999,987)
	1,076,575,935	1,176,986,929

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

- 9.3** UEL is incorporated in Pakistan as a public unlisted company with its registered office situated at 1st Floor, Modern Motors House, Beaumont Road, Karachi. The principal activity of UEL will be to build, operate and maintain wind power generating project of 50 Mega Watts for the generation and supply of electric power in relation thereof, however, it is in start-up phase and has not commenced its operations. The summarised financial information of UEL is as follows:

Aggregate amount of:	2020 Rupees	2019 Rupees
- assets	103,608,226	102,346,147
- liabilities	3,309,805	3,085,157
- profit after taxation	1,037,430	50,443

Movement of investment is as follows:

Opening balance	19,852,179	19,842,090
Share of profit	207,486	10,089
	20,059,665	19,852,179

- 9.4** UFL was incorporated in Pakistan as a public unlisted company on 01 September 2016 with its registered office situated at 2nd Floor, Bank House No. 1, Habib Square, M.A Jinnah Road, Karachi. The Company is still in its start-up phase and yet to achieve its full potential operational capacity. The principal activity is manufacture, sell and distribution of bakery and confectionery items. The summarised financial information of UFL is as follows:

Aggregate amount of:	2020 Rupees	2019 Rupees
- assets	1,107,444,874	1,218,130,489
- liabilities	717,100,177	727,878,124
- revenue	657,203,820	375,663,332
- loss after taxation	(388,263,223)	(417,062,592)

Movement of investment is as follows:

Opening balance	123,335,715	106,622,126
Investment made during the year - right issue	71,153,600	71,592,000
Share of loss – net	(97,876,359)	(54,878,411)
	96,612,956	123,335,715

- 9.5** The investments in associated companies or undertakings are strategic investments and have been made in accordance with the requirements under the Act.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

10	BIOLOGICAL ASSETS	Note	2020 Rupees	2019 Rupees
	Carrying value at beginning of the year		15,245,232	8,785,700
	Increase due to cultivation	37.1	4,889,654	10,655,745
	Change in fair value less costs to sell of standing crop		11,731,820	4,589,487
			<u>31,866,706</u>	<u>24,030,932</u>
	Reduction due to harvesting	37.1	(15,245,232)	(8,785,700)
	Carrying value at the end of the year	10.1	<u>16,621,474</u>	<u>15,245,232</u>
10.1	The Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Company harvested 82,376 (2019: 31,802) maunds sugarcane at the yield of 465 (2019: 374) maunds per acre. Approximately 57,640 (2019: 18,121) maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.			
11	STORES AND SPARE PARTS	Note	2020 Rupees	2019 Rupees
	Stores		33,955,679	32,972,612
	Spare parts		76,387,049	69,450,569
			<u>110,342,728</u>	<u>102,423,181</u>
12	STOCK-IN-TRADE			
	Sugar			
	- Work-in-process		3,832,446	2,589,011
	- Finished goods	12.1	41,199,027	1,044,506,932
	Bagasse			
	- Finished goods	12.1	15,750,000	13,500,000
			<u>60,781,473</u>	<u>1,060,595,943</u>
12.1	As of the reporting date, all finished goods are carried at cost (being the lower of cost and NRV).			
13	TRADE DEBTS – unsecured	Note	2020 Rupees	2019 Rupees
	Considered good		18,205,601	79,134,253
	Considered doubtful		16,987,867	16,987,867
			<u>35,193,468</u>	<u>96,122,120</u>
	Allowance for expected credit loss	13.1	(16,987,867)	(16,987,867)
		13.2	<u>18,205,601</u>	<u>79,134,253</u>
13.1	Includes an amount of Rs. 14.519 million due from the Government of Sindh (GoS) which was withheld by the GoS from the bills raised by the Company during the years 1981 to 1983, on account of a dispute regarding the quality of sugar. Consequently, the Company has withheld mark-up due to the GoS, amounting to Rs. 6.192 million. Since then, the matter is under litigation and pending before the Court. The said amount has been fully provided as a matter of prudence as the case is pending for a considerable long period.			

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	2020 Rupees	2019 Rupees
13.2 The aging of trade debts is as follows:		
Neither past due nor impaired	14,285,254	79,134,253
Past due but not impaired (within 90 days)	1,211,854	-
Past due but not impaired (90 days - 210 days)	2,708,493	-
	<u>18,205,601</u>	<u>79,134,253</u>

13.3 The maximum aggregate amount due from related parties at any time during the year calculated by reference to month-end balances is as follows:

	Note	2020 Rupees	2019 Rupees
Unicol Limited		<u>51,819,026</u>	<u>35,504,824</u>

14 LOANS AND ADVANCES – considered good

Loans to employees	3,297,329	4,163,174
--------------------	-----------	-----------

Advances

- to suppliers	31,823,464	27,196,576
- to cane growers	8,207,008	24,593,826
- to employees against expenses (as per HR policy)	2,946,363	11,636,064
- against sales tax	-	49,101,000
	<u>42,976,835</u>	<u>112,527,466</u>
	<u>46,274,164</u>	<u>116,690,640</u>

15 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits

Considered good	358,640	358,640
Considered doubtful	8,196,113	8,196,113
	<u>8,554,753</u>	<u>8,554,753</u>
Allowance for expected credit loss	15.1 (8,196,113)	(8,196,113)
	<u>358,640</u>	<u>358,640</u>

Short-term prepayments

Considered good	3,999,581	8,900,884
	<u>4,358,221</u>	<u>9,259,524</u>

15.1 Represents amount paid by the Company during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Company, as fully described in note 31.1 (ii) to these unconsolidated financial statements. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
16 OTHER RECEIVABLES – considered good			
Subsidy receivable	16.1	304,117,888	304,117,888
Allowance for expected credit loss	33	(26,541,037)	-
		<u>277,576,851</u>	<u>304,117,888</u>
Due from related parties:			
Pakistan Molasses Company (Private) Limited		569,807	782,873
Mogul Tobacco Company (Private) Limited		197,008	242,849
	16.2	<u>766,815</u>	<u>1,025,722</u>
Others		49,000	12,417,565
		<u>278,392,666</u>	<u>317,561,175</u>

- 16.1** Represents subsidy receivable from Provincial Government amounting to Rs. 299.300 million (2019: Rs. 299.300 million) and Rs. 4.817 million (2019: Rs. 4.187 million) from Federal Government with respect to cash freight support on export sales.

	2020 Rupees	2019 Rupees
16.2 The ageing analysis of balances due from related parties is as follows:		
Neither past due nor impaired	<u>766,815</u>	<u>1,025,722</u>

- 16.3** The maximum aggregate amount due from related parties at any time during the year calculated by reference to month-end balances is as follows:

	Note	2020 Rupees	2019 Rupees
Pakistan Molasses Company (Private) Limited		<u>569,807</u>	<u>804,911</u>
Mogul Tobacco Company (Private) Limited		<u>360,340</u>	<u>828,915</u>

17 SHORT-TERM INVESTMENTS

Amortised cost

Term deposit certificates		3,300,000	3,300,000
Allowance for expected credit loss	36	(3,300,000)	-
		<u>-</u>	<u>3,300,000</u>

Fair value through other comprehensive income (FVOCI)

Equity securities	17.1	<u>144,174,790</u>	<u>992,083,024</u>
-------------------	------	--------------------	--------------------

Fair value through profit or loss (FVPL)

Equity securities	17.2	<u>963,907,880</u>	<u>-</u>
		<u>1,108,082,670</u>	<u>992,083,024</u>
		<u>1,108,082,670</u>	<u>995,383,024</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

17.1 Fair value through other comprehensive income (FVOCI)

2020 Number of shares	2019	Quoted companies	2020 Rupees	2019 Rupees
-	100,000	Allied Bank Limited	-	8,677,000
-	200,000	Amreli Steel Limited	-	4,362,000
-	200,000	Bank Al Falah Limited	-	8,188,000
765,000	2,315,000	Bank Al Habib Limited	49,396,050	154,665,150
-	2,000,000	Bank of Punjab	-	17,440,000
-	107,400	Bestway Cement Limited	-	9,024,822
-	1,900,000	Cherat Cement Company Limited	-	53,542,000
-	235,900	Cherat Packaging Limited	-	15,618,939
-	2,251,000	D.G.K.Cement Limited	-	108,813,340
-	300,000	Engro Fertilizers Limited	-	20,469,000
130,000	268,000	Faran Sugar Mills Limited	6,500,000	9,782,000
-	500,000	Habib Bank Limited	-	59,085,000
-	60,000	Hub Power Company Limited	-	4,245,000
-	22,500	Indus Motors Limited	-	21,743,550
-	1,740,000	International Steel Limited	-	69,147,600
77,150	77,150	JDW Sugar Mills Limited	16,756,980	24,610,850
134,580	140,800	Jubilee Life Insurance Company Limited	59,771,015	44,352,000
-	57,000	Lucky Cement Limited	-	19,501,410
-	20,000	Mari Petroleum Company Limited	-	17,983,201
-	545,000	MCB Bank Limited	-	92,415,650
-	1,400,000	Meezan Bank Limited	-	100,856,000
163,500	163,500	Noon Sugar Mills Limited	11,750,745	8,381,012
-	100,000	Pak Elektron Limited	-	1,684,000
-	850,000	United Bank Limited	-	117,495,500
			144,174,790	992,083,024

17.2 Fair value through profit or loss (FVPL)

2020 Number of shares	2019	Quoted companies	2020 Rupees	2019 Rupees
1,500,000	-	Aisha Steel Mills Limited	23,580,000	-
500,000	-	Amreli Steel Limited	21,885,000	-
560,000	-	Bank Al Habib Limited	36,159,200	-
2,000,000	-	Bank of Punjab	19,760,000	-
400,000	-	Cherat Cement Company Limited	46,704,000	-
1,050,000	-	D.G.K.Cement Limited	108,265,500	-
32,000	-	Faran Sugar Mills Limited	1,600,000	-
500,000	-	Gul Ahmed Textile Mills Limited	18,660,000	-
700,000	-	Habib Bank Limited	91,518,000	-
40,000	-	Highnoon Laboratories Limited	24,560,000	-
200,000	-	Hub Power Company Limited	15,692,000	-
15,000	-	Indus Motors Limited	19,202,100	-
50,000	-	International Steel Limited	3,852,000	-
105,420	-	Jubilee Life Insurance Company Limited	46,820,185	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

2020 Number of shares	2019	Quoted companies	2020 Rupees	2019 Rupees
100,000	-	Kohinoor Textile Mills Limited	5,411,000	-
200,000	-	Lucky Cement Limited	129,414,000	-
1,000,000	-	Maple Leaf Cement Factory Limited	35,890,000	-
400,000	-	MCB Bank Limited	69,528,000	-
825,000	-	Meezan Bank Limited	67,823,250	-
150,000	-	Mughal Iron & Steel Industries Limited	9,642,000	-
150,000	-	Nishat Mills Limited	15,160,500	-
108,500	-	Noon Sugar Mills Limited	7,797,895	-
150,000	-	Pakistan Petroleum Limited	13,809,000	-
100,000	-	Pioneer Cement Limited	9,070,000	-
100,000	-	Shahmurad Sugar Mills Limited	10,003,000	-
250,000	-	Sui Northern Gas Pipelines Limited	15,452,500	-
5,000	-	Systems Limited	1,360,200	-
35,000	-	Thal Limited	14,711,550	-
700,000	-	United Bank Limited	80,577,000	-
			<u>963,907,880</u>	<u>-</u>

18 CASH AND BANK BALANCES

Cash in hand	66,813	121,394
Cash with banks - current accounts		
- Local	4,625,566	667,732,725
- Foreign	5,448,466	5,129,516
	<u>10,074,032</u>	<u>672,862,241</u>
	<u>10,140,845</u>	<u>672,983,635</u>

19 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2020 (Number of shares)	2019	Ordinary shares of Rs.10/- each issued as:	2020 Rupees	2019 Rupees
6,318,750	6,318,750	fully paid in cash	63,187,500	63,187,500
40,278,702	34,200,774	bonus shares	402,787,020	342,007,740
<u>46,597,452</u>	<u>40,519,524</u>		<u>465,974,520</u>	<u>405,195,240</u>

19.1 The voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of the shareholders.

2020 Rupees	2019 Rupees
Capital reserve	
Share premium	63,281,250
Revenue reserves	
General reserve	85,000,000
Unappropriated profits	2,099,148,776
	<u>2,184,148,776</u>
Other components of equity	
Actuarial gains on defined benefit plan	2,695,731
FV reserve of financial assets at FV through OCI	(240,424,147)
	<u>2,009,701,610</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
21 LONG TERM FINANCING – secured			
From banking companies		1,160,625,000	1,051,664,175
Financing under refinance scheme for salaries and wages	21.1 & 21.3	78,005,039	-
	21.1	1,238,630,039	1,051,664,175
Current portion		(112,811,399)	(315,833,332)
		<u>1,125,818,640</u>	<u>735,830,843</u>

21.1	From banking companies	Installments		Mark-up	2020 Rupees	2019 Rupees
		Number	Commencing from			
	Bank Islami Pakistan Limited	24 quarterly	Jan-15	3 months KIBOR plus 1.25% per annum	-	10,414,173
	Bank Al Habib Limited	20 quarterly	May-16	6 months KIBOR plus 0.8% per annum	-	25,000,000
	Bank Al Habib Limited	20 quarterly	Dec-15	3 months KIBOR plus 0.8% per annum	70,000,000	90,000,000
	Bank Al Habib Limited	20 quarterly	Jan-19	3 months KIBOR plus 1% per annum	240,625,000	306,250,002
	Bank Al Habib Limited	20 quarterly	Oct-19	3 months KIBOR plus 1% per annum	150,000,000	-
	MCB Bank Limited	8 quarterly	Apr-20	SBP+1%	78,005,039	-
	Bank Al Falah Limited	20 quarterly	Feb-18	6 months KIBOR plus 0.5% per annum	150,000,000	195,000,000
	Allied Bank Limited	20 quarterly	Jul-19	3 months KIBOR plus 0.4% per annum	350,000,000	425,000,000
	MCB Bank Limited	20 quarterly	Jul-19	3 months KIBOR plus 0.4% per annum	200,000,000	-
					<u>1,238,630,039</u>	<u>1,051,664,175</u>

21.2 The above facilities are secured by way of first pari passu charge over plant and machinery of the Company amounting to Rs. 1,935 million (2019: Rs. 1,761 million). The unutilized long term financing facility as at the reporting date is Rs. 696 million (2019: Rs. Nil).

21.3 Represents financing obtained from a commercial bank under the refinance scheme for payment of wages and salaries introduced by State Bank of Pakistan carrying mark-up at the rate of 1% per annum. The loan along with the markup is repayable in 8 equal quarterly installments commencing from January 2021. The facility is secured by way of first pari-passu hypothecation charge over current assets and fixed assets. The total facility of the loan amounted to Rs. 120 million (2019: Nil) out of which Rs. 36.4 million (2019: Nil) remained unutilized as at the reporting date.

This loan is initially recorded at present value discounted at the effective interest rate i.e. 3 months KIBOR + 1% and the difference of the actual proceeds and present value is recognized as a deferred income - government grant. The purpose of the government grant is to facilitate the Company in making timely payments of salaries and wages to their employees in light of the COVID-19 pandemic. The grant is conditional upon the fact that the Company would not lay off, terminate employee or other wise dismiss any employee for a period of atleast three months from the date of receipt of the first tranche, except in the event of disciplinary action.

	Note	2020 Rupees	2019 Rupees
22 LEASE LIABILITIES – secured			
The maturity analysis of lease liabilities as at the reporting date is as follows:			
Lease liabilities		42,271,710	30,365,193
Current portion of lease liabilities		(13,014,176)	(9,773,410)
	22.1	<u>29,257,534</u>	<u>20,591,783</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	September 30, 2020			September 30, 2019		
	Vehicles	Rupees Farms	Total	Vehicle	Rupees Farms	Total
22.1 Movement of lease liabilities:						
Balance at the beginning of the period / year	30,365,193	-	30,365,193	38,997,482	-	38,997,482
Impact of initial application of IFRS 16 as at October 01, 2019 (note 4)	-	13,393,395	13,393,395	-	-	-
Additions during the period / year	14,284,100	-	14,284,100	18,057,000	-	18,057,000
Finance cost during the period / year	4,449,705	1,335,119	5,784,824	3,620,237	-	3,620,237
Payments during the period / year	(16,326,802)	(5,229,000)	(21,555,802)	(30,309,526)	-	(30,309,526)
Balance at the end of the year	32,772,196	9,499,514	42,271,710	30,365,193	-	30,365,193
Current portion of lease liabilities	(8,575,151)	(4,439,025)	(13,014,176)	(9,773,410)	-	(9,773,410)
	24,197,045	5,060,489	29,257,534	20,591,783	-	20,591,783

22.2 Expenses relating to short-term leases amounted to Rs. 174,760 (September 30, 2019: Nil).

	Note	2020 Rupees	2019 Rupees
23 MARKET COMMITTEE FEE PAYABLE			
Market committee fee payable		32,434,412	27,140,002
Current portion of market committee fee payable		(3,757,652)	(3,757,652)
	23.1	28,676,760	23,382,350

23.1 During the year ended September 30, 2014, the Company entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs. 32.7 million. Further, the Company also entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs. 47.329 million. As per the settlement terms, the above amount is now payable in various yearly installments.

	Note	2020 Rupees	2019 Rupees
24 DEFERRED LIABILITIES			
Staff gratuity	24.1	4,445,294	4,762,469

24.1 Staff gratuity

Opening balance	4,762,469	4,785,010
Expense for the year	560,900	450,993
Benefits paid during the year	(550,538)	(550,168)
Actuarial (gain) / loss on remeasurement	(327,537)	76,634
Closing balance	4,445,294	4,762,469

	2020	2019
24.2 Principal actuarial assumptions		

Financial assumptions

Discount rate	8.50%	12.50%
Expected rate of increase in salary level	8.50%	12.50%

Demographic assumptions

Expected mortality rate	SLIC 2001-05	SLIC 2001-05
Expected withdrawal rate	Low	Low
Long term salary increase rate	8.50%	12.50%

For the year ended September 30, 2020

The amount of the defined benefit obligation after changes in the weighted principal assumptions is as follows:

24.4 Maturity profile

Below is the maturity profile based on the undiscounted payments:

Year 1	760,952	1,050,478
Year 2	487,507	323,130
Year 3	997,675	552,109
Year 4	928,478	1,160,470
Year 5	598,594	938,207
Year 6 to Year 10	1,665,977	2,636,395
Year 11 and above	2,394,822	5,977,729

24.5 Risks associated with defined benefit plans

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
25 DEFERRED INCOME - GOVERNMENT GRANT			
Balance at beginning of the year		-	-
Recognized during the year	21.3	6,969,095	-
Amortization of deferred income - government grant	37	(945,064)	-
Balance at end of the year		6,024,031	-
Current portion of deferred income - government grant		(2,409,613)	-
		<u>3,614,418</u>	<u>-</u>
26 DEFERRED TAXATION - NET			
Credit balances arising due to:			
Accelerated tax depreciation		320,142,406	304,730,899
Lease liabilities - net		11,092,590	12,517,369
		<u>331,234,996</u>	<u>317,248,268</u>
Debit balances arising due to:			
Provisions / allowance and reserves	26.1	(16,812,101)	(19,380,282)
Unused tax losses		(142,392,310)	(98,184,050)
Others		(1,059,660)	(102,660)
		<u>(160,264,071)</u>	<u>(117,666,992)</u>
		<u>170,970,925</u>	<u>199,581,276</u>

26.1 Included herein credit balance routed through other comprehensive income amounting to Rs. 1,111,911 (2019: debit balance amounting to Rs. 35,424).

27 PROVISION FOR QUALITY PREMIUM

As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paise per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company along with other sugar mills had challenged the levy of quality premium through the Pakistan Sugar Mills Association (PSMA) – Sindh Zone before the Honorable High Court of Sindh, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honorable Supreme Court of Pakistan (SCP) which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Court.

During the year ended September 30, 2019, the Honorable SCP has issued an order in this matter and has disposed the appeal filed by the sugar mills. Further, growers association have filed petition in Sindh High Court for execution and implementation of Apex Court Orders. The learned Sindh High Court through its order dated December 19, 2019 has disposed of the petition by laying down criteria for payment of quality premium. As no action was taken by relevant department in terms of learned court order, therefore as a matter of prudence the management has decided to retain the above referred provision in the these unconsolidated financial statements till further clarification.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
28 TRADE AND OTHER PAYABLES			
Creditors		157,083,216	325,916,235
Accrued expenses		249,006,231	296,951,409
Payable to provident fund		5,600	1,674,808
Workers' Profits Participation Fund	28.1	-	6,431,049
Workers' Welfare Fund		15,276,376	16,392,720
Advance from employees against purchase of vehicles - secured		19,084,772	14,986,627
Withholding tax payable		2,377,365	1,974,443
Others		11,478,836	12,629,280
		<u>454,312,396</u>	<u>676,956,571</u>
28.1 Workers' Profits Participation Fund			
Opening balance		6,431,049	2,178,468
Allocation for the year		-	6,431,049
		<u>6,431,049</u>	<u>8,609,517</u>
Payments made during the year		(6,431,049)	(2,178,468)
Closing balance		<u>-</u>	<u>6,431,049</u>
29 SHORT-TERM BORROWINGS – secured			
Running finance under markup arrangements	29.1	297,981,575	1,750,705,674
Short term cash finance	29.2	-	-
		<u>297,981,575</u>	<u>1,750,705,674</u>
29.1	The aggregate facilities for short term running finance available from various banks amounted to Rs. 2,817 million (2019: Rs. 2,662 million). These facilities are secured against hypothecation of stock-in-trade, plant & machinery, stores, spares & receivables of the Company. These carry mark-up ranging between 0.35% to 1.25% (2019: 0.36% to 1.25%) per annum above one to six months KIBOR payable quarterly. When there is a positive balance in BAHF running finance account, the said bank transfers the balance in a call treasury arrangement through which profit is credited. The profit range varies between 5.5% to 11.25% (2019: 4.2% to 7.01%).		
29.2	The aggregate facilities for short term cash finance available from various banks amounted to Rs. 4,450 million (2019: Rs. 4,350 million). These carry mark-up ranging between 0.50% to 0.75% (2019: 0.36% to 1.25%) per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and plant & machinery.		
30 PROVISION FOR MARKET COMMITTEE FEE			
Represents provision made for market committee of Rs. 10 (2019: Rs. 10) per MT of sugar cane crushed from 2016 till current crushing season.			

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

- (i) With the issue of notification in official Gazette of the Province of Sindh dated February 26, 1987 applying the provisions of section 35 to 45 of the Provincial Employees Social Security Ordinance, 1965 (Ordinance), which required the Company to pay the contribution under Section 20 of the Ordinance as the Company has failed to establish and maintain dispensary within the premises of the Mill or hospital at a place where sufficient number of secured persons worked or reside. Therefore, the Mill had to pay the medical allowance at Rs. 210 per month to the workers under an agreement with Collective Bargaining Agent (CBA). The Company had filed an appeal against the application of the said provisions against the liability of Rs. 3.38 million for the period July 1987 to August 1990 on the grounds that arrangements for benefits have been made by the Company under private settlement. The Appeal (Misc. appeal no.39) in the Honourable High Court of Sindh was set aside at no cost under Order sheet M.A. no. 39 of 1997 on May 28, 2018. The Company then filed another appeal in Supreme Court of Pakistan against the said Order by the Honourable High Court of Sindh in October 2018 under appeal number CPLA 1150-K/18. The matter is pending in the Court. The management of the Company and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these unconsolidated financial statements.
- (ii) DGDP's risk purchase claim amounting to Rs. 33.582 million, was disputed by the Company on the grounds that the goods were delivered in time further the risk and rewards as per the contract duly transferred to the buyer, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Company amounting to Rs. 8.19 million (note 14.1) during the year 1995 and 1996. The said case filed by the Federation of Pakistan – Suit 158/03 is pending before Civil Judge 1st Class, Rawalpindi. Based on the grounds of suit, recent hearing held at aforementioned court and advise of our Legal Counsel, the management is confident of a favorable outcome and hence, no provision is required in these unconsolidated financial statements.
- (iii) The Company filed Constitutional petition no. H-267/05 dated November 21, 2005 on before the Court and was granted a stay against the order number of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these unconsolidated financial statements.
- (iv) The Company filed an appeal no. 99 dated September 28, 2015 before the Commissioner Appeals against the order-in-original no. 01/11/2015 dated August 19, 2015 whereby sales tax liability along with penalty amounting to Rs. 18 million has been established for claiming inadmissible input tax adjustment for the tax periods July 2012 to March 2015. The Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these unconsolidated financial statements.
- (v) During the prior year, the Deputy Commissioner Inland Revenue (DCIR) had passed an order in original no. 5/16/2018-19 dated September 17, 2018 for the tax periods from July 2016 to March 2018 and rendered input tax of Rs. 7.185 million inadmissible under section 8(1), (a), (f), (h) and (i) of the Sales Tax Act, 1990 and also ordered for imposition of penalty amounting to Rs. 0.359 million. Against the order, the Company had obtained stay order till October 31, 2018. The case is pending for hearing at Commissioner Inland Revenue (Appeals – II) Karachi. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
31.2 Commitments			
Capital commitments		<u>10,942,770</u>	149,552,483
Commitments in respect of operating lease rentals for farms		<u>-</u>	15,687,000
Letter of Credit - sight (Foreign)		<u>3,287,600</u>	-
Letter of guarantee	31.2.1	<u>11,181,375</u>	10,613,025

31.2.1 Represents guarantee given to Alternate Energy Development Board on behalf of its subsidiary company against issuance of letter of support.

	Note	2020 Rupees	2019 Rupees
32 TURNOVER – gross			
Sales			
- Sugar – exports		159,351,623	455,005,253
- local		6,568,810,964	4,999,533,296
- Molasses		511,600,000	381,487,077
- Bagasse		174,095,676	95,519,241
- Mud		2,759,995	-
	32.1	<u>7,416,618,258</u>	5,931,544,867

32.1 Revenue recognised from amounts included in advance from customers at beginning of the year amounted to Rs. 413.854 million (2019: Rs. 274.883 million).

	Note	2020 Rupees	2019 Rupees
33 COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed			
[Including procurement and other related expenses]		4,245,306,577	3,661,032,856
Provision for market committee fee		6,543,390	7,022,588
Road cess on sugarcane		4,089,722	4,389,205
Salaries, wages and other benefits	33.1	205,118,960	220,487,055
Stores and spare parts consumed		201,119,495	215,093,435
Repairs and maintenance		46,042,480	59,238,315
Fuel, electricity and water charges		17,417,795	17,565,323
Vehicle running and maintenance expenses		4,223,578	4,637,168
Insurance		27,720,792	20,642,422
Depreciation - Operating fixed assets		150,599,017	148,262,892
Allowance for expected credit loss on other receivables	16	26,541,037	-
Others		25,518,965	26,528,074
		<u>4,960,241,808</u>	4,384,899,333
Opening stock of work-in-process		2,589,011	1,279,653
Closing stock of work-in-process	12	(3,832,446)	(2,589,011)
		<u>(1,243,435)</u>	<u>(1,309,358)</u>
Cost of goods manufactured		<u>4,958,998,373</u>	4,383,589,975
Opening stock of finished goods		1,058,006,932	1,165,877,767
Closing stock of finished goods	12	(56,949,027)	(1,058,006,932)
		<u>1,001,057,905</u>	107,870,835
		<u>5,960,056,278</u>	4,491,460,810

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

33.1 Include gratuity expense of Rs. 560,900 (2019: Rs. 450,993) and contribution to provident fund of Rs. 4.934 million (2019: Rs. 5.145 million).

	Note	2020 Rupees	2019 Rupees
34 DISTRIBUTION COSTS			
Salaries and other benefits	34.1	2,445,871	3,315,280
Insurance		32,444	36,695
Stacking and loading		10,464,686	12,549,333
Export expenses		1,012,750	15,274,435
Others		33,121,164	28,383,559
		<u>47,076,915</u>	<u>59,559,302</u>

34.1 Include contribution to provident fund of Rs. 68,929 (2019: Rs. 67,554).

	Note	2020 Rupees	2019 Rupees
35 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	35.1	132,660,104	141,744,378
Electricity, telephone, fax and postage		9,884,182	14,201,382
Printing and stationery		873,046	1,644,533
Travelling and conveyance		4,465,656	8,104,305
Vehicle running and maintenance expenses		9,878,946	11,198,819
Auditor's remuneration	35.2	2,484,925	2,334,100
Legal and professional		5,686,209	5,104,972
Fees and subscription		3,526,550	5,695,855
Insurance		324,443	366,946
Repairs and maintenance		7,507,897	10,902,246
Advertising		129,500	170,202
Donations	35.3	11,445,048	30,287,000
Depreciation			
- Operating fixed assets		6,320,770	22,610,727
- Right-of-use assets	7.1	20,904,234	-
Others		2,833,101	691,639
		<u>218,924,611</u>	<u>255,031,104</u>

35.1 Include contribution to provident fund of Rs. 3.414 million (2019: Rs. 3.891 million).

	2020 Rupees	2019 Rupees
35.2 Auditor's remuneration		
Fee for audit of consolidated financial statements	189,000	189,000
Statutory audit / consolidation fee	1,620,000	1,512,000
Review of half yearly unconsolidated financial information	425,000	400,000
Review of compliance with Code of Corporate Governance	175,000	175,000
Out of pocket expenses	75,925	58,100
	<u>2,484,925</u>	<u>2,334,100</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

35.3 Include Rs. 9 million (2019: Rs. 22.70 million) and Nil (2019: Rs. 6.97 million) paid to Usman Memorial Hospital Foundation and Hasham Foundation respectively which are the projects of Hasham Group. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Hasham Foundation includes directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.

	Note	2020 Rupees	2019 Rupees
36 OTHER EXPENSES			
Loss on exchange rate difference - net		2,797,238	3,667,612
Allowance for expected credit loss on term deposit certificates	17	3,300,000	-
Workers' Profits Participation Fund		-	6,431,049
Workers' Welfare Fund		-	2,613,282
Others		9,014	-
		<u>6,106,252</u>	<u>12,711,943</u>
37 OTHER INCOME			
Income from financial assets			
Dividend income		48,611,935	65,058,450
Profit on call treasury arrangement	29.1	8,493,522	851,852
Gain on disposal of equity instruments at fair value through profit or loss		44,877,499	-
Unrealised gain on remeasurement of equity instruments at fair value through profit or loss		90,245,992	-
		<u>192,228,948</u>	<u>65,910,302</u>
Income from non-financial assets			
Farm income – net	37.1	15,973,270	2,621,657
Income from sale of electricity		-	3,820,358
Gain on disposal of operating fixed assets and right-of-use assets		26,385,910	6,668,749
		<u>42,359,180</u>	<u>13,110,764</u>
Amortization of deferred income - government grant	25	945,064	-
		<u>235,533,192</u>	<u>79,021,066</u>
37.1 Farm income – net			
Revenue from farms		31,218,502	11,407,357
Fair value of harvested crop	10	(15,245,232)	(8,785,700)
Harvesting and other charges	10	(4,889,654)	(10,655,745)
		<u>11,083,616</u>	<u>(8,034,088)</u>
Change in fair value less cost to sell of standing crop		4,889,654	10,655,745
Farm income		<u>15,973,270</u>	<u>2,621,657</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

38	FINANCE COSTS	Note	2020 Rupees	2019 Rupees
	Markup / interest on:			
	Long-term financing		130,360,296	121,802,755
	Short-term borrowings		202,374,322	254,512,984
	Lease liabilities		5,784,824	3,620,237
	Workers' Profits Participation Fund		699,046	63,475
			<u>339,218,488</u>	<u>379,999,451</u>
	Bank charges		3,100,263	4,774,852
			<u>342,318,751</u>	<u>384,774,303</u>
39	TAXATION			
	Current		145,341,624	121,116,922
	Prior		-	13,384,075
			<u>145,341,624</u>	<u>134,500,997</u>
	Deferred		(29,722,262)	(26,188,156)
			<u>115,619,362</u>	<u>108,312,841</u>
	Deferred tax related to items recognised in OCI:			
	Charge / (relief) on equity instruments designated at fair value through other comprehensive income		<u>1,111,911</u>	<u>(35,424)</u>
	Current tax related to items recognised in OCI:			
	Charge on equity instruments designated at fair value through other comprehensive income		<u>7,754,431</u>	<u>-</u>
39.1	As the charge for current tax is based on minimum taxation and taxation under fixed tax regime, reconciliation of tax expense with accounting profit is not presented.			
39.2	Income tax assessments of the Company have been completed up to the tax year 2020 (accounting year ended September 30, 2019). During the year, proceedings under section 177 of the Income tax Ordinance, 2001 have been initiated for the tax year 2015, 2016, 2017, 2018 and 2019 whereby requisite details have been furnished by the Company.			
40	BASIC AND DILUTED EARNING PER SHARE			
	There is no dilutive effect on the basic earnings per share of the Company, which is based on:		2020	2019
	Net profit after taxation attributable to ordinary shares - (Rupees)		<u>47,026,734</u>	<u>403,834,231</u>
	Weighted average number of ordinary shares		<u>46,597,452</u>	<u>46,597,452</u>
				Restated
	Earning per share - (Rupees)		<u>1.01</u>	<u>8.67</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

41	WORKING CAPITAL CHANGES	2020 Rupees	2019 Rupees
	(Increase) / decrease in current assets		
	Biological assets	(1,376,242)	(6,459,532)
	Stores and spare parts	(7,919,547)	(752,650)
	Stock-in-trade	999,814,470	106,561,477
	Trade debts	60,928,652	51,448,927
	Loans and advances	70,416,476	(624,051)
	Trade deposits and short-term prepayments	4,901,303	3,622,119
	Other receivables	12,627,472	263,237,176
		<u>1,139,392,584</u>	<u>417,033,466</u>
	Increase / (decrease) in current liabilities		
	Trade and other payables	(216,133,058)	229,458,533
	Contract liabilities (advances from customers)	(379,097,330)	132,854,875
	Sales tax and federal excise duty payable	15,527,262	31,576,712
		<u>(579,703,126)</u>	<u>393,890,120</u>
		<u>559,689,458</u>	<u>810,923,586</u>

42 TRANSACTIONS WITH RELATED PARTIES

42.1 Related parties of the Company comprise of subsidiary, associates, retirement funds, directors and key management personnel. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company. Balances with related parties at reporting date are disclosed in respective notes to these unconsolidated financial statements. Transactions with related parties during the year other than those disclosed in note 44 to these unconsolidated financial statements, are as follows:

	2020 Rupees	2019 Rupees
Subsidiary		
Advance against right issuance of shares	<u>198,450</u>	<u>669,500</u>
Associates		
Investment made during the year	<u>71,153,600</u>	<u>71,592,000</u>
Dividend received during the year	<u>274,999,983</u>	<u>224,999,987</u>
Sales	<u>545,464,997</u>	<u>400,504,824</u>
Donations	<u>9,000,000</u>	<u>29,687,000</u>
Other related parties / associated companies (common directorship)		
Expenses paid on behalf of associate company	<u>899,733</u>	<u>1,357,981</u>
Amount received from associate company	<u>1,158,640</u>	<u>1,715,490</u>
Employees' benefits		
Provident fund contribution	<u>8,417,793</u>	<u>9,104,081</u>
Gratuity fund	<u>560,900</u>	<u>450,993</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

- 42.2** Following are the related parties with whom the Company had entered into transactions with or has arrangement / agreement in place:

Name	Basis of relationship	Percentage of shareholding by the Company
Mehran Energy Limited	Subsidiary	100%
Unicol Limited	Associate	33.33%
UniFoods Industries Limited	Associate	24%
Unienergy Limited	Associate	20%
Pakistan Molasses Company (Private) Limited	Common directorship	Nil
Mogul Tobacco Company (Private) Limited	Common directorship	Nil
Hasham Foundation	Common directorship	Nil
Usman Memorial Foundation	Common directorship	Nil
Hasham (Private) Limited	Common directorship	Nil
MCB Islamic Bank Limited	Common directorship	Nil

43 CAPACITY AND PRODUCTION	Tons of Cane crushing per Day (TCD)	
	Rated Capacity	Average Capacity utilisation
Season 2019-2020	12,500 TCD	6,232 TCD
Season 2018-2019	12,500 TCD	7,471 TCD

The short fall in crushing is due to the scarcity of sugarcane in the market.

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

- 44.1** The aggregate amount, charged in the unconsolidated financial statements for the year are as follows:

	2020					2019				
	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total
	Rupees									
Fee	-	-	1,610,000	-	1,610,000	-	-	450,000	-	450,000
Basic salary	6,846,000	6,846,000	-	19,275,870	32,967,870	7,608,000	7,608,000	-	23,222,053	38,438,053
House rent allowance	3,184,800	3,184,800	-	11,459,420	17,829,020	2,270,400	2,270,400	-	3,165,659	7,706,459
Utility allowance	684,600	684,600	-	1,927,587	3,296,787	760,800	760,800	-	2,322,205	3,843,805
Medical allowance	684,600	684,600	-	1,927,587	3,296,787	760,800	760,800	-	2,322,205	3,843,805
Retirement benefits	684,600	-	-	1,282,629	1,967,229	760,800	760,800	-	2,172,705	3,694,305
Bonus	634,000	634,000	-	1,986,270	3,254,270	1,902,000	1,902,000	-	2,172,705	5,976,705
	12,718,600	12,034,000	1,610,000	37,859,363	64,221,963	14,062,800	14,062,800	450,000	35,377,532	63,953,132
Number of persons	1	1	9	8	19	1	1	6	11	19

- 44.2** In addition, the Chief Executive Officer and Executive Director are provided with free use of the Company maintained cars, in accordance with their terms of service.

- 44.3** As per requirements of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

45.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties and continually assessing the creditworthiness of counter-parties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities 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. The maximum exposure to credit risk at the reporting date is:

	2020 Rupees	2019 Rupees
Long term deposits	852,400	862,400
Trade debts	18,205,601	79,134,253
Trade deposits	358,640	358,640
Loans	3,297,329	4,163,174
Other receivables	278,392,666	317,561,175
Short-term investments	-	3,300,000
Bank balances	10,074,032	672,862,241
	<u>311,180,668</u>	<u>1,078,241,883</u>

Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

45.1.1 Trade debts

There are no customers with defaults as at the current and prior year reporting date.

45.1.2 Bank balances

With external credit rating:

		2020 Rupees	2019 Rupees
A1+	PACRA	474,171	671,950,235
A-1+	JCR – VIS	9,401,107	-
A1	PACRA	198,754	912,006
		<u>10,074,032</u>	<u>672,862,241</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

45.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
-----Amount in Rupees-----					
Long-term financing	-	-	112,811,399	1,125,818,640	1,238,630,039
Lease liabilities	-	-	13,014,176	29,257,534	42,271,710
Trade and other payables	98,826,237	24,620,711	-	236,717,710	360,164,658
Unclaimed dividend	18,648,988	-	-	-	18,648,988
Accrued markup	-	20,338,515	-	-	20,338,515
Market committee fee payable	-	-	-	28,676,760	28,676,760
Short term borrowings	297,981,575	-	-	-	297,981,575
2020	415,456,800	44,959,226	125,825,575	1,420,470,644	2,006,712,245

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
-----Amount in Rupees-----					
Long-term financing	-	57,083,333	258,749,999	735,830,843	1,051,664,175
Lease liabilities	-	5,916,721	3,856,689	20,591,783	30,365,193
Trade and other payables	88,213,947	12,541,630	1,058,958	236,717,710	338,532,245
Unclaimed dividend	17,692,483	-	-	-	17,692,483
Accrued markup	-	125,500,017	-	-	125,500,017
Market committee fee payable	-	-	-	23,382,350	23,382,350
Short term borrowings	-	1,750,705,674	-	-	1,750,705,674
2019	105,906,430	1,951,747,375	263,665,646	1,016,522,686	3,337,842,137

45.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices.

45.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to long-term financing, short-term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs. 15.8 million (2019: Rs. 21.7 million) and a 1% decrease would result in the increase in the Company's profit before tax by the same amount.

45.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Company's exposure to equity price mainly relates to equity securities - fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The management of the Company manages the above market risks through diversification of investment portfolio. The management estimates that, as at the reporting date, a 10% decrease in the overall share prices in the market with all of the factors remaining constant would decrease the Company's equity by Rs. 110 million (2019: Rs. 99.20 million) and 10% decrease would result in a decrease in the Company's other comprehensive income by the same amount.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

45.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist made in foreign currency at the reporting date. Financial assets of the Company include Rs. 5.4 million (2019: 5.1 million) in foreign currency which is subject to currency risk exposure.

	2020 Rupees	2019 Rupees
The following exchange rate has been applied at the reporting date: Pakistani Rupees to US Dollars	166	157

The following figures demonstrate the sensitivity to a reasonably possible change in exchange rates, with all variables held constant, of the Company's profit before tax:

	Changes in exchange rate	Effect on profit before tax Rupees
2020	± 5%	272,423
2019	± 5%	256,476

46 CAPITAL RISK MANAGEMENT

The Company finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimize risk. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain future development of the business and maximize shareholders value. The Company monitors capital using a debt equity ratio as follows:

	2020 Rupees	2019 Rupees
Long-term financing	1,238,630,039	1,051,664,175
Short-term borrowings	297,981,575	1,750,705,674
Total debt	1,536,611,614	2,802,369,849
Share capital	465,974,520	405,195,240
Reserves	2,141,532,310	2,009,701,610
Total equity	2,607,506,830	2,414,896,850
Capital (Debt + equity)	4,144,118,444	5,217,266,699
Gearing ratio	37%	54%

47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate their fair values.

The following table shows financial instruments recognised at fair value, analyzed between those whose fair value is based on:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of the reporting date, the Company has financial instruments designated at FVOCI and FVPL using level 1 valuation technique and the biological assets measured at fair value using level 2 valuation technique. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

48 COVID-19 OUTBREAK AND ITS IMPACT ON FINANCIAL STATEMENTS

The sudden spread of COVID-19 has disrupted lives, livelihoods, communities and businesses worldwide. In March 2020, the relevant authorities announced a temporary lockdown as a measure to reduce the spread of the COVID-19. The lockdown did not have material impact on the production and operations of the Company as the crushing of sugarcane normally take place from November to March cycle. The revenue of the Company was also not impacted materially during the lockdown period as the Company is involved in the manufacture and sale of sugar which is an essential good.

Complying with the lockdown, the Company temporarily worked from home and all steps were taken for the health and safety of the employees and a policy for remote working was introduced for a limited period of time. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business.

The Company's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring any future possible impacts on the Company's operations and believe that its current policies for managing affairs of the company are adequate in response to the current situation. The management of the Company has considered the financial and accounting implications of these developments on the unconsolidated financial statements including but not limited to the following areas;

- The impairment of tangible assets under IAS 36, "Impairment of non-financial assets"
- The net realizable value of inventory under IAS 2, "Inventories"
- Allowance for expected credit loss under IFRS 9, "Financial Instruments"

Based on the assessment, there is no significant financial and accounting implication arising out of the effects of Covid-19 on these unconsolidated financial statements.

49 OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segments.

Total sales of the Company relating to customers in Pakistan were 98% during the year ended September 30, 2020 (2019: 92%).

All non-current assets of the Company at the end of the current and preceding year were located in Pakistan.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Sales to 10 major customers of the Company are around 71% of the Company's total sales during the year (2019: 82%).

	2020	2019
50 NUMBER OF EMPLOYEES		
Total number of employees as at reporting date	329	339
Average number of employees during the year	334	338

51 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on December 30, 2020 by the Board of Directors of the Company.

52 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

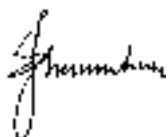
52.1 Subsequent to the year end, the Board of Directors of the Company in their meeting held on December 30, 2020 have proposed a final cash dividend of Rs. Nil (2019: Re.1) per share and issue of bonus shares in the proportion of 5 (2019:15) ordinary shares for every hundred (100) ordinary shares held for the year ended September 30, 2020.

52.2 The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Company to be held on February 12, 2021. These unconsolidated financial statements for the year ended September 30, 2020 do not include the effect of the final cash dividend and proposed bonus issue which will be accounted for in the unconsolidated financial statements for the year ending September 30, 2021.

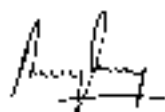
53 GENERAL

53.1 Amounts have been rounded off to the nearest rupee unless otherwise stated.

53.2 Certain prior year figures have been reclassified and rearranged for comparison purposes and better presentation. However, there were no material reclassifications to report.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

CONSOLIDATED
FINANCIAL
STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the members of Mehran Sugar Mills Limited

Opinion

We have audited the annexed consolidated financial statements of **Mehran Sugar Mills Limited** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at **30 September 2020**, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

Key audit matter	How our audit addressed the key audit matter
First time adoption of IFRS 16	
<p>As referred to in note 3.1 to the consolidated financial statements, the Group has adopted IFRS 16 'Leases' (the standard) with effect from 01 October 2019 using modified retrospective approach.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Group is required to recognise right-of-use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<p>Our audit procedures to review the application of IFRS 16, amongst others, include the following:</p> <p>We evaluated the appropriateness of the new accounting policies for recognition, measurement, presentation and disclosure of lease contracts in the consolidated financial statements;</p> <p>we obtained an understanding of the process and controls in place for identification of in-scope lease contracts (considering recognition exemption available under the standard i.e. short-term leases and leases of low value assets);</p> <p>we corroborated the completeness of leases identified by the management by reviewing and analysing the existing lease arrangements as of the date of initial application and reviewing the rent expense ledgers for the year;</p> <p>we performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts;</p> <p>we evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate, lease term etc.; and</p> <p>we assessed the adequacy and appropriateness of disclosures in the consolidated financial statements as required under the standard and applicable financial reporting framework.</p>

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Board of directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

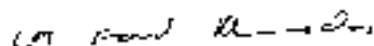
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Arif Nazeer**.



Chartered Accountants

Date: 20 January 2021

Place: Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,224,779,619	2,224,322,434
Right-of-use assets	7	80,522,018	-
Long-term receivable	8	-	-
Long-term investments	9	1,193,248,556	1,320,174,823
Long-term deposits		852,400	862,400
		3,499,402,593	3,545,359,657
CURRENT ASSETS			
Biological assets	10	16,621,474	15,245,232
Stores and spare parts	11	110,342,728	102,423,181
Stock-in-trade	12	60,781,473	1,060,595,943
Trade debts	13	18,205,601	79,134,253
Loans and advances	14	46,274,164	116,690,640
Trade deposits and short-term prepayments	15	4,358,221	9,259,524
Other receivables	16	278,392,666	317,561,175
Short-term investments	17	1,108,082,670	995,383,024
Taxation – net		39,364,990	40,256,284
Cash and bank balances	18	10,269,325	673,182,195
		1,692,693,312	3,409,731,451
TOTAL ASSETS		5,192,095,905	6,955,091,108
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 (2019: 50,000,000) ordinary shares of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up share capital 46,597,452 (2019: 40,519,524) ordinary shares of Rs.10/- each	19	465,974,520	405,195,240
Reserves	20	2,132,713,065	2,001,167,894
		2,598,687,585	2,406,363,134
NON-CURRENT LIABILITIES			
Long-term financing	21	1,125,818,640	735,830,843
Lease liabilities	22	29,257,534	20,591,783
Market committee fee payable	23	28,676,760	23,382,350
Deferred liabilities	24	4,445,294	4,762,469
Deferred income - government grant	25	3,614,418	-
Deferred taxation - net	26	170,970,925	199,581,276
Provision for quality premium	27	119,290,919	119,290,919
		1,482,074,490	1,103,439,640
CURRENT LIABILITIES			
Trade and other payables	28	454,504,895	677,132,071
Contract liabilities (advances from customers)		36,489,970	415,587,300
Unclaimed dividend		18,648,988	17,692,483
Accrued mark-up		20,338,515	125,500,017
Short-term borrowings	29	297,981,575	1,750,705,674
Current portion of long-term financing	21	112,811,399	315,833,332
Current portion of lease liabilities	22	13,014,176	9,773,410
Current portion of market committee fee payable	23	3,757,652	3,757,652
Current portion of deferred income - government grant	25	2,409,613	-
Provision for market committee fee	30	43,967,017	37,423,627
Sales tax and federal excise duty payable		107,410,030	91,882,768
		1,111,333,830	3,445,288,334
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		5,192,095,905	6,955,091,108

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

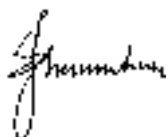
DIRECTOR

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

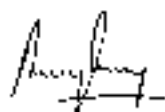
For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
Turnover - gross	32	7,416,618,258	5,931,544,867
Sales tax		(991,942,663)	(619,771,722)
Turnover - net		6,424,675,595	5,311,773,145
Cost of sales	33	(5,960,056,278)	(4,491,460,810)
Gross profit		464,619,317	820,312,335
Distribution costs	34	(47,076,915)	(59,559,302)
Administrative expenses	35	(219,210,011)	(255,737,193)
Other expenses	36	(6,106,252)	(12,711,943)
Other income	37	235,533,192	79,021,066
		(36,859,986)	(248,987,372)
Operating profit		427,759,331	571,324,963
Share of profit from associates – net		76,920,116	324,890,323
Finance costs	38	(342,318,880)	(384,774,303)
Profit before taxation		162,360,567	511,440,983
Taxation	39	(115,619,362)	(108,312,841)
Net profit for the year		46,741,205	403,128,142
Net profit attributable to owners of the Holding Company		46,741,205	403,128,142
Basic and diluted earning per share	40	1.01	8.66

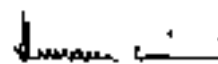
The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

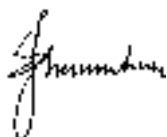


DIRECTOR

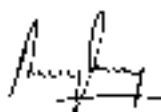
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2020

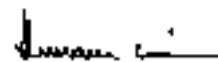
	Note	2020 Rupees	2019 Rupees
Net profit for the year		46,741,205	403,128,142
Other comprehensive income			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Actuarial gain / (loss) on defined benefit plan	24.1	327,537	(76,634)
Gain / (loss) on disposal of equity instruments designated at fair value through other comprehensive income (net of current tax)		234,060,428	(69,955,468)
Unrealised gain / (loss) on remeasurement of equity instruments designated at fair value through other comprehensive income (net of deferred tax)		9,962,301	(345,568,585)
		244,350,266	(415,600,687)
Total comprehensive income / (loss) for the year - net of tax		291,091,471	(12,472,545)
Total comprehensive income / (loss) attributable to owners of the Holding company		291,091,471	(12,472,545)



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

For the year ended September 30, 2020

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

Freundliche

Anybody

Chlorophyll

MEHRAN SUGAR MILLS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		162,360,567	511,440,983
<i>Adjustments for non-cash charges and other items:</i>			
Depreciation			
- Operating fixed assets	6.1.1	156,919,787	170,873,619
- Right of use assets	7.1	20,904,234	-
Amortization of deferred income - government grant	37	(945,064)	-
Share of profit from associates - net		(76,920,116)	(324,890,323)
Gain on disposal of operating fixed assets	6.1.2	(26,385,910)	(6,668,749)
Finance costs	38	342,318,880	384,774,303
Provision for gratuity	24.1	560,900	450,993
Provision for market committee fee	33	6,543,390	7,022,588
Allowance for expected credit loss on term deposit certificates	36	3,300,000	-
Gain on disposal of equity instruments at fair value through profit or loss	37	(44,877,499)	-
Unrealised gain on remeasurement of equity instruments at fair value through profit or loss	37	(90,245,992)	-
Allowance for expected credit loss on other receivables	16	26,541,037	-
Working capital changes	41	559,686,957	810,935,286
		877,400,604	1,042,497,717
Gratuity paid	24.1	(550,538)	(550,168)
Income taxes paid		(152,204,762)	(92,420,112)
Finance costs paid		(443,022,653)	(308,528,629)
Market committee fee paid	23	(3,757,652)	(3,757,652)
Long term deposits - net		10,000	10,000
Cash flows generated from operating activities		440,235,566	1,148,692,139
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(234,637,056)	(182,157,776)
Proceeds from disposal of operating fixed assets	6.1.2	35,128,152	13,654,215
Investments made		(2,894,761,099)	(878,589,973)
Proceeds from disposal of short-term investments		3,095,640,364	654,815,682
Dividend received	9.1	274,999,983	224,999,987
Cash flows generated from / (used in) investing activities		276,370,344	(167,277,865)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		192,572,078	102,916,668
Short-term borrowings repaid		(1,452,724,099)	(216,187,602)
Lease rentals paid		(21,555,802)	(26,689,289)
Dividends paid		(97,810,957)	(184,468,992)
Cash flows used in financing activities		(1,379,518,780)	(324,429,215)
Net (decrease) / increase in cash and cash equivalents		(662,912,870)	656,985,059
Cash and cash equivalents at the beginning of the year		673,182,195	16,197,136
Cash and cash equivalents at the end of the year	18	10,269,325	673,182,195

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

1 LEGAL STATUS AND OPERATIONS OF THE GROUP

1.1 The Holding Company

Mehran Sugar Mills Limited (the Holding Company) was incorporated in Pakistan as a public limited company in December 1965 under the repealed Companies Act, 1913. The shares of the Holding Company are quoted on Pakistan Stock Exchange Limited. The Holding Company is principally engaged in the manufacturing and sale of sugar and its by-products. The registered office of the Holding Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Holding Company is located at Distt. Tando Allahyar, Sindh.

1.2 The Subsidiary Company

Mehran Energy Limited (the Subsidiary), a wholly owned subsidiary of Mehran Sugar Mills Limited (the Holding Company) was incorporated in Pakistan as a public unlisted company in October 2016. The Subsidiary is in start-up phase and has not commenced its operations. The principal activities of the Subsidiary will be to build, operate and maintain a 26.5 MW high pressure co-generation bagasse based power plant for the generation and supply of electric power in relation thereof. The Subsidiary obtained letter of intent (LOI) from the Government of Sindh (GoS) on November 07, 2016. However, the Subsidiary will commence its operations upon signing of Energy Purchase Agreement with Central Power Purchasing Agency (CPPA). The EPA has been delayed to a mutual disagreement of terms and conditions between the Subsidiary and CPPA. As the offered terms and conditions of the EPA are not in general acceptable to the electricity producing companies, the matter in dispute is pending before the Islamabad High Court in form of a petition.

The management of the Group is confident that petition will be decided in favour of the subsidiary company and the subsidiary company will secure the project on the allocated tariffs to start its commercial operations accordingly. The Parent Company is committed to provide financial and operational support to the subsidiary company as and when required.

1.3 Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi 14th Floor Dolmen Executive Tower, Marine Drive, Clifton	Head office of the Group
Tando Allahyar, Sindh Tando Adam Road Deh Rechal, P.O. Khokhar	Mill Farm

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

2.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for short-term investments which are carried at fair value, investment in associates calculated using equity method of accounting, biological assets carried at fair value less costs to sell and staff gratuity carried at present value of defined benefit obligation and market committee fee payable recorded at present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

2.3 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Holding Company and the Subsidiary Company as at the reporting date, here-in-after referred to as 'the Group'.

2.3.1 Subsidiary

Subsidiary is the entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Holding Company meets all the above conditions and hence has power over the subsidiary.

Subsidiary is consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the profit and loss account from the date the Group gains control until the date the Group ceases to control the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition is recorded as goodwill. If the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill acquired in a business combination is, on the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination. Goodwill is tested annually or whenever there is an indication of impairment exists. Impairment loss in respect of goodwill is recognised in consolidated statement of profit or loss and is not reversed in future periods.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

All intra-group transactions, balances, income, expenses and unrealised gains and losses on transactions between Group companies are eliminated in full.

The Subsidiary has same reporting period as that of the Holding Company. The accounting policies of the Subsidiary are consistent with the accounting policies of the Group.

3 STANDARDS, AMENDMENTS, INTERPRETATION AND IMPROVEMENTS ADOPTED DURING THE YEAR

3.1 New standards, amendments, interpretation and improvements effective during the year

The Group has adopted the following standards, amendments, interpretation and improvements to IFRSs which became effective for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Standards, amendments or interpretation;

IFRS 9 - Prepayment Features with Negative Compensation (Amendments);
IFRS 14 - Regulatory Deferral Accounts;
IFRS 16 - Leases;
IFRS 16 - COVID-19 Related Rent Concessions (Amendments);
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments);
IAS 28 - Long-term Interest in Associates and Joint Ventures (Amendments); and
IFRIC 23 - Uncertainty Over Income Tax Treatments.

Improvements to Accounting Standards issued by the IASB (2015-2017 Cycle)

IFRS 3 - Business Combinations - Previously Held Interest in a Joint Operation;
IFRS 11 - Joint Arrangements - Previously Held Interest in a Joint Operation;
IAS 12 - Income Taxes – Income Tax Consequences of Payment on Financial Instruments Classified as Equity; and
IAS 23 - Borrowing Costs – Borrowing Costs Eligible for Capitalization.

The adoption of the above standards, amendments, interpretation and improvements to accounting standards did not have any material impact on these consolidated financial statements except for IFRS 16. The impact of adoption of IFRS 16 is given below:

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on statement of financial position model.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of October 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly the information presented for prior years has not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

The new accounting policy in respect of leases is disclosed in note 5.3 to these consolidated financial statements. The impact of adoption of IFRS 16 as at October 01, 2019 is summarised below:

	Vehicles Rupees	Farms Rupees	Total Rupees
Assets			
Operating fixed assets - leased	(73,528,534)	-	(73,528,534)
Right-of-use assets	73,528,534	18,624,311	92,152,845
Trade deposits and short-term prepayments	-	(5,230,916)	(5,230,916)
	-	13,393,395	13,393,395
Liabilities			
Liabilities against assets subject to finance leases	(30,365,193)	-	(30,365,193)
Lease liabilities	30,365,193	13,393,395	43,758,588
	-	13,393,395	13,393,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

In respect of vehicles, as before the adoption of IFRS 16, the leases were classified as finance lease applying IAS 17. The carrying amount of right-of-use assets and lease liabilities were recognised at an amount equal to the carrying amount of operating fixed assets - leased and liabilities against assets subject to finance lease respectively, immediately before October 01, 2019 measured applying IAS 17. Therefore, upon first time application of IFRS 16, there is no material impact with respect to recognition and measurement of leased assets (now right-of-use assets) and liabilities against assets subject to finance leases (now lease liabilities).

In respect of farms, the right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for related prepayments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group did not have any sub-lease as at October 01, 2019.

The impact of adoption of IFRS 16 on consolidated statement of profit or loss for the year ended September 30, 2020 is summarized below:

	Rupees
Decrease in rent expenses	(3,268,368)
Increase in depreciation expense	5,829,533
Increase in finance costs	1,335,119
	<u>3,896,284</u>

The lease liabilities as at October 01, 2019 can be reconciled to the operating lease commitments as at September 30, 2019 as follows:

	Rupees
Operating lease commitments as at September 30, 2019	15,687,000
Finance lease obligation commitments as at September 30, 2019	30,365,193
Impact of discounting	(2,118,845)
Short-term leases	(174,760)
Total lease liability as at October 01, 2019	43,758,588

Average incremental borrowing rate as at October 01, 2019 14.00%

3.2 Standards and amendments to approved accounting standards that are not yet effective

The following standards and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards:

Amendments	Effective Date (annual periods beginning on or after)
IFRS 3 Definition of a Business (Amendments)	01 January 2020
IFRS 9 / IAS 39 / IFRS 7 Interest Rate Benchmark Reform (Amendments)	01 January 2020
IAS 1 / IAS 8 Definition of Material (Amendments)	01 January 2020
IFRS 9 / IAS 39 / IFRS 7 / IFRS 4 / IFRS 16 Interest Rate Benchmark Reform - Phase 2 (Amendments)	01 January 2021
IFRS 3 Reference to the Conceptual Framework (Amendments)	01 January 2022
IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37 Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
IAS 1 Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2023
IFRS 10 / IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalized

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

IASB effective date
(annual periods
beginning on or after)

Improvements to accounting standards issued by the IASB (2018 – 2020 cycle)

IFRS 9	Financial Instruments - Fee in the '10 percent' test for the derecognition of financial liabilities	01 January 2022
IAS 41	Agriculture - Taxation in fair value measurement	01 January 2022

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards

IASB effective date
(annual periods
beginning on or after)

IFRS 1	First time adoption of IFRSs	01 January 2004
IFRS 17	Insurance Contracts	01 January 2023

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgments and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the Groups's accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

4.1 Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation and useful life used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Group uses the technical resources available with the Group. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

4.2 Allowance for expected credit loss

The Group uses a provision matrix to calculate ECLs for trade debts and other receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss pattern. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic condition. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in future. The information about the ECLs on the Group's financial assets exposed to credit risk is disclosed in Note 45.

4.3 Inventories

The Group reviews the net realisable value (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4.4 Taxation

In making the estimate for income tax payable by the Group, the Group takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

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

4.5 Employees' benefits

Certain actuarial assumptions have been adopted as disclosed in note 24.2 to the financial statement for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases and mortality rates.

4.6 Biological assets

The Group reviews the fair value of biological assets to assess changes in fair value less cost to sell during a period. Agriculture produce is measured at fair value less cost to sell at the point of harvest because harvested produce is a marketable commodity as there is no "measurement reliability" exception for produce.

4.7 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

4.8 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses if any except for freehold land, which is stated at cost less any impairment value.

Depreciation is charged to the consolidated statement of profit or loss using the reducing balance method, at the rates specified in note 6.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use.

The carrying values of the Group's operating fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Repairs and maintenance cost is written off to the consolidated statement of profit or loss in the year in which it is incurred. Major renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the Group.

An item of operating fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of operating fixed assets is recognised in the period of disposal.

Capital work-in-progress

These are stated at cost less accumulated impairment, if any, and represent expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for their intended use.

5.2 Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless, the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method. Right-of-use assets are subject to impairment.

5.3 Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments represent fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees wherever applicable. Wherever applicable, the lease payments may also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

5.4 Investments

Associates

Investment in associates are accounted for using equity method of accounting. Investments over which the Group has "significant influence" are accounted for under this method i.e., investments to be carried at the reporting date at cost plus post-acquisition changes in the share of net assets of associates, less any impairment in value, if material. The consolidated statement of profit or loss reflects the Group's share of the results of operations of associates after the date of acquisition.

As the financial statements of all the associates may not necessarily be available at the year end, the Group uses the financial statements of the associates with a lag of three months for applying the equity method of accounting. Further, the Group considers the investment in associates as strategic investment.

5.5 Biological assets

These are measured at fair value less costs to sell on initial recognition and at each reporting date. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the reporting date is included in the consolidated statement of profit or loss for the period in which it arises.

To ascertain the fair value of the biological assets, the fair value less estimated point-of-sale costs of crops at the end of each reporting period is determined using prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets. Since, there exists an active market for the agricultural produce, the estimated selling price is obtained using the observable inputs and the estimated selling costs are the harvesting charges farmer takes for cutting the crop.

5.6 Stores and spare parts

Stores, spares and consumables are stated cost less provision for slow moving and obsolete items, if any. Cost is determined by the weighted moving average cost method. Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

5.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and sell.

Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

5.8 Trade debts, loans and advances, trade deposits and short-term prepayments and other receivables

Trade debts, loans and advances, trade deposits and short-term prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses where applicable, if any. Allowance for expected credit loss is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans and advances, trade deposits and short-term prepayments and other receivables. Bad debts, if any, are written off as and when considered irrecoverable.

5.9 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current accounts held with banks, which are subject to insignificant risk of change. These are carried at cost.

5.10 Employees' benefits

Gratuity

The Group operates an unfunded gratuity scheme for its permanent mill employees. An actuarial valuation of all defined benefit scheme is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the consolidated statement of comprehensive income.

All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Group has recognised related restructuring or termination benefits.

Provident fund

The Group operates a recognised provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the fund by the Group and employees in accordance with the fund's rules. Contributions are made by the employees at mill and the employees at head office at the rate of 11% and 10% respectively, of the aggregate of basic salary.

Investments made in provident fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder.

Compensated absences

The Group accrues its liability towards leaves accumulated by employees on an accrual basis using current salary level.

5.11 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with Income Tax Ordinance, 2001. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to the consolidated statement of profit or loss except to the extent it relates to items recognised directly in other comprehensive income in which case it is recognised in the consolidated statement of comprehensive income.

Deferred

Deferred tax is recognised using the liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside consolidated statement of profit or loss is recognised outside consolidated statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in consolidated statement of comprehensive income or directly in equity.

5.12 Trade and other payables

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

5.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event if 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 reviewed at each reporting date and adjusted to reflect the current best estimate.

5.14 Contingent liabilities

Contingent liability is disclosed when;

- there is a possible obligation that arises from past events and 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 Group; or
- there is present 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.

5.15 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

5.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

5.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'Solely Payments of Principal and Interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. This category is applied to equity instruments disclosed in note 17.2 to these consolidated financial statements, where the Group elected the irrevocable option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. This category is applied to equity instruments disclosed in note 17.3 to these consolidated financial statements which are held for trading.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Allowance for expected credit loss - note 4.2
- Trade debts - note 13

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade debts, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss. For more information, refer to notes 21 & 29.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

5.18 Revenue from contracts with customers

The Group is in the business of sale of goods. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Performance obligations held by the Group are not separable, and are not partially satisfied, since they are satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

The Group recognizes trade debts when the performance obligations have been met, recognizing the corresponding revenue. Moreover, the considerations received before satisfying the performance obligations are recognized as contract liabilities (advances from customers).

Dividend income is recognised when the right to receive dividend is established.

Income from sale of electricity is recognised upon the output delivered at rates specified under the agreement with the Hyderabad Electricity Supply Company (HESCO).

Farm and other income is recognised on an accrual basis.

5.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved. However, if these are approved after the reporting period but before the consolidated financial statements are authorised for issue, disclosure is made in the consolidated financial statements.

5.20 Operating segment

For management purposes, the activities of the Group are organized into one operating segment i.e., manufacturing, marketing and sale of sugar. The Group operates in the said reportable operating segment based on the nature of products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in these consolidated financial statements are related to the Group's only reportable segment.

5.21 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

Following accounting policy was effective for the period ended on or before September 30, 2019.

5.22 Leased assets

Leases, recorded under the requirements of IAS 17 – "Leases", which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Assets acquired under finance lease are depreciated using the same basis as for owned assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

6	PROPERTY, PLANT AND EQUIPMENT	Note	2020 Rupees	2019 Rupees
	Operating fixed assets	6.1	2,098,419,192	2,064,953,414
	Capital work-in-progress	6.2	126,360,427	159,369,020
			<u>2,224,779,619</u>	<u>2,224,322,434</u>

6.1 Operating fixed assets

Description	COST				ACCUMULATED DEPRECIATION				BOOK VALUE	Dep. Rate
	At October 01, 2019	Impact of initial application of IFRS 16 (note 3.1)	Additions / *transfers from capital work-in-progress/ **transfers from right-of-use assets / (deletions)	At September 30, 2020	At October 01, 2019	Impact of initial application of IFRS 16 (note 3.1)	Charge for the year (note 6.1.1) / **transfers from right-of-use assets / (deletions)	At September 30, 2020	At September 30, 2020	
	Rupees									%
Owned										
Freehold land	83,394,207	-	-	83,394,207	-	-	-	-	83,394,207	-
Buildings on freehold land										
- Factory	300,937,867	-	*16,160,196	317,098,063	162,051,959	-	14,696,602	176,748,561	140,349,502	10%
- Non-factory	50,996,147	-	627,225	51,623,372	19,528,372	-	1,576,002	21,104,374	30,518,998	5%
Plant, machinery and equipment (refer note 6.2)	2,897,670,979	-	22,999,894	3,118,331,019	1,262,419,868	-	131,816,181 (16,368,693)	1,377,867,356	1,740,463,663	7.50%
Furniture and fittings	8,976,353	-	200,000	9,176,353	4,646,069	-	434,695	5,080,764	4,095,589	10%
Vehicles	17,642,933	-	202,000	17,400,433	14,206,699	-	680,595	14,667,737	2,732,696	20%
			**13,243,600 (13,688,100)				**8,232,908 (8,452,465)			
Office premises	85,022,551	-	-	85,022,551	26,258,303	-	2,938,212	29,196,515	55,826,036	5%
Office equipment	6,272,547	-	170,000	6,442,547	3,856,901	-	247,232	4,104,133	2,338,414	10%
Electric installation	27,596,079	-	4,877,540	32,473,619	9,648,037	-	2,133,787	11,781,824	20,691,795	10%
Weighbridge and scales	4,561,889	-	-	4,561,889	1,990,531	-	257,136	2,247,667	2,314,222	10%
Workshop tools and other equipment	6,341,923	-	-	6,341,923	5,148,831	-	119,309	5,268,140	1,073,783	10%
Computers	12,771,389	-	1,809,901	14,581,290	10,637,305	-	968,141	11,605,446	2,975,844	30%
Air conditioners and refrigerators	16,683,769	-	3,063,447	19,747,216	7,050,878	-	1,051,895	8,102,773	11,644,443	10%
	3,518,868,633	-	33,950,007	3,766,194,482	1,527,443,753	-	156,919,787	1,667,775,290	2,098,419,192	
			*233,695,642				-			
			**13,243,600 (33,563,400)				**8,232,908 (24,821,158)			
Leased										
Vehicles	150,338,990	(150,338,990)	-	-	76,810,456	(76,810,456)	-	-	-	20%
	3,669,207,623	(150,338,990)	33,950,007	3,766,194,482	1,604,254,209	(76,810,456)	156,919,787	1,667,775,290	2,098,419,192	
			*233,695,642				-			
			**13,243,600 (33,563,400)				**8,232,908 (24,821,158)			
2020	3,669,207,623	(150,338,990)	247,325,849	3,766,194,482	1,604,254,209	(76,810,456)	140,331,537	1,667,775,290	2,098,419,192	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

Description	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Dep. Rate
	At October 01, 2018	Additions / *transfers from capital work-in-progress/ **transfers from leased assets / (deletions)	At September 30, 2019	At October 01, 2018	Charge for the year (note 6.1.1) / (deletions)	At September 30, 2019	At September 30, 2019	
----- Rupees -----								%
Owned								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	294,286,575	*6,651,292	300,937,867	146,804,949	15,247,010	162,051,959	138,885,908	10%
- Non-factory	50,996,147	-	50,996,147	17,872,173	1,656,199	19,528,372	31,467,775	5%
Plant, machinery and equipment (refer note 6.2)	2,751,051,403	28,118,001 *119,671,803 (1,170,228)	2,897,670,979	1,134,038,372	129,044,895 (663,399)	1,262,419,868	1,635,251,111	7.50%
Furniture and fittings	8,976,353	-	8,976,353	4,164,926	481,143	4,646,069	4,330,284	10%
Vehicles	18,750,233	1,071,600 **14,625,600 (16,804,500)	17,642,933	15,064,357	828,617 **8,639,588 (10,325,863)	14,206,699	3,436,234	20%
Office premises	85,022,551	-	85,022,551	23,165,448	3,092,855	26,258,303	58,764,248	5%
Office equipment	6,272,547	-	6,272,547	3,588,496	268,405	3,856,901	2,415,646	10%
Electric installation	24,994,502	2,601,577	27,596,079	7,751,521	1,896,516	9,648,037	17,948,042	10%
Weighbridge and scales	4,561,889	-	4,561,889	1,704,825	285,706	1,990,531	2,571,358	10%
Workshop tools and other equipment	6,341,923	-	6,341,923	5,016,265	132,566	5,148,831	1,193,092	10%
Computers	12,213,889	557,500	12,771,389	9,838,286	799,019	10,637,305	2,134,084	30%
Air conditioners and refrigerators	15,124,903	1,558,866	16,683,769	6,075,786	975,092	7,050,878	9,632,891	10%
	3,361,987,122	33,907,544 *126,323,095 **14,625,600 (17,974,728)	3,518,868,633	1,375,085,404	154,708,023 (10,989,262) **8,639,588	1,527,443,753	1,991,424,880	
Leased								
Vehicles	146,907,590	18,057,000 **(14,625,600)	150,338,990	69,284,448	16,165,596 **(8,639,588)	76,810,456	73,528,534	20%
	3,508,894,712	51,964,544 *126,323,095 **14,625,600 (17,974,728) **(14,625,600)	3,669,207,623	1,444,369,852	170,873,619 (10,989,262) **8,639,588 **(8,639,588)	1,604,254,209	2,064,953,414	
2019	3,508,894,712	160,312,911	3,669,207,623	1,444,369,852	159,884,357	1,604,254,209	2,064,953,414	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

6.1.1 Depreciation charge for the year has been allocated as follows	Note	2020 Rupees	2019 Rupees
Cost of sales	33	150,599,017	148,262,892
Administrative expenses	35	6,320,770	22,610,727
		156,919,787	170,873,619

6.1.2 The following operating fixed assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser	Relationship with purchaser
	(Rupees)							
Plant, machinery and equipment								
1.5 MW Turbine	19,875,300	16,368,693	3,506,607	22,500,000	18,993,393	Negotiation	Adamjee Insurance	Vendor
Vehicles								
Mercedes Benz	7,300,000	4,055,556	3,244,444	8,125,000	4,880,556	Negotiation	Sam Automobile	Vendor
Toyota Corolla XLI	1,627,500	1,126,977	500,523	1,116,123	615,600	Negotiation	Sam Automobile	Vendor
Other assets with book value less than Rs. 500,000 each	4,760,600	3,269,932	1,490,668	3,387,029	1,896,361			
TOTAL	33,563,400	24,821,158	8,742,242	35,128,152	26,385,910			

6.1.3 Particulars of immovable assets of the Group are as follows:

Particulars	Usage of Property	Address	Covered Area (Sq. ft.)
Freehold land	Mill	Tando Adam road , Tando Allahyar	5.5 million
Office premises	Registered Office	14th Floor Dolmen Executive Tower, Dolmen City, Marine Drive, Clifton, Karachi	5,850
freehold land	Office at mill	Tando Adam road , Tando Allahyar	-

Buildings on freehold land	Plant, machinery and equipment	Total
----- Rupees -----		

6.2 Capital work-in-progress

Balance as at September 30, 2018	29,674,409	107,767,474	137,441,883
Capital expenditure incurred / advances made during the year	6,532,802	141,717,430	148,250,232
Transferred to operating fixed assets	(6,651,292)	(119,671,803)	(126,323,095)
Balance as at September 30, 2019	29,555,919	129,813,101	159,369,020
Capital expenditure incurred / advances made during the year	9,423,591	191,263,458	200,687,049
Transferred to operating fixed assets	(16,160,196)	(217,535,446)	(233,695,642)
Balance as at September 30, 2020	22,819,314	103,541,113	126,360,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

7	RIGHT-OF-USE ASSETS	Note	2020 Rupees	2019 Rupees
	Balance at the beginning of the year		-	-
	Impact of initial application of IFRS 16 as at October 01, 2019	3.1	92,152,845	-
	Additions during the year		14,284,100	-
	Transferred to operating fixed assets during the year	6.1	(5,010,693)	-
	Depreciation charged during the year	7.1	(20,904,234)	-
	Balance at the end of the year		80,522,018	-
	Depreciation rate for the following are as follows:		2020	2019
	Vehicles		20%	-
	Farms		32%	-
7.1	Depreciation charge for the year has been allocated as follows:			
	Administrative expenses	35	20,904,234	-
8	LONG-TERM RECEIVABLE			
	Tender earnest money		1,000,000	1,000,000
	Down payment		33,125,000	33,125,000
	Other costs		8,385,996	8,385,996
		8.1	42,510,996	42,510,996
	Allowance for expected credit loss (ECL)		(42,510,996)	(42,510,996)
			-	-
8.1	Represents down payment made in respect of purchase of Thatta Sugar Mills (the Mill) and other costs incurred in running the Mill from November 1992 up to July 1993, when the Mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Group filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs. 402 million against the Group. The case is currently pending in the Honorable High Court of Sindh (the Court) for recording of evidences. While the Group's suit for recovery of compensation is pending in the Court, the GoS invited bids for the sale of the Mill through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The Group has made provision against the aforesaid receivable of Rs. 42.510 million as a matter of prudence and the fact that the debt is outstanding for a considerable period.			
9	LONG TERM INVESTMENTS	Note	2020 Rupees	2019 Rupees
	Associates			
	Unicol Limited (UL)			
	49,999,997 (2019: 49,999,997) ordinary shares of Rs.10 each% of holding: 33.33% (2019: 33.33%)	9.1	1,076,575,935	1,176,986,929
	UniEnergy Limited (UEL)			
	1,999,998 (2019: 1,999,998) ordinary shares of Rs. 10 each % of holding: 20% (2019: 20%)	9.2	20,059,665	19,852,179
	UniFoods Industries Limited (UFL)			
	31,745,600 (2019: 23,959,200) ordinary shares of Rs. 10 each % of holding: 24% (2019: 24%)	9.3	96,612,956	123,335,715
			1,193,248,556	1,320,174,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

- 9.1** UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (Co2). The summarised financial information of UL is as follows:

	2020 Rupees	2019 Rupees
Aggregate amount of:		
- assets	5,701,410,000	5,868,887,000
- liabilities	2,471,682,000	2,337,926,000
- revenue	5,823,337,000	5,501,600,000
- profit after taxation	523,767,000	1,109,767,900

Movement of investment is as follows:

Opening balance	1,176,986,929	1,022,228,271
Share of profit – net of tax	174,588,989	379,758,645
	1,351,575,918	1,401,986,916
Dividend received during the year	(274,999,983)	(224,999,987)
	1,076,575,935	1,176,986,929

- 9.2** UEL is incorporated in Pakistan as a public unlisted company with its registered office situated at 1st Floor, Modern Motors House, Beaumont Road, Karachi. The principal activity of UEL will be to build, operate and maintain wind power generating project of 50 Mega Watts for the generation and supply of electric power in relation thereof, however, it is in start-up phase and has not commenced its operations. The summarised financial information of UEL is as follows:

	2020 Rupees	2019 Rupees
Aggregate amount of:		
- assets	103,608,226	102,346,147
- liabilities	3,309,805	3,085,157
- profit after taxation	1,037,430	50,443

Movement of investment is as follows:

Opening balance	19,852,179	19,842,090
Share of profit	207,486	10,089
	20,059,665	19,852,179

- 9.3** UFL was incorporated in Pakistan as a public unlisted company on 01 September 2016 with its registered office situated at 2nd Floor, Bank House No. 1, Habib Square, M.A Jinnah Road, Karachi. The Company is still in its start-up phase and yet to achieve its full potential operational capacity. The principal activity is manufacture, sell and distribution of bakery and confectionery items. The summarised financial information of UFL is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	2020 Rupees	2019 Rupees
Aggregate amount of:		
- assets	1,107,444,874	1,218,130,489
- liabilities	717,100,177	727,878,124
- revenue	657,203,820	375,663,332
- loss after taxation	(388,263,223)	(417,062,592)

Movement of investment is as follows:

Opening balance	123,335,715	106,622,126
Investment made during the year - right issue	71,153,600	71,592,000
Share of loss – net	(97,876,359)	(54,878,411)
	96,612,956	123,335,715

9.4 The investments in associated companies or undertakings are strategic investments and have been made in accordance with the requirements under the Act.

	Note	2020 Rupees	2019 Rupees
10 BIOLOGICAL ASSETS			
Carrying value at beginning of the year		15,245,232	8,785,700
Increase due to cultivation	37.1	4,889,654	10,655,745
Change in fair value less costs to sell of standing crop		11,731,820	4,589,487
		31,866,706	24,030,932
Reduction due to harvesting	37.1	(15,245,232)	(8,785,700)
Carrying value at the end of the year	10.1	16,621,474	15,245,232

10.1 The Group is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Group harvested 82,376 (2019: 31,802) maunds sugarcane at the yield of 465 (2019: 374) maunds per acre. Approximately 57,640 (2019: 18,121) maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

	Note	2020 Rupees	2019 Rupees
11 STORES AND SPARE PARTS			
Stores		33,955,679	32,972,612
Spare parts		76,387,049	69,450,569
		110,342,728	102,423,181

12 STOCK-IN-TRADE

Sugar			
- Work-in-process		3,832,446	2,589,011
- Finished goods	12.1	41,199,027	1,044,506,932
Bagasse			
- Finished goods	12.1	15,750,000	13,500,000
		60,781,473	1,060,595,943

12.1 As of the reporting date, all finished goods are carried at cost (being the lower of cost and NRV).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
13 TRADE DEBTS – unsecured			
Considered good		18,205,601	79,134,253
Considered doubtful		16,987,867	16,987,867
		<u>35,193,468</u>	<u>96,122,120</u>
Allowance for expected credit loss	13.1	(16,987,867)	(16,987,867)
	13.2	<u>18,205,601</u>	<u>79,134,253</u>
13.1	Includes an amount of Rs. 14.519 million due from the Government of Sindh (GoS) which was withheld by the GoS from the bills raised by the Group during the years 1981 to 1983, on account of a dispute regarding the quality of sugar. Consequently, the Group has withheld mark-up due to the GoS, amounting to Rs. 6.192 million. Since then, the matter is under litigation and pending before the Court. The said amount has been fully provided as a matter of prudence as the case is pending for a considerable long period.		
		2020 Rupees	2019 Rupees
13.2	The aging of trade debts is as follows:		
		14,285,254	79,134,253
Neither past due nor impaired		1,211,854	-
Past due but not impaired (within 90 days)		2,708,493	-
Past due but not impaired (90 days - 210 days)		<u>18,205,601</u>	<u>79,134,253</u>
13.3	The maximum aggregate amount due from related parties at any time during the year calculated by reference to month-end balances is as follows:		
	Note	2020 Rupees	2019 Rupees
Unicol Limited		<u>51,819,026</u>	35,504,824
14 LOANS AND ADVANCES – considered good			
Loans to employees		3,297,329	4,163,174
Advances			
- to suppliers		31,823,464	27,196,576
- to cane growers		8,207,008	24,593,826
- to employees against expenses (as per HR policy)		2,946,363	11,636,064
- against sales tax		-	49,101,000
		<u>42,976,835</u>	<u>112,527,466</u>
		<u>46,274,164</u>	<u>116,690,640</u>
15 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Considered good		358,640	358,640
Considered doubtful		8,196,113	8,196,113
		<u>8,554,753</u>	<u>8,554,753</u>
Allowance for expected credit loss	15.1	(8,196,113)	(8,196,113)
		<u>358,640</u>	<u>358,640</u>
Short-term prepayments			
Considered good		3,999,581	8,900,884
		<u>4,358,221</u>	<u>9,259,524</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

- 15.1** Represents amount paid by the Group during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Group, as fully described in note 31.1 (ii) to these consolidated financial statements. Although the matter is under litigation, the Group, as a matter of prudence, has made full provision against the deposit in these consolidated financial statements.

16 OTHER RECEIVABLES – considered good	Note	2020 Rupees	2019 Rupees
Subsidy receivable	16.1	304,117,888	304,117,888
Allowance for expected credit loss	33	(26,541,037)	-
		277,576,851	304,117,888
Due from related parties:			
Pakistan Molasses Company (Private) Limited		569,807	782,873
Mogul Tobacco Company (Private) Limited		197,008	242,849
	16.2	766,815	1,025,722
Others		49,000	12,417,565
		278,392,666	317,561,175

- 16.1** Represents subsidy receivable from Provincial Government amounting to Rs. 299.300 million (2019: Rs. 299.300 million) and Rs. 4.817 million (2019: Rs. 4.187 million) from Federal Government with respect to cash freight support on export sales.

16.2		2020 Rupees	2019 Rupees
The ageing analysis of balances due from related parties is as follows:			
Neither past due nor impaired		766,815	1,025,722

- 16.3** The maximum aggregate amount due from related parties at any time during the year calculated by reference to month-end balances is as follows:

	Note	2020 Rupees	2019 Rupees
Pakistan Molasses Company (Private) Limited		569,807	804,911
Mogul Tobacco Company (Private) Limited		360,340	828,915

17 SHORT-TERM INVESTMENTS

Amortised cost

Term deposit certificates		3,300,000	3,300,000
Allowance for expected credit loss	36	(3,300,000)	-
		-	3,300,000

Fair value through other comprehensive income (FVOCI)

Equity securities	17.1	144,174,790	992,083,024
-------------------	------	--------------------	-------------

Fair value through profit or loss (FVPL)

Equity securities	17.2	963,907,880	-
		1,108,082,670	992,083,024
		1,108,082,670	995,383,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

17.1 Fair value through other comprehensive income (FVOCI)

2020	2019		2020	2019
Number of shares	Quoted companies		Rupees	Rupees
-	100,000	Allied Bank Limited	-	8,677,000
-	200,000	Amreli Steel Limited	-	4,362,000
-	200,000	Bank Al Falah Limited	-	8,188,000
765,000	2,315,000	Bank Al Habib Limited	49,396,050	154,665,150
-	2,000,000	Bank of Punjab	-	17,440,000
-	107,400	Bestway Cement Limited	-	9,024,822
-	1,900,000	Cherat Cement Company Limited	-	53,542,000
-	235,900	Cherat Packaging Limited	-	15,618,939
-	2,251,000	D.G.K.Cement Limited	-	108,813,340
-	300,000	Engro Fertilizers Limited	-	20,469,000
130,000	268,000	Faran Sugar Mills Limited	6,500,000	9,782,000
-	500,000	Habib Bank Limited	-	59,085,000
-	60,000	Hub Power Company Limited	-	4,245,000
-	22,500	Indus Motors Limited	-	21,743,550
-	1,740,000	International Steel Limited	-	69,147,600
77,150	77,150	JDW Sugar Mills Limited	16,756,980	24,610,850
134,580	140,800	Jubilee Life Insurance Company Limited	59,771,015	44,352,000
-	57,000	Lucky Cement Limited	-	19,501,410
-	20,000	Mari Petroleum Company Limited	-	17,983,201
-	545,000	MCB Bank Limited	-	92,415,650
-	1,400,000	Meezan Bank Limited	-	100,856,000
163,500	163,500	Noon Sugar Mills Limited	11,750,745	8,381,012
-	100,000	Pak Elektron Limited	-	1,684,000
-	850,000	United Bank Limited	-	117,495,500
			144,174,790	992,083,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

17.2 Fair value through profit or loss (FVPL)

2020 Number of shares	2019	Quoted companies	2020 Rupees	2019 Rupees
1,500,000	-	Aisha Steel Mills Limited	23,580,000	-
500,000	-	Amreli Steel Limited	21,885,000	-
560,000	-	Bank Al Habib Limited	36,159,200	-
2,000,000	-	Bank of Punjab	19,760,000	-
400,000	-	Cherat Cement Company Limited	46,704,000	-
1,050,000	-	D.G.K.Cement Limited	108,265,500	-
32,000	-	Faran Sugar Mills Limited	1,600,000	-
500,000	-	Gul Ahmed Textile Mills Limited	18,660,000	-
700,000	-	Habib Bank Limited	91,518,000	-
40,000	-	Highnoon Laboratories Limited	24,560,000	-
200,000	-	Hub Power Company Limited	15,692,000	-
15,000	-	Indus Motors Limited	19,202,100	-
50,000	-	International Steel Limited	3,852,000	-
105,420	-	Jubilee Life Insurance Company Limited	46,820,185	-
100,000	-	Kohinoor Textile Mills Limited	5,411,000	-
200,000	-	Lucky Cement Limited	129,414,000	-
1,000,000	-	Maple Leaf Cement Factory Limited	35,890,000	-
400,000	-	MCB Bank Limited	69,528,000	-
825,000	-	Meezan Bank Limited	67,823,250	-
150,000	-	Mughal Iron & Steel Industries Limited	9,642,000	-
150,000	-	Nishat Mills Limited	15,160,500	-
108,500	-	Noon Sugar Mills Limited	7,797,895	-
150,000	-	Pakistan Petroleum Limited	13,809,000	-
100,000	-	Pioneer Cement Limited	9,070,000	-
100,000	-	Shahmurad Sugar Mills Limited	10,003,000	-
250,000	-	Sui Northern Gas Pipelines Limited	15,452,500	-
5,000	-	Systems Limited	1,360,200	-
35,000	-	Thal Limited	14,711,550	-
700,000	-	United Bank Limited	80,577,000	-
			963,907,880	-

18 CASH AND BANK BALANCES

Cash in hand	66,813	121,394
Cash with banks - current accounts		
- Local	4,754,046	667,931,285
- Foreign	5,448,466	5,129,516
	10,202,512	673,060,801
	10,269,325	673,182,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

19 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2020 (Number of shares)	2019 (Number of shares)		2020 Rupees	2019 Rupees
6,318,750	6,318,750	Ordinary shares of Rs.10/- each	63,187,500	63,187,500
40,278,702	34,200,774	issued as: fully paid in cash	402,787,020	342,007,740
46,597,452	40,519,524	bonus shares	465,974,520	405,195,240

19.1 The voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of the shareholders.

20	RESERVES	Note	2020 Rupees	2019 Rupees
	Capital reserve			
	Share premium		63,281,250	63,281,250
	Revenue reserves			
	General reserve		85,000,000	85,000,000
	Unappropriated profits		1,971,430,496	2,090,615,060
			2,056,430,496	2,175,615,060
	Other components of equity			
	Actuarial gains on defined benefit plan		3,023,268	2,695,731
	FV reserve of financial assets at FV through OCI		9,978,051	(240,424,147)
			2,132,713,065	2,001,167,894

21 LONG TERM FINANCING – secured

From banking companies		1,160,625,000	1,051,664,175
Financing under refinance scheme for salaries and wages	21.1 & 21.3	78,005,039	-
	21.1	1,238,630,039	1,051,664,175
Current portion		(112,811,399)	(315,833,332)
		1,125,818,640	735,830,843

21.1	From banking companies	Installments		Mark-up	2020	2019
		Number	Commencing from		Rupees	Rupees
	Bank Islami Pakistan Limited	24 quarterly	Jan-15	3 months KIBOR plus 1.25% per annum	-	10,414,173
	Bank Al Habib Limited	20 quarterly	May-16	6 months KIBOR plus 0.8% per annum	-	25,000,000
	Bank Al Habib Limited	20 quarterly	Dec-15	3 months KIBOR plus 0.8% per annum	70,000,000	90,000,000
	Bank Al Habib Limited	20 quarterly	Jan-19	3 months KIBOR plus 1% per annum	240,625,000	306,250,002
	Bank Al Habib Limited	20 quarterly	Oct-19	3 months KIBOR plus 1% per annum	150,000,000	-
	MCB Bank Limited	8 quarterly	Apr-20	SBP+1%	78,005,039	-
	Bank Al Falah Limited	20 quarterly	Feb-18	6 months KIBOR plus 0.5% per annum	150,000,000	195,000,000
	Allied Bank Limited	20 quarterly	Jul-19	3 months KIBOR plus 0.4% per annum	350,000,000	425,000,000
	MCB Bank Limited	20 quarterly	Jul-19	3 months KIBOR plus 0.4% per annum	200,000,000	-
					1,238,630,039	1,051,664,175

21.2 The above facilities are secured by way of first pari passu charge over plant and machinery of the Group amounting to Rs. 1,935 million (2019: Rs. 1,761 million). The unutilized long term financing facility as at the reporting date is Rs. 696 million (2019: Rs. Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

- 21.3** Represents financing obtained from a commercial bank under the refinance scheme for payment of wages and salaries introduced by State Bank of Pakistan carrying mark-up at the rate of 1% per annum. The loan along with the markup is repayable in 8 equal quarterly installments commencing from January 2021. The facility is secured by way of first pari-passu hypothecation charge over current assets and fixed assets. The total facility of the loan amounted to Rs. 120 million (2019: Nil) out of which Rs. 36.4 million (2019: Nil) remained unutilized as at the reporting date.

This loan is initially recorded at present value discounted at the effective interest rate i.e. 3 months KIBOR + 1% and the difference of the actual proceeds and present value is recognized as a deferred income - government grant. The purpose of the government grant is to facilitate the Group in making timely payments of salaries and wages to their employees in light of the COVID-19 pandemic. The grant is conditional upon the fact that the Group would not lay off, terminate employee or other wise dismiss any employee for a period of atleast three months from the date of receipt of the first tranche, except in the event of disciplinary action.

22	LEASE LIABILITIES – secured	Note	2020 Rupees	2019 Rupees
	The maturity analysis of lease liabilities as at the reporting date is as follows:			
	Lease liabilities		42,271,710	30,365,193
	Current portion of lease liabilities		(13,014,176)	(9,773,410)
		22.1	29,257,534	20,591,783

22.1	Movement of lease liabilities:	September 30, 2020			September 30, 2019		
		Vehicles	Rupees Farms	Total	Vehicle	Rupees Farms	Total
	Balance at the beginning of the period / year	30,365,193	-	30,365,193	38,997,482	-	38,997,482
	Impact of initial application of IFRS 16 as at October 01, 2019 (note 4)	-	13,393,395	13,393,395	-	-	-
	Additions during the period / year	14,284,100	-	14,284,100	18,057,000	-	18,057,000
	Finance cost during the period / year	4,449,705	1,335,119	5,784,824	3,620,237	-	3,620,237
	Payments during the period / year	(16,326,802)	(5,229,000)	(21,555,802)	(30,309,526)	-	(30,309,526)
	Balance at the end of the year	32,772,196	9,499,514	42,271,710	30,365,193	-	30,365,193
	Current portion of lease liabilities	(8,575,151)	(4,439,025)	(13,014,176)	(9,773,410)	-	(9,773,410)
		24,197,045	5,060,489	29,257,534	20,591,783	-	20,591,783

22.2 Expenses relating to short-term leases amounted to Rs. 174,760 (September 30, 2019: Nil).

23	MARKET COMMITTEE FEE PAYABLE	Note	2020 Rupees	2019 Rupees
	Market committee fee payable		32,434,412	27,140,002
	Current portion of market committee fee payable		(3,757,652)	(3,757,652)
		23.1	28,676,760	23,382,350

- 23.1** During the year ended September 30, 2014, the Group entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs. 32.7 million. Further, the Group also entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs. 47.329 million. As per the settlement terms, the above amount is now payable in various yearly installments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

24	DEFERRED LIABILITIES	Note	2020 Rupees	2019 Rupees
	Staff gratuity	24.1	<u>4,445,294</u>	<u>4,762,469</u>

24.1 Staff gratuity

Opening balance	4,762,469	4,785,010
Expense for the year	560,900	450,993
Benefits paid during the year	(550,538)	(550,168)
Actuarial (gain) / loss on remeasurement	<u>(327,537)</u>	<u>76,634</u>
Closing balance	<u>4,445,294</u>	<u>4,762,469</u>

24.2 Principal actuarial assumptions

Financial assumptions

Discount rate	<u>8.50%</u>	<u>12.50%</u>
Expected rate of increase in salary level	<u>8.50%</u>	<u>12.50%</u>

Demographic assumptions

Expected mortality rate	SLIC 2001-05	SLIC 2001-05
Expected withdrawal rate	Low	Low
Long term salary increase rate	<u>8.50%</u>	<u>12.50%</u>

24.3	Sensitivity analysis	Change in assumption	Increase in defined benefit obligation	Decrease in defined benefit obligation
			2020 ----- (Rupees) -----	
	Discount rate	1%	<u>(206,067)</u>	<u>230,195</u>
	Salary increase rate	1%	<u>217,439</u>	<u>(198,222)</u>

	2020	2019	2018	2017	2016
	-----	-----	-----	-----	-----
Present value of defined benefit obligations	<u>4,445,294</u>	<u>4,762,469</u>	<u>4,875,010</u>	<u>4,878,275</u>	<u>4,646,722</u>

The amount of the defined benefit obligation after changes in the weighted principal assumptions is as follows:

	2020	2020	2020	2020
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
	-----	-----	-----	-----
Present value of defined benefit obligation	<u>4,239,227</u>	<u>4,675,489</u>	<u>4,662,733</u>	<u>4,247,072</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	2020 Rupees	2019 Rupees
24.4 Maturity profile		
Below is the maturity profile based on the undiscounted payments:		
Year 1	760,952	1,050,478
Year 2	487,507	323,130
Year 3	997,675	552,109
Year 4	928,478	1,160,470
Year 5	598,594	938,207
Year 6 to Year 10	1,665,977	2,636,395
Year 11 and above	2,394,822	5,977,729

24.5 Risks associated with defined benefit plans

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	Note	2020 Rupees	2019 Rupees
25 DEFERRED INCOME - GOVERNMENT GRANT			
Balance at beginning of the year		-	-
Recognized during the year	21.3	6,969,095	-
Amortization of deferred income - government grant	37	(945,064)	-
Balance at end of the year		6,024,031	-
Current portion of deferred income - government grant		(2,409,613)	-
		<u>3,614,418</u>	<u>-</u>
26 DEFERRED TAXATION - NET			
Credit balances arising due to:			
Accelerated tax depreciation		320,142,406	304,730,899
Lease liabilities - net		11,092,590	12,517,369
		<u>331,234,996</u>	<u>317,248,268</u>
Debit balances arising due to:			
Provisions / allowance and reserves	26.1	(16,812,101)	(19,380,282)
Unused tax losses		(142,392,310)	(98,184,050)
Others		(1,059,660)	(102,660)
		<u>(160,264,071)</u>	<u>(117,666,992)</u>
		<u>170,970,925</u>	<u>199,581,276</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

- 26.1** Included herein credit balance routed through other comprehensive income amounting to Rs. 1,111,911 (2019: debit balance amounting to Rs. 35,424).

27 PROVISION FOR QUALITY PREMIUM

As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisa per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Group along with other sugar mills had challenged the levy of quality premium through the Pakistan Sugar Mills Association (PSMA) – Sindh Zone before the Honorable High Court of Sindh, however, the matter was decided against the Group. Thereafter, the Group filed an appeal with the Honorable Supreme Court of Pakistan (SCP) which then granted stay to the Group, while admitting the appeal against the impugned judgment of the Court.

During the year ended September 30, 2019, the Honorable SCP has issued an order in this matter and has disposed the appeal filed by the sugar mills. Further, growers association have filed petition in Sindh High Court for execution and implementation of Apex Court Orders. The learned Sindh High Court through its order dated December 19, 2019 has disposed of the petition by laying down criteria for payment of quality premium. As no action was taken by relevant department in terms of learned court order, therefore as a matter of prudence the management has decided to retain the above referred provision in the these consolidated financial statements till further clarification.

	Note	2020 Rupees	2019 Rupees
28 TRADE AND OTHER PAYABLES			
Creditors		157,083,216	325,916,235
Accrued expenses		249,198,731	297,126,909
Payable to provident fund		5,600	1,674,808
Workers' Profits Participation Fund	28.1	-	6,431,049
Workers' Welfare Fund		15,276,376	16,392,720
Advance from employees against purchase of vehicles - secured		19,084,772	14,986,627
Withholding tax payable		2,377,365	1,974,443
Others		11,478,835	12,629,280
		454,504,895	677,132,071

28.1 Workers' Profits Participation Fund

Opening balance	6,431,049	2,178,468
Allocation for the year	-	6,431,049
	6,431,049	8,609,517
Payments made during the year	(6,431,049)	(2,178,468)
Closing balance	-	6,431,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

29	SHORT-TERM BORROWINGS – secured	Note	2020 Rupees	2019 Rupees
	Running finance under markup arrangements	29.1	297,981,575	1,750,705,674
	Short term cash finance	29.2	-	-
			<u>297,981,575</u>	<u>1,750,705,674</u>

29.1 The aggregate facilities for short term running finance available from various banks amounted to Rs. 2,817 million (2019: Rs. 2,662 million). These facilities are secured against hypothecation of stock-in-trade, plant & machinery, stores, spares & receivables of the Group. These carry mark-up ranging between 0.35% to 1.25% (2019: 0.36% to 1.25%) per annum above one to six months KIBOR payable quarterly. When there is a positive balance in BAHL running finance account, the said bank transfers the balance in a call treasury arrangement through which profit is credited. The profit range varies between 5.5% to 11.25% (2019: 4.2% to 7.01%).

29.2 The aggregate facilities for short term cash finance available from various banks amounted to Rs. 4,450 million (2019: Rs. 4,350 million). These carry mark-up ranging between 0.50% to 0.75% (2019: 0.36% to 1.25%) per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and plant & machinery.

30 PROVISION FOR MARKET COMMITTEE FEE

Represents provision made for market committee of Rs. 10 (2019: Rs. 10) per MT of sugar cane crushed from 2016 till current crushing season.

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

- (i) With the issue of notification in official Gazette of the Province of Sindh dated February 26, 1987 applying the provisions of section 35 to 45 of the Provincial Employees Social Security Ordinance, 1965 (Ordinance), which required the Group to pay the contribution under Section 20 of the Ordinance as the Group has failed to establish and maintain dispensary within the premises of the Mill or hospital at a place where sufficient number of secured persons worked or reside. Therefore, the Mill had to pay the medical allowance at Rs. 210 per month to the workers under an agreement with Collective Bargaining Agent (CBA). The Group had filed an appeal against the application of the said provisions against the liability of Rs. 3.38 million for the period July 1987 to August 1990 on the grounds that arrangements for benefits have been made by the Group under private settlement. The Appeal (Misc. appeal no.39) in the Honourable High Court of Sindh was set aside at no cost under Order sheet M.A. no. 39 of 1997 on May 28, 2018. The Group then filed another appeal in Supreme Court of Pakistan against the said Order by the Honourable High Court of Sindh in October 2018 under appeal number CPLA 1150-K/18. The matter is pending in the Court. The management of the Group and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these consolidated financial statements.
- (ii) DGDP's risk purchase claim amounting to Rs. 33.582 million, was disputed by the Group on the grounds that the goods were delivered in time further the risk and rewards as per the contract duly transferred to the buyer, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Group amounting to Rs. 8.19 million (note 14.1) during the year 1995 and 1996. The said case filed by the Federation of Pakistan – Suit 158/03 is pending before Civil Judge 1st Class, Rawalpindi. Based on the grounds of suit, recent hearing held at aforementioned court and advise of our Legal Counsel, the management is confident of a favorable outcome and hence, no provision is required in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

- (iii) The Group filed Constitutional petition no. H-267/05 dated November 21, 2005 on before the Court and was granted a stay against the order number of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.
- (iv) The Group filed an appeal no. 99 dated September 28, 2015 before the Commissioner Appeals against the order-in-original no. 01/11/2015 dated August 19, 2015 whereby sales tax liability along with penalty amounting to Rs. 18 million has been established for claiming inadmissible input tax adjustment for the tax periods July 2012 to March 2015. The Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.
- (v) During the prior year, the Deputy Commissioner Inland Revenue (DCIR) had passed an order in original no. 5/16/2018-19 dated September 17, 2018 for the tax periods from July 2016 to March 2018 and rendered input tax of Rs. 7.185 million inadmissible under section 8(1), (a), (f), (h) and (i) of the Sales Tax Act, 1990 and also ordered for imposition of penalty amounting to Rs. 0.359 million. Against the order, the Group had obtained stay order till October 31, 2018. The case is pending for hearing at Commissioner Inland Revenue (Appeals – II) Karachi. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.

	Note	2020 Rupees	2019 Rupees
31.2 Commitments			
Capital commitments		<u>10,942,770</u>	149,552,483
Commitments in respect of operating lease rentals for farms		<u>-</u>	15,687,000
Letter of Credit - sight (Foreign)		<u>3,287,600</u>	-
Letter of guarantee	31.2.1	<u>11,181,375</u>	10,613,025
31.2.1 Represents guarantee given to Alternate Energy Development Board on behalf of its subsidiary company against issuance of letter of support.			
32 TURNOVER – net			
Sales			
- Sugar – exports		159,351,623	455,005,253
- local		6,568,810,964	4,999,533,296
- Molasses		511,600,000	381,487,077
- Bagasse		174,095,676	95,519,241
- Mud		2,759,995	-
	32.1	<u>7,416,618,258</u>	5,931,544,867
32.1 Revenue recognised from amounts included in advance from customers at beginning of the year amounted to Rs. 413.854 million (2019: Rs. 274.883 million).			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

33	COST OF SALES	Note	2020 Rupees	2019 Rupees
	Manufactured sugar:			
	Cost of sugarcane consumed			
	[Including procurement and other related expenses]		4,245,306,577	3,661,032,856
	Provision for market committee fee		6,543,390	7,022,588
	Road cess on sugarcane		4,089,722	4,389,205
	Salaries, wages and other benefits	33.1	205,118,960	220,487,055
	Stores and spare parts consumed		201,119,495	215,093,435
	Repairs and maintenance		46,042,480	59,238,315
	Fuel, electricity and water charges		17,417,795	17,565,323
	Vehicle running and maintenance expenses		4,223,578	4,637,168
	Insurance		27,720,792	20,642,422
	Depreciation - Operating fixed assets	6.1.1	150,599,017	148,262,892
	Allowance for expected credit loss on other receivables	16	26,541,037	-
	Others		25,518,965	26,528,074
			4,960,241,808	4,384,899,333
	Opening stock of work-in-process		2,589,011	1,279,653
	Closing stock of work-in-process	12	(3,832,446)	(2,589,011)
			(1,243,435)	(1,309,358)
	Cost of goods manufactured		4,958,998,373	4,383,589,975
	Opening stock of finished goods		1,058,006,932	1,165,877,767
	Closing stock of finished goods	12	(56,949,027)	(1,058,006,932)
			1,001,057,905	107,870,835
			5,960,056,278	4,491,460,810

33.1 Include gratuity expense of Rs. 560,900 (2019: Rs. 450,993) and contribution to provident fund of Rs. 4.934 million (2019: Rs. 5.145 million).

34	DISTRIBUTION COSTS	Note	2020 Rupees	2019 Rupees
	Salaries and other benefits	34.1	2,445,871	3,315,280
	Insurance		32,444	36,695
	Stacking and loading		10,464,686	12,549,333
	Export expenses		1,012,750	15,274,435
	Others		33,121,164	28,383,559
			47,076,915	59,559,302

34.1 Include contribution to provident fund of Rs. 68,929 (2019: Rs. 67,554).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	Note	2020 Rupees	2019 Rupees
35 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	35.1	132,660,104	141,744,378
Electricity, telephone, fax and postage		9,884,182	14,201,382
Printing and stationery		873,046	1,644,533
Travelling and conveyance		4,465,656	8,196,686
Vehicle running and maintenance expenses		9,878,946	11,198,819
Auditor's remuneration	35.2	2,659,925	2,509,100
Legal and professional		5,796,609	5,540,900
Fees and subscription		3,526,550	5,695,855
Insurance		324,443	366,946
Repairs and maintenance		7,507,897	10,902,246
Advertising		129,500	170,202
Donations	35.3	11,445,048	30,287,000
Depreciation			
- Operating fixed assets	6.1.1	6,320,770	22,610,727
- Right-of-use assets	7.1	20,904,234	-
Others		2,833,101	668,419
		<u>219,210,011</u>	<u>255,737,193</u>

35.1 Include contribution to provident fund of Rs. 3.414 million (2019: Rs. 3.891 million).

	2020 Rupees	2019 Rupees
35.2 Auditor's remuneration		
Statutory audit fee	1,795,000	1,687,000
Fee for audit of consolidated financial statements	189,000	189,000
Review of half yearly unconsolidated financial information	425,000	400,000
Review of compliance with Code of Corporate Governance	175,000	175,000
Out of pocket expenses	75,925	58,100
	<u>2,659,925</u>	<u>2,509,100</u>

35.3 Include Rs. 9 million (2019: Rs. 22.70 million) and Nil (2019: Rs. 6.97 million) paid to Usman Memorial Hospital Foundation and Hasham Foundation respectively which are the projects of Hasham Group. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Hasham Foundation includes directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.

	Note	2020 Rupees	2019 Rupees
36 OTHER EXPENSES			
Loss on exchange rate difference - net		2,797,238	3,667,612
Allowance for expected credit loss on term deposit certificates	17	3,300,000	-
Workers' Profits Participation Fund		-	6,431,049
Workers' Welfare Fund		-	2,613,282
Others		9,014	-
		<u>6,106,252</u>	<u>12,711,943</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

37 OTHER INCOME

Income from financial assets

	Note	2020 Rupees	2019 Rupees
Dividend income		48,611,935	65,058,450
Profit on call treasury arrangement	29.1	8,493,522	851,852
Gain on disposal of equity instruments at fair value through profit or loss		44,877,499	-
Unrealised gain on remeasurement of equity instruments at fair value through profit or loss		90,245,992	-
		<u>192,228,948</u>	<u>65,910,302</u>

Income from non-financial assets

Farm income – net	37.1	15,973,270	2,621,657
Income from sale of electricity		-	3,820,358
Gain on disposal of operating fixed assets and right-of-use assets		26,385,910	6,668,749
		42,359,180	13,110,764
Amortization of deferred income - government grant	25	945,064	-
		<u>235,533,192</u>	<u>79,021,066</u>

37.1 Farm income – net

Revenue from farms		31,218,502	11,407,357
Fair value of harvested crop	10	(15,245,232)	(8,785,700)
Harvesting and other charges	10	(4,889,654)	(10,655,745)
		11,083,616	(8,034,088)
Change in fair value less cost to sell of standing crop		4,889,654	10,655,745
Farm income		<u>15,973,270</u>	<u>2,621,657</u>

38 FINANCE COSTS

Markup / interest on:			
Long-term financing		130,360,296	121,802,755
Short-term borrowings		202,374,322	254,512,984
Lease liabilities		5,784,824	3,620,237
Workers' Profits Participation Fund		699,046	63,475
		<u>339,218,488</u>	<u>379,999,451</u>
Bank charges		3,100,392	4,774,852
		<u>342,318,880</u>	<u>384,774,303</u>

39 TAXATION

Current		145,341,624	121,116,922
Prior		-	13,384,075
		<u>145,341,624</u>	<u>134,500,997</u>
Deferred		(29,722,262)	(26,188,156)
		<u>115,619,362</u>	<u>108,312,841</u>

Deferred tax related to items recognised in OCI:

Charge / (relief) on equity instruments designated at fair value through other comprehensive income		<u>1,111,911</u>	<u>(35,424)</u>
--	--	------------------	-----------------

Current tax related to items recognised in OCI:

Charge on equity instruments designated at fair value through other comprehensive income		<u>7,754,431</u>	<u>-</u>
---	--	------------------	----------

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

39.1 As the charge for current tax is based on minimum taxation and taxation under fixed tax regime, reconciliation of tax expense with accounting profit is not presented.

39.2 Income tax assessments of the Group have been completed up to the tax year 2020 (accounting year ended September 30, 2019). During the year, proceedings under section 177 of the Income tax Ordinance, 2001 have been initiated for the tax year 2015, 2016, 2017, 2018 and 2019 whereby requisite details have been furnished by the Group.

40 BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

	2020	2019
Net profit after taxation attributable to ordinary shares - (Rupees)	<u>46,741,205</u>	403,128,142
Weighted average number of ordinary shares	<u>46,597,452</u>	<u>46,597,452</u>
		Restated
Earning per share - (Rupees)	<u>1.01</u>	<u>8.66</u>

41 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

	2020 Rupees	2019 Rupees
Biological assets	(1,376,242)	(6,459,532)
Stores and spare parts	(7,919,547)	(752,650)
Stock-in-trade	999,814,470	106,561,477
Trade debts	60,928,652	51,448,927
Loans and advances	70,416,476	(624,051)
Trade deposits and short-term prepayments	4,901,303	3,622,119
Other receivables	12,627,472	263,259,676
	<u>1,139,392,584</u>	<u>417,055,966</u>

Increase / (decrease) in current liabilities

Trade and other payables	(216,135,559)	229,447,733
Contract liabilities (advances from customers)	(379,097,330)	132,854,875
Sales tax and federal excise duty payable	15,527,262	31,576,712
	<u>(579,705,627)</u>	<u>393,879,320</u>
	<u>559,686,957</u>	<u>810,935,286</u>

42 TRANSACTIONS WITH RELATED PARTIES

42.1 Related parties of the Group comprise of associates, retirement funds, directors and key management personnel. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Group. Balances with related parties at reporting date are disclosed in respective notes to these consolidated financial statements. Transactions with related parties during the year other than those disclosed in note 44 to these consolidated financial statements, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

	2020 Rupees	2019 Rupees
Associates		
Investment made during the year	71,153,600	71,592,000
Dividend received during the year	274,999,983	224,999,987
Sales	545,464,997	400,504,824
Donations	9,000,000	29,687,000
Other related parties / associated companies (common directorship)		
Expenses paid on behalf of associate company	899,733	1,357,981
Amount received from associate company	1,158,640	1,715,490
Employees' benefits		
Provident fund contribution	8,417,793	9,104,081
Gratuity fund	560,900	450,993

42.2 Following are the related parties with whom the Group had entered into transactions with or has arrangement / agreement in place:

Name	Basis of relationship	Percentage of shareholding by the Company
Unicol Limited	Associate	33.33%
UniFoods Industries Limited	Associate	24%
Unienergy Limited	Associate	20%
Pakistan Molasses Company (Private) Limited	Common directorship	Nil
Mogul Tobacco Company (Private) Limited	Common directorship	Nil
Hasham Foundation	Common directorship	Nil
Usman Memorial Foundation	Common directorship	Nil
Hasham (Private) Limited	Common directorship	Nil
MCB Islamic Bank Limited	Common directorship	Nil

43	CAPACITY AND PRODUCTION	Tons of Cane crushing per Day (TCD)	
		Rated Capacity	Average Capacity utilisation
	Season 2019-2020	12,500 TCD	6,232 TCD
	Season 2018-2019	12,500 TCD	7,471 TCD

The short fall in crushing is due to the scarcity of sugarcane in the market.

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

44.1 The aggregate amount, charged in the consolidated financial statements for the year are as follows:

	2020					2019				
	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total
	Rupees									
Fee	-	-	1,610,000	-	1,610,000	-	-	450,000	-	450,000
Basic salary	6,846,000	6,846,000	-	19,275,870	32,967,870	7,608,000	7,608,000	-	23,222,053	38,438,053
House rent allowance	3,184,800	3,184,800	-	11,459,420	17,829,020	2,270,400	2,270,400	-	3,165,659	7,706,459
Utility allowance	684,600	684,600	-	1,927,587	3,296,787	760,800	760,800	-	2,322,205	3,843,805
Medical allowance	684,600	684,600	-	1,927,587	3,296,787	760,800	760,800	-	2,322,205	3,843,805
Retirement benefits	684,600	-	-	1,282,629	1,967,229	760,800	760,800	-	2,172,705	3,694,305
Bonus	634,000	634,000	-	1,986,270	3,254,270	1,902,000	1,902,000	-	2,172,705	5,976,705
	12,718,600	12,034,000	1,610,000	37,859,363	64,221,963	14,062,800	14,062,800	450,000	35,377,532	63,953,132
Number of persons	1	1	9	8	19	1	1	6	11	19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

44.2 In addition, the Chief Executive Officer and Executive Director are provided with free use of the Group maintained cars, in accordance with their terms of service.

44.3 As per requirements of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

45.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties and continually assessing the creditworthiness of counter-parties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities 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. The maximum exposure to credit risk at the reporting date is:

	2020 Rupees	2019 Rupees
Long term deposits	852,400	862,400
Trade debts	18,205,601	79,134,253
Trade deposits	358,640	358,640
Loans	3,297,329	4,163,174
Other receivables	278,392,666	317,561,175
Short-term investments	-	3,300,000
Bank balances	10,202,512	673,060,801
	<u>311,309,148</u>	<u>1,078,440,443</u>

Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

45.1.1 Trade debts

There are no customers with defaults as at the current and prior year reporting date.

45.1.2 Bank balances

		2020 Rupees	2019 Rupees
With external credit rating:			
A1+	PACRA	602,652	672,148,795
A-1+	JCR – VIS	9,401,107	-
A1	PACRA	198,754	912,006
		<u>10,202,513</u>	<u>673,060,801</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

45.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Group's financial liabilities at the following reporting dates:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
-----Amount in Rupees-----					
Long-term financing	-	-	112,811,399	1,125,818,640	1,238,630,039
Lease liabilities	-	-	13,014,176	29,257,534	42,271,710
Trade and other payables	98,826,237	24,620,711	-	236,717,710	360,164,658
Unclaimed dividend	18,648,988	-	-	-	18,648,988
Accrued markup	-	20,338,515	-	-	20,338,515
Market committee fee payable	-	-	-	28,676,760	28,676,760
Short term borrowings	297,981,575	-	-	-	297,981,575
2020	415,456,800	44,959,226	125,825,575	1,420,470,644	2,006,712,245
-----Amount in Rupees-----					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Long-term financing	-	57,083,333	258,749,999	735,830,843	1,051,664,175
Lease liabilities	-	5,916,721	3,856,689	20,591,783	30,365,193
Trade and other payables	88,213,947	12,541,630	1,058,958	236,717,710	338,532,245
Unclaimed dividend	17,692,483	-	-	-	17,692,483
Accrued markup	-	125,500,017	-	-	125,500,017
Market committee fee payable	-	-	-	23,382,350	23,382,350
Short term borrowings	-	1,750,705,674	-	-	1,750,705,674
2019	105,906,430	1,951,747,375	263,665,646	1,016,522,686	3,337,842,137

45.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices.

45.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates mainly relates to long-term financing, short-term borrowings and lease obligations. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Group's profit before tax by Rs. 15.8 million (2019: Rs. 21.7 million) and a 1% decrease would result in the increase in the Group's profit before tax by the same amount.

45.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Group's exposure to equity price mainly relates to equity securities - fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The management of the Group manages the above market risks through diversification of investment portfolio. The management estimates that, as at the reporting date, a 10% decrease in the overall share prices in the market with all of the factors remaining constant would decrease the Group's equity by Rs. 110 million (2019: Rs. 99.20 million) and 10% decrease would result in a decrease in the Group's other comprehensive income by the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

45.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist made in foreign currency at the reporting date. Financial assets of the Group include Rs. 5.4 million (2019: 5.1 million) in foreign currency which is subject to currency risk exposure.

	2020 Rupees	2019 Rupees
The following exchange rate has been applied at the reporting date: Pakistani Rupees to US Dollars	166	157

The following figures demonstrate the sensitivity to a reasonably possible change in exchange rates, with all variables held constant, of the Group's profit before tax:

	Changes in exchange rate	Effect on profit before tax Rupees
2020	± 5%	272,423
2019	± 5%	256,476

46 CAPITAL RISK MANAGEMENT

The Group finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimize risk. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain future development of the business and maximize shareholders value. The Group monitors capital using a debt equity ratio as follows:

	2020 Rupees	2019 Rupees
Long-term financing	1,238,630,039	1,051,664,175
Short-term borrowings	297,981,575	1,750,705,674
Total debt	1,536,611,614	2,802,369,849
Share capital	465,974,520	405,195,240
Reserves	2,132,713,065	2,001,167,894
Total equity	2,598,687,585	2,406,363,134
Capital (Debt + equity)	4,135,299,199	5,208,732,983
Gearing ratio	38%	54%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair values.

The following table shows financial instruments recognised at fair value, analyzed between those whose fair value is based on:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of the reporting date, the Group has financial instruments designated at FVOCI and FVPL using level 1 valuation technique and the biological assets measured at fair value using level 2 valuation technique. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

48 COVID-19 OUTBREAK AND ITS IMPACT ON FINANCIAL STATEMENTS

The sudden spread of COVID-19 has disrupted lives, livelihoods, communities and businesses worldwide. In March 2020, the relevant authorities announced a temporary lockdown as a measure to reduce the spread of the COVID-19. The lockdown did not have material impact on the production and operations of the Group as the crushing of sugarcane normally take place from November to March cycle. The revenue of the Group was also not impacted materially during the lockdown period as the Group is involved in the manufacture and sale of sugar which is an essential good.

Complying with the lockdown, the Group temporarily worked from home and all steps were taken for the health and safety of the employees and a policy for remote working was introduced for a limited period of time. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Group resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business.

The Group's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring any future possible impacts on the Group's operations and believe that its current policies for managing affairs of the Group are adequate in response to the current situation. The management of the Group has considered the financial and accounting implications of these developments on the consolidated financial statements including but not limited to the following areas;

- The impairment of tangible assets under IAS 36, "Impairment of non-financial assets"
- The net realizable value of inventory under IAS 2, "Inventories"
- Allowance for expected credit loss under IFRS 9, "Financial Instruments"

Based on the assessment, there is no significant financial and accounting implication arising out of the effects of Covid-19 on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2020

49 OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segments.

Total sales of the Group relating to customers in Pakistan were 98% during the year ended September 30, 2020 (2019: 92%).

All non-current assets of the Group at the end of the current and preceding year were located in Pakistan.

Sales to 10 major customers of the Group are around 71% of the Group's total sales during the year (2019: 82%).

	2020	2019
50 NUMBER OF EMPLOYEES		
Total number of employees as at reporting date	329	339
Average number of employees during the year	334	338

51 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on December 30, 2020 by the Board of Directors of the Group.

52 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

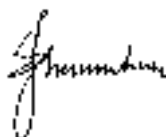
52.1 Subsequent to the year end, the Board of Directors of the Group in their meeting held on December 30, 2020 have proposed a final cash dividend of Rs. Nill (2019: Re.1) per share and issue of bonus shares in the proportion of 5 (2019:15) ordinary shares for every hundred (100) ordinary shares held for the year ended September 30, 2020.

52.2 The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Group to be held on February 12, 2021. These consolidated financial statements for the year ended September 30, 2020 do not include the effect of the final cash dividend and proposed bonus issue which will be accounted for in the consolidated financial statements for the year ending September 30, 2021.

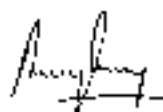
53 GENERAL

53.1 Amounts have been rounded off to the nearest rupee unless otherwise stated.

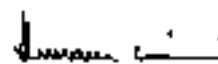
53.2 Certain prior year figures have been reclassified and rearranged for comparison purposes and better presentation. However, there were no material reclassifications to report.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

FORM OF PROXY

I/We _____ of _____
_____ being member of Mehran Sugar Mills Limited, holding _____ Ordinary Shares
as per Registered Folio No. / CDC A/c No. (for members who have shares in CDS) _____ hereby
appoint Mr./Mrs./Miss _____ of (full
address) _____ or failing him / her Mr./Mrs./
Miss _____ of (full address)
_____ (being member of the company) as
my/our Proxy to attend, act and vote for me/us and behalf at the 55th Annual General Meeting of the Company to
be held on February 12, 2021 at 4:00 pm and /or any adjournment thereof.

As witness my/our hands seal this _____ day of _____ 2021.

Signed by _____ in the presence of

1. Witness

2. Witness

Signature _____

Signature _____

Name _____

Name _____

Address: _____

Address: _____

CNIC No. _____

CNIC No. _____

Signature on Rs. 5/-
Revenue Stamp

Important:

1. This form of proxy, duly completed and signed, must be deposited at the office of the Company's Shares Registrar, not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is a Member.

For CDC Account Holders / Corporate Entities:

In Addition to the above following requirements have to be met:

- i. The Proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.
- ii. Attested copies of CNIC or Passport of the beneficial owners and proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- iv. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form.

پراسی فارم

میں / ہم :

بطور رکن (حصص دار) مہراں شوگر ملز لمیٹڈ (حصص کی تعداد) _____ جو کہ رجسٹرڈ ہیں بذریعہ فوئیو نمبر سی ڈی سی / اکاؤنٹ نمبر (اُن اراکین کے لئے جن کے حصص سی ڈی ایس میں ہیں) _____ بذریعہ ہذا تقرر کرتا ہوں جناب / محترمہ _____ مکمل پتہ _____

میری / ہماری غیر موجودگی میں میرے / ہمارے پراسی (نمائندے) کے طور پر کمپنی کی 55 ویں سالانہ جنرل میٹنگ 12 فروری 2021 بروز جمعہ دن 4:00 بجے، بذریعہ ویڈیو لنک میٹنگ میں شرکت کرے گا اور میری / ہماری جگہ ووٹ استعمال کرے گا۔

ریونیو
ممبر

میں بطور گواہ اس _____ دن _____ 2021

دستخط کمپنی کے پاس موجود نمونے
کے دستخط کے مطابق ہونا چاہیے

دستخط منظور کنندہ _____

گواہان

دستخط	_____	دستخط	_____
نام	_____	نام	_____
پتہ	_____	پتہ	_____
شناختی کارڈ / پاسپورٹ نمبر	_____	شناختی کارڈ / پاسپورٹ نمبر	_____

ضروری:

- 1- ہر کسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹر آفس میں جمع کرا دیا جائے۔
- 2- فارم پر نمبر یا اس کا تحریراً مقرر کردہ امارتی دستخط کرے گا۔ ممبر کا رپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب شرکت اور رائے دہی کے لئے دوسرے ممبر کو اپنا پھوکسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پھوکسی مقرر کر سکتی ہے۔

برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریشن ایجنٹی

مزید ہماں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

- (i) ہر کسی فارم ہذا ہر دو افراد کی گواہی ہونی چاہیے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔
- (ii) ممبر اور ہر کسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں ہر کسی فارم کے ہمراہ منسلک کرنی ہوگی۔
- (iii) ہر کسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (iv) کارپوریٹ ایجنٹی کی صورت میں ڈائریکٹرز کی قرارداد / پاور آف امارتی معنادر ذرا کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) ہر کسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔



Executive Tower, Dolmen City,
14th Floor, Block-4, Marine Drive, Clifton, Karachi-75600
Tel : (92 21) 35297814-17
Fax : (92 21) 35297818, 35297827
info@mehransugar.com