

# annual report 2020

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

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# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## Company Profile

The Premier Sugar Mills & Distillery Company Limited (the Company) was incorporated on 24 July, 1944 as a Public Company and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacturing and sale of white sugar and spirit including the following:

- a) To purchase, manufacture, produce, refine, prepare, import, export, sell and generally to deal in sugar, sugarcane, sugar beets, gur, jaggery, molasses, syrups and melada and alcohol and all products or by-products thereof and food products generally and in connection therewith to acquire, erect, construct, establish, operate and maintain sugar or other refineries, buildings, mills, factories, distilleries and other works;
- b) To manufacture any other article or articles of food made from cereals, fruits, vegetables, seeds or oils, etc.;
- c) To manufacture chemicals of all description, to prepare drugs and medicines;
- d) To manufacture starch and yeast floor from maize, wheat or any other material;
- e) To manufacture straw-boards and paper;
- f) To plant, cultivate, produce and raise sugarcane, maize, sugar beets and/or any other agricultural crops;
- g) To acquire by purchase, mortgage, lease, exchange, or otherwise, any moveable or immovable property, patents, inventions licenses, secret formula or processes, rights or privileges which the Company may think necessary or convenient for the purpose of its business and to construct, erect, manage, improve, alter, extend, demolish or reconstruct any buildings, machineries or works necessary or convenient of the purposes of the Company;
- h) To sell and purchase from time to time and deal in all such stock in trade, goods, chattels and effects as may be necessary or convenient for any business, for the time being, carried on by the Company an especially sugar, sugarcane, raw sugar, gur, molasses cereals, fruits and vegetables, seeds, oil, mill stores, stocks, spare machinery and all other materials or things necessary for the same;
- i) To purchase or otherwise acquire, by cultivation or any other manner, seeds and agricultural product of any description which may be necessary or be required for the production of sugar and its by-products, or the manufacture of any material, or article which the Company is authorized under;
- j) To establish, in Pakistan or elsewhere, agencies or branches for the purchase and sale of goods of all description;
- k) To appoint agents to assist the working of the Company with such powers and on such terms as the Company may generally or in any special case determine;
- l) Any other business as mentioned in the Memorandum of Association.

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## Company Information

### Board of Directors

Mr. Aziz Sarfaraz Khan	Chairman
Mr. Abbas Sarfaraz Khan	Chief Executive
Begum Laila Sarfaraz	Director
Ms. Zarmine Sarfaraz	Director
Mr. Iskander M. Khan	Director
Mr. Shahbaz Haider Agha	Independent Director
Mr. Salman Ahmad	Independent Director

### Company Secretary

Mr. Mujahid Bashir

### Chief Financial Officer

Mr. Rizwan Ullah Khan

### Head of Internal Audit

Mr. Zaheer Mir

### Auditors

M/s. ShineWing Hameed Chaudhri & Co.,  
Chartered Accountants

### Tax Consultants

M/s. ShineWing Hameed Chaudhri & Co.,  
Chartered Accountants

### Legal Advisor

Mr. Isaac Ali Qazi  
Advocate

### Shares Registrar

M/s. Hameed Majeed Associates (Pvt.) Limited,  
H.M. House, 7-Bank Square, Lahore.  
Phone No. : 042-37235081 Fax No. : 042-37235083

### Bankers

Bank Al-Habib Limited	The Bank of Khyber
MCB Bank Limited	United Bank Limited
Allied Bank Limited	The Bank of Punjab
Bank Al-Falah Limited	Faysal Bank Limited
Habib Bank Limited	National Bank of Pakistan

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## Management Committees

### Executive Committee

Mr. Abbas Sarfaraz Khan (Executive Director)	Chairman
Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Member
Mr. Iskander M. Khan (Executive Director)	Member

Executive Committee is involved in day to day operations of the Company and is authorized to conduct every business except the businesses to be carried out by Board of Directors as required by section 183 of the Companies Act, 2017. Executive Committee meets periodically to review operating performance of the Company against pre-defined objectives, commercial business decisions, investments and funding requirements.

### Audit Committee

Mr. Shahbaz Haider Agha (Independent Director)	Chairman
Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Member
Ms. Zarmine Sarfaraz (Non-Executive Director)	Member
Mr. Mujahid Bashir	Secretary

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

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

- a) determination of appropriate measures to safeguard the Company's assets;
- b) review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

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

- o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) Consideration of any other issue or matter as may be assigned by the Board of Directors.

#### **Human Resource and Remuneration Committee**

Mr. Shahbaz Haider Agha (Independent Director)	Chairman
Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Member
Mr. Iskander M. Khan (Executive Director)	Member
Mr. Mujahid Bashir	Secretary

#### **The Committee is responsible for:**

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

# **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**

## **VISION STATEMENT**

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

## **MISSION STATEMENT**

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

## **STRATEGIC GOALS**

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

## **CORE VALUES**

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

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## Code of Conduct

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

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

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

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

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

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

### **General Principles**

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

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

## **Statement of Ethical Practices**

- It is the basic principle of The Premier Sugar Mills & Distillery Company Limited to obey the law of the land and comply with its legal system. Accordingly, every director and employee of the Company shall obey the law. Any director and employee guilty of violation will be liable to disciplinary consequences because of the violation of his / her duties.
- Employees must avoid conflicts of interest between their private financial activities and conduct of Company business.
- All business transactions on behalf of the Company must be reflected accordingly in the accounts of the Company. The image and reputation of the Company is determined by the way each and every of us acts and conducts him / her at all times.
- We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.
- Every manager and supervisor shall be responsible to see that there is no violation of laws within his / her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he / she delegates particular tasks.

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**TEN YEARS' REVIEW**

YEAR	CANE			BEET		
	CANE CRUSHED	RECOVERY	SUGAR PRODUCED	BEET SLICED	RECOVERY	SUGAR PRODUCED
	M. Tons	%	M. Tons	M. Tons	%	M. Tons
2011	133,655.000	8.65	11,509.00	50,509.00	8.93	4,467.00
2012	249,062.000	9.76	24,290.00	43,124.74	10.65	4,539.00
2013	222,121.000	9.14	20,507.00	43,124.74	10.65	4,539.00
2014	117,589.000	8.90	10,402.00	47,379.00	9.71	4,567.00
2015	95,526.000	9.11	9,019.00	NOT OPERATED		
2016	178,273.000	9.94	17,677.00			
2017	268,864.455	9.32	25,003.00			
2018	204,775.000	11.12	22,708.00			
2019	154,414.000	10.90	16,768.00			
2020	36,528.000	8.77	3,149.00			

**PRODUCTION OF INDUSTRIAL ALCOHOL**

YEARS	MOLASSES TONS	RECOVERY GLNS PER MND	PRODUCTION IN GALLONS
2011	3,431.77	2.008	172,302.00
2012	13,348.13	1.978	660,010.00
2013	8,589.29	1.876	402,790.00
2014	6,477.00	2.104	340,694.00
2015	NOT OPERATED		
2016			
2017			
2018			
2019			
2020	15,034.99	2.000	751,755.00

## THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

### SIX YEARS' PERFORMANCE AT A GLANCE

PARTICULARS	2020	2019	2018	2017	2016	2015
(RUPEES IN THOUSAND)						
Turnover	938,404	1,072,460	1,262,508	892,219	1,470,677	225,479
Profit/(Loss) from Operations	47,148	150,059	(80,988)	(93,672)	(132,666)	95,536
Profit/(loss) before tax	(48,470)	30,870	(166,513)	(171,931)	(195,530)	6,563
Profit/(loss) after tax	(48,749)	184	(195,735)	(147,178)	(149,793)	16,769
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	1,324,441	993,464	992,816	1,181,014	1,203,899	1,352,350
Non-current assets	1,600,476	1,265,092	1,399,585	1,493,750	1,328,521	1,497,519
Total assets	2,030,464	1,924,249	2,190,236	2,445,206	1,881,265	2,364,963
Non current liabilities	192,939	31,774	17,144	83,160	150,724	275,128
Current assets	429,988	659,157	790,651	951,456	552,744	867,444
Current liabilities	513,084	899,011	1,180,276	1,181,032	526,642	737,485
<b>Dividend</b>						
Cash dividend	0	0	0	0	20%	0
<b>Ratios:</b>						
<b>Profitability (%)</b>						
Operating profit / (loss)	5.02	13.99	(6.41)	(10.50)	(9.02)	42.37
Profit/ (Loss) before tax	(5.17)	2.88	(13.19)	(19.27)	(13.30)	2.91
Profit/(Loss) after tax	(5.19)	0.02	(15.50)	(16.50)	(10.19)	7.44
<b>Return to Shareholders</b>						
ROE - Before tax	(3.66)	3.11	(16.77)	(14.56)	(16.24)	0.49
ROE - After tax	(3.68)	0.02	(19.72)	(12.46)	(12.44)	1.24
Return on Capital Employed	(3.21)	0.02	(19.38)	(11.64)	(11.06)	1.03
E. P. S. - After tax	(13.00)	0.05	(52.20)	(39.25)	(39.94)	4.47
<b>Activity</b>						
Total assets turnover	0.47	0.52	0.54	0.41	0.69	0.11
Non-current assets turnover	0.65	0.80	0.87	0.63	1.04	0.17
<b>Liquidity/Leverage</b>						
Current ratio	0.84	0.73	0.67	0.81	1.05	1.18
Break up value per share	353.2	264.9	264.8	314.9	321.0	360.6
Total Liabilities to equity (Times)	(0.53)	(0.94)	(1.21)	(1.07)	(0.56)	(0.75)

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 75th Annual General Meeting of the shareholders of THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED will be held on February 25, 2021 at 11:30 AM at the Registered Office of the Company at Nowshera Road, Mardan, for transacting the following business:-

### Ordinary Business:

- (1) To confirm the minutes of the Extra Ordinary General Meeting held on June 30, 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 appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2021. The present auditors' M/s ShineWing Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

### Special Business:

- (4) To consider and, if thought fit, to pass the following resolution, with or without any amendment, as a Special Resolution:  
"Resolved that consent of the shareholders be and is hereby accorded to sell House No. 11, Fort Road, situated at Peshawar Cantt and Commercial property (Floor 2nd & 3rd) situated at King's Arcade, F-7 Markaz, Islamabad"
- (5) To transact any other business of the Company as may be permitted by the Chair.

The share transfer books of the Company will remain closed from February 15, 2021 to February 25, 2021 (both days inclusive).

**BY ORDER OF THE BOARD**



**(Mujahid Bashir)**  
Company Secretary

**Mardan:**  
February 01, 2021

### N.B:

1. A member, eligible to attend and vote at this meeting, may appoint another member as his/her proxy to attend, speak and vote instead of himself/herself. Proxies in order to be effective must be valid and received by the Company not less than 48 hours before the time for holding of the Meeting and must be duly stamped, signed and witnessed. A member shall not be entitled to appoint more than one proxy.
2. Members are requested to notify the Shares Registrar of the Company of any change in their addresses immediately.
3. CDC shareholders are requested to bring their original Computerized National Identity Card (CNIC) or Original Passport, account, sub account number and participant's number in the Central

depository System for identification purpose for attending the Meeting. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

4. The SECP vide SRO 787 (1)/2014 dated September 08, 2014 has provided an option for shareholders to receive audited financial statements along with notice of Annual General Meeting electronically through email. Hence, members who are interested in receiving the annual reports and notice of Annual General Meeting electronically in future are requested to send their email addresses on the consent form placed on the Company's website [www.premiersugarmills.com](http://www.premiersugarmills.com) to the Company's Share Registrar.
5. The Financial Statements of the Company for the year ended September 30, 2020 along with reports have been placed at website of the Company [www.premiersugarmills.com](http://www.premiersugarmills.com)
6. In accordance with Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility a request is to be submitted to the Company Secretary of the Company on given address:  
  
"The Company Secretary, The Premier Sugar Mills & Distillery Company Limited, Kings' Arcade 20-A, Markaz F-7, Islamabad."
7. Pursuant to section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it become due payable shall vest with the Federal Government after compliance of procedure prescribed under the Companies Act, 2017. Shareholders are hereby informed that a list of all unclaimed dividend has been added on the Company's website [http:// www.premiersugarmills.com](http://www.premiersugarmills.com) Any member effected by this notice is advised to write to or call at the office of the Company's Share Registrar M/s Hameed Majeed Associates (Pvt.) Ltd., H.M-House, 7-Bank Square Road, Lahore during normal working hours.

#### **Statement Under Section 134(3) of The Companies Act, 2017 Pertaining to Special Business**

This statement sets out the material facts pertaining to the special business, being Items on the notice, intended to be transacted at the Annual General Meeting of the Company to be held on February 25, 2021.

4) The Company intends to sell House no. 11, situated at Fort Road, Peshawar Cantt along with fittings, fixture and installation thereon which is free from all encumbrances, lien and charges etc. The property is being sold as the Company desires to withdraw its investment from this property.

The Company also intends to sell commercial property Floor (2nd & 3rd) situated at 20-A King's Arcade, Markaz F-7, Islamabad with a total area of 11,700 sq ft. along with fittings, fixture and installation. Thereon, the commercial property is being sold for further investment and settlement of liabilities, if any.

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## CHAIRMAN'S REVIEW REPORT

I am pleased to welcome you to the 75th Annual Report of your Company and it gives me great pleasure to present a Review Report along with the Audited Financial Statements for the year ended September 30, 2020, on behalf of the Board of Directors, on the performance of your Company as required by Section 192 of the Companies Act, 2017.

The financial year 2019-20 was very difficult year due to COVID-19 pandemic and economic conditions of the Country. Global and local business environment remained highly challenging, with the impact of COVID-19 spreading across the whole world which has posed serious threats and losses of lives, loss of employment, liquidity and more prominent to business continuity. Your Company is seasonal manufacturing Company, therefore, the impact of COVID-19 and post lockdown has not affected the operations / manufacturing facilities of the Company. The Board ensured that the Company take advantage of different schemes and concessions announced / allowed by the State Bank of Pakistan to conserve working capital.

As required under Listed Companies (Code of Corporate Governance), an annual evaluation of the Board is carried out. The Board Evaluation process is conducted internally by the Company Secretary who prepared an annual Evaluation Assessment Questionnaire which is circulated amongst the Board Members to provide clarification and further insights and perspective on the performance of the Board.

The Board met the duties as required under the Companies Act, 2017 and Listed Companies (Code of Corporate Governance), Regulations 2019, which include approval of significant policies, establishing a sound system of internal controls, approval of budgets and financial results, along with approval of significant investments. During the year the Board met five times. The Board is compliant with all the regulatory requirements and acted in accordance with applicable laws & best practices.

Being the Chairman of the Board, I ensured that the management is actively working on different options to ensure appropriate returns on available funds in the agenda of the Board meetings held during the year. All written notices, including the agenda, supporting documents and other working papers of meetings were circulated prior to the meetings. Further, I ensure that the Board plays an effective role in fulfilling its responsibilities.

I would like to place on record, my sincere appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affairs and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah. And thanks to all the Government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.



**(Aziz Sarfaraz Khan)**  
Chairman

Mardan: : February 01, 2021

# دی پریسیر شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ

## چیئرمین کی جائزہ رپورٹ

میں آپ کی کمپنی کے 75 ویں سالانہ جنرل میٹنگ میں آپ کو خوش آمدید کہتا ہوں اور میں آپ کے سامنے اپنی رپورٹ کے ساتھ آؤنڈر فنانس سٹینڈمنٹس برائے سال 30 ستمبر، 2020 اور کمپنی کی کارکردگی بورڈ آف ڈائریکٹرز کی جانب سے پیش کر رہا ہوں جو کہ کمپنیز ایکٹ 2017 کے سیکشن 192 کے مطابق ہے۔

مالی سال 2019-20 کا دورانیہ COVID-19 اور ملک کی معاشی صورتحال کی وجہ سے انتہائی مشکل رہا مقامی اور بین الاقوامی سطح پر کاروباری حالات پیچیدہ مسائل کا شکار رہے۔ جس کی وجہ COVID-19 کے منفی اثرات تھے، ان منفی اثرات کے باعث ایک جانب قیمتی جانوں کو بہت خطرات لاحق رہے اور بہت سے لوگ اپنی قیمتی جانوں سے ہاتھ دھو بیٹھے تو دوسری جانب ملازمتوں کا فقدان پیدا ہوا اور سب سے بڑھ کر کاروبار کو جاری رکھنا انتہائی مشکل ہو گیا۔ آپ کی کمپنی ایک ایسے شعبے سے تعلق رکھتی ہے جس میں پیداواری عمل ایک خاص سیزن تک محدود ہوتا ہے لہذا COVID-19 کی وجہ سے لگائے جانے والے لاک ڈاؤن اور لاک ڈاؤن کے بعد پیدا ہونے والے حالات کے اثرات سے کمپنی کے افعال متاثر نہ ہوئے۔ بورڈ کی جانب سے اس بات کو یقینی بنایا گیا کہ اسٹیٹ بینک آف پاکستان کی جانب سے اعلان کردہ مختلف رعایتی اسکیموں سے فائدہ اٹھایا جائے تاکہ ورکنگ کپینٹل کی پچت کو ممکن بنایا جاسکے۔

لسٹڈ کمپنیوں کی مطلوبہ شرائط کے مطابق (کوڈ آف کارپوریٹ گورننس) اور کمپنی کے بورڈ کی پرفارمنس / جانچ کا کام کیا جاتا ہے۔ بورڈ کی جانچ کے کام کا عمل کمپنی سیکریٹری کے زیر نگرانی ہے جو کہ سالانہ جانچ کا سوالنامہ تیار کر کے بورڈ کے ممبرز کو دیتے ہیں جس سے بورڈ کی کارکردگی کے بارے میں وضاحت اور مزید بصیرت اور نقطہ نظر جاننے کا موقع ملتا ہے۔ بورڈ کی جانب سے کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی شرائط کے مطابق اپنے فرائض منصبی کی ادائیگی کی گئی جن میں اہمیت حامل پالیسیوں کی منظوری، موثر اندرائی کنٹرول کے نظام کے نظام کا قیام، بجٹ اور مالیاتی نتائج کی منظوری اور اہمیت کی حامل سرمایہ کاری کی منظوری جیسے امور شامل ہیں۔ زیر نظر مالی سال کے دوران بورڈ کی جانب سے پانچ اجلاس منعقد کئے گئے۔ بورڈ تمام قانونی شرائط و ضوابط پر پورا اترتا ہے، مردہ قوانین اور بہترین روایات کی پاسداری کرتے ہوئے اپنے فرائض منصبی کی ادائیگی کرتا ہے۔

بورڈ کے چیئرمین ہونے کے ناطے اس بات کی یقین دہانی کرواتا ہوں کہ انتظامیہ فعال طور پر مختلف آپشنز کو مد نظر رکھتے ہوئے دستیاب فنڈز کے مناسب ریٹرز کے ایجنڈہ پر سال کے دوران ہونے والی بورڈ میٹنگ میں کام کرتی رہی ہے۔ تمام لکھے گئے نوٹس، بشمول ایجنڈہ، متعلقہ دستاویزات اور دیگر ورکنگ پیپر میٹنگ کے دوران مہیا کیے گئے تھے۔ مزید برآں میں اس بات کی یقین دہانی کرواتا ہوں کہ بورڈ اپنی ذمہ داریوں کو پورا کرنے میں موثر کردار ادا کر رہا ہے۔ غیر ایگزیکٹو اور آزاد ڈائریکٹرز اہم فیصلوں میں یکساں شریک ہوتے ہیں۔

میں اپنی جانب سے اس بات کو یقین دہانی کرواتا ہوں کہ تمام اعلیٰ افسران دیگر افسران اور ملازمین کی جانب سے کمپنی کے معاملات کو خاش اسلوبی کے ساتھ چلانے کے لئے جس اخلاص ایمانداری اور محنت شاقہ کا مظاہرہ کیا گیا ہے وہ قابل ستائش ہے اور امید کرتا ہوں کہ آئندہ بھی اللہ رب العزت کی رحمت کے سائے تلے تمام افراد کمپنی کی پیداواری صلاحیت میں اضافے کے لئے اسی جوش و جذبے کا مظاہرہ کرتے رہیں گے۔ اس کے علاوہ اس موقع پر تمام سرکاری اعمال، بینک کارروائی اور غیر بینکاری مالیاتی اداروں، ترسیل کارروائی اور حصص داران کا بھی تہہ دل سے شکریہ ادا کرنا چاہتا ہوں کہ کمپنی کی ترقی اور خوشحالی کے لئے انکی حمایت اور تعاون ہمیشہ ہمارے شامل حال رہے۔



عزیز سرفراز خان

چیئرمین

مردان، 01 فروری، 2021

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## DIRECTORS' REPORT

The Directors of the Premier Sugar Mills & Distillery Company Limited, are pleased to present Directors' Report of the Company together with the audited financial statements for the year ended September 30, 2020.

### 1. SUMMARISED FINANCIAL RESULTS

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

	2020	2019
	<b>Rupees in thousand</b>	
Profit/(Loss) before taxation	<b>(48,470)</b>	30,870
Less: Taxation		
Current		
- for the year	<b>23,724</b>	(19,302)
- for the prior year	<b>0</b>	2,778
	<b>23,724</b>	(16,524)
Deferred	<b>(20,698)</b>	(14,162)
-Tax refund of prior year	<b>(2,747)</b>	0
	<b>2,747</b>	30,686
(Loss)/Profit after taxation	<b>(48,749)</b>	184
	<b>----- Rupees -----</b>	
(Loss)/Earnings per Share	<b>(13.00)</b>	0.05

### 2. REVIEW OF OPERATIONS

#### 2.1 CRUSHING SEASON 2019-20

The sugarcane crushing season 2019-20 commenced on November 09, 2019 and continued till February 11, 2019. The mills crushed 36,528 tons (2019: 154,414 tons) of sugarcane to produce 3,149 tons (2019: 16,768 tons) of sugar having an average recovery of 8.77% (2019: 10.90%). The Company suffered loss due to diversion of the entire sugarcane crop to tax free commercial Gur making. We took up the matter with Federal and Provincial Governments for collection of sales tax and imposition of ban on the smuggling of Gur but of no avail.

#### 2.2 CRUSHING SEASON 2020-21

The sugarcane crushing season 2020-21 commenced on November 05, 2020. The mills have crushed 22,590.385 tons of sugarcane and have produced 1817.50 tons of sugar till December 08, 2020. However, crushing operations were temporary stopped effective Dec 09, 2020 due to non-supply of sugarcane to the mills and diversion of the entire sugarcane crops towards the Tax-Free Commercial Gur making and its onward smuggling to Afghanistan. The KPK Government introduced the law to pay the Growers into their bank

Account and eliminate the middleman. However, the KPK Government failed to implement the law and the involvement of middleman increased the sugarcane rate to exorbitant level of Rs. 300, which increased the cost of production manifolds.

### **3. SUGAR PRICE**

#### **3.1-CRUSHING SEASON 2019-20**

As per the Company is operated at 10% of its capacity, the sugar prices did not contribute to fixed costs.

#### **3.2-CRUSHING SEASON 2020-21**

The Company operated at 17.4% of this operating capacity for only 34 days and had to close its operations due to non-supply of sugarcane.

### **4. DISTILLERY**

The Ethanol Fuel Plant produced 2,733.984 MT of Ethanol during the year ended September 30, 2020.

### **5. STAFF**

The Management and Labor relations remained cordial during the year. However, due to losses suffered by the Company, no bonus was paid to employees during the year.

### **6. PATTERN OF SHAREHOLDING**

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

### **7. CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- The financial statements, prepared by the management of The Premier Sugar Mills & Distillery Company Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- All appropriate accounting policies have been consistently applied while preparing financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon Company's ability to continue as a 'going concern'.
- The Company has followed code of corporate governance as detailed in the listing regulations.
- Key operating and financial data for the last six years available in summarized form is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at September 30, 2020, except for those disclosed in the financial statements.

- The value of investments of staff provident fund, based on audited accounts, was Rs. 44.697 million as at September 30, 2020.
- Majority of the Directors of the Company are exempted from the requirement of Directors Training Program.

## 8. Trading in Shares

During the year, no trade in the shares of the Company were carried-out by the Directors, CFO, Company Secretary and their spouses and minor children except the CEO who purchased 90,630 ordinary shares during the year.

## 9. Related Party Transactions

The Related Parties transactions mentioned in 40 to the financial statements were placed before the Board Audit Committee and were approved by the Board. These transactions were in-line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a complete record of all such transactions. All transactions entered into with the related parties will also be placed before shareholders in their AGM for approval purposes.

## 10. ROLE OF SHAREHOLDERS

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of affairs. To achieve this objective, information is communicated to the shareholders through quarterly, half yearly and annual reports. The Board of Directors encourages the shareholder's participation at the annual general meeting to ensure high level of accountability.

## 11. Board Meetings

During the year, Ten (10) meetings were held and attendance by each director was as follows;

Name of Directors	Board Meetings	Board Audit Committee Meetings	Human Resource and Remuneration Committee
	Attended	Attended	Attended
<b>Non- Executive Directors</b>			
Mr. Aziz Sarfaraz Khan	5	4	1
Begum Laila Sarfaraz (Female Director)	5	-	-
Ms. Zarmine Sarfaraz (Female Director)	2	2	-
Ms. Najda Sarfaraz (Female Director)	3	2	-
<b>Executive Directors</b>			
Mr. Abbas Sarfaraz Khan	3	-	-
Mr. Iskander M. Khan	5	-	1
Mr. Abdul Qadar	3	-	-
<b>Independent Director</b>			
Ms. Samyra Rashid (Female Director)	2	1	
Mr. Shahbaz Haider Agha	2	3	1
Mr. Salman Ahmed	1	-	-

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

**12. DIVIDEND**

The Directors do not recommend any dividend due to losses suffered by the Company.

**13. EXTERNAL AUDITORS**

The present Auditors, M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants, Lahore, retire at the conclusion of forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. As suggested by the Audit Committee in terms of the Code of Corporate Governance, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending September 30, 2021.

**14. REPLY TO AUDITORS' OBSERVATIONS**

**Note. 15.4**

The Company is representing/ monitoring through CM No. 454/2011 in winding of proceedings filed by SECP before Honorable Lahore High Court. The Court has appointed a liquidator by accepting the Winding up petition and Company has filed statement of claims before the court. Subsequent to the year end, the Company has received Rs. 10 million on account of principal amount.

**15. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The requirements of the Code of Corporate Governance set out in the Listed Companies (Code of Corporate Governance) Regulations, 2019 relevant for the year ended September 30, 2020 have been duly complied with. A statement to this effect is annexed with the report.

**16. ACKNOWLEDGEMENT**

The Directors would like to express their gratitude for the hard work and dedication displayed by Staff and the Executives of the Organization and the valuable support of our Bankers.

Finally, the Board wishes to thank the valued shareholders for their patronage and confidence reposed in the Company and consistent support in the present challenging scenario.

**FOR AND ON BEHALF OF THE BOARD**



**(ISKANDER M. KHAN)**  
DIRECTOR



**(ABBAS SARFARAZ KHAN)**  
CHIEF EXECUTIVE

Mardan:  
February 01, 2021

# دی پرنسپل شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ

## ڈائریکٹرز کی رپورٹ

دی پرنسپل شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور 30 ستمبر 2020 کو ختم ہونے والے سال کے آڈیٹ شدہ مالیاتی گوشوارے، پیش کرنے پر مسرت محسوس کرتے ہیں۔

### 1۔ خلاصہ مالیاتی نتائج

کمپنی کی مالیاتی کارکردگی کا ذیل میں خلاصہ پیش ہے۔

### 2۔ آپریشن کا جائزہ

2019	2020	
(ہزار روپے)		
30,870	(48,470)	ٹیکس سے پہلے نقصان
-----	-----	ٹیکیشن
19,302	23,724	موجودہ سال کا ٹیکس
(2,778)	0	گزشتہ سال کا ٹیکس
(16,524)	23,724	
(14,162)	(20,698)	ڈیفریڈ ٹیکس
0	(2,747)	گزشتہ سال کے ٹیکس کی واپسی
30,686	279	
184	(48,749)	نفع / نقصان بعد از ٹیکس
-----	-----	
0.05	(13.00)	نفع / نقصان فی شیئر

### 2.1۔ کرشنگ سیزن 2019-20

گنے کا کرشنگ سیزن 2019-20، 09 نومبر 2019 کو شروع ہوا اور 11 فروری 2020 تک جاری رہا۔ ملز نے 36,528 ٹن (2019 میں 154,414 ٹن) گنا کرش کیا اور 8.77 فیصد اوسط (2019 میں 10.90 فیصد) کے حساب سے چینی کی پیداوار 3,149 ٹن (2019 میں 16,768 ٹن) رہی۔ گنے کی پوری فصل کو ٹیکس فری کرشل گڑ سازی میں تبدیل کرنے کے سبب کمپنی کو

خسارے کا سامنا کرنا پڑا۔ ہم نے سیلز ٹیکس جمع کرنے اور گڑ کی سمگلنگ پر پابندی لگانے کا معاملہ وفاقی اور صوبائی حکومتوں کے سامنے اٹھایا مگر اس کا کوئی فائدہ نہیں ہوا۔

## 2.2۔ کرشنگ سیزن 2020-21

گنے کا کرشنگ سیزن 2020-21 کا آغاز 05 دسمبر 2020 کو شروع ہوا۔ 08 دسمبر 2020 تک ملز نے 22,590.385 ٹن گنے کو کرش کرتے ہوئے 1,817.50 ٹن چینی کی پیداوار کی۔ تاہم گنے کی فصلوں کو ٹیکس فری کمرشل گڑ بنانے کی طرف موڑنے اور افغانستان کو سمگل کرنے کی وجہ سے ملوں کو گنے کی فراہمی نہ ہونے سے کرشنگ آپریشن کو عارضی طور پر 09 دسمبر 2020 کو بند کرنا پڑا۔ خیبر پختون خواہ حکومت نے کاشتکاروں کو اپنے بینک اکاؤنٹ میں ادائیگی کرنے اور مڈل مین کو ختم کرنے کے لئے قانون پیش کیا۔ تاہم کے پی کے کی حکومت اس قانون کو نافذ العمل کرنے میں ناکام رہی اور مڈل مین کی شمولیت نے گنے کی شرح کو 300 روپے تک بڑھادیا جس سے پیداوار کی لاگت میں کافی اضافہ ہوا۔

## 3۔ چینی کی قیمت

### 3.1۔ چینی کا سیزن 2019-20

جیسا کہ کمپنی صرف اپنی 10 فیصد صلاحیت کے مطابق کام کرتی رہی ہے، اسی وجہ سے چینی کی قیمت کمپنی کی فکسڈ کاسٹ کو پورا نہیں کر سکی۔

### 3.2۔ چینی کا سیزن 2020-21

کمپنی صرف 34 دنوں کے لئے اپنی صلاحیت کے 17.4 فیصد پہ کام کر سکی اور گنے کی عدم دستیابی کی وجہ سے آپریشن کو بند کرنا پڑا۔

## 4۔ ڈسٹری

ہتھنول فیول پلانٹ نے 30 ستمبر 2020 کو اختتام ہونے والے مالی سال کے دوران 2,733.984MT ہتھنول کی پیداوار کی۔

## 5۔ سٹاف

سال کے دوران انتظامیہ اور مزدوروں کے تعلقات مثالی رہے۔ تاہم کمپنی کے نقصان میں ہونے کی وجہ سے ملازمین کو سال کے دوران کوئی بونس نہیں دیا گیا۔

## 6۔ شمیر ہولڈنگ کی ترتیب

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

## 7۔ کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک

۔ دی پرنسپل شو گرلز اینڈ ڈسٹرلی کمپنی لمیٹڈ کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، رقم کی آمد و رفت، کاروباری سرمایہ میں ہونے والی تبدیلیاں اور تمام معاملات کو واضح پیش کرتے ہیں۔

۔ کمپنی کے حسابداری کے باقاعدہ کھاتے مرتب کیے جاتے ہیں۔

۔ مناسب حسابداری کے اصول تسلسل سے مالیاتی حسابات بنانے میں استعمال ہوتے ہیں۔ یہ گوشوارے ہمیشہ انتہائی منطقی اور محتاط اندازوں پر مشتمل ہوتے ہیں۔

۔ انٹرنیشنل اکاؤنٹنگ رپورٹنگ، جو پاکستان میں اپناتے ہوتے ہیں ان پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے جاتے ہیں۔

۔ اندرونی کنٹرول کا نظام مؤثر طریقے سے نافذ اور نگران کیا گیا ہے۔

۔ کمپنی کے قائم نہ رہنے کے حوالے سے کسی قسم کا کوئی خدشہ نہیں پایا جاتا ہے۔

۔ کمپنی باقاعدگی سے کارپوریٹ گورننس کے قواعد و ضوابط جو کہ لسٹڈ ریگولیشنز، میں واضح کئے گئے ہیں کی مکمل پاسداری کرتی ہے۔

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

۔ 30 ستمبر 2020 تک کسی بھی قسم کی کوئی ٹیکس، فرائض، لیویز، چارجز، بقایا جات نہیں ہیں، سوائے ان کے جو مالیاتی بیانات میں بتائی گئیں ہیں۔

۔ 30 ستمبر 2020 کو آڈٹ شدہ اکاؤنٹس پر مبنی، اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 44.697 ملین تھی۔

۔ کمپنی کے زیادہ تر ڈائریکٹرز ڈائریکٹرز ٹریننگ پروگرام کی ضرورت سے مستثنیٰ ہیں۔

## 8۔ شیئرز کی تجارت

سال کے دوران ڈائریکٹرز، سی ایف او، کمپنی کے سیکرٹری، ان کے ازواج اور چھوٹے بچوں کی جانب سے کمپنی کے حصص میں کوئی لین دین نہیں ہوا۔ سوائے سی ای او کے جنہوں نے سال کے دوران 90,630 شیئرز خریدے تھے۔

## 9۔ متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں سے لین دین کے معاملے نوٹ 40 میں بیان کئے گئے ہیں ان کو بورڈ آف آڈٹ کمیٹی کے سامنے منظوری کے لئے پیش کیا گیا اور بورڈ سے باقاعدہ منظوری لی گئی تھی۔ لین دین کے یہ معاملات انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (آئی ایف آر ایس) اور کمپنیز ایکٹ 2017 کے قواعد کے عین مطابق ہیں۔ کمپنی کی جانب سے اس قسم کے تمام معاملات / لین دین کا ریکارڈ رکھا جاتا ہے۔ متعلقہ پارٹیوں سے متعلق تمام لین دین کے معاملات کی شیئر ہولڈرز سے سالانہ اجلاس عام میں منظوری لی جائے گی۔

## 10۔ بورڈ اجلاس

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

ڈائریکٹر کے نام نان۔ ایگزیکٹو ڈائریکٹرز	بورڈ آف ڈائریکٹرز کے اجلاس حاضری	آڈٹ کمیٹی کے اجلاس حاضری	ہیومن ریسورس اور معاوضہ کی کمیٹی حاضری
جناب عزیز سرفراز خان	5	4	1
بیگم لیلی سرفراز (خاتون ڈائریکٹر)	5	--	--
محترمہ زرین سرفراز (خاتون ڈائریکٹر)	2	2	--
محترمہ نجمہ سرفراز (خاتون ڈائریکٹر)	3	2	--
ایگزیکٹو ڈائریکٹرز			
جناب عباس سرفراز خان	3	--	--
جناب اسکندر محمد خان	5	--	1
جناب عبدالقادر خٹک	3	--	--
آزاد ڈائریکٹرز			
محترمہ سمیرہ راشد (خاتون ڈائریکٹر)	2	1	--
جناب شہباز حیدر آغا	2	3	1
جناب سلمان احمد	1	--	--

جو ڈائریکٹر بورڈ میننگ اجلاس میں حاضر نہیں ہو سکے ان کو چھٹی کی منظوری دی گئی تھی۔

## 11۔ حصص داران کا کردار

بورڈ کا مقصد اس بات کو یقینی بنانا ہے کہ کمپنی کے حصص داران کو کسی بھی ایسی اہم پیش رفت سے بروقت مطلع کیا جائے، جو کمپنی کے معاملات پر اثر انداز ہو۔ اس مقصد کو حاصل کرنے کے لیے حصص داران کو سہ ماہی، نصف اور سالانہ رپورٹ کی معلومات فراہم کی جاتی ہے۔ بورڈ آف ڈائریکٹرز اعلیٰ سطحی احتساب کو یقینی بنانے کے لیے حصص داروں کو سالانہ اجلاس میں شرکت کی حوصلہ افزائی کرنا ہے۔

## 12۔ ڈیویڈنڈ کی ادائیگی

ڈائریکٹرز نے اس سال کمپنی کے نقصان میں ہونے کی وجہ سے ڈیویڈنڈ نہ دینے کی سفارش کی ہے۔

## 13۔ آڈیٹرز

موجودہ آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، لاہور، سالانہ اجلاس عام تک ریٹائرڈ ہو جاہیں گے اور انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ آڈٹ کمیٹی نے کوڈ آف کارپوریٹ گورننس کے ضابطہ کے مطابق، بورڈ آف ڈائریکٹرز نے آڈیٹرز کو 30 ستمبر 2021ء کی سال کے اختتام تک مقرر کرنے کی گزارش کی ہے۔

## 14۔ آڈیٹرز کے مشاہدات کا جواب

### نوٹ 15.4

کمپنی باقاعدہ طور پر اپنے آپ کو پیش کرتی ہے SECP کی جانب سے معزز لاہور ہائر کورٹ اتر کیے گئے کیس نمبر 2011/454 میں، جو کہ کمپنی کے بند ہونے سے اور حصص داروں کو ان کا حق دینے سے متعلق ہے جن لوگوں نے اپنے حصے کے لیے دعویٰ دائر کیا کورٹ نے ان کی درخواست کو منظور کرتے ہوئے کاروبار بند کروانے والے کا تقرر کیا ہے۔ پچھلے سال کے اختتام کے بعد کمپنی کو 10 ملین کی خطیر رقم مقصود وصول ہوئی۔

## 15۔ ضابطہ برائے کاروباری نظم و نسق

کمپنی کوڈ آف کارپوریٹ گورننس کے ضابطے جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 میں دیئے گئے ہیں اور 30 ستمبر 2020 و ختم ہونے والے سال سے متعلقہ ہیں پر پوری طرح عمل پیرا ہے اس سے متعلق بیان اس رپورٹ کے ساتھ منسلک ہے۔

## 16۔ اعتراف

ڈائریکٹر نے کمپنی اور ایگزیکٹوز کی محنت اور لگن اور بنکوں کی قیمتی حمایت کو سراہا ہے۔

بورڈ قابل قدر حصص داروں کا شکر گزار ہے جنہوں نے مشکل وقت میں کمپنی کا ساتھ دیا اور کمپنی پہ اپنا بھروسہ رکھا، جس کی وجہ سے کمپنی موجودہ چیلنج میں سرخرو ہوئی۔

منجانب بورڈ



عباس سرفراز خان

چیف ایگزیکٹو



اسکندر محمد خان

ڈائریکٹر

مردان

بتاریخ: 01 فروری، 2021

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## Shareholders' Information

### Registered Office

Nowshera Road Mardan,  
Khyber Pakhtunkhwa.  
Tel: 92 937 862051-52  
Fax: 92 937 862989

### Head Office

King's Arcade, 20-A, Markaz F-7, Islamabad.  
Tel: 92 51 2650805-7  
Fax: 92 51 2651285-6

### Shares Registrar

Hameed Majeed Associates (Pvt.) Limited,  
HM House, 7-Bank Square, Lahore.  
Tel: 92 42 37235081-2  
Fax: 92 42 37358817

M/s. Hameed Majeed Associates (Pvt.) Limited is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, and issue of duplicate/replaced share certificates, change of address and other related matters.

### Listing on Stock Exchange

The Premier Sugar Mills & Distillery Company's equity shares are listed on Pakistan Stock Exchange (PSX).

### Listing Fees

The annual listing fee for the financial year 2020-21 has been paid to Pakistan Stock Exchange.

### Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Act, 2017 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

### Stock Code

The stock code for dealing in equity shares of The Premier Sugar Mills & Distillery Company Limited at PSX is **PMRS**.

### Book Closure Dates

The Register of Members and Share Transfer books of the Company will remain closed from 15.02.2021 to 25.02.2021.

### Web Presence

Updated information regarding the Company can be accessed at website [www.premiersugarmills.com](http://www.premiersugarmills.com). The website contains the latest financial results of the Company together with Company's profile.

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**THE COMPANIES ACT, 2017 FORM - 34**  
**(Section 227 (2)(f))**  
**PATTERN OF SHAREHOLDING**

1.1. Name of the Company

THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

2.1. Pattern of holding of the shares held by the shareholders as at

9/30/2020

2.2 No. of Shareholders		SHAREHOLDINGS		TOTAL SHARES HELD
		FROM	TO	
	517	1	100	19,562
	417	101	500	99,524
	154	501	1000	110,617
	158	1001	5000	316,175
	19	5001	10000	133,414
	9	10001	20000	115,307
	8	20001	50000	212,030
	1	50001	150000	99,200
	1	150001	310000	307,370
	1	310001	400000	400,000
	0	400001	600000	-
	2	600001	1125000	1,936,801
	<b>1287</b>			<b>3,750,000</b>

2.3	Categories of Shareholders	Shares Held	Percentage
2.3.1	Directors, Chief Executive Officers and their Spouses and their minor children	2,325,668	62.02
2.3.2	Associated Companies undertakings and related parties	400,000	10.67
2.3.3	NIT and ICP	-	-
2.3.4	Banks, Development Financial Institutions, Non Banking Financial Institutions	7,146	0.19
2.3.5	Insurance Companies	-	-
2.3.6	Modarba and Mutual Funds	-	-
2.3.7	Shareholder holdings 10%	2,336,801	62.31
2.3.8	General Public		
	Local	981,804	26.18
	Foreign	-	-
2.3.9	Others (to be Specified)		
	(Public Sector Companies & Corporations)	35,382	0.94

Categories of shareholders	Numbers of Shareholders	No of shares held	Shares Held	Percentage of paid up capital
<b><u>Directors and their Spouse and Minor Children</u></b>	<b>7</b>		<b>2,267,598</b>	
Mr. Aziz Sarfaraz Khan		1,080,620		28.82
Begum Laila Sarfaraz		307,370		8.20
Mr. Abbas Sarfaraz Khan		856,181		22.83
Ms. Zarmine Sarfaraz		22,925		0.61
Mr. Iskander M. Khan		500		0.01
Mr. Shahbaz Haider Agha		1		0.00
Mr. Salman Ahmad		1		0.00
<b><u>Shares held by Relatives</u></b>	<b>4</b>		<b>58,063</b>	
Babar Ali Khan		1,584		0.04
Mahnaz Saigol		500		0.01
Mr. Abdul Qadar Khattak		33,705		0.90
Ms. Najda Sarfaraz		22,274		0.59
<b><u>Company Secretary</u></b>	<b>1</b>		<b>7</b>	
Mujahid Bashir		7		0.00
<b><u>Associated Companies</u></b>	<b>1</b>		<b>400,000</b>	
Arpak International Investments Ltd.		400,000		10.67
<b><u>Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds</u></b>	<b>4</b>		<b>7,146</b>	
CDC Trustee National Bank of Pakistan Limited		6,952		0.19
National Bank of Pakistan		41		0.00
United Bank Limited		37		0.00
Investment Corporation of Pakistan		116		
<b><u>Public Sector Companies and Corporation</u></b>	<b>16</b>		<b>35,382</b>	
The Society for the Rehabilitation of crippled children		174		0.00
Chief Administrator of Auqaf		3,798		0.10
The Ida Rieu Poor Welfare Association		349		0.01
BCGA (Punjab) Limited		5,268		0.14
Bibojee Services Limited		10,396		0.28
Robberts Cotton Association Limited		4,444		0.12
Madrassa Haqania Akora Khattak		52		0.00
Pyramid Investments (Pvt.) Limited		500		0.01
Secretary Municipal Committee Mardan.		226		0.01
Frontier Co-operative Bank Limited		8,452		0.23
Maple Leaf Capital Limited		1		0.00
Freedom Enterprises (Pvt.) Limited		1,000		0.03
Y.S Securities Limited		2		0.00
Sarfaraz Mehmood Private Limited		100		0.00
Ismail Iqbal Securities (Pvt) Limited		100		0.00
Mohammad Ahmed Nadeem Securities (SMC-Pvt) Limited		520		0.01
<b><u>Shares held by General Public</u></b>				
Held by General Public	<b>1254</b>		<b>981,804</b>	26.18
	<b>1287</b>		<b>3,750,000</b>	<b>100.00</b>
<b><u>Shareholders holding 10% or more voting Interest in the Company</u></b>				
Khan Aziz Sarfaraz Khan		1,080,620		28.82
Mr. Abbas Sarfaraz Khan		856,181		22.83
M/s. Arpak International Investments Limited		400,000		10.67
		<b>2,336,801</b>		<b>62.31</b>
<b><u>Trade in shares by Directors, CEO, CFO, Company Secretary, Executives and their Spouses and Minor Children</u></b>				
<b><u>Name</u></b>	<b><u>Designation</u></b>	<b><u>No of Shares Purchased</u></b>	<b><u>No of Shares Sold</u></b>	
Abbas Sarfaraz Khan	CEO	90,630	-	

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF**  
**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**

**Review Report on the Statement of Compliance contained in Listed Companies  
( Code of Corporate Governance ) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) for the year ended September 30, 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 September 30, 2020.

LAHORE;  
February 02, 2021

*Shinewing Hameed Chaudhri & Co.*  
**SHINEWING HAMEED CHAUDHRI & CO.,**  
**CHARTERED ACCOUNTANTS**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**STATEMENT OF COMPLIANCE WITH REPEALED LISTED COMPANIES (CODE OF**  
**CORPORATE GOVERNANCE) REGULATIONS, 2019**

The Company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of Directors are seven as per the following:
  - a) Male: 5
  - b) Female: 2
2. The composition of the Board of Directors (the Board) is as follows:

Category	Names
<b>Independent Director</b>	Mr. Shahbaz Haider Agha Mr. Salman Ahmed.
<b>Non-executive Director</b>	Mr. Shahbaz Haider Agha Mr. Salman Ahmed Mr. Aziz Sarfaraz Khan Begum Laila Sarfaraz Ms. Zarmine Sarfaraz
<b>Executive Directors</b>	Mr. Abbas Sarfaraz Khan Mr. Iskanader Muhammad Khan
<b>Female Director</b>	Begum Laila Sarfaraz Ms. Zarmine Sarfaraz

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 and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. Majority of the Directors of the Company are exempted from the requirement of Directors' Training Program.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed Committees comprising of members given below:

**Board Audit Committee**

- |                            |                 |
|----------------------------|-----------------|
| a) Mr. Shahbaz Haider Agha | <b>Chairman</b> |
| b) Mr. Aziz Sarfaraz Khan  | <b>Member</b>   |
| c) Ms. Zarmine Sarfaraz    | <b>Member</b>   |

**Human Resource and Remuneration Committee**

- |                            |                 |
|----------------------------|-----------------|
| a) Mr. Shahbaz Haider Agha | <b>Chairman</b> |
| b) Mr. Aziz Sarfaraz Khan  | <b>Member</b>   |
| c) Mr. Iskander M. Khan    | <b>Member</b>   |

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) Board Audit Committee	<b>Quarterly</b>
b) Human Resource and Remuneration Committee	<b>Annually</b>
15. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company.

17. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with. However, fraction (0.33) contained in one-third number for Independent directors has not been rounded up as one, as the existing independent directors have the requisite skills, knowledge and diversified work experience to take independent decision in the interest of the Company.
19. Explanations for non-compliance with requirements, other than regulations, 3,6,8,27,32,33 and 36 are below.

Non-mandatory Requirement	Reg. No.	Explanation
<b>Nomination Committee:</b> The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	29	Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee; The Board shall consider to constitute nomination committee when required.
<b>Risk Management Committee:</b> The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	30	Currently, the board has not constituted a risk Management committee and senior officers of the Company performs the requisite functions and apprises the Board accordingly. The Board shall constitute risk Management committee when required.
<b>Disclosure of significant policies on</b> The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors re-muneration policy.	35	Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future.
<b>Responsibilities of the Board and its members.</b> The Board is responsible for adoption of corporate governance practices by the Company.	10(1)	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.

Mardan:  
February 01, 2021

  
(AZIZ SARFARAZ KHAN)  
CHAIRMAN

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF THE PREMIER SUGAR MILLS & DISTILLERY**  
**COMPANY LIMITED**

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

We have audited the annexed financial statements of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company), which comprise the statement of financial position as at September 30, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Qualified Opinion**

Provision against deposits with a non-banking finance company amounting Rs.6 million has not been made in these financial statements as fully detailed in note 15.4 to these financial statements.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to note 28.3 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.29.936 million demanded by Sui Northern Gas Pipelines Ltd. Our report is not modified in respect of this matter.

**Key Audit Matters**

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

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Impact of COVID-19</b></p> <p>As disclosed in note 46 to the financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities from March, 2020 in line with directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.</p> <p>In relation to the accounting and reporting obligations, the management has assessed the impact of COVID-19 related events on its financial statements. The management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:</p> <ul style="list-style-type: none"> <li>- the impairment of tangible assets under IAS 36, 'Impairment of non-financial assets';</li> <li>- the net realisable value of inventory under IAS 2, 'Inventories';</li> <li>- deferred taxation in accordance with IAS 12, 'Income taxes';</li> <li>- provisions and contingent liabilities under IAS 37 ; and</li> <li>- going concern assumption used for the preparation of these financial statements.</li> </ul> <p>In view of the unique nature of this event and its possible impacts on the business operations and financial reporting, we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit strategy accordingly.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>- obtained an overall understanding of the impact on the financial reporting process and underlying controls in order to determine the appropriate audit strategy;</li> <li>- assessed the authenticity of the confirmations received;</li> <li>- checked subsequent recoveries, on a sample basis, and assessed the reasonableness of forward-looking factors used by the management in determination of expected credit loss for trade debts;</li> <li>- evaluated whether any impairment indicators exist that could trigger impairment for tangible assets;</li> <li>- evaluated management's assessment as to whether any provisions were required to be recorded as result of COVID-19;</li> <li>- checked the accuracy of deferred tax computation;</li> <li>- checked the reasonableness of the inputs used for calculation of NRV of inventories held to assess the adequacy of relevant provisions;</li> <li>- evaluated management's going concern assessment by reviewing the future projections and assessed whether going concern assumption is appropriate; and</li> <li>- checked the adequacy of the disclosures made by the Company under the applicable financial reporting framework.</li> </ul>
2.	<p><b>Property, plant and equipment</b></p> <p>The Company's property, plant and equipment represent 88% (2019: 75%) of its total non-current assets; further, these represent 69% (2019: 49%) of its total assets at the reporting date. Judgement is exercised in determining the following:</p> <ul style="list-style-type: none"> <li>- useful lives and residual values;</li> </ul>	<p>The following was performed on the assessment of useful lives and residual values:</p> <ul style="list-style-type: none"> <li>- obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review;</li> </ul>

S.No.	Key audit matters	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>- assessing whether there are any indicator of impairment present; and</li> <li>- when performing impairment assessments where indicators have been identified.</li> </ul> <p>Based on value of the balance at the reporting date as well as the judgement involved in determining useful lives and residual values, this has been identified as a key audit matter.</p> <p><b>3. Financing obligations and compliance with related covenant requirements</b></p> <p>At the reporting date, the Company has outstanding long and short term financing facilities aggregating Rs.327.612 million, which constitute 46% of total liabilities of the Company.</p> <p>The Company's key operating / performance indicators including liquidity, gearing and finance cost are directly influenced by the additions to the portfolio of financing. Further, new financing arrangements entail additional financial and non-financial covenants for the Company to comply with.</p> <p>The significance of financing along with the sensitivity of compliance with underlying financing covenants are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>- followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate; and</li> <li>- confirmed by inspection of the fixed assets register and discussion with operational management that there were no material assets still in use with a nil value.</li> <li>- in considering whether impairment is required, the Company's consideration of impairment indicators such as reduced capacity, forecasts, market demand for products and the condition of the plants was reviewed. In addition, the following were performed: <ul style="list-style-type: none"> <li>- mills were inspected to identify any damages or non-operating assets;</li> <li>- discussions were held with the management, engineers and other technicians to identify any potential impairments; and</li> <li>- production analysis at the mills were performed and compared to standard capacity to assist in identifying possible impairment indicators.</li> </ul> </li> </ul> <p>Based on the tests performed, we are of the view that property, plant and equipment appear to be valued appropriately.</p> <p>Our audit procedures in relation to verification of long and short term financing mainly included the following:</p> <ul style="list-style-type: none"> <li>- reviewed terms and conditions of financing agreements entered into by the Company with various banks;</li> <li>- circularised direct balance confirmations to banks and verified receipts and payments from relevant statements;</li> <li>- reviewed maturity analysis of financing to ascertain the classification of financing as per their remaining maturities;</li> <li>- assessed the status of compliance with financing covenants and also inquired from the management with regard to their ability to ensure future compliance with the covenants;</li> </ul>

S.No.	Key audit matters	How the matter was addressed in our audit
4.	<p><b>Contingencies</b></p> <p>The Company is subject to material litigations involving different Courts pertaining to taxation and other matters, which require management to make assessments and judgments with respect to likelihood and impact of such litigations on the financial statements of the Company.</p> <p>The management has engaged independent legal counsels on these matters.</p> <p>The assessment of provisioning against such litigations is a complex exercise and requires significant judgments to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessments are disclosed in note 28 to the financial statements.</p>	<p>In response to this matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>- discussed legal cases with the internal legal department of the Company to understand the management's view point, obtained and reviewed the litigation documents to assess the facts and circumstances;</li> <li>- obtained opinions from legal counsels dealing with such cases in the form of confirmations;</li> <li>- evaluated the possible outcome of these legal cases in line with the requirements of IAS 37 (Provisions, contingent liabilities and contingent assets); and</li> <li>- disclosures of legal exposures and provisions were assessed for completeness and accuracy.</li> </ul>

#### Information Other than the Financial Statements and Auditors' 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 financial statements and our auditors' report thereon.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of
- \* 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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 statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Nafees ud din.

*Shinewing Hameed Chaudhri & Co.*

**SHINEWING HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS**

**LAHORE;**

February 02, 2021

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2020

	Note	2020 Rupees in thousand	2019
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	5	1,403,441	942,937
Investment property	6	25,766	26,647
Long term investments	7	170,006	170,006
Long term loan to Subsidiary Company	8	0	124,239
Security deposits		1,263	1,263
		<b>1,600,476</b>	<b>1,265,092</b>
<b>Current Assets</b>			
Stores and spares	9	106,626	110,873
Stock-in-trade	10	187,760	420,358
Trade debts, unsecured - considered good		16,883	0
Advances	11	4,451	6,842
Trade deposits and short term prepayments	12	1,178	1,347
Accrued profit on bank deposits		1,296	123
Other receivables	13	11,325	10,546
Income tax refundable, advance tax and tax deducted at source	14	23,668	6,099
Current portion of long term loan to Subsidiary Company	8	24,238	49,695
Bank balances	15	52,563	53,274
		<b>429,988</b>	<b>659,157</b>
		<b>2,030,464</b>	<b>1,924,249</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised capital			
5,750,000 (2019: 5,750,000) ordinary shares of Rs.10 each		57,500	57,500
Issued, subscribed and paid-up capital	16	37,500	37,500
Capital reserves			
- share redemption		1	1
- revaluation surplus on property, plant and equipment	17	857,176	519,562
General revenue reserve		900,000	900,000
Accumulated loss		(470,236)	(463,599)
<b>Shareholders' Equity</b>		<b>1,324,441</b>	<b>993,464</b>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Long term finances	18	22,404	0
Lease liabilities	19	2,114	2,283
Government grant	20	1,189	0
Staff retirement benefits - gratuity	21	18,479	15,139
Deferred taxation	22	148,753	14,352
		<b>192,939</b>	<b>31,774</b>
<b>Current Liabilities</b>			
Trade and other payables	23	166,763	185,447
Unclaimed dividends		7,484	7,636
Accrued mark-up	24	6,237	31,645
Short term borrowings	25	290,000	653,000
Current portion of non-current liabilities	26	18,876	1,980
Taxation	27	23,724	19,303
		<b>513,084</b>	<b>899,011</b>
<b>Total Liabilities</b>		<b>706,023</b>	<b>930,785</b>
<b>Contingencies and commitments</b>	28		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,030,464</b>	<b>1,924,249</b>

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

  
**ABBAS SARFARAZ KHAN**  
 CHIEF EXECUTIVE

  
**ISKANDER M. KHAN**  
 DIRECTOR

  
**RIZWAN ULLAH KHAN**  
 CHIEF FINANCIAL OFFICER

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Note	2020 Rupees in thousand	2019
Sales - Net	29	938,404	1,072,460
Cost of Sales	30	942,163	931,724
Gross (Loss) / Profit		(3,759)	140,736
Distribution Cost	31	13,910	7,928
Administrative Expenses	32	57,009	61,311
Other Expenses	33	1,386	5,048
		72,305	74,287
		(76,064)	66,449
Other Income	34	123,212	83,610
Profit from Operations		47,148	150,059
Finance Cost	35	95,618	119,189
(Loss) / Profit before Taxation		(48,470)	30,870
Taxation	36	279	30,686
(Loss) / Profit after Taxation		(48,749)	184
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Gain on remeasurement of staff retirement benefit obligation - gratuity	21	614	654
Impact of tax		(178)	(190)
		436	464
Surplus arisen upon revaluation of property, plant and equipment	5.3	534,211	0
Deferred taxation	17.2	(154,921)	0
		379,290	0
		379,726	464
Total Comprehensive Income		330,977	648
----- Rupees -----			
(Loss) / Earnings per Share	37	(13.00)	0.05

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

  
**ABBAS SARFARAZ KHAN**  
**CHIEF EXECUTIVE**

  
**ISKANDER M. KHAN**  
**DIRECTOR**

  
**RIZWAN ULLAH KHAN**  
**CHIEF FINANCIAL OFFICER**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019
	Rupees in thousand	
<b>Cash flows from operating activities</b>		
(Loss) / profit for the year - before taxation	(48,470)	30,870
Adjustments for non-cash charges and other items:		
Depreciation	83,831	85,578
Depreciation on investment property	881	960
Mark-up on loan to Subsidiary Company and profit on bank deposits	(23,805)	(31,849)
Staff retirement benefits-gratuity (net)	4,210	1,709
Unclaimed payable balances written-back	(754)	(1,230)
Gain on disposal of vehicles	(965)	0
Uncollectible receivable balances written-off	351	188
Dividends	(68,985)	(20,627)
Finance cost	93,481	117,082
<b>Profit before working capital changes</b>	<b>39,775</b>	<b>182,681</b>
<b>Effect on cash flows due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spares	4,247	(2,844)
Stock-in-trade	232,598	(48,756)
Trade debts	(16,883)	178,054
Advances	2,331	7,393
Trade deposits and short term prepayments	169	5,711
Other receivables	(1,070)	(1,117)
Sales tax refundable	0	11,187
Advance sales tax	0	25,000
(Decrease) / increase in trade and other payables	(18,186)	72,389
	<b>203,206</b>	<b>247,017</b>
<b>Cash generated from operations</b>	<b>242,981</b>	<b>429,698</b>
Income tax paid	(34,125)	(10,926)
Security deposits	0	(5)
<b>Net cash generated from operating activities</b>	<b>208,856</b>	<b>418,767</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(11,426)	(107,301)
Sale proceeds of vehicles	2,267	0
Dividends received	68,985	20,627
Mark-up / profit received on loan to Subsidiary Company and bank deposits	22,632	31,795
<b>Net cash generated from / (used in) investing activities</b>	<b>82,458</b>	<b>(54,879)</b>
<b>Cash flows from financing activities</b>		
Long term finances obtained / (repaid)	40,551	(66,666)
Lease finances - net	(231)	(1,075)
Portion of long term loan to Subsidiary Company - received / adjusted	149,696	105,566
Finance cost paid	(118,889)	(107,737)
Dividend paid	(152)	(38)
Short term borrowings - net	(363,000)	(292,384)
<b>Net cash used in financing activities</b>	<b>(292,025)</b>	<b>(362,334)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(711)</b>	<b>1,554</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>53,274</b>	<b>51,720</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>52,563</b>	<b>53,274</b>

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

  
**ABBAS SARFARAZ KHAN**  
**CHIEF EXECUTIVE**

  
**ISKANDER M. KHAN**  
**DIRECTOR**

  
**RIZWAN ULLAH KHAN**  
**CHIEF FINANCIAL OFFICER**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Share capital	Reserves				Total
	Capital		Revenue		
	Share redemption	Revaluation surplus on property, plant and equipment	General	Accumulated loss	

----- Rupees in thousand -----

Balance as at September 30, 2018	37,500	1	565,596	900,000	(510,281)	992,816
Total comprehensive income for the year ended September 30, 2019						
- profit for the year	0	0	0	0	184	184
- other comprehensive income	0	0	0	0	464	464
	0	0	0	0	648	648
Transfer from revaluation surplus on property, plant and equipment on account of incremental depreciation for the year (net of deferred taxation)	0	0	(46,034)	0	46,034	0
Balance as at September 30, 2019	37,500	1	519,562	900,000	(463,599)	993,464
Total comprehensive income for the year ended September 30, 2020						
- loss for the year	0	0	0	0	(48,749)	(48,749)
- other comprehensive income	0	0	379,290	0	436	379,726
	0	0	379,290	0	(48,313)	330,977
Transfer from revaluation surplus on property, plant and equipment on account of incremental depreciation for the year (net of deferred taxation)	0	0	(41,676)	0	41,676	0
<b>Balance as at September 30, 2020</b>	<b>37,500</b>	<b>1</b>	<b>857,176</b>	<b>900,000</b>	<b>(470,236)</b>	<b>1,324,441</b>

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

  
**ABBAS SARFARAZ KHAN**  
**CHIEF EXECUTIVE**

  
**ISKANDER M. KHAN**  
**DIRECTOR**

  
**RIZWAN ULLAH KHAN**  
**CHIEF FINANCIAL OFFICER**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

The Premier Sugar Mills & Distillery Company Limited (the Company) was incorporated on July 24, 1944 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of white sugar and spirit. The Company's Mills and Registered Office are located at Mardan (Khyber Pakhtunkhwa) whereas the Head Office is situated at King's Arcade, 20-A, Markaz F-7, Islamabad. The Company has shifted its distillery from Mardan to Ramak, Dera Ismail Khan.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupee, which is the Company's functional and presentation currency. Amounts presented in the financial statements have been rounded off to the nearest thousand unless otherwise stated.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The

estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

- Useful lives, residual values and depreciation method of property, plant and equipment and investment property. - notes 4.1, 4.2, 5.1 & 6.
- Provision for impairment of inventories - notes 4.4, 4.5, 9 & 10.
- Impairment loss of non-financial assets other than inventories - note 4.8.
- Allowance for expected credit loss - notes 4.6 & 13.
- Staff retirement benefits - gratuity - notes 4.10 & 21.
- Estimation of provisions - note 4.12.
- Estimation of contingent liabilities - notes 4.13 & 28.
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 4.14, 22 & 27.

The revisions to accounting estimates, if any, are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **3. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS**

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

#### **3.1 Standards, amendments and interpretations to accounting and reporting standards that became effective during the year**

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on October 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', are effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments do not have any material impact on the Company's financial statements.
- (b) IFRS 16, 'Leases' has introduced a single on-balance sheet accounting model for lessees. As a result, the Company, as a lessee has recognised right-of-use asset representing its rights to use the underlined assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initial application needs to be recognised in retained earnings. Accordingly, the comparative information presented for the year 2019 has not been restated i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are as follows.

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases vehicles for management use. The Company recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the reducing balance method. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

- (c) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments do not have any material impact on the Company's financial statements.
- (d) Amendments to IAS 28 'Investments in associates and joint ventures' are effective for annual periods beginning on or after January 01, 2019. The amendments clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments do not have any significant impact on the Company's financial statements.
- (e) 'IFRIC 23, 'Uncertainty over income tax treatments' is effective for accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty

over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendments do not have any material impact on the Company's financial statements.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after October 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.
- (b) 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.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended September 30, 2019.

### **4.1 Property, plant and equipment**

#### **(a) Owned**

##### **Measurement**

Buildings on leasehold and freehold land and plant & machinery are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the

net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment, except freehold land and capital work-in-progress, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Freehold land and capital work-in-progress are stated at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

### **Revaluation**

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings.

### **Depreciation**

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. Leasehold land is amortised over the lease term using the straight-line method.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

### **Disposal**

Gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other income in the statement of profit or loss. In case of the sale or retirement of a revalued property, plant and equipment, the attributable revaluation surplus remaining in the revaluation surplus on property, plant and equipment is transferred directly to unappropriated profit.

### **Judgment and estimates**

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any change in estimates is accounted for on a prospective basis.

## **(b) Right of use assets and related liabilities**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. At initial recognition, liabilities have been discounted using the Company's incremental borrowing rate ranging from 8.98% to 15.01%. Lease payment includes fixed payments with annual increments. The lease liabilities are subsequently measured at amortised cost using the effective interest rate.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any.

## **4.2 Investment property**

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Company uses cost model for valuation of its investment property; freehold land has been valued at cost whereas buildings on freehold land have been valued at cost less accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income applying reducing balance method at the rates stated in note 6. Depreciation on additions is charged from the month in which the asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to statement of profit or loss.

## **4.3 Investments**

Investments in associates and subsidiaries are carried at cost less impairment loss, if any. Gain / loss on sale of investments is included in statement of profit or loss. Bonus shares are accounted for by increase in number of shares without any change in value.

The Company issues consolidated financial statements along with its separate financial statements in accordance with the requirements of IFRS 10 'Consolidated financial statements'. Investments in associates, in the consolidated financial statements, have been accounted for using the equity method.

At each reporting date, the Company reviews the carrying amounts of the investments in subsidiaries and associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and the net assets value of these investments. Impairment losses are recognised as expense in the statement of profit or loss.

Investments in subsidiaries and associates, that suffered an impairment, are reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the statement of profit or loss on investments in subsidiaries and associates are reversed through the statement of profit or loss.

#### **4.4 Stores and spares**

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the reporting date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

#### **4.5 Stock-in-trade**

- a) Stock of manufactured products is valued at the lower of cost and net realisable value. Molasses inventory is valued at net realisable value.
- b) Cost in relation to finished goods and work-in-process represents the annual average manufacturing cost, which comprises of prime cost and appropriate production overheads.
- c) Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

#### **Judgments and estimates**

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

#### **4.6 Trade debts and other receivables**

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less allowance for Expected Credit Loss (ECL). Carrying amounts of trade debts and other receivables are assessed at each reporting date and allowance is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

#### **4.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash-in-hand and balances with banks.

#### **4.8 Impairment of non-financial assets other than inventories**

The assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. The Company recognises the reversal immediately in the statement of profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### **4.9 Borrowings and borrowing costs**

Borrowings are recognised initially at fair value.

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.

#### **4.10 Staff retirement benefits**

##### **(a) Defined contribution plan**

The Company is operating a provident fund scheme for all its permanent employees; equal monthly contribution to the fund is made at the rate of 9% of the basic salaries both by the employees and the Company.

##### **(b) Defined benefit plan**

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on September 30, 2020 on the basis of projected unit credit method by an independent Actuary.

Actuarial gains and losses are recognised in other comprehensive income in the period in which these occur and past-service costs are recognised immediately in the statement of profit or loss.

#### **4.11 Trade and other payables**

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

#### **4.12 Provisions**

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

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

#### **4.13 Contingent liabilities**

A contingent liability is disclosed when the Company

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

#### **4.14 Taxation**

Taxation comprises of current tax and deferred tax.

Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any, in which case the tax amounts are recognised directly in other comprehensive income or equity.

##### **(a) Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current year also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

**(b) Deferred**

Deferred tax is recognised using the statement of financial position liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

**4.15 Dividend and appropriation to reserves**

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

**4.16 Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

**a) Financial assets**

**Classification**

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

- i) amortised cost where the effective interest rate method is applied;
- ii) fair value through profit or loss; and
- iii) fair value through other comprehensive income.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in statement of profit or loss or other comprehensive income (OCI).

**Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Further, financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

**Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

**Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

**Impairment of financial assets**

The Company assesses on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its trade debts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Cash and bank balances

**Simplified approach for trade debts**

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

**Recognition of loss allowance**

The Company recognises an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**Write-off**

The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written-off will result in impairment gains.

**b) Financial Liabilities**

**Classification, initial recognition and subsequent measurement**

Financial liabilities are classified in the following categories:

- i) fair value through profit or loss; and
- ii) other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

**i) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

**ii) Other financial liabilities**

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in profit or loss for the year, when the liabilities are derecognised as well as through effective interest rate amortisation process.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled or expired.

**Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**4.17 Foreign currency translation**

Foreign currency transactions are recorded in Pakistan Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pakistan Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are taken to statement of profit or loss.

**4.18 Revenue recognition**

Revenue from contracts with customers is recognised at the point in time when the performance obligation is satisfied i.e. control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods.

### Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

### Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs its performance obligations under the contract.

### Others

Return on deposits is accounted for on 'accrual basis'.

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

## 4.19 Development expenditure

Expenditure incurred on development of sugar cane and beet is expensed in the year of incurrence.

## 4.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

Segment assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant & equipment, stores, spares & loose tools and stock-in-trade. Segment liabilities comprise of long term finances, lease liabilities, short term borrowings and trade & other payables.

On the basis of its internal reporting structure, the Company has two reportable segments i.e. sugar and ethanol.

## 5. PROPERTY, PLANT AND EQUIPMENT

		2020	2019
	Note	Rupees in thousand	
Operating fixed assets	5.1	1,403,441	837,371
Capital work-in-progress			
- plant & machinery		0	78,010
- electric installations		0	21,571
- others		0	5,985
	(a)	0	105,566
		1,403,441	942,937

- (a) 2019 balance represents costs incurred for erection of distillery at Ramak, Dera Ismail Khan. As the erection of distillery has been completed, these costs have been capitalised during the current financial year.

## 5.1 Operating fixed assets - tangible

Particulars	Land		Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Furniture, fittings & office equipment	Railway rolling stock and vehicles	Sub-total	Leased vehicles ( right of use assets )	Total
	Leasehold	Freehold								
	----- Rupees in thousand -----									
As at September 30, 2018										
Cost / revaluation	2,725	12,065	188,032	175,295	731,592	62,037	15,758	1,187,504	10,765	1,198,269
Accumulated depreciation	583	0	46,787	46,227	128,950	38,037	13,174	273,758	3,297	277,055
Book value	2,142	12,065	141,245	129,068	602,642	24,000	2,584	913,746	7,468	921,214
Year ended September 30, 2019:										
Additions	0	0	0	0	0	176	0	176	1,559	1,735
Transfer from leased to owned										
- cost	0	0	0	0	0	0	1,693	1,693	(1,693)	0
- depreciation	0	0	0	0	0	0	(790)	(790)	790	0
Depreciation charge for the year	27	0	9,843	9,725	60,364	3,453	697	84,109	1,469	85,578
Book value as at September 30, 2019	2,115	12,065	131,402	119,343	542,278	20,723	2,790	830,716	6,655	837,371
Year ended September 30, 2020:										
Additions	0	0	0	0	90,002	24,357	0	114,359	2,633	116,992
Transfer from leased to owned										
- cost	0	0	0	0	0	0	4,190	4,190	(4,190)	0
- depreciation	0	0	0	0	0	0	(2,056)	(2,056)	2,056	0
Revaluation adjustments										
- cost	0	0	36,960	36,518	101,518	0	0	174,996	0	174,996
- depreciation	0	0	57,914	57,223	244,078	0	0	359,215	0	359,215
Disposals										
- cost	0	0	0	0	0	0	(3,440)	(3,440)	0	(3,440)
- depreciation	0	0	0	0	0	0	2,138	2,138	0	2,138
Depreciation charge for the year	27	0	9,046	8,938	58,953	4,772	840	82,576	1,255	83,831
Book value as at September 30, 2020	2,088	12,065	217,230	204,146	918,923	40,308	2,782	1,397,542	5,899	1,403,441
As at September 30, 2019										
Cost / revaluation	2,725	12,065	188,032	175,295	731,592	62,213	17,451	1,189,373	10,631	1,200,004
Accumulated depreciation	610	0	56,630	55,952	189,314	41,490	14,661	358,657	3,976	362,633

## 5.2 Particulars of immovable property

Location	Usage of immovable property	Total Area (square feet)	Covered Area (In square feet) approx.
<b>Land - freehold</b>			
Saro Shah, Takht Bahi	Agricultural	5,378,299	0
Nowshera Road, Mardan	Industrial	999,158	
<b>Land - leasehold</b>			
Nowshera Road, Mardan	Industrial	5,268,037	
		6,267,195	807,188
		<b>11,645,494</b>	<b>807,188</b>

- 5.3 Revaluation surplus on buildings and plant & machinery, excluding roads, farm building, guest house at Peshawar and plant & machinery having book value aggregating Rs.2.885 million and Rs.1.475 million respectively, as a result of latest revaluation as detailed in note 17 has been determined as follows:

Particulars	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Total
-----Rupees in thousand-----				
Cost / revaluation as at September 30, 2020	181,386	168,730	819,128	1,169,244
Accumulated depreciation to September 30, 2020	60,481	59,761	247,277	367,519
Book value before revaluation adjustments as at September 30, 2020	120,905	108,969	571,851	801,725
Revalued amounts	210,500	207,990	917,446	1,335,936
Revaluation surplus	89,595	99,021	345,595	534,211

- 5.4 Had the aforementioned revalued fixed assets of the Company been recognised under the cost model, the carrying values of these assets would have been as follows:

	2020	2019
	Rupees in thousand	
- buildings on freehold land	15,574	16,284
- buildings on leasehold land	1,021	1,722
- plant & machinery	194,704	121,529
	<b>211,299</b>	<b>139,535</b>

- 5.5 Based on the revaluation report of K.G. Traders (Pvt.) Ltd. dated October 10, 2020, the forced sale values of the revalued fixed assets have been assessed as follows:

	Rupees in thousand
Buildings on freehold and leasehold land	334,792
Plant & machinery	642,212
	<u>977,004</u>

- 5.6 Depreciation for the year has been allocated as follows:

	2020 Rupees in thousand	2019
Cost of sales	80,398	80,595
Administrative expenses	3,433	4,983
	<u>83,831</u>	<u>85,578</u>

- 5.7 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
-----Rupees in thousand-----							
Toyota Corolla	1,693	1,079	614	1,406	792	Company policy	Mr. Sarwar Jan, - employee.
Toyota Corolla	1,692	1,006	686	846	160	-- do --	Mr. Azhar Mehmood, - employee.
Toyota Corolla	55	53	2	15	13	Negotiation	Mr. Adnan Ali, - employee.
	<u>3,440</u>	<u>2,138</u>	<u>1,302</u>	<u>2,267</u>	<u>965</u>		

- 5.8 The Board of Directors, during the financial year ended September 30, 2018, had decided to shift the Company's distillery operations from Mardan to Ramak, Dera Ismail Khan due to easy approach to power and raw materials. Dismantling, shifting and erection work of distillery has been completed during the current financial year.

- 5.9 The Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009, September 30, 2011, September 30, 2014, September 30, 2017 and September 30, 2020 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million, Rs.76.240 million, Rs.5.328 million and Rs.99.021 million respectively was incorporated in the books of account.

Clause 6 of the lease agreement dated July 09, 1947, which was for a period of 60 years, empowers the Company to renew the lease. On August 10, 2007, the Company, in terms of the aforesaid clause 6, had exercised the option of renewal of the lease and indicated its desire to extend the lease for a further period of 60 years (commencing from January 01, 2008) on such terms as may be agreed between the parties and invited the legal heirs of the lessor to negotiate the terms of the extended lease agreement. The legal heirs of the lessor had failed to agree on the terms of the extended lease; hence, the matter was referred to arbitration.

Two of the legal heirs of the lessor have filed civil suits impugning the validity of arbitration. These suits are frivolous, barred by law and liable to be dismissed in due course under relevant provisions of the Arbitration Act, 1940.

The arbitration proceedings were finalised during the financial year ended September 30, 2016 and the Arbitrator (a Senior Advocate of the Supreme Court of Pakistan) announced the award by extending the lease term for a further period of 60 years. The same was filed before the Senior Civil Judge, Mardan to make it 'Rule of the Court'.

## 6. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
----- Rupees in thousand -----			
As at September 30, 2018:			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	50,645	50,645
Book value	14,544	13,063	27,607
Year ended September 30, 2019:			
Depreciation charge	0	960	960
Book value	14,544	12,103	26,647
Year ended September 30, 2020:			
Depreciation charge	0	881	881
<b>Book value</b>	<b>14,544</b>	<b>11,222</b>	<b>25,766</b>
As at September 30, 2019			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	51,605	51,605
Book value	14,544	12,103	26,647
As at September 30, 2020			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	52,486	52,486
<b>Book value</b>	<b>14,544</b>	<b>11,222</b>	<b>25,766</b>
Depreciation rate (%)	0	5-10	

- 6.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2020 was Rs. 400 million (2019: Rs.260 million).

## 7. LONG TERM INVESTMENTS - in Related Parties

SUBSIDIARY COMPANIES	2020 Share-holding %	2019	2020 Rupees in thousand	2019
<b>QUOTED:</b>				
<b>Chashma Sugar Mills Ltd.</b>				
13,751,000 (2019: 13,751,000) ordinary shares of Rs.10 each ( <b>note 7.1</b> )	<b>47.93</b>	47.93	<b>137,584</b>	137,584
- Market value Rs.1,267.980 million (2019: Rs.550.040 million)				

- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2020  
Rs.3,685.780 million (2019: Rs.3,029.638 million)

<b>Balance c/f</b>			<b>137,584</b>	<b>137,584</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Share-holding %</b>		<b>Rupees in thousand</b>	
<b>Balance b/f</b>			<b>137,584</b>	<b>137,584</b>

**UN-QUOTED:**

**The Frontier Sugar Mills & Distillery Ltd.**

1,113,637 (2019: 1,113,637) ordinary shares of Rs.10 each	<b>82.49</b>	82.49	<b>26,509</b>	26,509
42,984 (2019: 42,984) 7% irredeemable preference shares of Rs.10 each	<b>85.97</b>	85.97	<b>597</b>	597
- Value of investments based on net assets shown in the audited financial statements for the year ended September 30, 2020 Rs.138.413 million (2019: Rs.146.766 million)				
			<b>27,106</b>	27,106

**ASSOCIATED COMPANIES**

**QUOTED:**

**Arpak International Investments Ltd. (AII)**

229,900 (2019: 229,900) ordinary shares of Rs.10 each	<b>5.75</b>	5.75	<b>2,846</b>	2,846
Market value Rs.27.933 million (2019: Rs.2.529 million)				

**UN-QUOTED:**

**National Computers (Pvt.) Ltd. (NCPL)**

14,450 (2019: 14,450) ordinary shares of Rs.100 each	<b>48.17</b>	48.17	<b>322</b>	322
Less: impairment loss			<b>322</b>	322
- Value of investments based on net assets shown in the un-audited financial statements for the year ended June 30, 2013 - Rs. Nil ( <b>note 7.2</b> )			<b>0</b>	0

**Premier Board Mills Ltd.**

47,002 (2019: 47,002) ordinary shares of Rs.10 each	<b>0.83</b>	0.83	<b>470</b>	470
- Value of investments based on net assets shown in the audited financial statements for the year ended June 30, 2020 Rs.5.067 million (2019: Rs.4.989 million)				

**Azlak Enterprises (Pvt.) Ltd.**

200,000 (2019: 200,000) ordinary shares  
of Rs.10 each **40.00** 40.00 **2,000** 2,000

- Value of investments based on net assets  
shown in the un-audited financial statements for  
the year ended June 30, 2020 Rs.95.643 million  
(2019: Rs.88.132 million)

<b>170,006</b>	<b>170,006</b>
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**7.1** The Company directly and indirectly controls / beneficially owns more than fifty percent of Chashma Sugar Mills Ltd.'s (CSM) paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary of the Company with effect from the financial year ended September 30, 2010.

**7.2** NCPL has no known assets and liabilities as at June 30, 2020 and June 30, 2019 and has also seized its operations. NCPL, on January 15, 2015, has filed an application with the Joint Registrar, Securities and Exchange Commission of Pakistan for striking-off its name from the Register of Companies under the Companies (Easy Exit) Regulations, 2014.

**8. LONG TERM LOAN TO SUBSIDIARY COMPANY - Secured**

	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
Opening balance	<b>173,934</b>	279,500
Less: balance adjusted against costs incurred by CSM for erection of the Company's Distillery at Ramak	<b>0</b>	(105,566)
Less: instalment received during the year	<b>(49,696)</b>	0
Less: balance adjusted against payable balance of CSM	<b>(100,000)</b>	0
Balance as at September 30,	<b>24,238</b>	173,934
Less: current portion grouped under current assets	<b>(24,238)</b>	(49,695)
	<b>0</b>	124,239

**8.1** The Company and Chashma Sugar Mills Ltd. (CSM), on February 09, 2017, have entered into a loan agreement whereby the Company has revised the repayment schedule. As per the revised terms, the loan tenor is 3.5 years with grace period of 3 years; the principal balance of loan is receivable in 7 equal instalments commenced from February, 2020. The Company during the year, however, has adjusted Rs.100 million against balance payable to CSM. The loan carries mark-up at the rate of 1-month KIBOR+1.25% but not less than the borrowing cost rate of the Company; the effective mark-up rates during the year ranged from 9.03% to 15.86% (2019: 10.06% to 15.05%) per annum. The loan is secured against a promissory note of Rs.374 million.

**9. STORES AND SPARES**

Stores	<b>40,219</b>	46,216
Spares	<b>66,407</b>	64,657
	<b>106,626</b>	110,873

- 9.1** Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	Note	2020 Rupees in thousand	2019
<b>10. STOCK-IN-TRADE</b>			
Sugar-in-process		7,832	3,003
Finished goods:			
- sugar	10.1	78,876	304,685
- molasses		0	112,670
- ethanol		101,052	0
		<b>179,928</b>	417,355
		<b>187,760</b>	420,358

- 10.1** Sugar inventory as at September 30, 2020 has been stated at net realisable value; the amount charged to statement of profit or loss in respect of inventory write-down to net realisable value worked-out to Rs.40.783 million.

**11. ADVANCES** - Considered good

Suppliers and contractors	2,376	5,003
Employees	2,075	1,839
	<b>4,451</b>	6,842

- 11.1** No amount was due from key management personnel of the Company during the current and preceding years.

**12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

Excise duty deposit	136	136
Short term prepayments	1,042	1,211
	<b>1,178</b>	1,347

**13. OTHER RECEIVABLES**

Sugar export subsidy	2,991	2,991
Gas infrastructure development cess paid under protest - refundable	28.3	3,018
Lease rentals receivable from Premier Board Mills Ltd. (PBM) - a related party	13.1	3,413
Others	1,903	1,410
	<b>11,325</b>	10,546

- 13.1** Maximum amount due from PBM at any month-end during the year aggregated Rs.4.805 million (2019: Rs.3.127 million).

<b>14. INCOME TAX REFUNDABLE, TAX DEDUCTED AT SOURCE AND ADVANCE TAX</b>	<b>Note</b>	<b>2020 Rupees in thousand</b>	<b>2019</b>
The movement in this account during the year was as follows:			
Opening balance		<b>6,099</b>	14,080
Add: taxes deducted at source during the year		<b>26,964</b>	10,926
Less: adjusted against completed assessments		<b>(9,395)</b>	(18,907)
Balance as at September 30,		<b>23,668</b>	6,099

**15. BANK BALANCES**

Cash at banks on:

- PLS accounts	<b>15.1</b>	<b>6,147</b>	3,747
- current accounts		<b>8,399</b>	15,511
- deposit accounts	<b>15.3</b>	<b>25,017</b>	10,016
- deposits with a non-banking finance company - unsecured	<b>15.4</b>	<b>18,000</b>	29,000
		<b>57,563</b>	58,274
Less: provision for doubtful bank balance	<b>15.5</b>	<b>5,000</b>	5,000
		<b>52,563</b>	53,274

**15.1** These include Rs.325 thousand (2019: Rs.299 thousand) in security deposit account.

**15.2** PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 5.10% to 15.86% (2019: 3.75% to 15.05%) per annum.

**15.3** These include deposits amounting Rs.20 million (2019: Rs.5 million), which are under lien of a bank against guarantees issued by it in favour of Sui Northern Gas Pipelines Ltd. on behalf of the Company.

**15.4 (a)** These represent deposits lying with Innovative Investment Bank Limited (IIBL), Islamabad carrying profit at the rate of 5% per annum. The maturity dates of these deposits were as follows:

<b>Date of maturity</b>	<b>Amount of deposit Rupees in thousand</b>
July 29, 2009	<b>7,800</b>
July 29, 2010	<b>7,800</b>
July 29, 2011	<b>7,800</b>
July 29, 2012	<b>15,600</b>
	<b>39,000</b>

Less amount realised during the :-

- current financial year	(11,000)
- financial year ended September 30, 2018	(10,000)
	(21,000)
	<b>18,000</b>

- (b) These deposits could not be encashed on their respective maturity dates; further, year-end balance confirmation certificate from IIBL was also not received. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the repealed Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from January 28, 2010. SECP had also instituted winding-up proceedings against IIBL before the Lahore High Court, Lahore (LHC). SECP had sought liquidation on a number of counts including violation of the Scheme of Amalgamation approved by SECP under which IIBL took over all the rights / liabilities of Crescent Standard Investment Bank Ltd.
- (c) The SECP winding-up petition was decided by the LHC and LHC appointed Joint Official Liquidator (JOL). The LHC, vide its order dated April 14, 2018 had approved release of payment upto Rs.10 million in respect of principal amount only subject to verification as per the laws. The amount of Rs.10 million, as per the LHC order, was received by the Company during August, 2018. The Company, during July, 2020, has received second tranche of Rs.11 million vide the LHC's order dated March 12, 2020. The Company, during October, 2020, has received notice of dividend regarding payment of third tranche of Rs.12 million from JOLs as per the LHC's order dated October 01, 2020. The management, for the release of further amount, anticipates that JOLs will intimate in due course of time; no provision, therefore, for the remaining deposits has been made in the books of account.
- (d) The Company has not accrued profit on these deposits during the current and preceding financial years.

**15.5** The Company had deposited Rs.5 million in Term Deposit with Mehran Bank Limited at Peshawar for a period of six months @ 12.5% per annum on September 25, 1993 vide TDR No.007902, which was to mature on March 25, 1994. The aforesaid TDR could not be encashed because of the crisis of Mehran Bank's affairs which were being administered by the State Bank of Pakistan (SBP). Mehran Bank Limited was eventually merged into National Bank of Pakistan (NBP).

The Company, through its lawyers, had issued legal notices to SBP, NBP and the defunct Mehran Bank Limited. In response, the Company had received a letter from NBP dated November 05, 1995 stating that the investment by the Company was shown in Fund Management Scheme, which was an unrecorded liability of Mehran Bank Limited. The Company had filed a suit with the Civil Court for recovery of the said amount along with profit @ 12.5% per annum with effect from September 25, 1993 till the date of payment. The Civil Judge, Peshawar, vide his judgment dated May 13, 2004, had decreed against SBP. SBP, against the said judgment, filed an appeal before the Peshawar High Court. The said appeal was remanded-back to Additional District Judge, Peshawar. The appeal has been

disposed-off vide judgment dated November 29, 2019. The judgment states that the Company is entitled to recover Rs.5 million with profit at the rate of 12.5% per annum from NBP from the year 1999. Full provision for the said amount exists in these financial statements.

#### 16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020 (No. of shares)	2019		2020 Rupees in thousand	2019
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash	14,763	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares	22,737	22,737
<b>3,750,000</b>	<b>3,750,000</b>		<b>37,500</b>	<b>37,500</b>

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

16.2 Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2020 and September 30, 2019.

#### 17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net

17.1 The Company, during the financial years ended September 30, 2000, September 30, 2009, September 30, 2011, September 30, 2014 and September 30, 2017 had revalued its buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.229.409 million, Rs.544.516 million, Rs.110.992 million, Rs.438.066 million and Rs.166.651 million respectively. These fixed assets were revalued by independent Valuers on the basis of depreciated market values.

17.2 The Company, as at September 30, 2020, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [K.G. Traders (Pvt.) Ltd. Room No. 5, 3rd Floor, Galaxy Arcade, G-11 Markaz, Islamabad] to replace the carrying amounts of these assets with their depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.534.211 million has been credited to statement of other comprehensive income to comply with the requirements of IAS 16 (Property, plant and equipment). The year-end balance has been arrived at as follows:

Opening balance	<b>Note</b>	<b>731,777</b>	796,614
Add: surplus arisen on revaluation carried-out during the year	<b>5.3</b>	<b>534,211</b>	0
Less: transferred to accumulated loss on account of incremental depreciation for the year		<b>(58,698)</b>	(64,837)
		<b>1,207,290</b>	731,777

	2020	2019
	Rupees in thousand	
Less: deferred tax on:		
- opening balance of surplus	212,215	231,018
- surplus arisen on revaluation carried-out during the year	154,921	0
- incremental depreciation for the year	(17,022)	(18,803)
	350,114	212,215
Closing balance	857,176	519,562

#### 18. LONG TERM FINANCES - Secured

Balance as at September 30,	37,612	0
Less: current portion grouped under current liabilities	15,208	0
	22,404	0

- 18.1** These finances have been obtained during the current year from Bank Al-Habib Ltd. under Refinance Scheme against a facility amount of Rs.50 million for payment of salaries and wages to workers and employees of the Company to dampen the effect of COVID-19. The finance facility carries profit at SBP rate + 3%; the effective mark-up rate during the year was 3% per annum. This finance facility is repayable in 8 equal quarterly instalments commencing January, 2021 and is secured against first exclusive registered charge over Company's head office second and third floors ( without land ) located at King's Arcade, Markaz F-7, Islamabad through token registered mortgage of Rs.0.500 million and remaining through equitable mortgage of Rs.580 million.

#### 19. LEASE LIABILITIES

Particulars	2020			2019		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
----- Rupees in thousand -----						
Minimum lease payments	2,854	2,880	5,734	2,635	3,454	6,089
Less: finance cost allocated to future periods	459	357	816	490	300	790
	2,395	2,523	4,918	2,145	3,154	5,299
Less: security deposits adjustable on expiry of lease terms	477	409	886	165	871	1,036
Present value of minimum lease payments	1,918	2,114	4,032	1,980	2,283	4,263

- 19.1** The Company has entered into lease agreements with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by January, 2024. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These facilities are secured against title of the leased vehicles in the name of lessor and during the year carried finance cost at the rates ranging from 8.98% to 15.01% (2019: 9.97% to 15.73%) per annum.

## 20. GOVERNMENT GRANT

In response to COVID-19, the State Bank of Pakistan (SBP) through Circular No. 6 of 2020, has introduced a temporary Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns. The Refinance Scheme is being managed through Participating Financial Institutions (PFIs) and funded by SBP. Borrowers can obtain loans from PFIs and ease their cash flows constraints and thereby avoid layoffs. The benefit of a government loan at a below-market rate of interest has been treated as a government grant. The loan has been measured in accordance with IFRS 9 (Financial Instruments). The benefit of the below market rate of interest has been measured as the difference between the initial carrying value of loan determined in accordance with IFRS 9 and the proceeds received. The benefit has been accounted for and presented as deferred grant in accordance with IAS 20. The deferred grant has been amortised at average borrowing cost rate of the Company, i.e. 9.59% per annum; an amount of Rs.39 thousand has been recognised in current year's statement of profit or loss in this regard.

## 21. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

<b>Significant actuarial assumptions</b>	<b>2020</b>	<b>2019</b>
- discount rate - per annum	<b>9.75%</b>	12.50%
- expected rate of growth per annum in future salaries	<b>8.75%</b>	11.50%
- mortality rates	<b>SLIC 2001-2005</b>	SLIC 2001-2005
	Setback 1 year	
- withdrawal rates	<b>Age-based</b>	Age-based
- retirement assumption	<b>Age 60</b>	Age 60
- average expected remaining working life time of employees	<b>08 years</b>	08 years

Amount recognised in the statement of financial position is the present value of defined benefit obligation at the reporting date:

### **The movement in the present value of defined benefit obligation is as follows:**

	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
Opening balance	<b>15,139</b>	14,135
Current service cost	<b>1,185</b>	920
Past service cost	<b>1,797</b>	710
Interest cost	<b>1,838</b>	1,380

	2020	2019
	<b>Rupees in thousand</b>	
Benefits payable to outgoing Members - grouped under current liabilities	(284)	(50)
Benefits paid	(582)	(1,302)
Remeasurements:		
-experience adjustments	(536)	(706)
-changes in financial assumptions	(78)	52
Closing balance	<u>18,479</u>	<u>15,139</u>
<b>Expense recognised in statement of profit or loss</b>		
Current service cost	1,185	920
Past service cost	1,797	710
Interest cost	1,838	1,380
Charge for the year	<u>4,820</u>	<u>3,010</u>
<b>Remeasurement recognised in statement of other comprehensive income</b>		
Experience adjustments	<u>(614)</u>	<u>(654)</u>

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2020	2019	2018	2017	2016
	<b>----- Rupees in thousand -----</b>				
Present value of defined benefit obligation	<u>18,479</u>	<u>15,139</u>	<u>14,135</u>	<u>12,126</u>	<u>14,148</u>
Experience adjustment on obligation	<u>(614)</u>	<u>(654)</u>	<u>1,613</u>	<u>(17)</u>	<u>(783)</u>

#### **Year-end Sensitivity Analysis:**

#### **Impact on defined benefit obligation**

	Change in assumption	<b>Rupees in thousand</b>	
		<b>Increase</b>	<b>Decrease</b>
Discount rate	1%	<u>17,135</u>	<u>19,993</u>
Salary growth rate	1%	<u>20,009</u>	<u>17,097</u>

- 21.1** The expected contribution to defined benefit obligation for the year ending September 30, 2021 is Rs.2.961 million.

**22. DEFERRED TAXATION**

	Note	2020 Rupees in thousand	2019
This is comprised of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		16,462	9,841
- surplus on revaluation of property, plant and equipment		350,114	212,215
- lease finances		285	394
		<b>366,861</b>	222,450
Deductible temporary differences arising in respect of:			
- available unused tax losses		(153,949)	(153,041)
- staff retirement benefits - gratuity		(5,359)	(4,390)
- provision for doubtful bank balance		(1,450)	(1,450)
- minimum tax recoverable against normal tax charge in future years		(57,350)	(49,217)
		<b>(218,108)</b>	(208,098)
		<b>148,753</b>	14,352

**23. TRADE AND OTHER PAYABLES**

Due to Chashma Sugar Mills Limited		65,947	107,157
- a related party			
Creditors		12,960	20,547
Bills payable		0	3,171
Accrued expenses		14,183	6,138
Due to employees		6,802	5,467
Deposits from contractors and others	23.1	681	1,155
Advances from customers - contract liabilities		43,319	12,105
Income tax deducted at source		402	333
Sales tax payable		16,423	24,007
Workers' (profit) participation fund	23.2	1,851	1,625
Gratuity payable to ex-employees		3,560	3,304
Employees' provident fund payable		482	357
Others		153	81
		<b>166,763</b>	185,447

**23.1** These include Rs.325 thousand (2019: Rs.299 thousand) representing mark-up bearing deposits. The Company will pay mark-up at the same rate at which it will receive from the bank as these deposits have been kept in a PLS bank account.

**23.2 Workers' (profit) participation fund**

	Note	2020 Rupees in thousand	2019
Opening balance		1,625	0
Add: allocation for the year		0	1,625
Add: interest on funds utilised in the Company's business		226	0
Closing balance		<u>1,851</u>	<u>1,625</u>

**24. ACCRUED MARK-UP**

Mark-up accrued on:

- long term finances	23	0
- short term borrowings	6,214	31,645
	<u>6,237</u>	<u>31,645</u>

**25. SHORT TERM BORROWINGS - Secured**

**25.1** Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.1,500 million (2019: Rs.1,500 million). These facilities are secured against pledge of stock of refined sugar, charge over fixed assets, charge over present and future current assets of the Company and registered first exclusive charge over the Company's head office second and third floors (without land). These facilities, during the year, carried mark-up at the rates ranging from 8.03% to 15.61% (2019: 9.19% to 13.97%) per annum and are expiring on various dates by March 31, 2021.

**25.2** Facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.145 million (2019: Rs.125 million). Out of the available facilities, facilities aggregating Rs.125 million (2019: Rs.105 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts, shipping documents and the securities detailed in the preceding paragraph.

**26. CURRENT PORTION OF NON-CURRENT LIABILITIES**

Long term finances	18	15,208	0
Lease liabilities	19	1,918	1,980
Government grant	20	1,750	0
		<u>18,876</u>	<u>1,980</u>

**27. TAXATION - Net**

Opening balance		19,303	21,686
Add: provision made / (written-back) during the year:			
- current		23,724	19,302
- prior year		0	(2,778)
		<u>23,724</u>	<u>16,524</u>
		<u>43,027</u>	<u>38,210</u>

	2020	2019
	Rupees in thousand	
Less: payments / adjustments made against completed assessments	19,303	18,907
	<b>23,724</b>	<b>19,303</b>

- 27.1** The returns for the Tax Years 2010 to 2020 have been filed after complying with all the provisions of the Income Tax Ordinance, 2001 (the Ordinance). Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.
- 27.2** No numeric tax rate reconciliation is presented in these financial statements as the Company during the current and preceding years is mainly liable to pay tax due under sections 5 (Tax on dividends) and 113 (Minimum tax on the income of certain persons) of the Ordinance.
- 27.3** The Company has filed a writ petition before the Peshawar High Court (PHC) against selection for audit under sections 177 and 214C of the Ordinance; the PHC has stayed the Income Tax Department from finalising the proceedings. The petition is pending adjudication.

## **28. CONTINGENCIES AND COMMITMENTS**

- 28.1** No commitments were outstanding as at September 30, 2020 and September 30, 2019.
- 28.2** The Company's appeal filed before the Peshawar High Court (PHC) against order of the Customs, Sales Tax & Central Excise Appellate Tribunal is still pending adjudication. The Department, during the financial year ended September 30, 2001, had raised sales tax demand aggregating Rs.4.336 million along with additional tax. The Company, however, during the financial year ended September 30, 2005, had paid sales tax amounting Rs.2.123 million along with additional tax amounting Rs.0.658 million as per the requirements of S.R.O. 247(I) / 2004 dated May 05, 2004.
- 28.3** Petitions filed before the Supreme Court of Pakistan (SCP) against imposition of Gas Infrastructure Development Cess (GIDC) have been dismissed vide judgment dated August 13, 2020 in 2-1 ratio. The SCP's judgment states that the cess under GIDC Act, 2015 was levied on those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their customers. The SCP's judgment states that no late payment surcharge shall be collected while the GIDC amount that have become due upto July 31, 2020 will be recovered in 24 equal monthly instalments. In the light of the SCP's judgment, the Company has filed a review petition before the SCP for waiver of full amount of GIDC on the grounds that the Company has not passed on GIDC burden to its customers and the sugar market is not a regulated market.

The august SCP has directed the Company to approach the relevant department i.e. OGRA for removal of its grievance being the competent authority in the matter in hand. The Company is in process of filing representation before OGRA for determination of exempted amount of GIDC arrears as per exemption granted under section 8 (2) of the GIDC Act, 2015, so that the exempted amount be deducted from arrears of GIDC.

Sui Northern Gas Pipelines Ltd., along with gas bills for the month of August, 2020, has raised GIDC demands aggregating Rs.29.936 million. However, as the management intends to file a representation before OGRA and a highly favourable outcome is expected; therefore, GIDC provisions have not been recognised in the books of account.

- 28.4** The Company's petition filed before the PHC, against the Government of Khyber Pakhtunkhwa's notification dated August 12, 2015 in which minimum wages for unskilled workers has been fixed at Rs.12,000 per month with effect from July 01, 2014 has been dismissed by the PHC vide its judgment dated April 02, 2019. The PHC has observed that the Company cannot challenge the revised rate of Rs.12,000 as it was fixed at its wish and will in line with rest of the country. The Company has filed a review petition before the PHC, against the said judgment. However, The additional wage liabilities aggregate Rs.2.359 million approximately.
- 28.5** A sales tax appeal is pending before the Commissioner Inland Revenue (Appeals) [CIR(A)], Peshawar against assessment order dated June 28, 2016 passed by the Deputy Commissioner Inland Revenue [DCIR], Peshawar regarding the alleged stock taking to the tune of Rs.5.592 million recoverable under section 14 of the Federal Excise Act, 2005.
- 28.6** The sales tax appeal filed before the Appellate Tribunal Inland Revenue (ATIR), Peshawar against ex-parte order passed by the CIR(A) has been succeeded vide order dated March 29, 2018. The assessment order dated June 23, 2016 was passed by the DCIR, Peshawar in violation of SRO 488(I)/2004 dated June 12, 2014; the Company claimed input tax to the tune of Rs.41.672 million against the supplies to unregistered persons. A withdrawal application has been filed before the ATIR, Peshawar in pursuance of the aforesaid rectification order.
- 28.7** The CIR(A) vide his order dated March 03, 2019 has vacated the demand of Rs.31.798 million created vide impugned assessment order dated January 31, 2019 under section 11(2) of the Sales Tax Act, 1990.
- 28.8** The DCIR for the tax year 2013 initially has held the Company as taxpayer-in-default for non-deduction of tax on certain supplies / services and tax demand was raised at Rs.77.750 million under section 161 (Failure to pay tax collected or deducted) along with default surcharge of Rs.4.730 million under section 205 (Default surcharge) of the Income Tax Ordinance, 2001 (the Ordinance). The Company filed rectification application under section 221 of the Ordinance and the demand was reduced to Rs.237,360. Against the said demand, the Company has filed an appeal before the CIR(A), who dismissed the Company's appeal. Presently, the Company's appeal against the CIR(A)'s order is pending before the ATIR, Peshawar.
- 28.9** Guarantees given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at September 30, 2020 were for Rs.20 million (2019: Rs.20 million). These guarantees are valid upto May 26, 2021.

<b>29. SALES - Net</b>	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
Local	<b>812,772</b>	1,190,271
Export	<b>228,430</b>	0
	<b>1,041,202</b>	1,190,271
Less: sales tax	<b>102,798</b>	117,811
	<b>938,404</b>	1,072,460

		2020	2019
	Note	Rupees in thousand	
<b>30. COST OF SALES</b>			
Raw materials consumed		454,898	661,088
Chemicals and stores consumed		16,445	15,701
Salaries, wages and benefits	30.1	100,954	144,857
Power and fuel		36,318	36,277
Insurance		2,511	3,178
Repair and maintenance		18,041	38,784
Depreciation	5.6	80,398	80,595
		<u>709,565</u>	<u>980,480</u>
Adjustment of sugar-in-process:			
Opening		3,003	2,117
Closing	10	(7,832)	(3,003)
		<u>(4,829)</u>	<u>(886)</u>
Cost of goods manufactured		<u>704,736</u>	<u>979,594</u>
Adjustment of finished goods:			
Opening stock		417,355	369,485
Closing stock	10	(179,928)	(417,355)
		<u>237,427</u>	<u>(47,870)</u>
		<u>942,163</u>	<u>931,724</u>
<b>30.1</b>	These include Rs.1.710 million (2019: Rs.1.625 million) and Rs. 3.712 million (2019: Rs.2.317 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.		
<b>31. DISTRIBUTION COST</b>			
Commission		560	1,280
Salaries, wages and amenities		1,001	1,224
Stacking and packing		916	3,279
Expenses on ethanol exports		10,768	0
Loading, unloading and freight		446	1,167
Others		219	978
		<u>13,910</u>	<u>7,928</u>

		2020	2019
	Note	Rupees in thousand	
<b>32. ADMINISTRATIVE EXPENSES</b>			
Salaries and amenities	32.1	32,193	34,689
Travelling, vehicles' running and maintenance		2,236	2,461
Utilities		1,096	1,373
Directors' travelling		7	15
Rent, rates and taxes		2,778	2,504
Insurance		1,012	903
Repair and maintenance		2,873	2,833
Printing and stationery		2,140	1,695
Communication		1,655	1,541
Legal and professional charges (other than Auditors)		2,106	3,326
Subscription		1,534	669
Auditors' remuneration	32.2	1,595	1,576
Depreciation on:			
- operating fixed assets	5.6	3,433	4,983
- investment property	6	881	960
General office expenses		1,470	1,783
		<b>57,009</b>	<b>61,311</b>

**32.1** These include Rs.0.940 million (2019: Rs.0.795 million) and Rs.1.109 million (2019: Rs.0.693 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

**32.2 Auditors' remuneration**

**Statutory Auditors** (ShineWing Hameed Chaudhri & Co):

- statutory audit fee	765	721
- half yearly review fee	146	140
- consultancy and certification charges	644	655
- out-of-pocket expenses	40	60
	<b>1,595</b>	<b>1,576</b>

**33. OTHER EXPENSES**

	<b>Note</b>	<b>2020 Rupees in thousand</b>	<b>2019</b>
Uncollectible receivable balances written-off		<b>351</b>	188
Prior year's sales tax on account of inadmissible input tax adjustment claimed		<b>922</b>	0
Exchange fluctuation loss		<b>113</b>	0
Sales tax paid under section 48 of the Sales Tax Act, 1990		<b>0</b>	500
Workers' (profit) participation fund		<b>0</b>	1,625
Income tax paid of prior years under section 236G of the Income Tax Ordinance, 2001 (Advance tax on sales to distributors, dealers and wholesalers)		<b>0</b>	2,735
		<b>1,386</b>	5,048

**34. OTHER INCOME****Income from financial assets:**

Mark-up on loan to Subsidiary Company		<b>21,415</b>	30,140
Mark-up / interest / profit on bank deposits / saving accounts and certificates		<b>2,390</b>	1,709
Dividends		<b>68,985</b>	20,627

**Income from other than financial assets:**

Gain on disposal of vehicles	<b>5.7</b>	<b>965</b>	0
Rent	<b>34.1</b>	<b>27,569</b>	26,521
Sale of scrap		<b>0</b>	12
Unclaimed payable balances written-back		<b>754</b>	1,230
Sale of agricultural produce - net of costs and expenses aggregating Rs.1.931 million (2019: Rs.4.004 million)		<b>319</b>	1,595
Sale of chemicals - net of cost of chemicals aggregating Rs.1.250 million		<b>182</b>	0
Government grant	<b>20</b>	<b>39</b>	0
Miscellaneous - net of sales tax amounting Rs.119 thousand (2019: Rs.355 thousand)		<b>594</b>	1,776
		<b>123,212</b>	83,610

- 34.1 (a)** As per the agreement entered into between the Company and Premier Board Mills Ltd. (PBM - a related party) on June 23, 2015, the Company has leased-out a portion of its second floor situated at Head Office to PBM. As per the second addendum lease agreement, the renewed lease has commenced from July 01, 2020 and will end on June 30, 2025. PBM is paying to the Company the sum of Rs.2.541 million per annum as rent.

- (b) The Company, during the financial year ended September 30, 2015, has also leased-out its agricultural land located at Saro Shah, Tehsil Takht-i-Bhai to PBM. As per the addendum lease agreement entered into between the Company and PBM on July 01, 2016, the lease has commenced from July 01, 2016 and will end on June 30, 2021. PBM is paying to the Company the sum of Rs.4.400 million per annum as rent.
- (c) The Company and Chashma Sugar Mills Ltd. ( CSM - a Subsidiary Company) on April 01, 2018, have entered into an agreement whereby the Company has leased 5,850 square feet of Head Office third floor to CSM for a lease term of two years on a monthly rent of Rs.1.650 million. As per the addendum lease agreement entered into on April 22, 2020, the lease term has been extended for further three years on a monthly rent of Rs. 1.815 million. The extended lease period has commenced from April 01, 2020 and will end on March 31, 2023.

35. FINANCE COST	Note	2020 Rupees in thousand	2019
Mark-up on:			
- long term finances		59	5,139
- short term borrowings		93,422	111,943
Lease finance charges		650	513
Interest on workers' (profit) participation fund	23.2	226	0
Bank charges		1,261	1,594
		<u>95,618</u>	<u>119,189</u>
36. TAXATION			
Current			
- for the year	27	23,724	19,302
- for prior years	27	0	(2,778)
		<u>23,724</u>	16,524
Deferred - for the year	22	(20,698)	14,162
Tax refunds of prior years		(2,747)	0
		<u>279</u>	<u>30,686</u>
37. (LOSS) / EARNINGS PER SHARE			
There is no dilutive effect on (loss) / earnings per share of the Company, which is based on:			
(Loss) / profit after taxation attributable to ordinary shareholders		<u>(48,749)</u>	184
Weighted average number of shares outstanding during the year		<u>3,750,000</u>	3,750,000
		----- Rupees -----	
(Loss) / earnings per share		<u>(13.00)</u>	0.05

### 38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### Financial instruments by category

Financial assets	2020	2019
<b>At amortised cost</b>	<b>Rupees in thousand</b>	
Security deposits	1,263	1,263
Trade debts	16,883	0
Trade deposits	136	136
Accrued profit on bank deposits	1,296	123
Other receivables	11,325	10,546
Bank balances	52,563	53,274
	<b>83,466</b>	<b>65,342</b>
<b>Financial liabilities</b>		
<b>At amortised cost</b>		
Long term finances	37,612	0
Lease liabilities	4,032	4,263
Trade and other payables	104,768	147,377
Unclaimed dividends	7,484	7,636
Accrued mark-up	6,237	31,645
Short term borrowings	290,000	653,000
	<b>450,133</b>	<b>843,921</b>

#### 38.1 Financial Risk Factors

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

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

#### 38.2 Market risk

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

##### (a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of stores & spares mainly denominated in U.S. \$. The Company is not exposed to foreign currency risk as at September 30, 2020 and September 30, 2019 as it has no foreign currency financial instrument at the respective year-ends.

**(b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2020 ----- Effective rates -----	2019	2020 Carrying amount Rupees in thousand	2019
<b>Fixed rate instruments</b>				
Deposits with a non-banking finance company	5%	5%	<u>18,000</u>	<u>29,000</u>
Cash at banks on deposit accounts	5.10% to 15.86%	3.75% to 15.05%	<u>25,017</u>	<u>10,016</u>
Long term finances	3%	-	<u>37,612</u>	<u>0</u>
<b>Variable rate instruments</b>				
Long term loan to Subsidiary Company	9.03% to 15.86%	10.06% to 15.05%	<u>24,238</u>	<u>173,934</u>
Cash at banks on PLS accounts	5.10% to 15.86%	3.75% to 15.05%	<u>6,147</u>	<u>3,747</u>
Lease liabilities	8.98% to 15.01%	9.97% to 15.73%	<u>4,032</u>	<u>4,263</u>
Short term borrowings	8.03% to 15.61%	9.19% to 13.97%	<u>290,000</u>	<u>653,000</u>

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

**Cash flow sensitivity analysis for variable rate instruments**

At September 30, 2020, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss before taxation for the year would have been higher / lower by Rs.2.636 million mainly as a result of higher interest expense on variable rate financial liabilities; (2019: profit before taxation for the year would have been lower by Rs.4.796 million mainly as a result of higher interest expense on variable rate financial liabilities).

**(c) Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

**38.3 Credit risk exposure and concentration of credit risk**

Credit risk represents the risk of a loss if the counter party fails 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 counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts, deposits with a non-banking finance company and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

In respect of other counter parties, due to the Company's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Company.

#### **Exposure to credit risk**

The maximum exposure to credit risk as at September 30, 2020 along with comparative is tabulated below:

	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
Security deposits	<b>1,263</b>	1,263
Trade debts	<b>16,883</b>	0
Trade deposits	<b>136</b>	136
Accrued profit on bank deposits	<b>1,296</b>	123
Other receivables	<b>11,325</b>	10,546
Deposits with a non-banking finance company	<b>18,000</b>	29,000
Bank balances	<b>34,563</b>	24,274
	<b>83,466</b>	65,342

- The management does not expect any losses from non-performance by these counter parties.
- All the trade debts at September 30, 2020 represented domestic parties.
- Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as approximately all debts have been realised subsequent to the year-end.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

Particulars	Carrying amount	Contractual cash flows	Less than one year	Between one to three years
----- Rupees in thousand -----				
<b>2020</b>				
Long term finances	37,612	42,001	16,083	25,918
Lease finances	4,032	4,848	2,377	2,471
Trade and other payables	104,768	104,768	104,768	0
Unclaimed dividends	7,484	7,484	7,484	0
Accrued mark-up	6,237	6,237	6,237	0
Short term borrowings	290,000	291,602	291,602	0
	<b>450,133</b>	<b>456,940</b>	<b>428,551</b>	<b>28,389</b>
<b>2019</b>				
Lease liabilities	4,263	5,053	2,470	2,583
Trade and other payables	147,377	147,377	147,377	0
Unclaimed dividends	7,636	7,636	7,636	0
Accrued mark-up	31,645	31,645	31,645	0
Short term borrowings	653,000	670,067	670,067	0
	<b>843,921</b>	<b>861,778</b>	<b>859,195</b>	<b>2,583</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

### 39. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The Company also monitors capital using a gearing ratio, which is net debt comprising of mark-up bearing long term & short term finances and lease liabilities less bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The gearing ratio as at September 30, 2020 and September 30, 2019 is as follows:

	2020	2019
	Rupees in thousand	
Total debt	331,644	657,263
Bank balances	(52,563)	(53,274)
Net debt	279,081	603,989
Share capital	37,500	37,500
Share redemption reserve	1	1
Revaluation surplus on property, plant and equipment	857,176	519,562
General revenue reserve	900,000	900,000
Accumulated loss	(470,236)	(463,599)
<b>Equity</b>	<b>1,324,441</b>	<b>993,464</b>
<b>Capital</b>	<b>1,603,522</b>	<b>1,597,453</b>
<b>Gearing ratio (Net debt / (Net debt + Equity))</b>	<b>17.40%</b>	<b>37.81%</b>

#### 40. TRANSACTIONS WITH RELATED PARTIES

40.1 The Company has related party relationship with its Subsidiary and Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Subsidiary Company and Associated Companies during the year were as follows:

##### i) Subsidiary Company

###### Chashma Sugar Mills Ltd.

- purchase of store items, molasses and bagasse	305,474	11,910
- sale of store items	1,675	4,390
- sale of molasses	105,920	22,617
- dividend received	68,755	20,627
- mark-up earned on long term loan	21,415	30,140
- expenses paid on behalf of the Company	34,393	14,709
- expenses paid by the Company	17,880	0
- receivable balance of long term loan received / adjusted	149,696	105,566
- rental income	20,790	19,800
- rental expense	115	0

##### ii) Associated Companies

###### Rupees in thousand

- purchase of goods	0	15,269
- rental income	6,768	6,710
- dividend received	229	0
- expenses paid on behalf of the Company	295	0

	2020	2019
	Rupees in thousand	
<b>iii) Key management personnel</b>		
- salaries and other benefits	<b>17,869</b>	16,360
- contribution towards provident fund	<b>1,024</b>	970

**40.2** The Company's shareholdings in Subsidiary and Associated Companies have been detailed in note 7. In addition to the names of the Associated Companies detailed in note 7, the following are other Associated Companies and a sub-subsidiary Company:

- Whole Foods (Pvt.) Ltd.  
(Sub-subsidiary)
- Premier Construction & Housing Ltd.
- Syntron Ltd.
- Phipson & Co. Pakistan (Pvt.) Ltd.
- Syntronics Ltd.
- Aurora (Pvt.) Ltd.
- Premier Ceramics Ltd.

#### **40.3 Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Company. The Company considers its Chief Executive, directors and all members of management team to be its key management personnel.

### **41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Particulars	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	----- Rupees in thousand -----					
Managerial remuneration	<b>1,200</b>	1,200	<b>8,238</b>	8,507	<b>8,431</b>	6,653
Contribution to provident fund	<b>0</b>	0	<b>451</b>	451	<b>573</b>	518
Medical expenses reimbursed	<b>0</b>	0	<b>35</b>	34	<b>0</b>	0
	<b>1,200</b>	1,200	<b>8,724</b>	8,992	<b>9,004</b>	7,171
Number of persons	<b>1</b>	1	<b>2</b>	2	<b>2</b>	2

**41.1** The Chief Executive, one director and the executives residing in the factory are provided free housing (with the Company's generated electricity in the residential colony within the factory compound). The Chief Executive, one director and executives are also provided with the Company maintained cars.

**41.2** Remuneration of directors does not include amounts paid or provided for, if any, by the Subsidiary and Associated Companies.

**42. CAPACITY AND PRODUCTION****2020****2019****SUGAR CANE PLANT**

Rated crushing capacity per day	M.Tonnes	<b>3,810</b>	3,810
Cane crushed	M.Tonnes	<b>36,528</b>	154,414
Sugar produced	M.Tonnes	<b>3,149</b>	16,768
Days worked	Nos.	<b>94</b>	137
Sugar recovery	%	<b>8.77</b>	10.90

**SUGAR BEET PLANT**

Rated slicing capacity per day	M.Tonnes	<b>2,500</b>	2,500
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**DISTILLERY**

Rated capacity per day	Gallons	<b>10,000</b>	10,000
Ethanol produced	Gallons	<b>751,755</b>	0
Days worked	Nos.	<b>98</b>	0

- The normal season days are 150 days for Sugar Cane crushing.

- Production was restricted to the availability of raw materials to the Company.

- After shifting of distillery from Mardan to Ramak, Dera Ismail Khan, the operations of distillery have been recommenced during the current financial year.

**43. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

	Liabilities					Total
	Long term finances	Lease liabilities	Short term borrowings	Accrued mark-up	Dividend	
	----- Rupees in thousand -----					
Balance as at September 30, 2018	66,666	5,338	945,384	22,300	7,674	1,047,362
<b>Changes from financing activities</b>						
Finances repaid - net	(66,666)	(2,606)	(292,384)	0	0	(361,656)
Lease finances obtained	0	1,531	0	0	0	1,531
Mark-up accrued	0	0	0	117,082	0	117,082
Mark-up paid	0	0	0	(107,737)	0	(107,737)
Dividend paid	0	0	0	0	(38)	(38)
	(66,666)	(1,075)	(292,384)	9,345	(38)	(350,818)
Balance as at September 30, 2019	0	4,263	653,000	31,645	7,636	696,544
<b>Changes from financing activities</b>						
Finances repaid - net	0	(2,793)	(363,000)	0	0	(365,793)
Finances obtained	40,551	2,562	0	0	0	43,113
Government grant	(2,939)	0	0	0	0	(2,939)
Mark-up accrued	0	0	0	93,481	0	93,481
Mark-up paid	0	0	0	(118,889)	0	(118,889)
Dividend paid	0	0	0	0	(152)	(152)
	37,612	(231)	(363,000)	(25,408)	(152)	(351,179)
<b>Balance as at September 30, 2020</b>	<b>37,612</b>	<b>4,032</b>	<b>290,000</b>	<b>6,237</b>	<b>7,484</b>	<b>345,365</b>

#### 44. PROVIDENT FUND RELATING DISCLOSURES

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the audited financial statements for the year ended September 30, 2019 and un-audited financial statements of the provident fund for the year ended September 30, 2020:

	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
Size of the fund - total assets	<b>45,253</b>	41,766
Cost of investments made	<b>44,697</b>	41,173
Percentage of investments made	<b>98.77%</b>	98.58%
Fair value of investments made	<b>44,697</b>	41,173

##### 44.1 The break-up of fair value of investments is as follows:

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>----- % -----</b>		<b>Rupees in thousand</b>	
Term deposit receipts (TDRs)	<b>82.78%</b>	89.86%	<b>37,000</b>	37,000
Saving account in a scheduled bank	<b>17.22%</b>	10.14%	<b>7,697</b>	4,173
	<b>100.00%</b>	100.00%	<b>44,697</b>	41,173

##### 44.2 Investments out of the provident fund have been made in accordance with the requirements of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

#### 45. OPERATING SEGMENT

Upto September 30, 2019, the Company considered itself to be a single reportable segment on the basis of its internal reporting structure. Effective from current financial year, the Company's reportable segments are as follows:

- Sugar
- Distillery

##### 45.1 Segment operating results for the year ended September 30, 2020

**45.1 Segment operating results for the year ended September 30, 2020**

	<b>Sugar Division 2020</b>	<b>Ethanol Division 2020</b>	<b>Total 2020</b>
	<b>----- Rupees in thousand -----</b>		
<b>Sales</b>			
-External customers	750,054	272,793	1,022,847
-Intersegment	18,355	0	18,355
	<u>768,409</u>	<u>272,793</u>	<u>1,041,202</u>
Less : sales tax & commission	<u>(96,259)</u>	<u>(6,539)</u>	<u>(102,798)</u>
Sales - net	672,150	266,254	938,404
<b>Segment expenses:</b>			
Cost of sales	(733,265)	(190,543)	(923,808)
Less: Intersegment cost	0	(18,355)	(18,355)
	<u>(733,265)</u>	<u>(208,898)</u>	<u>(942,163)</u>
Gross (loss) / profit	(61,115)	57,356	(3,759)
Distribution cost	(3,142)	(10,768)	(13,910)
Administrative expenses	(57,009)	0	(57,009)
	<u>(60,151)</u>	<u>(10,768)</u>	<u>(70,919)</u>
(Loss) / profit form operations	<u>(121,266)</u>	<u>46,588</u>	<u>(74,678)</u>
Other income	0	0	123,212
Other expenses	0	0	(1,386)
	<u>0</u>	<u>0</u>	<u>121,826</u>
Segment results	<u>(121,266)</u>	<u>46,588</u>	<u>47,148</u>
Finance cost			(95,618)
Loss before taxation			(48,470)
Taxation			(279)
Loss after taxation			(48,749)

## 45.2 Segment assets and liabilities

	2020	2020
	Rupees in thousand	
	Assets	Liabilities
Sugar	1,746,495	540,076
Ethanol	283,969	165,947
Total for reportable segment	<u>2,030,464</u>	<u>706,023</u>

**45.3** Sales to domestic customers in Pakistan are 78.06% and to customers outside Pakistan are 21.94% of the revenues during the current financial year.

**45.4** All non-current assets of the Company as at September 30, 2020 are located in Pakistan.

**45.5** The Company does not have transactions with any customer which amount to 10% or more of its sales.

## 46. IMPACT OF COVID-19 (CORONA VIRUS)

During March, 2020, Pakistan has enacted protection measures against COVID - 19 with a significant impact on daily life and supply chain. The evolution of COVID - 19 as well as its impact on Pakistan economy is very severe. The management has monitored the situation to ensure safety of its workers by introducing fool proof anti COVID - 19 measures and smooth operation of its business.

On March 23, 2020, the Government of the Khyber Pakhtunkhwa announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Company, being engaged in production of food item, comes under the exemption given by the Government of KPK vide its Notification dated March 24, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued with its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. It is also expected that the outbreak may result in lower demand for the Company's products in the foreseeable future. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- the impairment of assets under IAS 36, 'Impairment of non-financial assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- deferred taxation in accordance with IAS 12, 'Income taxes'
- provisions and contingent liabilities under IAS 37 ; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

**47. NUMBER OF EMPLOYEES**

	2020	2019
	----- Numbers -----	
Number of persons employed as at September 30,		
- permanent	197	216
- contractual	335	379
	<u>532</u>	<u>595</u>
Average number of employees during the year		
- permanent	199	225
- contractual	343	455
	<u>542</u>	<u>680</u>

**48. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on February 01, 2021 by the board of directors of the Company.

**49. FIGURES**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison; however, no material re-arrangements and re-classifications have been made in these financial statements.



**ABBAS SARFARAZ KHAN**  
CHIEF EXECUTIVE



**ISKANDER M. KHAN**  
DIRECTOR



**RIZWAN ULLAH KHAN**  
CHIEF FINANCIAL OFFICER

# **annual report**

# **2020**

**THE PREMIER SUGAR MILLS &  
DISTILLERY CO. LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS**

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## Report on the Audit of the Consolidated Financial Statements

### Qualified Opinion

We have audited the annexed consolidated financial statements of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** and its Subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2020, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at September 30, 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 Qualified Opinion

- a) Provisions against deposits with a non-banking finance company aggregating Rs.12 million have not been made in these consolidated financial statements as fully detailed in note 17.5 to these consolidated financial statements.
- b) The Frontier Sugar Mills & Distillery Limited (FSM) has been unable to carry-out manufacturing operations during the current and prior years due to non-availability of raw materials; the management has also decided to close down operations till the availability of substantial quantity of raw materials. This situation indicates the existence of a material uncertainty that may cast significant doubt on FSM's ability to continue as a going concern; however, the financial statement of FSM have been prepared on the going concern basis. These consolidated financial statements and annexed notes do not include any adjustment that might result from the outcome of this uncertainty.
- c) In the absence of an exercise to identify obsolete / damaged stores and spares inventory, carrying values of the year-end stores and spares inventory of FSM have not been adjusted for any potential impairment loss as fully detailed in note 10.1.
- d) Fresh revaluation of property, plant & equipment of FSM has not been carried-out as required by IAS 16.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to note 30.3 to the consolidated financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.29.936 million demanded by Sui Northern Gas Pipelines Ltd. Our report is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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 are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Impact of COVID-19</b></p> <p>As disclosed in note 52 to the consolidated financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities from March, 2020 in line with directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.</p> <p>In relation to the accounting and reporting obligations, the management has assessed the impact of COVID-19 related events on its financial statements. The management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:</p> <ul style="list-style-type: none"> <li>- the impairment of tangible assets under IAS 36, 'Impairment of non-financial assets';</li> <li>- the net realisable value of inventory under IAS 2, 'Inventories';</li> <li>- deferred taxation in accordance with IAS 12, 'Income taxes';</li> <li>- provisions and contingent liabilities under IAS 37 ; and</li> <li>- going concern assumption used for the preparation of these financial statements.</li> </ul> <p>In view of the unique nature of this event and its possible impacts on the business operations and financial reporting, we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit strategy accordingly.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>- obtained an overall understanding of the impact on the financial reporting process and underlying controls in order to determine the appropriate audit strategy;</li> <li>- assessed the authenticity of the confirmations received;</li> <li>- checked subsequent recoveries, on a sample basis, and assessed the reasonableness of forward-looking factors used by the management in determination of expected credit loss for trade debts;</li> <li>- evaluated whether any impairment indicators exist that could trigger impairment for tangible assets;</li> <li>- evaluated management's assessment as to whether any provisions were required to be recorded as result of COVID-19;</li> <li>- checked the accuracy of deferred tax computation;</li> <li>- checked the reasonableness of the inputs used for calculation of NRV of inventories held to assess the adequacy of relevant</li> <li>- evaluated management's going concern assessment by reviewing the future projections and assessed whether going concern assumption is appropriate; and</li> <li>- checked the adequacy of the disclosures made by the management under the applicable financial reporting framework.</li> </ul>
2.	<p><b>Contingencies</b></p> <p>The Group is subject to material litigations involving different Courts pertaining to taxation and other matters, which require management to make assessments and judgments with respect to likelihood and impact of such litigations on the financial statements of the Group.</p>	<p>In response to this matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>- discussed legal cases with the internal legal department of the Group to understand the management's view point, obtained and reviewed the litigation documents to assess the facts and circumstances;</li> </ul>

S.No.	Key audit matters	How the matter was addressed in our audit
	<p>The management has engaged independent legal counsels on these matters.</p> <p>The assessment of provisioning against such litigations is a complex exercise and requires significant judgments to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessments are disclosed in note 30 to the financial statements.</p> <p><b>3. Revaluation of property, plant and equipment</b></p> <p>The management carries its freehold land, buildings &amp; roads and plant &amp; machinery under revaluation model. Under the said model, if fair value can be measured reliably, an entity may carry all items of property, plant and equipment of a class at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses; if any.</p> <p>As at September 30, 2020, the carrying value of the Subsidiary Company's freehold land, buildings &amp; roads and plant &amp; machinery was Rs 9,248 million. The fair value of the Group's freehold land, buildings &amp; roads and plant &amp; machinery were assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2020. For valuation of freehold land, buildings &amp; roads and plant &amp; machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar freehold land, buildings &amp; roads and plant &amp; machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations.</p> <p>We identified valuation of property, plant and equipment as a key audit matter due to the significant carrying value and the significant management judgement and estimation involved in determining their value due to factors described above.</p>	<ul style="list-style-type: none"> <li>- obtained opinions from legal counsels dealing with such cases in the form of confirmations;</li> <li>- evaluated the possible outcome of these legal cases in line with the requirements of IAS 37 (Provisions, contingent liabilities and contingent assets); and</li> <li>- disclosures of legal exposures and provisions were assessed for completeness and accuracy.</li> </ul> <p>Procedures performed by the auditors of subsidiary Company amongst others, included the following:</p> <ul style="list-style-type: none"> <li>- evaluated the competence, capabilities and objectivity of the independent external property valuation expert engaged by the management as management expert for valuation;</li> <li>- obtained understanding of the valuation process and techniques adopted by the valuation expert to assess reasonableness of the report;</li> <li>- obtained the valuation report of external valuation expert and tested mathematical accuracy of the report;</li> <li>- assessed the adequacy of the related disclosures in the financial statements.</li> <li>- Assessed, with the assistance of our valuer as auditor's expert, the appropriateness and the reasonableness of the related assumptions and methodologies used by the management expert; and</li> </ul>

S.No.	Key audit matters	How the matter was addressed in our audit
4.	<p><b>First time adoption of IFRS 16 “Leases”</b></p> <p>IFRS 16 “Leases” became applicable to the Group for the first time for the preparation of these financial statements. IFRS 16 “Leases” replaced IAS 17 “Leases”, the former lease accounting standard. Accordingly, the management has adopted the standard with effect from October 01, 2019.</p> <p>Under IFRS 16, assets leased by the Group are recognised on the statement of financial position of the Group with corresponding liabilities. Accordingly, the management has recorded right of use assets of Rs. 379.005 million with equivalent lease liabilities as at October 01, 2019 under the allowed modified retrospective approach for the transition accounting.</p> <p>The application of the new standard requires management to identify and process all relevant data associated with the lease contracts entered into by the Group. The measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms, including termination and renewal options.</p> <p>We considered this as key audit matter due to the significance of the amounts involved and significant judgments made by management in this respect.</p>	<p>Procedures performed by the auditors of subsidiary Company amongst others, included the following:</p> <ul style="list-style-type: none"> <li>- understood the management’s process for identification of agreements which contain leasing arrangements;</li> <li>- assessed the appropriateness of the updated accounting policy and policy elections made in accordance with IFRS 16;</li> <li>- inspected a sample of contracts for identification of leases and corroborated related computations;</li> <li>- checked the appropriateness of assumptions used by the management to determine the discount rates, lease term, termination and renewal options;</li> <li>- recalculated the right-of-use assets and lease liabilities calculated by the management on a sample basis; and</li> <li>- assessed the adequacy of the related disclosures of the impact of the new standard in the annexed financial statements.</li> </ul>

#### Information Other than the Consolidated Financial Statements and Auditors' 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 financial statements and our auditors' report thereon.

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

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

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

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

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

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

## **Auditors' 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 auditors' 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 auditors' 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 auditors' 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 year and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Nafees ud din.

**LAHORE;**  
February 02, 2021

*Shinewing Hameed Chaudhri & Co.*  
**SHINEWING HAMEED CHAUDHRI & CO.,**  
**CHARTERED ACCOUNTANTS**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2020**

Assets		2020	2019
Non-current Assets	Note	--- Rupees in thousand ---	
Property, plant and equipment	6	11,935,696	10,568,405
Right-of-use assets	7	400,998	0
Investment property	8	25,766	26,647
Long term investments	9	164,419	94,151
Security deposits		16,413	16,439
		<b>12,543,292</b>	<b>10,705,642</b>
Current Assets			
Stores and spares	10	641,229	612,913
Stock-in-trade	11	1,429,759	2,145,182
Trade debts	12	159,932	57,011
Loans and advances	13	1,394,226	1,193,209
Trade deposits, short term prepayments and other receivables	14	344,832	343,373
Accrued profit on bank deposits		1,296	123
Tax refunds due from the Government	15	332,874	54,714
Short term investments	16	31,097	28,837
Bank balances	17	364,707	312,499
		<b>4,699,952</b>	<b>4,747,861</b>
<b>TOTAL ASSETS</b>		<b>17,243,244</b>	<b>15,453,503</b>
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
5,750,000 (2019: 5,750,000) ordinary shares of Rs.10 each		57,500	57,500
Issued, subscribed and paid-up capital	18	37,500	37,500
Capital reserves			
- share redemption		1	1
- revaluation surplus on property, plant and equipment	19	2,780,004	2,447,144
General revenue reserve		1,010,537	1,010,537
Unappropriated profit		1,191,004	720,910
Equity Attributable to Equity			
Holders of the Holding Company		5,019,046	4,216,092
Non-controlling Interest		4,128,754	3,192,360
		<b>9,147,800</b>	<b>7,408,452</b>
Non-current Liabilities			
Long term finances	20	1,537,579	1,312,000
Loans from related parties	21	219,325	163,089
Lease liabilities	22	280,959	97,253
Government grant	23	15,882	0
Deferred liabilities	24	1,520,115	1,108,251
		<b>3,573,860</b>	<b>2,680,593</b>
Current Liabilities			
Trade and other payables	25	1,064,750	787,798
Unclaimed dividends		13,322	7,636
Accrued mark-up	26	120,814	225,094
Short term borrowings	27	2,670,410	3,650,993
Current portion of non-current liabilities	28	613,578	654,531
Dividends payable to non-controlling interest		14,533	9,260
Taxation	29	24,177	29,146
		<b>4,521,584</b>	<b>5,364,458</b>
<b>TOTAL LIABILITIES</b>		<b>8,095,444</b>	<b>8,045,051</b>
Contingencies and Commitments	30		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,243,244</b>	<b>15,453,503</b>

The annexed notes form an integral part of these consolidated financial statements.

  
**ABBAS SARFARAZ KHAN**  
**CHIEF EXECUTIVE**

  
**ISKANDER M. KHAN**  
**DIRECTOR**

  
**RIZWAN ULLAH KHAN**  
**CHIEF FINANCIAL OFFICER**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Note	2020 Rupees in thousand	2019
Gross sales	31	18,684,103	14,595,823
Sales tax, other government levies and discounts	32	(2,229,078)	(1,125,269)
Sales - net		16,455,025	13,470,554
Cost of sales	33	13,575,528	11,094,489
Gross profit		2,879,497	2,376,065
Selling and distribution expenses	34	710,022	352,623
Administrative and general expenses	35	634,897	569,612
Other income	36	(102,720)	(58,855)
Other expenses	37	54,637	45,766
		1,296,836	909,146
Operating profit		1,582,661	1,466,919
Finance cost	38	978,295	840,145
		604,366	626,774
Gain on sale of long term investments	39	0	20,088
Share of profit from Associated Companies - net	9.3	70,478	319
Profit before taxation		674,844	647,181
Taxation			
- Group	40	(2,711)	88,605
- Associated Companies	9.3	(125)	4,390
		(2,836)	92,995
Profit after taxation		677,680	554,186
Attributable to:			
- Equity holders of the Holding Company		311,882	266,601
- Non-controlling interest		365,798	287,585
		677,680	554,186
		----- Rupees-----	
Combined earnings per share	41	83.17	71.09

The annexed notes form an integral part of these consolidated financial statements.

  
**ABBAS SARFARAZ KHAN**  
 CHIEF EXECUTIVE

  
**ISKANDER M. KHAN**  
 DIRECTOR

  
**RIZWAN ULLAH KHAN**  
 CHIEF FINANCIAL OFFICER

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Note	2020 Rupees in thousand	2019
<b>Profit / (loss) after taxation</b>		<b>677,680</b>	<b>554,186</b>
<b>Other comprehensive income / (loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Adjustment of gain included in statement of profit or loss upon sale of available-for-sale investments	9	0	(19,671)
Share of other comprehensive income from Associated Companies	9.3	126	(137)
Gain / (loss) on remeasurement of staff retirement benefit-gratuity		154	966
Impact of tax		(45)	(280)
		109	686
Surplus arisen upon revaluation of property, plant and equipment	19	1,560,765	0
Impact of tax		(414,739)	0
		1,146,026	0
		<u>1,146,261</u>	<u>(19,122)</u>
<b>Total Comprehensive Income</b>		<b><u>1,823,941</u></b>	<b><u>535,064</u></b>
<b>Attributable to:</b>			
- Equity holders of the Holding Company		944,558	251,098
- Non-controlling interest		879,383	283,966
		<u>1,823,941</u>	<u>535,064</u>

The annexed notes form an integral part of these consolidated financial statements.

  
**ABBAS SARFARAZ KHAN**  
 CHIEF EXECUTIVE

  
**ISKANDER M. KHAN**  
 DIRECTOR

  
**RIZWAN ULLAH KHAN**  
 CHIEF FINANCIAL OFFICER

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019
	Rupees in thousand	
<b>Cash flows from operating activities</b>		
Profit for the year - before taxation	674,844	647,181
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	965,522	914,392
Depreciation on investment property	881	960
Amortisation charged to property, plant and equipment	0	915
Profit from Associated Companies - net	(70,478)	319
Return on bank deposits	(9,141)	(8,518)
Staff retirement benefits - gratuity (net)	(1,552)	(4,583)
Un-claimed payable balances written-back	(754)	(1,230)
Gain on disposal of operating fixed assets	(2,424)	(5,407)
Gain on redemption of short term investments	(2,776)	(1,759)
Gain on re-measurement of short term investments to fair value	(3)	(139)
Uncollectible receivable balances written-off	351	188
Dividend income	(230)	(608)
Gain on sale of long term investments	0	(20,088)
Finance cost	953,165	851,953
Loss allowance for doubtful debts	193	224
Loss allowance for doubtful advances	2,256	1,499
<b>Profit before working capital changes</b>	<b>2,509,854</b>	<b>2,375,299</b>
<b>Effect on cash flows due to working capital changes</b>		
(Increase) / decrease in current assets		
Stores and spares	(28,316)	(129,854)
Stock-in-trade	715,423	469,058
Trade debts	(102,728)	340,393
Loans and advances	(203,624)	(948,095)
Trade deposits, short term prepayments and other receivables	(1,459)	60,781
Sales tax refundable - net	37,642	396,192
Advance sales tax	0	25,000
<b>Increase in current liabilities</b>		
Trade and other payables	272,628	34,321
	<b>689,566</b>	<b>247,796</b>
<b>Cash generated from operations</b>	<b>3,199,420</b>	<b>2,623,095</b>
Income tax paid	(332,450)	(139,549)
Security deposits	26	(1,231)
<b>Net cash generated from operating activities</b>	<b>2,866,996</b>	<b>2,482,315</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(778,270)	(918,856)
Sale proceeds of operating fixed assets	8,646	12,458
Return on bank deposits received	7,968	8,464
Proceeds from long term investments	0	25,768
Short term investments - net	0	(14,000)
Dividend received	230	608
<b>Net cash used in investing activities</b>	<b>(761,426)</b>	<b>(885,558)</b>
<b>Cash flows from financing activities</b>		
Long term finances - net	183,692	80,407
Lease finances - net	(141,294)	76,611
Loans from related parties - net	25,000	15,000
Short term borrowings - net	(980,583)	(1,001,672)
Finance cost paid	(1,057,445)	(793,290)
Dividends paid	(82,732)	(22,192)
<b>Net cash (used in) / generated from financing activities</b>	<b>(2,053,362)</b>	<b>(1,645,136)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>52,208</b>	<b>(48,379)</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>312,499</b>	<b>360,878</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>364,707</b>	<b>312,499</b>

The annexed notes form an integral part of these consolidated financial statements.

  
**ABBAS SARFARAZ KHAN**  
**CHIEF EXECUTIVE**

  
**ISKANDER M. KHAN**  
**DIRECTOR**

  
**RIZWAN ULLAH KHAN**  
**CHIEF FINANCIAL OFFICER**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

----- Attributable to equity holders of the Holding Company-----									
Share capital	Reserves					Total	Non-controlling interest	Total equity	
	Capital		General revenue	Fair value reserve on available-for-sale investments	Unappropriated profit				
	Share redemption	Revaluation surplus on property, plant and equipment							
----- Rupees in thousand -----									
Balance as at September 30, 2018	37,500	1	2,646,568	1,010,537	16,052	263,315	3,973,973	2,939,859	6,913,832
Transaction with owners:									
Cash dividend at the rate of Rs.1.50 per ordinary share	0	0	0	0	0	0	0	(21,532)	(21,532)
Total comprehensive income / (loss) for the year ended September 30, 2019									
(Loss) / profit after taxation	0	0	0	0	0	266,601	266,601	287,585	554,186
Other comprehensive income / (loss)	0	0	0	0	(16,052)	727	(15,325)	(3,619)	(18,944)
	0	0	0	0	(16,052)	267,328	251,276	283,966	535,242
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	765	765	0	765
Transfer from revaluation surplus on property, plant and equipment (net of deferred taxation)	0	0	0	0	0	189,502	189,502	143,093	332,595
- on account of incremental depreciation for the year	0	0	(189,502)	0	0	0	(189,502)	(143,093)	(332,595)
Resultant adjustment due to reduction in tax rate	0	0	(9,922)	0	0	0	(9,922)	(9,933)	(19,855)
Balance as at September 30, 2019	37,500	1	2,447,144	1,010,537	0	720,910	4,216,092	3,192,360	7,408,452
Transaction with owners:									
Cash dividend at the rate of Rs.1.50 per ordinary share	0	0	0	0	0	0	0	(71,773)	(71,773)
Total comprehensive income / (loss) for the year ended September 30, 2020									
Profit after taxation	0	0	0	0	0	311,882	311,882	365,798	677,680
Other comprehensive income / (loss)	0	0	632,441	0	0	235	632,676	513,585	1,146,261
	0	0	632,441	0	0	312,117	944,558	879,383	1,823,941
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	(12,820)	(12,820)	0	(12,820)
Transfer from revaluation surplus on property, plant and equipment on account of incremental depreciation for the year (net of deferred taxation)	0	0	(299,581)	0	0	170,797	(128,784)	128,784	0
Balance as at September 30, 2020	37,500	1	2,780,004	1,010,537	0	1,191,004	5,019,046	4,128,754	9,147,800

The annexed notes form an integral part of these consolidated financial statements.

  
**ABBAS SARFARAZ KHAN**  
**CHIEF EXECUTIVE**

  
**ISKANDER M. KHAN**  
**DIRECTOR**

  
**RIZWAN ULLAH KHAN**  
**CHIEF FINANCIAL OFFICER**

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LTD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**1. THE GROUP AND ITS OPERATIONS**

**1.1 The Premier Sugar Mills & Distillery Company Ltd. (the Holding Company)**

The Holding Company was incorporated on July 24, 1944 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. The Holding Company is principally engaged in manufacture and sale of white sugar and spirit. The Holding Company's Mills and Registered Office are located at Mardan (Khyber Pakhtunkhwa) whereas the Head Office is situated at King's Arcade, 20-A, Markaz F-7, Islamabad.

**1.2 Subsidiary Companies**

**(a) Chashma Sugar Mills Ltd. (CSM)**

CSM was incorporated in Pakistan on May 05, 1988 as a public company, under the Companies Ordinance, 1984 (repealed upon enactment of the Companies Act, 2017 on May 30, 2017) and commenced its commercial production from July 09, 1988. CSM has its shares quoted on the Pakistan Stock Exchange Limited. CSM is principally engaged in manufacturing, production, processing, compounding, preparation and sale of sugar, other allied compound, intermediates and allied products. CSM is a Subsidiary of The Premier Sugar Mills and Distillery Company Limited. The head office of CSM is situated at King's Arcade, 20-A, Markaz F-7, Islamabad and its manufacturing facilities are located at Dera Ismail Khan, Khyber Pakhtunkhwa.

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

The Holding Company directly and indirectly controls / beneficially owns more than fifty percent of CSM's paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary with effect from the financial year ended September 30, 2010.

These consolidated financial statements include the financial statements of the Holding Company and its Subsidiaries The Frontier Sugar Mills and Distillery Ltd., Chashma Sugar Mills Ltd. and Sub-subsidiary Whole Foods (Pvt.) Ltd. (the Group) for the year ended September 30, 2020. The corresponding figures presented in these consolidated financial statements are the same as presented in the preceding consolidated financial statements for the year ended September 30, 2019.

**(b) The Frontier Sugar Mills and Distillery Ltd. (FSM)**

FSM was incorporated on March 31, 1938 as a Public Company and its shares were quoted on all the Stock Exchanges of Pakistan; FSM was delisted from the Stock Exchanges as detailed in paragraph (c) below. The principal activity of FSM is manufacturing and sale of white sugar and its Mills and Registered Office are located at Takht-i-Bhai, Mardan (Khyber Pakhtunkhwa). FSM is a Subsidiary of The Premier Sugar Mills & Distillery Company Limited (the Holding Company).

FSM has been suffering losses over the years and during the current and prior years had not carried-out manufacturing operations due to non-availability of raw materials. The management, however, anticipates that manufacturing operations will resume in the foreseeable future as necessary steps are being taken to ensure smooth supplies of sugar cane to FSM. The financial statements of FSM, therefore, have been prepared on the 'going concern basis'.

**(c) Delisting of FSM**

The Holding Company, the majority shareholder of FSM, had decided to purchase all the ordinary and preference shares of FSM held by Others. The shareholders of FSM had passed a special resolution for de-listing of FSM from the Stock Exchanges at the annual general meeting held on January 30, 2010. The shareholders also passed a special resolution for purchase of 263,134 ordinary shares at a price of Rs.190.20 per share and 26,970 preference shares at a price of Rs.18.60 per share by the Holding Company in the extra ordinary general meeting held on June 10, 2010.

The purchase agent of the Holding Company (Invest Capital Investment Bank Ltd.) had completed the buying of 36,209 ordinary shares and 150 preference shares within the initial period of 60 days and after the submission of an undertaking to the Stock Exchanges to purchase the remaining shares upto August 26, 2011, FSM was de-listed from all the Stock Exchanges with effect from October 25, 2010. The purchase agent, during the financial year ended September 30, 2011, had further purchased 19,884 ordinary shares and 20,014 preference shares.

**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. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

**2.2 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

**2.3 Functional and presentation currency**

These consolidated financial statements are presented in Pakistan Rupee, which is the Group's functional and presentation currency. Amounts presented in the financial statements have been rounded off to the nearest thousand unless otherwise stated.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting and reporting standards requires the use of certain accounting estimates. It also requires

policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

**i) Estimated useful life of operating assets - note 5.1**

The Group annually reviews appropriateness of the method of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. Any change in these estimates in the future, might affect the carrying amount of the respective item of property, plant and equipment, with a corresponding effect on the depreciation and impairment.

**ii) Surplus on revaluation of property, plant and equipment - note 5.1**

The Group carries out revaluations, considering the change in circumstances and assumptions from latest revaluation. The fair value of the Group's freehold land, buildings & roads and plant & machinery is assessed by management based on independent valuation performed by an external property valuation expert as at year end. For valuation of freehold land, buildings & roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar freehold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations.

**iii) Provision for stores and spares - note 5.5**

For items which are slow-moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value on a regular basis. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

**iv) Write down of stock in trade to net realisable value - note 5.6**

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the unconsolidated financial statements for obsolete and slow moving stock-in-trade based on management estimate.

**v) Estimation of impairment loss allowance - note 5.18**

The Group reviews the Expected Credit Loss (ECL) model which is based on the historical credit loss experience over the life of the trade receivables and adjusted if required. The ECL model is reviewed on a quarterly basis.

**vi) Provision for employees' defined benefit plans - note 5.11**

Defined benefit plans are provided for all employees of the Group. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries annually.

Cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the net liability/(asset) in respect of employee's service in previous years. Calculations are sensitive to changes in the underlying assumptions.

**vii) Provision for current and deferred tax - note 5.16**

In making the estimate for tax payable, the Group takes into account applicable tax laws, the decisions taken by the appellate authorities on certain issues in the past and professional advice of tax consultant of the Group.

Deferred tax assets are 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.

**viii) Provisions and contingencies - notes 5.14 and 5.15**

The management exercises judgment in measuring and recognising provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

**ix) Estimation of lease term and incremental borrowing rate for lease liabilities and right of use assets - notes 5.12, 5.10 and 5.2**

IFRS 16 requires the Group to assess the lease term as the non-cancellable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Group's lease portfolio includes lease contracts which are extendable through mutual agreement between the Group and the lessor or lease contracts which are cancellable by the Group on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Group concluded that these cancellable future lease periods should be included within the lease term in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts and after consideration of business plan of the Group which incorporates economic, potential demand of customers and technological changes.

### **3. PRINCIPLES OF CONSOLIDATION**

These consolidated financial statements have been prepared under the historical cost convention except as otherwise stated in respective accounting policies notes.

These consolidated financial statements include the financial statements of the Holding Company, consolidated financial statements of CSM and the financial statements of FSM as at and for the year ended September 30, 2020. The Holding Company's direct interest, as at September 30, 2020, in CSM was 47.93% (2019: 47.93%) and in FSM was 82.49% (2019: 82.49%).

Investments in Associated Companies, as defined in the Companies Act, 2017, are accounted for by the equity method.

Non-controlling interest is calculated on the basis of their proportionate share in the net assets of the Subsidiary Companies.

Subsidiary is an entity over which the Holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Holding Company controls another entity. The Holding Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Holding Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Holding Company the power to govern the financial and operating policies, etc.

Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The reporting period end of sub-subsidiary is June 30, 2020. The sub-subsidiary financial statements used for preparation of consolidated financial statements corresponds with period of the Group.

#### **4. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS**

The following amendments to existing standards have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after the following dates:

##### **4.1 Standards, amendments and interpretations to accounting and reporting standards that became effective during the year**

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on October 01, 2019 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements, except for the following:

- (a)** Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', are effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments do not have any material impact on the Group's financial statements.

- (b) IFRS 16 “Leases” replaced IAS 17 “Leases”, the former lease accounting standard and became effective on annual reporting periods beginning on or after January 01, 2019. Accordingly, the Group has adopted the standard from October 01, 2019. Under the new lease standard assets leased by the Group are being recognised on the statement of financial position of the Group with corresponding liabilities. As a rule, lease expenses are no longer recorded in the statement of profit or loss. Instead, new depreciation and interest expenses are recorded stemming from the newly recognised lease assets and lease liabilities.

In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognised lease liabilities are presented in the cash flow from operating activities. The Group has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption, if any, is to be recognised in the net assets as of October 01, 2019 and accordingly the comparatives are not restated. The Group has performed an assessment of IFRS 16 and the impact on its adoption is as follows:

The change in accounting policy affected the classification of following items in the statement of financial position with effect from October 01, 2019:

	As originally	Impact of IFRS 16	Restated
	----- (Rupees in thousand) -----		
<b>Non-current Assets:</b>			
<b>Property, plant and equipment</b>			
Leased vehicles	146,591	(146,591)	0
Right of use assets	0	379,005	379,005
	146,591	232,414	379,005
<b>Current Assets:</b>			
Short-term prepayments	1,200	(1,200)	0
	147,791	231,214	379,005
<b>Non-current Liabilities</b>			
Lease liabilities	(94,970)	(27,961)	(122,931)
<b>Current Liabilities</b>			
Lease liabilities	(41,502)	(203,253)	(244,755)
	(136,472)	(231,214)	(367,686)
	11,319	0	11,319

The Group, as a lessee, recognises right of use assets and lease liabilities on the lease commencement date.

Upon initial recognition, the right of use assets are measured as the amount equal to initially measured lease liabilities adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use assets are measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right of use assets or the lease term.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate or interest rate implicit in lease as of October 01, 2019. The incremental borrowing rates / interest rates implicit in lease used for discounting the future lease payments ranges from 6.64% to 15.58% per annum. Subsequently, the lease liabilities are measured at amortised cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period;
- Modifications to the lease contract; or
- Reassessment of the lease term.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### **Transition**

The Group adopted IFRS 16 from October 01, 2019 using the modified retrospective approach.

The Group used the following practical expedients upon adoption of IFRS 16 on its effective date:

- the use of hindsight in determining the lease term where contract contains option to extend or terminate the lease; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- a single discount rate is applied to all leases with reasonably similar characteristics as permitted.

### **Significant judgments upon adoption of IFRS 16**

IFRS 16 requires the Group to assess the lease term as the non-cancellable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Group's lease portfolio includes lease contracts which are extendable through mutual agreement between the Group and the lessor or lease contracts which are cancellable by the Group on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Group concluded that these cancellable future lease periods should be included within the lease term in determining the lease liabilities upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased assets and lease contracts.

### **The Group's leasing activities and how these are accounted for**

The Group has obtained leased cars for its employees and machinery for its own use. The

lease period for these leases ranges from 3 to 4 years. Previously, these were classified under property, plant and equipment as leasehold vehicles. On adoption of IFRS 16, these have been reclassified to right of use assets.

The Group has also leased offices for administrative purposes which were previously recorded as operating lease under IAS 17. The lease period for these leases ranges from 3 to 6 years. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the respective leases. Considering the related agreement terms and the requirements of the IFRS 16, the Group has capitalised these as right to use assets with corresponding lease liabilities by discounting the lease rentals to be paid over lease term from October 01, 2019 using the Group's incremental borrowing rate.

Lease liabilities and right of use assets recognised are as follows:

<b>Lease liabilities recognised as at October 01, 2019</b>	<b>(Rupees in thousand)</b>
Of which are:	
Current lease liabilities	27,961
Non-current lease liabilities	203,253
	<u>231,214</u>

The following summary reconciles the Group's operating leases at September 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at October 01, 2019.

<b>Reconciliation of operating lease commitments with the lease liabilities as at October 01, 2019</b>	<b>(Rupees in thousand)</b>
<b>Operating leases as at September 30, 2019</b>	146,042
Increase in lease commitments of cancellable leases included in reasonably certain lease term	199,027
Total undiscounted lease payments which are reasonably certain	<u>345,069</u>
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(113,855)
Lease liabilities recognised as at October 01, 2019	<u>231,214</u>

**The recognised ROU assets relate to following type of assets:**

Vehicles	146,591
Building	232,414
<b>Total right-of-use assets</b>	<u>379,005</u>

The statement of profit or loss shows the following amounts relating to leases:

Interest expense on lease liabilities	33,336
Expense related to short term leases	0

- (c) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying

assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments do not have any material impact on the Group's financial statements.

- (d) Amendments to IAS 28 'Investments in associates and joint ventures' are effective for annual periods beginning on or after January 01, 2019. The amendments clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments do not have any significant impact on the Group's financial statements.
- (e) 'IFRIC 23, 'Uncertainty over income tax treatments' is effective for accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendments do not have any material impact on the Group's financial statements.

**4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:**

		<b>Effective date (annual reporting periods beginning on or after)</b>
IAS 1	Presentation of financial statements (Amendments)	January 01, 2020
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 01, 2020
IAS 16	Property, Plant and Equipment (Amendments)	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 01, 2022
IAS 41	Agriculture (Amendments)	January 01, 2020
IFRS 3	Business Combinations (Amendments)	January 01, 2020
IFRS 4	Insurance Contracts (Amendments)	January 01, 2023
IFRS 7	Financial Instruments : Disclosures (Amendments)	January 01, 2020
IFRS 9	Financial Instruments (Amendments)	January 01, 2020

IFRS 16 Leases (Amendments)

June 01, 2020

IASB Conceptual Framework for  
Financial Reporting (Revised)

January 01, 2020

- 4.3** The management anticipates that, except as stated below, adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.
- 4.4** Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

The following interpretation issued by the IASB has been waived off by SECP:

IFRIC 12 Service Concession Arrangements

## **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **5.1 Property, plant and equipment**

#### **(a) The Holding Company and FSM**

##### **Measurement**

Buildings on leasehold and freehold land and plant & machinery are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation.

Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment, except freehold land and capital work-in-progress, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Freehold land and capital work-in-progress are stated at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

##### **Revaluation**

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all

other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings.

### **Depreciation**

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 6.1. Leasehold land is amortised over the lease term using the straight-line method.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

### **Disposal**

Gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other income in the statement of profit or loss. In case of the sale or retirement of a revalued property, plant and equipment, the attributable revaluation surplus remaining in the revaluation surplus on property, plant and equipment is transferred directly to unappropriated profit.

### **Judgment and estimates**

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any change in estimates is accounted for on a prospective basis.

## **(b) CSM**

### **Owned assets**

Operating fixed assets except freehold land, buildings and roads and plant & machinery are stated at cost less accumulated depreciation and impairment losses. Freehold land is stated at revalued amount, whereas buildings & roads and plant & machinery are stated at revalued amount less accumulated depreciation and impairment losses. Revaluation is carried out by independent expert. CSM carries out revaluations periodically, considering the change in circumstances and assumptions from latest revaluation. Capital work-in-progress and major spare parts and standby equipment are stated at cost. Cost in relation to certain plant and machinery items include borrowing cost related to the financing of major projects during construction phase.

Subsequent cost, if reliably measureable, are included in the asset's carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Group. The carrying amount of any replaced parts as well as other repair and maintenance costs are charged to statement of profit or loss during the period in which these are incurred.

Increase in the carrying amount arising on revaluation of freehold land, buildings & roads and plant & machinery are recognised in other comprehensive income and accumulated in shareholders' equity under the heading revaluation surplus on property, plant and equipment. To the extent that the increase reverses a decrease previously recognised in consolidated statement of profit or loss, the increase is first recognised in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss.

Depreciation on operating assets is calculated using the reducing balance method to allocate their cost over their estimated useful life at the rates specified in note 6.1. Depreciation for factory assets is charged to cost of sales while depreciation for other property, plant and equipment is charged to administrative and general expenses and selling and distribution expenses on actual usage basis.

Depreciation on additions to property, plant and equipment is charged from the date asset is available for intended use till date of disposal.

The gain or loss on disposal of an asset, calculated as difference between the sale proceed and carrying amount of the asset, is recognised as other income in statement of profit or loss account for the year.

## **5.2 Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease i.e. the date the underlying assets are available for use. Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities except plant and machinery for which the Group has elected to use the revaluation model.

The cost comprises the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying assets' useful life.

## **5.3 Investment property**

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Group uses cost model for valuation of its investment property; freehold land has been valued at cost whereas buildings on freehold land have been valued at cost less accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income applying reducing balance method at the rates stated in note 8. Depreciation on additions is charged from the month in which the asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off. Impairment loss or its reversal, if any, is taken to statement of profit or loss.

## **5.4 Investments**

Investments in equity instruments of Associated Companies are stated at the Group's share of their underlying net assets using the equity method.

Investments available-for-sale represent investments, which are not held for trading. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value of investments available-for-sale is recognised in other comprehensive income / (loss) as unrealised, unless sold,

collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in the equity is included in the statement of profit or loss for the year.

## **5.5 Stores and spares**

### **(a) The Holding Company and FSM**

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the reporting date.

### **(b) CSM**

Stores and spares are stated at cost less allowance for obsolete and slow moving items. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value and other related charges incurred up to the date of the statement of financial position date.

## **5.6 Stock-in-trade**

### **(a) The Holding Company and FSM**

- i) Stock of manufactured products is valued at the lower of cost and net realisable value. Molasses inventory is valued at net realisable value.
- ii) Cost in relation to finished goods and work-in-process represents the annual average manufacturing cost, which comprises of prime cost and appropriate production overheads.
- iii) Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

### **Judgments and estimates**

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

### **(b) CSM**

Sugar and ethanol are stated at the lower of cost and net realisable value. Cost is determined using the average manufacturing cost method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads.

Purchased molasses is stated at lower of cost and net realisable value whereas cost of own produced molasses, a by product, is determined on the basis of average cost of molasses purchased from third parties.

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

## **5.7 Trade debts and other receivables**

### **(a) The Holding Company**

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less allowance for Expected Credit Loss (ECL). Carrying amounts of trade debts and other receivables are assessed at each reporting date and allowance is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

### **(b) CSM**

Trade debts are recognised and carried at the original invoice amounts, being the fair value, less an allowance for uncollectible amounts, if any. For measurement of loss allowance for trade debts, CSM applies IFRS 9 simplified approach to measure the expected credit losses.

## **5.8 Short term investments (at fair value through profit or loss)**

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in income.

## **5.9 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise balances with banks in current, deposit and saving accounts, bank overdrafts and cash / running finance. Bank overdrafts are shown in current liabilities on the statement of financial position.

## **5.10 Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset. All other borrowing costs are charged to statement of profit or loss.

## **5.11 Staff retirement benefits**

### **(a) The Holding Company**

#### **Defined contribution plan**

The Holding Company is operating a provident fund scheme for all its permanent employees; equal monthly contribution to the fund is made at the rate of 9% of the basic salaries both by the employees and the Holding Company.

#### **Defined benefit plan**

The Holding Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on September 30, 2020 on the basis of projected unit credit method by an independent Actuary.

Actuarial gains and losses are recognised in other comprehensive income in the period in which these occur and past-service costs are recognised immediately in the statement of profit or loss.

**(b) FSM**

**Defined benefit plan**

FSM operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on September 30, 2018 on the basis of projected unit credit method by an independent Actuary.

Actuarial gains and losses are recognised in other comprehensive income in the period in which these occur and past-service costs are recognised immediately in the statement of profit or loss.

**(c) CSM**

CSM operates a provident fund and un-funded gratuity scheme for its employees as detailed below:

**Defined contribution plan**

CSM operates a recognised contributory provident fund for its permanent employees. Equal monthly contributions are made by CSM and the employees to the fund at the specified rate of basic salary and charged to the statement of profit or loss.

**Defined benefit plan**

CSM operates an unfunded gratuity scheme covering eligible employees under their employment contract. The liability for gratuity is recognised on the basis of actuarial valuation using Projected Unit Credit Method. The latest actuarial valuation was conducted on September 30, 2020.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the year in which they arise. Past service costs are recognised immediately in profit or loss.

**5.12 Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

- a)** fixed payments, including in-substance fixed payments;
- b)** variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c)** amounts expected to be payable under a residual value guarantee; and
- d)** the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

#### **5.13 Trade and other payables**

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

#### **5.14 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

#### **5.15 Contingent liabilities**

A contingent liability is disclosed when the Group

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

#### **5.16 Taxation**

Taxation comprises of current tax and deferred tax.

##### **Current**

Provision for current taxation is based on taxable income for the year determined in accordance with prevailing law for taxation on income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

##### **Deferred**

Deferred income tax is recognised using the statement of financial position liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that deductible temporary differences will reverse in the future and taxable income will be available against which the deductible temporary differences, unused tax losses and tax credit can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been

enacted. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity.

#### **5.17 Dividend and revenue reserve appropriation**

Dividend and movement in revenue reserves are recognised in the financial statements in the period in which these are approved.

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

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversals of the impairment losses are restricted to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss.

#### **5.19 Revenue recognition**

The Group recognises revenue at point of time when control of product is transferred to the customer. Control is considered to be transferred in case of local sales when finished goods are directly uplifted by customer from the warehouse or when it is delivered by the Group at customer premises. In case of export sales, control is considered to be transferred when the finished goods are shipped to the customer.

Revenue is measured based on the consideration agreed with the customer and excludes sales tax / government levies and amounts collected on behalf of third parties. Revenue is presented net of discounts, rebates and returns.

##### **Contract liabilities**

Contract liability is the obligation of the Group to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs its performance obligations under the contract.

##### **Other income**

The Group recognises following in other income:

- (i) Income on deposit / saving accounts using the effective yield method.
- (ii) Dividend income when the right to receive dividend is established.
- (iii) Income from other non-recurring goods and services is recognised when the control is transferred and performance obligations are fulfilled.

#### **5.20 Development expenditure**

Expenditure incurred on development of sugar cane and beet is expensed in the year of incurrence.

### **5.21 Deferred government grant**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant includes any benefit earned on account of a government loan obtained at below-market rate of interest. The loan is recognised and measured in accordance with IFRS 9 "Financial Instruments". The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Government grant that has been awarded for the purpose of giving immediate financial support to the Group is recognised in profit or loss of the period in which the entity qualifies to receive it.

### **5.22 Foreign currency transactions and translation**

Foreign currency transactions are translated in Pakistan Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the statement of profit or loss.

### **5.23 Financial instruments**

Financial instruments are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Group loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss .

#### **a) Financial assets**

##### **Classification**

The Group classifies its financial assets in the following measurement categories:

- i) amortised cost where the effective interest rate method is applied;
- ii) fair value through profit or loss; and
- iii) fair value through other comprehensive income.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in statement of profit or loss or other comprehensive income (OCI). For investment in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Further, financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

## **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group can classify its debt instruments:

### **i) Amortised cost**

Assets that are held for collection of contractual cash flows where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statement of profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

### **ii) Fair value through other comprehensive income (FVTOCI)**

Debt securities, where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statement of profit or loss.

### **iii) Fair value through profit or loss (FVTPL)**

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented in finance income/cost in the period in which it arises.

## **Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI,

there is no subsequent reclassification of fair value gains and losses to statement of profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in statement of profit or loss as other income when the Group's right to receive payments is established.

### **Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, in case of trade debts, the Group considers that default has occurred when a debt is more than 365 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### **Impairment of financial assets**

The Group assess on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its debt instruments, trade debts, short term investments, deposits and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Loans and advances
- Trade deposits and other receivables
- Cash and bank balances

### **General approach for loans and advances, trade deposits, other receivables and cash and bank balances**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information ( factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 months expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are

recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 months to lifetime expectations.

### **Significant increase in credit risk**

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

### **Credit - impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

### **Simplified approach for trade debts**

The Group recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts with individually significant balance are separately assessed for ECL measurement. All other trade debts are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these financial assets are estimated using a provision matrix approach based on The Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

#### **Recognition of loss allowance**

The Group recognises an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### **Write-off**

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

### **b) Financial Liabilities**

#### **Classification, initial recognition and subsequent measurement**

Financial liabilities are classified in the following categories:

- i) fair value through profit or loss; and
- ii) other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

**i) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Group has not designated any financial liability upon recognition as being at fair value through profit or loss.

**ii) Other financial liabilities**

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortised cost, using the effective interest rate method and are measured at present value. Gains and losses are recognised in profit or loss for the year, when the liabilities are derecognised as well as through effective interest rate amortisation process.

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when and only when the Group's obligations are discharged, cancelled or expired.

**Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market is accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Board determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### 5.24 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Group has two reportable segments, i.e. sugar and ethanol.

#### 5.25 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### 5.26 Other Income

The Group recognises following in other income:

- (i) Income on deposit / saving accounts using the effective yield method.
- (ii) Dividend income when the right to receive dividend is established.
- (iii) Income from other non-recurring goods and services is recognised when the control is transferred and performance obligations are fulfilled.

### 6. PROPERTY, PLANT AND EQUIPMENT

	Note	2020 Rupees in thousand	2019
Operating fixed assets - tangible	6.1	11,114,958	10,045,946
Capital work-in-progress	6.11	820,738	522,459
		<b>11,935,696</b>	<b>10,568,405</b>

## 6.1 Operating fixed assets - tangible

Particulars	Leasehold land	Owned											Leased (right of use assets)				
		Freehold land	Buildings on freehold land	Buildings and roads on leasehold land	Plant and machinery	Tools	Beet water line	Electric and gas equipment	Laboratory equipment	Furniture, fittings & office equipment	Farm equipment	Railway rolling stock and vehicles	Tube well	Arms	Vehicles	Generators	Total
Rupees in thousand																	
As at September 30, 2018																	
Cost / revaluation	2,835	1,397,526	1,770,363	175,295	7,335,319	914	206	419,888	120	177,628	947	66,450	59	54	147,691	0	11,495,295
Accumulated depreciation	582	0	58,322	46,226	912,049	913	205	184,201	116	87,802	541	52,114	58	48	54,109	0	1,397,286
Book value	2,253	1,397,526	1,712,041	129,069	6,423,270	1	1	235,687	4	89,826	406	14,336	1	6	93,582	0	10,098,009
Year ended September 30, 2019:																	
Additions	0	1,603	156,069	0	538,218	0	0	63,752	0	9,674	303	8,075	0	0	91,686	0	869,380
Disposals:																	
- cost	0	0	0	0	(3,000)	0	0	0	0	0	0	(19,416)	0	0	0	0	(22,416)
- depreciation	0	0	0	0	2,381	0	0	0	0	0	0	12,984	0	0	0	0	15,365
Transfers from leased to owned:																	
- cost	0	0	0	0	0	0	0	0	0	0	0	12,476	0	0	(12,476)	0	0
- depreciation	0	0	0	0	0	0	0	0	0	0	0	(6,878)	0	0	6,878	0	0
Depreciation charge	27	0	169,947	10,120	666,755	0	0	26,961	0	10,540	41	3,576	0	1	26,424	0	914,392
Book value as at September 30, 2019	2,226	1,399,129	1,698,163	118,949	6,294,114	1	1	272,478	4	88,960	668	18,001	1	5	153,246	0	10,045,946
Year ended September 30, 2020:																	
Impact of adoption of IFRS - 16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(153,246)	0	(153,246)
Additions	0	0	51,521	0	397,044	0	0	37,016	0	44,847	672	5,414	0	0	0	0	536,514
Revaluation adjustments																	
- cost	0	130,632	36,960	36,518	101,518	0	0	0	0	0	0	0	0	0	0	0	305,628
- depreciation	0	0	226,128	57,223	971,787	0	0	0	0	0	0	0	0	0	0	0	1,255,138
Disposals:																	
- cost	0	(597)	0	0	0	0	0	0	0	0	0	(14,839)	0	0	0	0	(15,436)
- depreciation	0	0	0	0	0	0	0	0	0	0	0	9,214	0	0	0	0	9,214
Transfers from leased to owned:																	
- cost	0	0	0	0	0	0	0	0	0	0	0	17,857	0	0	0	0	17,857
- depreciation	0	0	0	0	0	0	0	0	0	0	0	(10,874)	0	0	0	0	(10,874)
Depreciation charge	27	0	168,289	8,938	651,914	0	0	29,402	0	12,514	45	4,653	0	1	0	0	875,783
Book value as at September 30, 2020	2,199	1,529,164	1,844,483	203,752	7,112,549	1	1	280,092	4	121,293	1,295	20,120	1	4	0	0	11,114,958
As at September 30, 2019																	
Cost / revaluation	2,835	1,399,129	1,926,432	175,295	7,870,537	914	206	483,640	120	187,302	1,250	67,585	59	54	226,901	0	12,342,259
Accumulated depreciation	609	0	228,269	56,346	1,576,423	913	205	211,162	116	96,342	582	49,584	58	49	73,655	0	2,296,313
Book value	2,226	1,399,129	1,698,163	118,949	6,294,114	1	1	272,478	4	88,960	668	18,001	1	5	153,246	0	10,045,946
As at September 30, 2020																	
Cost / revaluation	2,835	1,529,164	2,014,913	211,813	8,369,099	914	206	520,656	120	232,149	1,922	76,017	59	54	0	0	12,959,921
Accumulated depreciation	636	0	170,430	8,061	1,256,550	913	205	240,564	116	110,856	627	55,897	58	50	0	0	1,844,963
Book value	2,199	1,529,164	1,844,483	203,752	7,112,549	1	1	280,092	4	121,293	1,295	20,120	1	4	0	0	11,114,958
Depreciation rate (%)	1.01	0	5-10	5-10	10-12	15	15	10	10	10-15	10	10-20	10	10	20	10-12	

## 6.2 Particulars of immovable property of the Holding Company

Location	Usage of immovable property	Total Area (square feet)	Covered Area (In square feet) approx.
<b>Land - freehold</b>			
Saro Shah, Takht Bahi	Agricultural	5,378,299	0
Nowshera Road, Mardan	Industrial	999,158	
<b>Land - leasehold</b>			
Nowshera Road, Mardan	Industrial	5,268,037	
		6,267,195	807,188
		<b>11,645,494</b>	<b>807,188</b>

## 6.3 Particulars of immovable property (i.e. land and buildings) in the name of CSM and its Subsidiary are as follows:

Location	Usage of immovable property	Total Area (Kanals)	Covered Area (Kanals)
CSM-1, D.I.Khan	Factory building	1,111.25	98.86
CSM-2, Ramak	Factory building	1,490.15	144.72
Whole Foods (Pvt.) Ltd. (land) - Layyah and Bhakkar	Storage facility	32	2.21

## 6.4 In case of the Holding Company, revaluation surplus on buildings and plant & machinery, excluding roads, farm building, guest house at Peshawar and plant & machinery having book value aggregating Rs.2.885 million and Rs.1.475 million respectively, as a result of latest revaluation as detailed in note 19 has been determined as follows:

Particulars	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Total
----- Rupees in thousand-----				
Cost / revaluation as at September 30, 2020	181,386	168,730	819,128	1,169,244
Accumulated depreciation to September 30, 2020	60,481	59,761	247,277	367,519
Book value before revaluation adjustments as at September 30, 2020	120,905	108,969	571,851	801,725
Revalued amounts	210,500	207,990	917,446	1,335,936
Revaluation surplus	89,595	99,021	345,595	534,211

- 6.5** Had the revalued fixed assets of the Group been recognised under the cost model, the carrying values of these assets would have been as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
Freehold land	<b>166,507</b>	140,141
Buildings & roads	<b>720,181</b>	744,798
Buildings on leasehold land	<b>1,021</b>	1,763
Plant & machinery	<b>3,144,105</b>	3,077,383
	<b>4,031,814</b>	3,964,085

- 6.6** The forced sale values of revalued fixed assets of the Group, based on valuations conducted during 2020 and prior year, are as follows.

	<b>Rupees in thousand</b>
Freehold land	<b>1,284,226</b>
Buildings & roads	<b>1,666,295</b>
Plant & machinery	<b>5,342,915</b>
	<b>8,293,436</b>

- 6.7** The Board of Directors, during the financial year ended September 30, 2018, had decided to shift the Holding Company's distillery operations from Mardan to Ramak, Dera Ismail Khan due to easy approach to power and raw materials. Dismantling, shifting and erection work of distillery has been completed during the current financial year.

- 6.8** The Holding Company had availed its option of renewal of leasehold land agreement expired during the financial year ended September 30, 2008. Buildings on leasehold land, however, were revalued during the financial years ended September 30, 2009, September 30, 2011, September 30, 2014, September 30, 2017 and September 30, 2020 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million, Rs.76.240 million, Rs.5.328 million and Rs.99.021 million respectively was incorporated in the books of account Clause 6 of the lease agreement dated July 09, 1947, which was for a period of 60 years, empowers the Holding Company to renew the lease. On August 10, 2007, the Holding Company, in terms of the aforesaid clause 6, had exercised the option of renewal of the lease and indicated its desire to extend the lease for a further period of 60 years (commencing from January 01, 2008) on such terms as may be agreed between the parties and invited the legal heirs of the lessor to negotiate the terms of the extended lease agreement. The legal heirs of the lessor had failed to agree on the terms of the extended lease; hence, the matter was referred to arbitration.

Two of the legal heirs of the lessor have filed civil suits impugning the validity of arbitration. These suits are frivolous, barred by law and liable to be dismissed in due course under relevant provisions of the Arbitration Act, 1940.

The arbitration proceedings were finalised during the financial year ended September 30, 2016 and the Arbitrator (a Senior Advocate of the Supreme Court of Pakistan) announced the award by extending the lease term for a further period of 60 years. The same was filed before the Senior Civil Judge, Mardan to make it 'Rule of the Court'.

<b>6.9 Depreciation for the year has been allocated as follows:</b>	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
Cost of sales	<b>865,427</b>	874,340
Administrative expenses	<b>10,356</b>	40,052
	<b>875,783</b>	<b>914,392</b>

**6.10 Disposals of vehicles (the Holding Company)**

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Sold to:
----- Rupees in thousand -----							
Toyota Corolla	1,693	1,079	614	1,406	792	Group policy	Mr. Sarwar Jan, - employee.
Toyota Corolla	1,692	1,006	686	846	160	-- do --	Mr. Azhar Mehmood, - employee.
Toyota Corolla	55	53	2	15	13	Negotiation	Mr. Adnan Ali, - employee.
<b>2020</b>	<b>3,440</b>	<b>2,138</b>	<b>1,302</b>	<b>2,267</b>	<b>965</b>		
<b>2019</b>	<b>11,659</b>	<b>7,194</b>	<b>4,465</b>	<b>7,222</b>	<b>2,757</b>		

## 6.11 Capital work-in-progress

	Buildings on freehold land	Plant and machinery	Electric installa- tions	Office equip- ment	Owned vehicles	Vehicles - leased	Plant and machi- nery - leased	Advance payments to contractors	Others	Total
	Rupees in thousand									
As at October 01, 2018	90,641	330,344	36,717	0	0	9,701	0	5,580	0	472,983
Additions during the year	169,900	572,970	78,897	6,557	0	93,142	35,416	31,914	5,985	994,781
Capitalised during the year	(45,617)	(535,215)	(60,571)	0	0	(90,127)	0	(1,567)	0	(733,097)
Adjustment against long term loan - the Holding Company	(112,627)	(78,010)	(21,571)	0	0	0	0	0	0	(212,208)
Balance as at September 30, 2019	102,297	290,089	33,472	6,557	0	12,716	35,416	35,927	5,985	522,459
As at October 01, 2019	102,297	290,089	33,472	6,557	0	12,716	35,416	35,927	5,985	522,459
Additions during the year	173,605	610,143	54,494	11,157	6,528	55,831	25,164	31,197	0	968,119
Capitalised during the year	(51,335)	(385,052)	(58,299)	0	(5,414)	(48,847)	(60,580)	0	(5,985)	(615,512)
Other adjustments	0	0	0	0	0	0	0	(54,328)	0	(54,328)
Balance as at September 30, 2020	224,567	515,180	29,667	17,714	1,114	19,700	0	12,796	0	820,738

## 7. RIGHT OF USE ASSETS

	2020			
	Vehicles	Plant and machinery	Building and tanks	Total
	-----Rupees in thousand -----			
<b>As at October 01, 2019</b>				
Cost	226,901	0	0	226,901
Accumulated depreciation	(73,655)	0	0	(73,655)
Net book value	153,246	0	0	153,246
<b>Impact of adoption of IFRS 16</b>	0	0	232,414	232,414
<b>Additions</b>	51,480	60,580	0	112,060
<b>Transferred to owned assets</b>				
Cost	(17,857)	0	0	(17,857)
Accumulated depreciation	10,874	0	0	10,874
Net book value	(6,983)	0	0	(6,983)
<b>Depreciation charge</b>	(36,069)	(3,534)	(50,136)	(89,739)
<b>Closing net book value</b>	<u>161,674</u>	<u>57,046</u>	<u>182,278</u>	<u>400,998</u>
<b>Annual rate of depreciation (%)</b>	20	10	20-50	
<b>As at September 30, 2020</b>				
Cost or revalued amount	260,524	60,580	232,414	553,518
Accumulated depreciation	(98,850)	(3,534)	(50,136)	(152,520)
<b>Net book value</b>	<u>161,674</u>	<u>57,046</u>	<u>182,278</u>	<u>400,998</u>

	2020 (Rupees in thousand)
<b>Depreciation for the year has been allocated as follows:</b>	
Cost of sales	3,534
Selling and distribution expenses	20,640
Administrative and general expenses	65,565
	<u>89,739</u>

## 8. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
----- Rupees in thousand -----			
As at September 30, 2018:			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	50,645	50,645
Book value	14,544	13,063	27,607
Year ended September 30, 2019:			
Depreciation charge	0	960	960
Book value	14,544	12,103	26,647
Year ended September 30, 2020:			
Depreciation charge	0	881	881
<b>Book value</b>	<b>14,544</b>	<b>11,222</b>	<b>25,766</b>
As at September 30, 2019			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	51,605	51,605
Book value	14,544	12,103	26,647
As at September 30, 2020			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	52,486	52,486
<b>Book value</b>	<b>14,544</b>	<b>11,222</b>	<b>25,766</b>
Depreciation rate (%)	0	5-10	

- 8.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2020 was Rs. 400 million (2019: Rs.260 million).

## 9. LONG TERM INVESTMENTS

### ASSOCIATED COMPANIES

#### QUOTED:

#### Arpak International Investments Ltd. (AAIL) - restated

229,900 (2019: 229,900) ordinary shares of Rs.10 each	5.75	5.75	21,354	10,607
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Market value Rs.27.933 million  
(2019: Rs.2.529 million)

#### UN-QUOTED:

#### National Computers (Pvt.) Ltd. (NCPL)

14,450 (2019: 14,450) ordinary shares of Rs.100 each	48.17	48.17	0	0
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- Value of investments based on net assets shown in the un-audited financial statements for the year ended June 30, 2013 - Rs. Nil (**note 9.2**)

**Premier Board Mills Ltd. (PBML)**

47,002 (2019: 47,002) ordinary shares of Rs.10 each	<b>0.83</b>	0.83	<b>5,049</b>	4,971
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- Value of investments based on net assets shown in the audited financial statements for the year ended June 30, 2020 Rs.5.067 million (2019: Rs.4.989 million)

**Azrak Enterprises (Pvt.) Ltd. (AEPL)**

200,000 (2019: 200,000) ordinary shares of Rs.10 each	<b>40.00</b>	40.00	<b>138,016</b>	78,573
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- Value of investments based on net assets shown in the un-audited financial statements for the year ended June 30, 2020 Rs.95.643 million (2019: Rs.88.132 million)

<b>164,419</b>	<b>94,151</b>
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- 9.1** The Holding Company directly and indirectly controls / beneficially owns more than fifty percent of CSM's paid-up capital and also has the power to elect and appoint more than fifty percent of its directors; accordingly, CSM has been treated a Subsidiary with effect from the financial year ended September 30, 2010.
- 9.2** NCPL has no known assets and liabilities as at June 30, 2020 and June 30, 2019 and has also seized its operations. NCPL, on January 15, 2015, has filed an application with the Joint Registrar, Securities and Exchange Commission of Pakistan for striking-off its name from the Register of Companies under the Companies (Easy Exit) Regulations, 2014.

### 9.3 Investments in equity instruments of Associated Companies

	2020	Re-stated 2019
	Rupees in thousand	
Opening balance - cost	5,638	5,638
Add: post acquisition profit brought forward	88,513	93,308
	94,151	98,946
Add: share for the year:		
- profit - net	70,478	319
- other comprehensive income / (loss)	126	(137)
- items directly credited in equity	(15,310)	(17,040)
- revaluation surplus	14,849	16,453
Less: taxation - net	125	(4,390)
	70,268	(4,795)
Balance as at 30 September,	164,419	94,151

- 9.4** AILL was incorporated in Pakistan on July 26, 1977 as a Public Company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in investment business of various forms.

The summary of financial information of AILL based on its audited financial statements for the year ended June 30, 2020 is as follows:

#### Summarised statement of financial position

Non-current assets	339,188	134,791
Current assets	36,474	56,340
	375,662	191,131
Non-current liabilities	180	192
Current liabilities	4,100	6,471
	4,280	6,663
<b>Net assets</b>	<b>371,382</b>	<b>184,468</b>

#### Reconciliation to carrying amount

Opening net assets	184,468	180,441
Revaluation surplus	0	92,429
Profit / (loss) for the year	190,403	(81,695)
Effects of items directly credited in equity by Associated Companies	(1,730)	(5,092)
Other comprehensive income / (loss) for the year	641	(1,615)
Dividend	(2,400)	0
Closing net assets	371,382	184,468

The Holding Company's share percentage 5.75% (2019: 5.75%)

The Holding Company's share	<b>21,354</b>	10,607
		Re-stated
<b>Summarised statement of profit or loss</b>	<b>2020</b>	2019
Income	<b>17,360</b>	16,029
Profit / (loss) before taxation	<b>192,629</b>	(79,791)
Profit / (loss) after taxation	<b>190,403</b>	(81,695)

- 9.5** PBML was incorporated in Pakistan on May 12, 1980 as a Public Company and it is evaluating certain proposals for setting-up some Industrial Unit.

The summary of financial information of PBML based on its audited financial statements for the year ended June 30, 2020 is as follows:

**Summarised statement of financial position**

Non-current assets	<b>597,577</b>	536,721
Current assets	<b>14,494</b>	64,259
	<b>612,071</b>	600,980
Current liabilities	<b>3,724</b>	2,045
<b>Net assets</b>	<b>608,347</b>	598,935

**Reconciliation to carrying amount**

Opening net assets	<b>598,935</b>	564,607
Revaluation surplus	<b>0</b>	18,301
Profit for the year	<b>8,199</b>	28,257
Effects of items directly credited in equity by an Associated Company	<b>0</b>	3,615
Other comprehensive income / (loss) for the year	<b>1,212</b>	(15,845)
Closing net assets	<b>608,346</b>	598,935

The Holding Company's share percentage 0.83% (2019: 0.83%)

The Holding Company's share	<b>5,049</b>	4,971
<b>Summarised statement of profit or loss</b>		
Income	<b>12,744</b>	26,479
Profit before taxation	<b>8,444</b>	28,702
Profit after taxation	<b>8,199</b>	28,257

- 9.6** AEPL was incorporated in Pakistan on May 16, 1968 as a Private Limited Company and it is engaged in providing bulk storage facilities for industrial alcohol and other liquid chemical products.

The summary of financial information of AEPL based on its un-audited financial statements for the year ended June 30, 2020 is as follows:

<b>Summarised statement of financial position</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>Rupees in thousand</b>	
Non-current assets		<b>317,950</b>	206,596
Current assets		<b>121,537</b>	78,101
		<b>439,487</b>	284,697
Non-current liabilities		<b>22,558</b>	21,662
Current liabilities		<b>71,890</b>	66,602
		<b>94,448</b>	88,264
<b>Net assets</b>		<b>345,039</b>	196,433
<b>Reconciliation to carrying amount</b>			
Opening net assets		<b>196,433</b>	196,242
Profit for the year		<b>148,329</b>	435
Other comprehensive income / (loss) for the year		<b>277</b>	(244)
Closing net assets		<b>345,039</b>	196,433
The Holding Company's share percentage 40% (2019: 40%)			
The Holding Company's share		<b>138,016</b>	78,573
<b>Summarised statement of profit or loss</b>			
Storage and handling income		<b>94,867</b>	88,472
Profit before taxation		<b>148,329</b>	11,672
Profit after taxation		<b>148,329</b>	435
<b>10. STORES AND SPARES</b>			
Stores and spares		<b>677,177</b>	648,862
Less: provision for obsolete items		<b>35,948</b>	35,949
		<b>641,229</b>	612,913

- 10.1** FSM has not carried-out manufacturing operations during the current and prior years and in the absence of an exercise to identify obsolete / damaged stores and spares inventory, carrying values of the year-end stores and spares inventory valuing Rs.32.328 million (2019: Rs.32.328 million) have not been adjusted for any potential impairment loss.
- 10.2** Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

11. STOCK-IN-TRADE	Note	2020	2019
		Rupees in thousand	
Finished goods			
- sugar		357,752	1,688,849
- molasses		701,352	333,242
- ethanol		351,199	110,948
	11.2	1,410,303	2,133,039
Work-in-process		19,456	12,143
		1,429,759	2,145,182
11.1 In case of the Holding Company, sugar inventory as at September 30, 2020 has been stated at net realisable value; the amount charged to statement of profit or loss in respect of inventory write-down to net realisable value worked-out to Rs.40.783 million.			
11.2 Certain short term and long term borrowings of the Group are secured by way of collateral charge on stock-in-trade.			
12. TRADE DEBTS - Unsecured			
Considered good		159,932	57,011
Considered doubtful		1,945	1,752
		161,877	58,763
Less: loss allowance	12.2	1,945	1,752
		159,932	57,011
12.1 Trade debts include amount relating to export sales to United Arab Emirates and Karachi Export Processing Zone one amounting to Rs.23.028 million and Rs.11.876 million respectively; (2019; United Arab Emirates and Netherlands amounting to Rs.44.303 million and Rs.12.731 million respectively).			
12.2 Movement in loss allowance			
Opening balance		1,752	0
Expected credit loss for the year		193	1,752
Closing balance		1,945	1,752
13. LOANS AND ADVANCES			
Advances to (unsecured and considered good):			
- employees	13.1	9,207	5,563
- suppliers and contractors		1,182,574	1,004,253
Letters of credit		235,038	213,730
		1,426,819	1,223,546
Less:			
- provision for doubtful advances	13.2	28,838	28,838
- loss allowance		3,755	1,499
		32,593	30,337
		1,394,226	1,193,209

<b>13.1</b>	These include balances of Rs 6,675 thousand secured against retirement benefits of respective employees.		<b>2020</b>	<b>2019</b>
<b>13.2</b>	<b>Movement in loss allowance</b>	<b>Note</b>	<b>Rupees in thousand</b>	
	Opening balance		<b>1,499</b>	0
	ECL for the year		<b>2,256</b>	1,499
	Closing balance		<b>3,755</b>	1,499
<b>14.</b>	<b>TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Sugar export subsidy receivable		<b>308,510</b>	308,510
	Prepayments		<b>5,790</b>	6,312
	Excise duty deposits		<b>136</b>	136
	Gas infrastructure development cess paid under protest - refundable		<b>3,018</b>	3,018
	Lease rentals receivable from an Associated Company (Premier Board Mills Ltd. - PBM )	<b>14.1</b>	<b>3,413</b>	3,127
	Guarantees issued		<b>19,000</b>	19,000
	Trade deposits		<b>2,480</b>	33
	Other receivables		<b>2,485</b>	3,237
			<b>344,832</b>	343,373
<b>14.1</b>	Maximum amount due from PBM at any month-end during the year aggregated Rs.4.805 million (2019: Rs.3.127 million).			
<b>15.</b>	<b>TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
	Income tax refundable, advance tax and tax deducted at source net of tax provision		<b>324,665</b>	7,941
	Sales tax refundable		<b>8,209</b>	46,773
			<b>332,874</b>	54,714
<b>16.</b>	<b>SHORT TERM INVESTMENTS - At fair value through profit or loss</b>			
	First Habib Cash Fund			
	Opening balance - 284,785 Units (2019: 127,050 Units)		<b>28,837</b>	12,939
	Investments made during the year - 108,457 Units (2019: 209,330 Units)		<b>10,900</b>	21,000
	Gain on redemption / re-measurement to fair value		<b>2,360</b>	1,898
	Bonus received during the year - 23,716 Units (2019: 17,656 Units)		<b>0</b>	0
	Units redeemed during the year - 108,913 Units (2019: 69,251 Units)		<b>(11,000)</b>	(7,000)
	Closing balance - 308,045 Units (2019: 284,785 Units)		<b>31,097</b>	28,837

**17. BANK BALANCES**

	<b>Note</b>	<b>2020 Rupees in thousand</b>	<b>2019</b>
Cash at banks on:			
- PLS accounts	<b>17.1 &amp; 17.2</b>	<b>6,147</b>	14,292
- saving accounts	<b>17.2</b>	<b>10,385</b>	1,405
- deposit accounts	<b>17.1 &amp; 17.2</b>	<b>25,520</b>	12,695
- current accounts	<b>17.4</b>	<b>291,655</b>	231,107
- deposits with a non-banking finance company - unsecured	<b>17.5</b>	<b>36,000</b>	58,000
		<b>369,707</b>	317,499
Less: provision for doubtful bank balance	<b>17.6</b>	<b>5,000</b>	5,000
		<b>364,707</b>	312,499

**17.1** These include Rs.325 thousand (2019: Rs.299 thousand) in security deposit account.

**17.2** PLS, saving and deposit accounts during the year carried profit / mark-up at the rates ranging from 5.10% to 15.86% (2019: 3.25% to 15.05%) per annum.

**17.3** These include deposits amounting Rs.20 million (2019:Rs.5 million), which are under lien of a bank against guarantee issued by it in favour of Sui Northern Gas Pipelines Ltd. on behalf of the Holding Company.

**17.4** In case of CSM, these include dividend account balances of Rs 1.177 million (2019: Rs 0.303 million). These balances are maintained in separate non-interest bearing current bank accounts.

**17.5 (a)** These represent deposits lying with Innovative Investment Bank Limited (IIBL), Islamabad carrying profit at the rate of 5% per annum. The maturity dates of these deposits were as follows:

<b>Date of maturity</b>	<b>Amount of deposits Rupees in thousand</b>
July 29, 2009	<b>15,600</b>
July 29, 2010	<b>15,600</b>
July 29, 2011	<b>15,600</b>
July 29, 2012	<b>31,200</b>
	<b>78,000</b>
Less amounts realised during the :-	
- current financial year	<b>(22,000)</b>
- financial year ended September 30, 2018	<b>(20,000)</b>
	<b>(42,000)</b>
	<b>36,000</b>

- (b) These deposits could not be encashed on their respective maturity dates; further, year-end balance confirmation certificates from IIBL was also not received. The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers conferred under sections 282 E & F of the repealed Companies Ordinance, 1984, had superseded the entire Board of Directors of IIBL and appointed an Administrator with effect from January 28, 2010. SECP had also instituted winding-up proceedings against IIBL before the Lahore High Court, Lahore (LHC). SECP had sought liquidation on a number of counts including violation of the Scheme of Amalgamation approved by SECP under which IIBL took over all the rights / liabilities of Crescent Standard Investment Bank Ltd.
- (c) The SECP winding-up petition was decided by the LHC and LHC appointed Joint Official Liquidator (JOL). The LHC, vide its order dated April 14, 2018 had approved release of payment upto Rs.20 million in respect of principal amounts only subject to verification as per the laws. These amounts of Rs.20 million, as per the LHC order, were received by the Group during August, 2018. The Group, during July, 2020, has received second tranche of Rs.22 million vide the LHC's order dated March 12, 2020. The Group, during October, 2020, has received notice of dividends regarding payment of third tranche of Rs.24 million from JOL as per the LHC's order dated October 01, 2020. The management, for the release of further amounts, anticipates that JOL will intimate in due course of time; no provision, therefore, for the remaining deposits has been made in the books of account of the Holding Company and FSM.
- (d) The Group has not accrued profit on these deposits during the current and preceding financial years.

**17.6** The Holding Company had deposited Rs.5 million in Term Deposit with Mehran Bank Limited at Peshawar for a period of six months @ 12.5% per annum on September 25, 1993 vide TDR No.007902, which was to mature on March 25, 1994. The aforesaid TDR could not be encashed because of the crisis of Mehran Bank's affairs which were being administered by the State Bank of Pakistan (SBP). Mehran Bank Limited was eventually merged into National Bank of Pakistan (NBP).

The Holding Company, through its lawyers, had issued legal notices to SBP, NBP and the defunct Mehran Bank Limited. In response, the Holding Company had received a letter from NBP dated November 05, 1995 stating that the investment by the Holding Company was shown in Fund Management Scheme, which was an unrecorded liability of Mehran Bank Limited. The Holding Company had filed a suit with the Civil Court for recovery of the said amount along with profit @ 12.5% per annum with effect from September 25, 1993 till the date of payment. The Civil Judge, Peshawar, vide his judgment dated May 13, 2004, had decreed against SBP. SBP, against the said judgment, filed an appeal before the Peshawar High Court. The said appeal was remanded-back to Additional District Judge, Peshawar. The appeal has been disposed-off vide judgment dated November 29, 2019. The judgment states that the Holding Company is entitled to recover Rs.5 million with profit at the rate of 12.5% per annum from NBP from the year 1999. Full provision for the said amount exists in the books of account of the Holding Company.

**17.7** In case of CSM, lien is marked on bank balances for an amount of Rs.4 million (2019: Rs.8.170 million) in respect of the various guarantees extended by the banks.

**18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2020 (No. of shares)	2019		2020 Rupees in thousand	2019
1,476,340	1,476,340	ordinary shares of Rs.10 each fully paid in cash	14,763	14,763
2,273,660	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares	22,737	22,737
<b>3,750,000</b>	<b>3,750,000</b>		<b>37,500</b>	<b>37,500</b>

**18.1** Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of the shareholders.

**18.2** Arpak International Investments Ltd. (an Associated Company) held 400,000 ordinary shares as at September 30, 2020 and September 30, 2019.

**19. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT - Net**

**19.1** The Holding Company, during the financial years ended September 30, 2000, September 30, 2009, September 30, 2011, September 30, 2014 and September 30, 2017 had revalued its buildings on freehold & leasehold land and plant & machinery, which resulted in revaluation surplus aggregating Rs.229.409 million, Rs.544.516 million, Rs.110.992 million, Rs.438.066 million and Rs.166.651 million respectively. These fixed assets were revalued by independent Valuers on the basis of depreciated market values.

**19.2** The Holding Company, as at September 30, 2020, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [K.G. Traders (Pvt.) Ltd. Room No. 5, 3rd Floor, Galaxy Arcade, G-11 Markaz, Islamabad] to replace the carrying amounts of these assets with their depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.534.211 million has been credited to statement of other comprehensive income to comply with the requirements of IAS 16 (Property, plant and equipment).

**19.3** FSM, during the financial year ended September 30, 2000, had revalued buildings on freehold land and plant & machinery. The revaluation exercise was carried-out on the basis of depreciated market values and it produced appraisal surplus aggregating Rs.55.414 million, which was credited to this account.

**19.4** FSM, during the financial year ended September 30, 2009, had again revalued its aforementioned fixed assets and freehold land. The latest revaluation exercise was carried-out by independent Valuers [Hamid Mukhtar & Co. (Pvt.) Ltd.], to replace the carrying amounts of these assets with their fair present market values. The appraisal surplus arisen on latest revaluation aggregating Rs.87.718 million was credited to this account to comply with the requirements of law.

**19.5** CSM follows revaluation model for freehold land, buildings & roads and plant & machinery. The fair value of the CSM's freehold land, buildings & roads and plant & machinery were assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2020. For valuation of freehold land, buildings

& roads and plant & machinery, the current market price or depreciated replacement cost method is used, whereby, current cost of construction of similar freehold land, buildings & roads and plant & machinery in similar locations has been adjusted using suitable depreciation rates to arrive at present market value. This technique requires significant judgment as to estimating the revalued amount in terms of their quality, structure, layout and locations.

	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
<b>19.6</b> The year-end balance has been arrived at as follows:		
Opening balance	<b>5,582,798</b>	6,050,898
Add: surplus arisen on revaluations carried-out during the year	<b>1,560,766</b>	0
Less: transferred to unappropriated profit on account of incremental depreciation for the year	<b>(421,635)</b>	(468,100)
	<b>6,721,929</b>	5,582,798
Less: deferred tax on:		
- opening balance of surplus	<b>1,262,535</b>	1,378,185
- surplus arisen on revaluation carried-out during the year	<b>414,739</b>	0
- incremental depreciation for the year	<b>(122,054)</b>	(135,505)
	<b>1,555,220</b>	1,242,680
- resultant adjustment due to deferred taxation	<b>0</b>	19,855
Closing balance	<b>5,166,709</b>	4,320,263
Share of the Holding Company	<b>3,038,777</b>	2,447,145
Share of Non-controlling Interest	<b>2,127,932</b>	1,873,118
	<b>5,166,709</b>	4,320,263

## 20. LONG TERM FINANCES - Secured

Lending Institutions	September 30, 2020				September 30, 2019		Collateral
	Interest rate (per annum)	Total available facility	Long-term portion	Current portion	Total outstanding amount	Total outstanding amount	
----- Rupees in thousand -----							
<u>Loans from banking companies</u>							
The Holding Company							
Bank Al Habib Ltd.	SBP rate + 3%	50,000	22,404	15,208	37,612	0	These finances have been under Refinance Scheme for payment of salaries and wages to workers and employees of the Holding Company to dampen the effect of COVID-19. The effective mark-up rate during the year was 3% per annum. This finance facility is repayable in 8 equal quarterly instalments commencing January, 2021 and is secured against first exclusive registered charge over the Holding Company's head office second and third floors ( without land ) located at King's Arcade, Markaz F-7, Islamabad through token registered mortgage of Rs.0.500 million and remaining through equitable mortgage of Rs.580 million.
Bank Al Habib Ltd.	- 6 months KIBOR + 1% to 1.5 %; and - SBP rate + 1%	605,617	225,895	146,936	372,831	297,710	
							- Secured against first joint pari passu charge on present and future fixed assets of CSM for Rs 266.667 to 666.667 million.
Soneri Bank Ltd.	- 3 months KIBOR + 1% to 1.75 %; and - 6 months KIBOR + 1.5%; and - 6%	1,645,000	830,934	87,326	918,260	538,852	- Secured against first joint pari passu charge on present and future fixed assets of CSM for Rs 667 million.
							-Ranking charge of Rs. 1.667 billion on present & future fixed assets of CSM.
							-Secured by way of first charge of Rs 334 million over all the present and future fixed assets of the Subsidiary of CSM and first hypothecation charge over plant and machinery. Further, the facility is also secured by way of equitable mortgage of Rs.8 million on 16 kanal agricultural land in Bhakkar and of Rs.5.6 million on 16 kanal agricultural land in Layyah.
The Bank of Punjab		500,000	0	14,100	14,100	103,166	- Secured against first joint pari passu charge on present and future fixed assets of CSM for Rs 666.667million.
Dubai Islamic Bank Pakistan Ltd.	6 months KIBOR + 1.3 % 6 months KIBOR + 2 %	1,000,000	292,480	194,986	487,466	682,452	- Secured against pari passu hypothecation charge over all fixed assets of CSM for Rs. 1.33 billion.
MCB Bank Ltd.		306,000	191,821	57,292	249,113	291,313	- Secured against ranking charge of Rs.438 million on CSM entire fixed assets.
	3 months KIBOR + 1.10 %						
Total			1,563,534	515,848	2,079,382	1,913,493	
Less: amount payable within next 12 months							
The Holding Company							
- Principal				15,208	0		
CSM and its Subsidiary				500,640	579,813		
- Principal (note 20.1)				25,955	21,680		
- deferred benefit of below market rate of interest on refinance facility (note 23.7)				541,803	601,493		
Amount due after September 30, (note 20.2)							
				1,537,579	1,312,000		

- 20.1** In case of various loan arrangements, the concerned lenders have waived the requirements of certain covenants of the respective loan agreements. Accordingly, the liabilities under these loan agreements continue to be classified as per the repayment schedules applicable in respect of the respective loan agreements.

**21. LOANS FROM RELATED PARTIES - Secured**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>Rupees in thousand</b>	
<b>Associated Companies:</b>			
Premier Board Mills Limited	<b>21.1</b>	<b>90,575</b>	65,575
Arpak International Investments Limited	<b>21.2</b>	<b>43,750</b>	43,750
Azlak Enterprises (Private) Limited	<b>21.3</b>	<b>85,000</b>	85,000
		<b>219,325</b>	194,325
Less: amount payable within next twelve months		<b>0</b>	31,236
		<b>219,325</b>	163,089

- 21.1** The long term finance facility had been renewed on November 04, 2019. The principal is repayable in 7 semi annual instalments commencing from November, 2022. The rate of mark-up is one month KIBOR + 1.25%, provided the mark-up charged by the associated company is not less than the borrowing cost of the associated company. This loan is secured against promissory note from CSM.

Long term finance facility amounting to Rs 25 million was obtained during the year by the Subsidiary of CSM. The principal is repayable in 8 semi annual instalments commencing from December 2022. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. These loans are secured against promissory note from the Subsidiary of CSM.

- 21.2** The long term finance facility had been renewed on November 04, 2019. The principal is repayable in 7 semi annual instalments commencing from November, 2022. The rate of mark-up is one month KIBOR + 1.25%, provided the mark-up charged by the associated company is not less than the borrowing cost of the associated company. This loan is secured against promissory note from CSM.
- 21.3** The long term finance facility was obtained on July 06, 2018. The principal is repayable in 8 semi annual instalments commencing from December, 2021. The rate of mark-up is one month KIBOR + 1.25%, provided the mark up charged by the associated company is not less than the borrowing cost of the associated company. This loan is secured against promissory note from CSM.

**22. LEASE LIABILITIES - Secured**

Balance at beginning of the year	<b>140,735</b>	64,123
Lease liabilities recognised as on October 01, 2019	<b>231,214</b>	0
Additions during the year	<b>92,141</b>	113,419
Unwinding of interest on lease liabilities	<b>55,748</b>	10,882
Payments made during the year	<b>(141,294)</b>	(44,451)
Remeasurement of lease liabilities	<b>(1,776)</b>	(3,238)
Balance at end of the year	<b>376,768</b>	140,735
Less: current portion of long term lease liabilities	<b>(95,809)</b>	(43,482)
	<b>280,959</b>	97,253

- 22.1** The Holding Company has entered into lease agreements with Bank Al-Habib Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by January, 2024. The Holding Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These facilities are secured against title of the leased vehicles in the name of lessor and during the year carried finance cost at the rates ranging from 8.98% to 15.01% (2019: 9.97% to 15.73%) per annum.
- 22.2** CSM has acquired vehicles under finance lease from commercial banks. The financing is repayable in equal monthly instalments over a period of four years and carries finance charge ranging from 6.64% to 15.58% (2019: 7.82% to 13.13%) per annum.

**23. GOVERNMENT GRANT**

**23.1 The Holding Company**

In response to COVID-19, the State Bank of Pakistan (SBP) through Circular No. 6 of 2020, has introduced a temporary Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns. The Refinance Scheme is being managed through Participating Financial Institutions (PFIs) and funded by SBP. Borrowers can obtain loans from PFIs and ease their cash flows constraints and thereby avoid layoffs. The benefit of a government loan at a below-market rate of interest has been treated as a government grant. The loan has been measured in accordance with IFRS 9 (Financial Instruments). The benefit of the below market rate of interest has been measured as the difference between the initial carrying value of loan determined in accordance with IFRS 9 and the proceeds received. The benefit has been accounted for and presented as deferred grant in accordance with IAS 20. The deferred grant has been amortised at average borrowing cost rate of the Holding Company, i.e. 9.59% per annum; an amount of Rs.39 thousand has been recognised in current year's statement of profit or loss in this regard.

**23.2 CSM**

During the year, CSM has entered into an arrangement with Habib Bank Limited for obtaining term finance facility under State Bank of Pakistan (SBP) Salary Refinance Scheme to pay three months salaries & wages to permanent, contractual and temporary employees upto a maximum of Rs 262 million (2019: Rs Nil). The repayment of loan (principal amount) will be made in 8 equal quarterly instalments commencing from April 01, 2021. Mark up rate is SBP rate + 1% on this facility and shall also be paid on quarterly basis. The availed facility at year-end was Rs 217.480 million (2019: Rs.Nil). The facility will expire on January 01, 2023. There are no unfulfilled conditions or other contingencies attaching to this grant.

**24. DEFERRED LIABILITIES**

	Note	2020 Rupees in thousand	2019
<b>Deferred taxation</b>			
- The Holding Company	24.1	148,753	14,352
- FSM	24.2	0	0
- CSM	24.3	1,317,231	1,050,320
		<u>1,465,984</u>	<u>1,064,672</u>
<b>Staff retirement benefits - gratuity</b>			
- The Holding Company	24.4	18,479	15,139
- FSM	24.5	66	178
- CSM	24.6	9,631	6,582
		<u>28,176</u>	<u>21,899</u>
Deferred benefit of below market rate of interest on refinance facility	20	25,955	21,680
		<u>1,520,115</u>	<u>1,108,251</u>

**24.1** This is comprised of the following:

Taxable temporary differences arising in respect of:

- accelerated tax depreciation allowances	16,462	9,841
- surplus on revaluation of property, plant and equipment	350,114	212,215
- lease finances	285	394
	<u>366,861</u>	<u>222,450</u>

Deductible temporary differences arising in respect of:

- available unused tax losses	(153,949)	(153,041)
- staff retirement benefits - gratuity	(5,359)	(4,390)
- provision for doubtful bank balance	(1,450)	(1,450)
- minimum tax recoverable against normal tax charge in future years	(57,350)	(49,217)
	<u>(218,108)</u>	<u>(208,098)</u>
	<u>148,753</u>	<u>14,352</u>

**24.2** Deferred tax asset arising on unused tax losses has not been recognised in the financial statements of FSM due to uncertainty about the availability of taxable profits in the foreseeable future.

<b>24.3</b>	Deferred tax comprises of the following:	<b>2020</b>	<b>2019</b>
	Taxable temporary differences arising in respect of:	<b>Rupees in thousand</b>	
	- accelerated tax depreciation allowances	<b>384,501</b>	368,866
	- surplus on revaluation of property, plant and equipment	<b>1,205,108</b>	1,050,320
	- lease finances	<b>6,345</b>	26,581
		<b>1,595,954</b>	1,445,767
	Deductible temporary differences arising in respect of:		
	- provision for doubtful advances	<b>(9,452)</b>	(8,363)
	- provision for obsolete items	<b>(10,425)</b>	(10,425)
	- loss allowance on trade debts	<b>(564)</b>	(475)
	- provision for gratuity	<b>(2,792)</b>	(1,909)
	- unused tax losses	<b>0</b>	(104,566)
	- minimum tax recoverable against normal tax charge in future years	<b>(255,490)</b>	(269,709)
		<b>(278,723)</b>	(395,447)
		<b>1,317,231</b>	1,050,320
<b>24.4</b>	In case of the Holding Company, the future contribution rates of the scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:		
	<b>Significant actuarial assumptions</b>		
	- discount rate - per annum	<b>9.75%</b>	12.50%
	- expected rate of growth per annum in future salaries	<b>8.75%</b>	11.50%
	- mortality rates	<b>SLIC</b>	SLIC
		<b>2001-2005</b>	2001-2005
		<b>Setback 1 year</b>	
	- withdrawal rates	<b>Age-based</b>	Age-based
	- retirement assumption	<b>Age 60</b>	Age 60
	- average expected remaining working life time of employees	<b>08 years</b>	08 years
	Amount recognised in the statement of financial position of the Holding Company is the present value of defined benefit obligation at the reporting date:		
	<b>The movement in the present value of defined benefit obligation is as follows:</b>		
	Opening balance	<b>15,139</b>	14,135
	Current service cost	<b>1,185</b>	920
	Past service cost	<b>1,797</b>	710
	Interest cost	<b>1,838</b>	1,380
	Benefits payable to outgoing Members - grouped under current liabilities	<b>(284)</b>	(50)
	Benefits paid	<b>(582)</b>	(1,302)
	Remeasurements:		
	- experience adjustments	<b>(536)</b>	(706)
	- changes in financial assumptions	<b>(78)</b>	52
	Closing balance	<b>18,479</b>	15,139

**Expense recognised in statement of profit or loss  
of the Holding Company**

Current service cost	1,185	920
Past service cost	1,797	710
Interest cost	1,838	1,380
Charge for the year	4,820	3,010

**Remeasurement recognised in statement of other  
comprehensive income of the Holding Company**

Experience adjustments	(614)	(654)
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Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2020	2019	2018	2017	2016
	----- Rupees in thousand -----				
Present value of defined benefit obligation	18479	15,139	14,135	12,126	14,148
Experience adjustment on obligation	-614	(654)	1,613	(17)	(783)

**Year-end Sensitivity Analysis:**

	<u>Impact on defined benefit obligation</u>		
	Change in assumption	Increase	Decrease
		Rupees in thousand	
Discount rate	1%	17,135	19,993
Salary growth rate	1%	20,009	17,097

In case of the Holding Company, the expected contribution to defined benefit obligation for the year ending September 30, 2021 is Rs.2.961 million.

**24.5 FSM**

	2020	2019
	Rupees in thousand	
Opening balance	178	156
Add: benefits accrued during the year based on management's estimate	35	22
Less: balance transferred to gratuity payable	(147)	0
Balance as at September 30	66	178

- 24.6** In case of CSM, the latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2020 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

	Note	2020 Rupees in thousand	2019
Present value of defined benefit obligation		9,631	6,582
Fair value of plan assets		0	0
Net liability		<u>9,631</u>	<u>6,582</u>
<b>Movement in net liability recognised</b>			
Opening net liability		6,582	7,625
Expense for the year recognised in statement of profit or loss		3,128	2,500
Remeasurement loss / (gain) recognised in statement of other comprehensive income (OCI)		460	(312)
Benefits paid		(539)	(3,231)
		<u>9,631</u>	<u>6,582</u>
<b>Expense for the year</b>			
Current service cost		2,292	1,899
Net interest expense		836	601
		<u>3,128</u>	<u>2,500</u>
<b>Changes in the present value of defined benefit obligation</b>			
Opening defined benefit obligation		6,582	7,625
Current service cost		2,292	1,899
Interest cost		836	601
Benefits paid		(539)	(3,231)
Remeasurement loss on defined benefit obligation		460	(312)
Closing defined benefit obligation		<u>9,631</u>	<u>6,582</u>
<b>Principal actuarial assumptions used in the actuarial valuation</b>			
The Projected Unit Credit Method using the following significant assumptions was used for the valuation of the scheme:			
		2020	2019
Discount rate used for interest cost		13.25%	10.00%
Discount rate used for year end obligation		9.75%	13.25%
Salary increase rate - long term		8.75%	12.25%
Salary increase rate - short term		8.75%	12.25%
<b>Demographic assumptions</b>			
		SLIC	SLIC
Mortality rates		2001-05	2001-05

During the year 2021, CSM expects to contribute Rs.2,545 thousand to its gratuity scheme.

	2020	2019
<b>Remeasurement recognised in OCI during the year:</b>	<b>Rupees in thousand</b>	
Remeasurement loss / (gain) on defined benefit obligation	<b>460</b>	<b>(312)</b>

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

<b>Plan duration</b>	<b>Years</b>
September 30, 2020	<b>9.8</b>
September 30, 2019	<b>9.8</b>

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	<b>Change in assumption</b>	<b>Increase Rupees in thousand</b>	<b>Decrease</b>
<b><u>2020</u></b>			
Discount rate	<b>1%</b>	<b>(8,766)</b>	<b>10,652</b>
Future salary growth	<b>1%</b>	<b>10,636</b>	<b>(8,766)</b>
<b><u>2019</u></b>			
Discount rate	<b>1%</b>	<b>(591)</b>	<b>693</b>
Future salary growth	<b>1%</b>	<b>682</b>	<b>(590)</b>

The above sensitivity analyses are based on the changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected credit unit method at the end of the reporting period) has been applied when calculating the liability recognised within the statement of financial position.

The defined benefit obligation exposes CSM to the following risks:

#### **Final salary risks:**

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

#### **Withdrawal risks:**

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

#### **Mortality risks:**

The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

#### **Discount rate fluctuation**

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

<b>25. TRADE AND OTHER PAYABLES</b>		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>Rupees in thousand</b>	
Creditors		<b>509,183</b>	251,054
Bills payable		<b>0</b>	3,171
Due to Associated Companies	<b>25.1</b>	<b>88,431</b>	19,145
Accrued expenses		<b>135,939</b>	78,033
Retention money		<b>15,334</b>	13,981
Security deposits - interest free repayable on demand	<b>25.2</b>	<b>2,666</b>	2,070
Advance payments from customers		<b>82,867</b>	275,407
Income tax deducted at source		<b>33,273</b>	23,127
Sales tax payable		<b>16,423</b>	24,007
Gratuity payable to ex-employees		<b>5,543</b>	5,139
Advance received against sale of scrap		<b>2,024</b>	2,024
Payable for workers' welfare obligations	<b>25.3</b>	<b>109,126</b>	46,537
Payable to provident fund		<b>4,154</b>	2,955
Payable to employees		<b>52,314</b>	35,535
Others		<b>7,473</b>	5,613
		<b>1,064,750</b>	<b>787,798</b>
<b>25.1</b>	This represents due to the following related parties:		
	- Azlak Enterprises (Pvt.) Ltd.	<b>32,622</b>	18,202
	- Syntronics Ltd.	<b>55,809</b>	943
		<b>88,431</b>	<b>19,145</b>
<b>25.2</b>	(a) Security deposits include Rs.325 thousand (2019: Rs.299 thousand) representing mark-up bearing deposits. The Holding Company will pay mark-up at the same rate at which it will receive from the bank as these deposits have been kept in a PLS bank account.		
	(b) These include deposits amounting Rs.1.964 million (2019: Rs.0.894 million) received by CSM. These are repayable on demand and cannot be utilised for the purpose of business in accordance with the terms of written agreements with these parties. No amount in this respect has been kept in separate bank account.		
<b>25.3</b>	<b>Payable for workers' welfare obligations</b>		
	Balance at the beginning of the year	<b>46,537</b>	16,570
	Charge for the year	<b>0</b>	1,625
	- Holding Company	<b>52,583</b>	40,148
	- CSM	<b>99,120</b>	<b>58,343</b>

		2020	2019
	Note	Rupees in thousand	
Interest on funds utilised in the Group's business			
- Holding Company		226	0
- CSM		10,817	1,228
Less: payments made by CSM during the year		(1,037)	(13,034)
Balance at the end of the year		109,126	46,537
<b>26. ACCRUED MARK-UP</b>			
Mark-up accrued on:			
- long term finances		46,222	73,488
- loans from related parties		29,051	17,012
- short term borrowings		45,541	134,594
		120,814	225,094
<b>27. SHORT TERM BORROWINGS</b>			
<b>The Holding Company</b>			
Secured	27.1	290,000	653,000
<b>CSM</b>			
Cash / running finances and export re-finances - secured	27.3	2,380,410	2,997,993
		2,670,410	3,650,993
<b>27.1</b>	Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.1,500 million (2019: Rs.1,500 million). These facilities are secured against pledge of stock of refined sugar, charge over fixed assets, charge over present and future current assets of the Holding Company and registered first exclusive charge over the Holding Company's head office second and third floors without land. These facilities, during the year, carried mark-up at the rates ranging from 8.03% to 15.61% (2019: 9.19% to 13.97%) per annum and are expiring on various dates by March 31, 2021.		
<b>27.2</b>	In case of the Holding Company, facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.145 million (2019: Rs.125 million). Out of the available facilities, facilities aggregating Rs.125 million (2019: Rs.105 million) remained unutilised at the year-end. These facilities are secured against lien over term deposit receipts, shipping documents and the securities detailed in the preceding paragraph.		
<b>27.3</b>	Finance facilities available to CSM from various commercial banks under mark-up arrangements aggregate Rs.5.2 billion (2019: Rs.6 billion) and are secured against pledge of sugar stocks and charge on present and future current assets of CSM.		
<b>28. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term finances	20	515,848	579,813
Loans from related parties	21	0	31,236
Lease liabilities	22	95,809	43,482
Government grant	23	1,921	0
		613,578	654,531

	Note	2020 Rupees in thousand	2019
<b>29. TAXATION - Net</b>			
Opening balance		<b>29,146</b>	21,810
Add: provision made during the year			
- current		<b>24,177</b>	193,153
- prior year		<b>1</b>	-1915
Less: provision balance adjusted		<b>24,178</b>	191,238
against income tax refundable		<b>0</b>	164,905
		<b>53,324</b>	48,143
Less: adjustments made against completed assessments		<b>29,147</b>	18,997
Closing balance		<b>24,177</b>	29,146

### **The Holding Company**

- 29.1** The returns for the Tax Years 2010 to 2020 have been filed after complying with all the provisions of the Income Tax Ordinance, 2001 (the Ordinance). Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing of deficiency by the Commissioner.
- 29.2** The Holding Company during the current and preceding years is mainly liable to pay tax due under sections 5 (Tax on dividends) and 113 (Minimum tax on the income of certain persons) of the Ordinance.
- 29.3** The Holding Company has filed a writ petition before the Peshawar High Court (PHC) against selection for audit under sections 177 and 214C of the Ordinance; the PHC has stayed the Income Tax Department from finalising the proceedings. The petition is pending adjudication.

### **FSM**

- 29.4** The Tax Department against the judgment of the PHC dated October 22, 2008 has filed an appeal before the Supreme Court of Pakistan. The PHC, vide its aforementioned judgment had rejected the departmental application and upheld the order of the Income Tax Appellate Tribunal (ITAT) dated April 28, 2007. Earlier, the ITAT had upheld the Commissioner of Income Tax - Appeals' action of annulment of amendment of assessment orders passed by the Additional Commissioner (Audit) under section 122(5A) of the Ordinance.
- 29.5** The returns upto tax year 2020 have been filed after complying with all the provisions of the Ordinance. Accordingly, the declared returns are deemed to be assessment orders under the law subject to selection of audit or pointing-out of deficiency by the Commissioner.
- 29.6** FSM during the current and preceding years was mainly liable to pay tax due under sections 5 (Tax on dividends) and 37A (Capital gains on sale of securities) of the Ordinance.
- 29.7** Deferred tax asset arising on unused tax losses has not been recognised in these financial statements due to uncertainty about the availability of taxable profits in the foreseeable future.

## **30. CONTINGENCIES AND COMMITMENTS**

### **The Holding Company**

- 30.1** No commitments were outstanding as at September 30, 2020 and September 30, 2019.
- 30.2** The Holding Company's appeal filed before the Peshawar High Court (PHC) against order of the Customs, Sales Tax & Central Excise Appellate Tribunal is still pending adjudication. The

Department, during the financial year ended September 30, 2001, had raised sales tax demand aggregating Rs.4.336 million along with additional tax. The Holding Company, however, during the financial year ended September 30, 2005, had paid sales tax amounting Rs.2.123 million along with additional tax amounting Rs.0.658 million as per the requirements of S.R.O. 247(I) / 2004 dated May 05, 2004.

- 30.3** Petitions filed before the Supreme Court of Pakistan (SCP) against imposition of Gas Infrastructure Development Cess (GIDC) have been dismissed vide judgment dated August 13, 2020 in 2-1 ratio. The SCP's judgment states that the cess under GIDC Act, 2015 was levied on those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their customers. The SCP's judgment states that no late payment surcharge shall be collected while the GIDC amount that have become due upto July 31, 2020 will be recovered in 24 equal monthly instalments. In the light of the SCP's judgment, the Company has filed a review petition before the SCP for waiver of full amount of GIDC on the grounds that the Company has not passed on GIDC burden to its customers and the sugar market is not a regulated market.

The august SCP has directed the Company to approach the relevant department i.e. OGRA for removal of its grievance being the competent authority in the matter in hand. The Company is in process of filing representation before OGRA for determination of exempted amount of GIDC arrears as per exemption granted under section 8 (2) of the GIDC Act, 2015, so that the exempted amount be deducted from arrears of GIDC.

Sui Northern Gas Pipelines Ltd., along with gas bills for the month of August, 2020, has raised GIDC demands aggregating Rs.29.936 million. However, as the management intends to file a representation before OGRA and a highly favourable outcome is expected; therefore, GIDC provisions have not been recognised in the books of account.

- 30.4** The Holding Company's petition filed before the PHC, against the Government of Khyber Pakhtunkhwa's notification dated August 12, 2015 in which minimum wages for unskilled workers has been fixed at Rs.12,000 per month with effect from July 01, 2014 has been dismissed by the PHC vide its judgment dated April 02, 2019. The PHC has observed that the Company cannot challenge the revised rate of Rs.12,000 as it was fixed at its wish and will in line with rest of the country. The Holding Company has filed a review petition before the PHC, against the said judgment. However, The additional wage liabilities aggregate Rs.2.359 million approximately.
- 30.5** A sales tax appeal is pending before the Commissioner Inland Revenue (Appeals) [CIR(A)], Peshawar against assessment order dated June 28, 2016 passed by the Deputy Commissioner Inland Revenue [DCIR], Peshawar regarding the alleged stock taking to the tune of Rs.5.592 million recoverable under section 14 of the Federal Excise Act, 2005.
- 30.6** The sales tax appeal filed before the Appellate Tribunal Inland Revenue (ATIR), Peshawar against ex-parte order passed by the CIR(A) has been succeeded vide order dated March 29, 2018. The assessment order dated June 23, 2016 was passed by the DCIR, Peshawar in violation of SRO 488(I)/2004 dated June 12, 2014; the Holding Company claimed input tax to the tune of Rs.41.672 million against the supplies to unregistered persons. A withdrawal application has been filed before the ATIR, Peshawar in pursuance of the aforesaid rectification order.
- 30.7** The CIR(A) vide his order dated March 03, 2019 has vacated the demand of Rs.31.798 million created vide impugned assessment order dated January 31, 2019 under section 11(2) of the Sales Tax Act, 1990.
- 30.8** The DCIR for the tax year 2013 initially has held the Holding Company as taxpayer-in-default for non-deduction of tax on certain supplies / services and tax demand was raised at Rs.77.750 million under section 161 (Failure to pay tax collected or deducted) along with

default surcharge of Rs.4.730 million under section 205 (Default surcharge) of the Income Tax Ordinance, 2001 (the Ordinance). The Holding Company filed rectification application under section 221 of the Ordinance and the demand was reduced to Rs.237,360. Against the said demand, the Holding Company has filed an appeal before the CIR(A), who dismissed the Holding Company's appeal. Presently, the Holding Company's appeal against the CIR(A)'s order is pending before the ATIR, Peshawar.

- 30.9** Guarantees given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Holding Company outstanding as at September 30, 2020 were for Rs.20 million (2019: Rs.20 million). These guarantees are valid upto May 26, 2021.

#### **FSM**

- 30.10** The Additional Collector of Sales Tax, Peshawar, had served a show cause notice raising sales tax demands aggregating Rs.1.528 million along with additional tax on the grounds that FSM under-valued the price of spirit during the financial years 1994-95 & 1995-96 and paid lesser sales tax. FSM paid Rs.0.248 million against the said demands and filed an appeal before the Customs, Central Excise and Sales Tax Appellate Tribunal, Peshawar Bench, which is pending adjudication.
- 30.11** The Appellate Tribunal Inland Revenue, Peshawar, vide its order dated October 09, 2012, had allowed FSM's appeal; FSM prayed that the order passed by the Department during July, 2007 be set-aside and refund claims pertaining to the period April to December, 2006 aggregating Rs. 421 thousand be sanctioned.
- 30.12** FSM's petition filed before the PHC, against the Government of Khyber Pakhtunkhwa's notification dated August 12, 2015 in which minimum wages for unskilled workers has been fixed at Rs.12,000 per month with effect from July 01, 2014 has been dismissed by the PHC vide its judgment dated April 02, 2019. The PHC has observed that FSM cannot challenge the revised rate of Rs.12,000. FSM has filed a review petition before the PHC, against the said judgment. However, The additional wage liabilities aggregate Rs.1.148 million approximately.
- 30.13** No commitments were outstanding as at September 30, 2020 and September 30, 2019.

#### **CSM and its Subsidiary**

- 30.14** The Assistant Commissioner Inland Revenue (ACIR) vide show cause notice dated May 12, 2014 alleged that CSM has claimed inadmissible input tax adjustment on building material including cements & bricks during the tax periods in year 2013-14. Further the ACIR ordered CSM to pay alleged demand of Rs 36.840 million representing principal amount and default surcharge for the aforesaid tax period. CSM filed appeal before Commissioner Inland Revenue Appeals [CIR(A)] wherein amount was reduced to Rs. 28.060 million vide order-in-appeal dated March 24, 2015. CSM preferred an appeal against the aforesaid order before the Appellate Tribunal Inland Revenue (ATIR), whereby ATIR vide its order dated January 25, 2016 upheld CSM's contention. The Tax Department filed a reference in this respect before the Honourable Peshawar High Court, which is yet to be decided.
- 30.15** The Commissioner Inland Revenue (CIR), Peshawar vide order dated May 26, 2015 alleged that CSM has not undertaken appropriate stock taking and raised a demand of Rs 10 million in respect of FED on the alleged differential stock. CSM preferred an appeal before Appellate Tribunal Inland Revenue (ATIR), which was accepted vide order dated January 25, 2016. In this respect, the tax Department filed reference before the Honourable Peshawar High Court, which is yet to be decided.

**30.16** The Assistant Commissioner Inland Revenue issued show cause notice dated October 03, 2018 in respect of non charging of further tax for an amount of Rs 174 million on sales made to unregistered persons. CSM filed writ petition before the Honourable Peshawar High Court, challenging the said notice and accordingly stay was granted in this respect by Honourable Peshawar High Court vide order dated November 02, 2018. Subsequently, the Peshawar High Court dismissed the petition citing procedural matters involved and observed that forum including the concerned Commissioner and other preliminary appellate forums should first be reached out for any relief and to determine facts. CSM is assessing its available options and is in process of filing an appeal before Supreme Court of Pakistan. CSM is of the view that no tax demand is yet established in its case as the first proceeding in the instant notice have not yet been completed. Further, various appellate forum can be reached out to seek relief, if so necessitated. In addition, related matter is already decided per CSM's contention in identical matters of certain other entities.

No provision on account of contingencies disclosed in notes 30.14 - 30.16 above has been made in the financial statements of CSM as the management and its tax and legal advisors are of the view, that these matters will eventually be settled in favour of CSM.

**30.17** CSM has letter of guarantee facilities aggregating Rs 100 million (2019: Rs 100 million) available from Bank Al Habib Ltd. The amount availed on these facilities as at September 30, 2020 is Rs 4 million (2019: Rs 8.17 million). These facilities are secured by master counter guarantee and 100% cash margin.

**30.18** CSM has obtained letter of credit facilities aggregating Rs 427 million (2019: Rs 1,050 million) from Bank Al Habib and Soneri Bank Ltd. The amount availed on these facilities as at September 30, 2020 is Rs 235 million (2019: Rs 204 million). These facilities are secured by lien on shipping documents.

**30.19** CSM has cash finance facilities available from various banks aggregating to Rs 2.07 billion (2019: Rs 4.80 billion), out of which Rs 868.5 million (2019: Rs 2.04 billion) has been availed by CSM as at September 30, 2020. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10%.

**30.20** CSM has Export Re Finance/Finance Against Pecking Credit (ERF / FAPC) facilities from various commercial banks for Rs 2,000 million (2019: Rs 1,200 million), out of which Rs 1,512 million (2019: Rs 955 million) has been availed by CSM as at September 30, 2020. These facilities are secured by the joint pari passu hypothecation charge over current assets of CSM and lien over export documents.

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

<b>30.22</b> In case of CSM, commitments in respect of :	<b>2020</b>	<b>2019</b>
	<b>Rupees in thousand</b>	
- foreign letters of credit for purchase of plant and machinery	<b>5,527</b>	79,403
- local letters of credit for purchase of plant and machinery	<b>229,510</b>	162,773
- capital expenditure other than for letters of credit	<b>12,042</b>	94,034

<b>31. GROSS SALES</b>	<b>Note</b>	<b>2020 Rupees in thousand</b>	<b>2019</b>
- local		<b>14,819,658</b>	11,945,764
- export	<b>31.1</b>	<b>3,864,445</b>	2,650,059
		<b>18,684,103</b>	14,595,823
<b>31.1</b> Export sales by CSM comprise of the sales made in the following regions:			
Indonesia		<b>500,656</b>	0
Japan		<b>0</b>	890,950
Singapore		<b>333,213</b>	714,268
Spain		<b>146,706</b>	258,136
Hong Kong		<b>126,968</b>	222,294
Switzerland		<b>994,135</b>	247,292
United Arab Emirates		<b>198,614</b>	204,674
United Kingdom		<b>1,072,121</b>	0
Netherland		<b>204,906</b>	93,548
Tajikistan		<b>0</b>	18,897
others		<b>58,696</b>	0
		<b>3,636,015</b>	2,650,059
<b>32. SALES TAX, OTHER GOVERNMENT LEVIES AND DISCOUNTS</b>			
Indirect taxes		<b>2,220,953</b>	1,113,123
Discounts		<b>8,125</b>	12,146
		<b>2,229,078</b>	1,125,269

**33. COST OF SALES**

	Note	2020 Rupees in thousand	2019
Raw materials consumed		10,482,145	8,430,570
Chemicals and stores consumed		349,914	249,629
Salaries, wages and benefits	33.1	664,962	634,632
Power and fuel		135,426	103,256
Insurance		16,565	14,722
Repair and maintenance		342,132	318,282
Depreciation			
- property, plant and equipment	6.9	865,427	874,340
- right of use assets	7	3,534	0
		<b>12,860,105</b>	10,625,431
Adjustment of work-in-process:			
Opening		12,143	9,900
Closing	11	(19,456)	(12,143)
		<b>(7,313)</b>	<b>(2,243)</b>
Cost of goods manufactured		<b>12,852,792</b>	10,623,188
Adjustment of finished goods:			
Opening stock		2,133,039	2,604,340
Closing stock	11	(1,410,303)	(2,133,039)
		<b>722,736</b>	471,301
		<b>13,575,528</b>	11,094,489

**33.1** Salaries, wages and benefits include Rs.18.162 million (2019:Rs.15.702 million) in respect of retirement benefits.

**34. SELLING AND DISTRIBUTION EXPENSES**

Salaries and benefits	34.1	15,304	13,429
Stacking and packing		33,050	17,242
Export development surcharge		8,681	6,568
Freight and other expenses on exports		631,341	313,239
Loading, unloading and freight		446	1,167
Depreciation - right of use assets	7	20,640	0
Others		560	978
		<b>710,022</b>	352,623

- 34.1** Salaries and benefits include Rs.187 thousand (2019: Rs.172 thousand) in respect of retirement benefits.

	<b>Note</b>	<b>2020 Rupees in thousand</b>	<b>2019</b>
<b>35. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	<b>35.1</b>	<b>396,089</b>	354,803
Travelling:			
- directors		<b>7</b>	15
- others		<b>29,298</b>	40,736
Utilities		<b>1,096</b>	1,373
Vehicles' running and maintenance		<b>19,702</b>	15,999
Rent, rates and taxes		<b>6,857</b>	6,295
Insurance		<b>6,520</b>	4,466
Repair and maintenance		<b>30,581</b>	25,928
Printing and stationery		<b>9,468</b>	8,822
Communication		<b>12,070</b>	11,880
Fees and subscription		<b>5,253</b>	5,525
Auditors' remuneration	<b>35.2</b>	<b>5,050</b>	5,062
Legal and professional charges (other than Auditors)		<b>10,446</b>	12,940
Depreciation on:			
- operating fixed assets	<b>6.9</b>	<b>10,356</b>	40,052
- right of use assets	<b>7</b>	<b>65,565</b>	0
- investment property	<b>8</b>	<b>881</b>	960
Loss allowance for doubtful advances		<b>2,256</b>	1,499
Loss allowance for doubtful debts	<b>12.2</b>	<b>193</b>	1,752
General		<b>23,209</b>	31,505
		<b>634,897</b>	<b>569,612</b>

- 35.1** Salaries and benefits include Rs.8.624 million (2019: Rs.7.250 million) in respect of retirement benefits.

<b>35.2 Auditors' remuneration</b>		<b>2020</b>	<b>2019</b>
ShineWing Hameed Chaudhri & Co.	<b>Note</b>	<b>Rupees in thousand</b>	
- statutory audits		<b>956</b>	846
- half-yearly reviews		<b>146</b>	203
- consultancy and certification charges		<b>644</b>	655
- out-of-pocket expenses		<b>70</b>	93
		<b>1,816</b>	1,797
A.F.Ferguson & Co.			
(statutory auditors of CSM and its Subsidiary)			
- statutory audits		<b>2,414</b>	2,043
- half year review		<b>450</b>	400
- consolidation		<b>200</b>	200
- Group reporting		<b>100</b>	150
- certification and others		<b>0</b>	400
- out-of-pocket expenses		<b>70</b>	72
		<b>3,234</b>	3,265
		<b>5,050</b>	5,062
<b>36. OTHER INCOME</b>			
<b>Income from financial assets:</b>			
Return on bank deposits		<b>9,141</b>	8,518
Gain on redemption of short term investments		<b>2,776</b>	1,759
Fair value gain on re-measurement of short term investments		<b>3</b>	139
Dividend		<b>230</b>	608
<b>Income from other than financial assets:</b>			
Rent	<b>36.1</b>	<b>6,864</b>	6,721
Sale of scrap - net of sales tax		<b>45,003</b>	15,195
Sale of press mud - net of sales tax		<b>10,741</b>	2,930
Unclaimed payable balances written-back		<b>754</b>	1,230
Gain on sale of operating fixed assets - net		<b>2,424</b>	5,407
Sale of agricultural produce - net of costs and expenses		<b>319</b>	1,647
Seed sales net of expenses		<b>21,179</b>	11,491
Sale of fusel oil - net of sales tax		<b>2,301</b>	1,434
Sale of chemicals - net of costs		<b>182</b>	0
Government grant		<b>210</b>	0
Miscellaneous - net of sales tax		<b>593</b>	1,776
		<b>102,720</b>	58,855

**36.1 (a)** As per the agreement entered into between The Holding Company and Premier Board Mills Ltd. (PBM - a related party) on June 23, 2015, The Holding Company has leased-out a portion of its second floor situated at Head Office to PBM. As per the second addendum lease agreement, the renewed lease has commenced from July 01, 2020 and will end on June 30, 2025. PBM is paying to The Holding Company the sum of Rs.2.541 million per annum as rent.

**(b)** The Holding Company, during the financial year ended September 30, 2015, has also leased-out its agricultural land located at Saro Shah, Tehsil Takht-i-Bhai to PBM. As per the addendum lease agreement entered into between the Company and PBM on July 01, 2016, the lease has commenced from July 01, 2016 and will end on June 30, 2021. PBM is paying to The Holding Company the sum of Rs.4.400 million per annum as rent.

		2020	2019
<b>37. OTHER EXPENSES</b>	<b>Note</b>	<b>Rupees in thousand</b>	
Donations (without directors' interest)		666	570
Uncollectible receivable balances written-off		351	188
Workers' profit participation and workers' welfare obligations	25.3	52,583	41,773
Exchange fluctuation loss		113	0
Prior year's sales tax on account of inadmissible input tax adjustment claimed		922	0
Sales tax paid under section 48 of the Sales Tax Act, 1990		0	500
Income tax paid of prior years under section 236G of the Income Tax Ordinance, 2001 (Advance tax on sales to distributors, dealers and wholesalers)		0	2,735
		<b>54,635</b>	<b>45,766</b>

**38. FINANCE COST**

Mark-up on:

- long term finances		215,796	217,451
- loans from Associated Companies		23,931	23,768
- short term borrowings		646,556	598,624
Interest on workers' (profit) participation fund	25.3	11,043	1,228
Unwinding of interest on lease liabilities		55,839	10,882
Bank charges		6,419	23,984
Exchange loss / (gain) - net		18,711	(35,792)
		<b>978,295</b>	<b>840,145</b>

**39. GAIN ON SALE OF LONG TERM INVESTMENTS - (Available-for-sale)**

FSM, during the preceding year, had sold all the shares of Ibrahim Fibres Limited against aggregate consideration of Rs.25.768 million. Gain arisen on these sales aggregating Rs.20.088 million was credited to statement of profit or loss for the preceding year.

<b>40. TAXATION</b>			<b>2020</b>	<b>2019</b>
		<b>Note</b>	<b>Rupees in thousand</b>	
<b>Current</b>				
- for the year		<b>29</b>	<b>60,537</b>	193,153
- prior year			<b>(47,033)</b>	(1,915)
- tax refunds of prior years			<b>(2,747)</b>	0
			<b>10,757</b>	191,238
<b>Deferred:</b>				
- resultant adjustment due to reduction in tax rate		<b>19</b>	<b>0</b>	(19,855)
- on account of temporary differences			<b>13,468</b>	82,778
			<b>(13,468)</b>	(102,633)
			<b>(2,711)</b>	88,605
<b>CSM</b>				
<b>40.1 Reconciliation of taxation with accounting profit</b>				
Profit before taxation			<b>731,259</b>	628,940
Tax rate			<b>29%</b>	29%
Tax on profit			<b>212,065</b>	182,393
Tax effect of:				
Lower rate income			<b>82,025</b>	46,145
Deferred tax asset recognised in respect of prior year temporary differences			<b>(224,987)</b>	(195,785)
Prior year charge			<b>(47,034)</b>	0
Others			<b>(25,513)</b>	25,099
			<b>(3,444)</b>	57,852
<b>41. COMBINED EARNINGS PER SHARE</b>				
There is no dilutive effect on earnings per share of the Holding Company, which is based on:				
Profit attributable to equity holders of the Holding Company			<b>311,882</b>	266,601
			<b>No. of shares</b>	
Weighted average number of shares outstanding during the year			<b>3,750,000</b>	3,750,000
			<b>----- Rupees -----</b>	
<b>41.1 Combined earnings per share</b>			<b>83.17</b>	71.09

## 42. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial instruments by category

	2020	2019
	Rupees in thousand	
<b>Financial assets</b>		
<b>At fair value through profit or loss</b>		
Short term investments	<u>31,097</u>	<u>28,837</u>
<b>At amortised cost</b>		
Maturity upto one year		
Trade debts	159,932	57,011
Accrued profit on bank deposits	1,296	123
Trade deposits and other receivables	336,024	334,043
Bank balances	364,707	312,499
Maturity after one year		
Long term security deposits	16,413	16,439
	<u>878,372</u>	<u>720,115</u>
<b>Financial liabilities</b>		
<b>Other financial liabilities</b>		
Maturity upto one year		
Trade and other payables	823,061	418,720
Unclaimed dividends	13,322	7,636
Accrued mark-up	120,814	225,094
Short term borrowings	2,670,410	3,650,993
Current maturity of non-current lease liabilities	613,578	654,531
Maturity after one year		
Long term finances	1,537,579	1,312,000
Loans from related parties	219,325	163,089
Lease liabilities	280,959	97,253
	<u>6,279,048</u>	<u>6,529,316</u>

### 42.1 Financial Risk Factors

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

Risk management is carried-out by the Group's finance departments under policies approved by the board of directors. The Group's finance departments evaluate financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the boards of directors.

## 42.2 Market risk

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

### (a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. Financial assets include Rs.43.780 million (2019: Rs.57.030 million), which were subject to currency risk.

<b>Rupees per U.S.\$</b>	<b>2020</b>	<b>2019</b>
Average rate	<b>161.03</b>	140.28
Reporting date rate	<b>165.70</b>	156.37

### Sensitivity analysis

As at September 30, 2020, if the currency had weakened/strengthened by 10% against U.S.\$ with all other variables held constant, profit after tax for the year would have been Rs 3.110 million (2019: Rs 4.040 million) lower/ higher.

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Group's interest bearing financial instruments is as follows:

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Effective rate</b>		<b>Carrying amount</b>	
<b>Fixed rate instruments</b>	<b>%</b>	<b>%</b>	<b>Rupees in thousand</b>	
<b>Financial assets</b>				
Deposits with a non-banking finance Company	<b>5.00</b>	<b>5.00</b>	<b>36,000</b>	58,000
Bank balances	<b>5.10 to 15.86</b>	<b>3.25 to 15.05</b>	<b>42,052</b>	28,392
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	<b>3 to 6 months KIBOR + spread rate</b>		<b>2,079,382</b>	1,913,493
Loans from Associated Companies	<b>1 month KIBOR + 1.25%</b>		<b>219,325</b>	194,325
Lease liabilities	<b>6.64 to 15.58</b>	<b>7.82 to 15.73</b>	<b>376,768</b>	140,735
Short term borrowings	<b>8.03 to 15.61</b>	<b>9.19 to 13.97</b>	<b>2,670,410</b>	3,650,993

### **Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

### **Cash flow sensitivity analysis for variable rate instruments**

At September 30, 2020, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit before taxation for the year would have been lower / higher by Rs.53,459 million (2019: Rs.58,995 million) mainly as a result of higher / lower interest expense on variable rate financial liabilities.

#### **(c) Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. As at September 30, 2020, price risk arose from the Group's investments in Units of a Mutual Fund classified as short term investments at fair value through profit or loss. To manage its price risk, the Group diversifies its portfolio and continuously monitors developments in the market. In addition, the Group's management actively monitors the key factors that affect price movement.

As at September 30, 2020, a 10% increase / decrease in redemption value of Units of the Mutual Fund would have increased / decreased profit before taxation for the current year by Rs.3,110 thousand (2019: Rs.2,884 thousand).

The sensitivity analysis prepared is not necessarily indicative of the effects on statement of profit or loss and investments of the Group.

#### **42.3 Credit risk exposure and concentration of credit risk**

Credit risk represents the risk of a loss if the counter party fails 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 counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

#### **The Holding Company**

Credit risk primarily arises from trade debts, loans and advances, other receivables and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management of the Holding Company has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings. In respect of other counter parties, due to the Holding Company long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations.

## CSM

The management of CSM has set an allowed credit period to reduce the credit risk.

CSM recognises ECL for trade debts using the simplified approach. As per the aforementioned approach, the loss allowance was determined as follows:

	1 - 180 days	181-365 days	More than 365 days	Total
	----- Rupees in thousand -----			
<b>September 30, 2020</b>				
<b>Gross carrying value</b>	<b>143,265</b>	<b>90</b>	<b>1,639</b>	<b>144,994</b>
<b>Loss allowance</b>	<b>216</b>	<b>90</b>	<b>1,639</b>	<b>1,945</b>
<b>September 30, 2019</b>				
<b>Gross carrying value</b>	<b>57,125</b>	<b>1</b>	<b>1,637</b>	<b>58,763</b>
<b>Loss allowance</b>	<b>113</b>	<b>1</b>	<b>1,637</b>	<b>1,751</b>

ECL on other receivables is calculated using general approach. At the reporting date, CSM envisages that default risk on account of non-realisation of other receivables is minimal and thus based on historical trends adjusted to reflect current and forward looking information loss allowance has been estimated by CSM using a range of probable recovery pattern of related other receivables and assigning a time value of money to same. As per the aforementioned approach, the loss allowance for other receivables is determined as follows:

	2020	2019
	(Rupees in thousand)	
<b>September 30, 2020</b>		
<b>Gross carrying value</b>	<b>40,373</b>	<b>107,157</b>
<b>Loss allowance</b>	<b>3,755</b>	<b>1,499</b>

Based on past experience, the management believes that no further impairment allowance is necessary in respect of trade debts, loans and advances and other financial assets.

## Exposure to credit risk

The maximum exposure to credit risk as at September 30, 2020 along with comparative is tabulated below:

	2020 (Rupees in thousand)	2019
Security deposits	16,413	16,439
Trade debts	159,932	57,011
Loans and advances	1,385,019	1,187,646
Trade deposits and other receivables	336,024	334,043
Accrued profit on bank deposits	1,296	123
Short term investments	31,097	28,837
Deposits with a non-banking finance company	36,000	58,000
Bank balances	328,707	254,499
	<b>2,294,488</b>	<b>1,936,598</b>

- The management does not expect any losses from non-performance by these counter parties.
- Based on past experience, the Group's management believes that no impairment loss allowance is necessary in respect of trade debts as material amounts have been realised subsequent to the year-end.

**Credit quality of the CSM's investments at respective year-ends:**

The credit quality of Group's financial assets have been assessed below by reference to external credit ratings of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	Rating	2020 Rupees in thousand	2019
<b>Counterparties without external credit rating</b>			
Trade debts		143,049	57,011
Loans and advances		40,373	107,157
Trade deposits and other receivables		327,581	326,379
		<b>511,003</b>	<b>490,547</b>
<b>Counter-parties with external credit rating</b>			
CSM's bank balances			
	A-1+	291,575	225,560
	A-1	577	3,088
		<b>292,152</b>	<b>228,648</b>

#### 42.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Group's treasury departments aim at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
<b>2020</b>	<b>----- Rupees in thousand -----</b>			
Long term finances	2,079,382	2,079,382	541,803	1,537,579
Loans from related parties	219,325	219,325	0	219,325
Lease liabilities	376,768	376,768	95,809	280,959
Trade and other payables	823,061	823,061	823,061	0
Unclaimed dividends	13,322	13,322	13,322	0
Accrued mark-up	120,814	120,814	120,814	0
Short term borrowings	2,670,410	2,670,410	2,670,410	0
	<b>6,303,082</b>	<b>6,303,082</b>	<b>4,265,219</b>	<b>2,037,863</b>
<b>2019</b>	<b>----- Rupees in thousand -----</b>			
Long term finances	1,913,493	1,913,493	601,493	1,312,000
Loans from related parties	194,325	194,325	31,236	163,089
Lease liabilities	140,735	177,349	60,171	117,178
Trade and other payables	418,720	418,720	418,720	0
Unclaimed dividends	7,636	7,636	7,636	0
Accrued mark-up	225,094	225,094	225,094	0
Short term borrowings	3,650,993	3,650,993	3,650,993	0
	<b>6,550,996</b>	<b>6,587,610</b>	<b>4,995,343</b>	<b>1,592,267</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

#### **43. FAIR VALUES OF FINANCIAL INSTRUMENTS AND HIERARCHY**

**43.1** Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At September 30, 2020, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the following fair value measurement hierarchy:

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

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The Group's investments in equity instruments of a listed Company were measured at fair value using year-end quoted prices. Fair value of these investments fell within level 1 of fair value hierarchy as mentioned above.

As at September 30, 2020, the Group's investments in a Mutual Fund were measured at fair value using year-end Net Assets Value as computed by the Assets Management Company. Fair value of these investments fell within level 2 of fair value hierarchy as mentioned above..

#### **43.2 Fair value hierarchy**

Level 2 fair value of revalued property, plant and equipment has been derived using the current market price or depreciated replacement cost method. Sale prices of comparable property, plant and equipment in identical circumstances or close proximity are adjusted for differences in key attributes such as property size, structure, location, capacity, etc. The most significant inputs into this valuation approach are price per marla, price per square feet, depreciated replacement cost, etc.

#### **44. CAPITAL RISK MANAGEMENT**

The Group is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Boards monitor the return on capital and the level of dividend to ordinary shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders and / or issue new shares. There was no change to the Group's approach to the capital management during the year.

The Group is not subject to externally imposed capital requirements except for the maintenance of debt to equity and current ratios under the financing agreements. In case of various loan arrangements, the concerned lenders have waived the requirements of certain covenants of the respective financing agreements. Accordingly, the liabilities under these financing agreements have been classified as per the repayment schedules applicable in respect of the aforesaid financing agreements.

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total capital plus net debt. Net debt is calculated as amounts payable by the Group less bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The Group's gearing ratio is as follows:

	2020	2019
	Rupees in thousand	
Long term finances	2,079,382	1,913,493
Loans from related parties	219,325	194,325
Lease liabilities	376,768	140,735
Short term borrowings	2,670,410	3,650,993
Total debt	5,345,885	5,899,546
Less: bank balances	(364,707)	(312,499)
Net debt	4,981,178	5,587,047
Share capital	37,500	37,500
Share redemption reserve	1	1
Revaluation surplus on property, plant and equipment	2,780,004	2,447,144
General revenue reserve	1,010,537	1,010,537
Unappropriated profit	1,191,004	720,910
<b>Equity</b>	<b>5,019,046</b>	<b>4,216,092</b>
<b>Capital</b>	<b>10,000,224</b>	<b>9,803,139</b>
<b>Gearing ratio (Net debt / (Net debt + Equity))</b>	<b>49.81%</b>	<b>56.99%</b>

#### 45. TRANSACTIONS WITH RELATED PARTIES

- 45.1 The Holding Company has related party relationship with its Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with related parties during the year were as follows:

##### The Holding Company

##### Associated Companies

- purchase of goods	0	15,269
- rental income	6,768	6,710
- dividend received	229	0
- expenses paid	295	0

##### Key management personnel

- salaries and other benefits	17,869	16,360
- contribution towards provident fund	1,024	970

The Holding Company's shareholdings in Associated Companies have been detailed in note 9. In addition to the names of the Associated Companies detailed in note 9, the following are other Associated Companies:

- Whole Foods (Pvt.) Ltd.  
(Sub-subsidiary)
- Syntron Ltd.
- Syntronics Ltd.
- Premier Ceramics Ltd.
- Premier Construction & Housing Ltd.
- Phipson & Co. Pakistan (Pvt.) Ltd.
- Aurora (Pvt.) Ltd.

#### 45.2 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Holding Company. The Holding Company considers its Chief Executive, directors and all members of management team to be its key management personnel.

#### 45.3 FSM

FSM has related party relationship with its Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. FSM has carried-out no transaction with any related party during the current and preceding financial years.

#### 45.4 CSM

The related parties comprise of Associated Companies, directors, major shareholders, key management personnel, entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' funds. Amount due from and due to these undertakings are shown under receivables and payables. The remuneration of Chief Executive, Directors and Executives is disclosed in remuneration note.

Significant transactions with related parties during the year were as follows:

	2020	2019
	Rupees in thousand	
<b>Arpak International Investments Ltd.</b>		
Mark-up charged	5,388	5,482
<b>Syntronics Ltd.</b>		
Purchase of store items	90,640	943
Sales	208	0
Dividend paid	17,952	5,386
<b>Syntron Ltd.</b>		
Purchase of store items	84,281	122,499
<b>Azlak Enterprises (Pvt.) Ltd.</b>		
Services rendered	29,670	27,030
Mark-up charged	10,468	10,069
Expenses paid	3,679	2,052
Dividend paid	7,314	2,194

	2020	2019
	Rupees in thousand	
<b>Phipson &amp; Company Pakistan (Pvt.) Ltd.</b>		
Expenses paid	138	0
Dividend paid	1,538	461
<b>Premier Board Mills Ltd.</b>		
Mark-up charged	8,076	8,217
<b>Provident fund</b>		
Contribution to provident fund	16,476	15,175

- 45.5 Following are the related parties with whom CSM had entered into transactions or have arrangement / agreement in place.

Company Name	Basis of Association	Share-holding %
Premier Board Mills Ltd.	Common directorship	0.00%
Azlak Enterprises (Pvt.) Ltd.	----- do -----	5.10%
Arpak International Investments Ltd.	----- do -----	0.00%
Phipson & Company Pakistan (Pvt.) Ltd.	----- do -----	1.07%
Syntronics Ltd.	----- do -----	12.51%
Syntron Ltd.	----- do -----	0.00%

#### 46. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Aggregate amounts of remuneration, including certain benefits, to chief executive, directors and executives of the Group, are as follows:

Particulars	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
----- Rupees in thousand-----						
Managerial remuneration including bonus	1,200	1,200	44,988	31,507	44,915	39,823
Allowances and utilities	0	0	9,762	0	18,529	17,377
Contribution to provident fund	0	0	451	451	2,848	2,204
Medical expenses reimbursed	0	0	1,050	3,140	534	473
Other expenses	0	0	10,919	23,229	0	0
	1,200	1,200	67,170	58,327	66,826	59,877
Number of persons	1	1	4	3	17	17

- 46.1 In case of the Holding Company, the Chief Executive, one director and the executives residing in the factory are provided free housing (with the Holding Company's generated electricity in the residential colony within the factory compound). The Chief Executive, one director and executives are also provided with the Holding Company maintained cars.

- 46.2** The Chief Executive and executives were provided with the CSM maintained cars for official and personal use. All the executives based at factory compounds are also provided with free housing with CSM's generated electricity, telephone and certain household items in the residential colony within the factory compound.
- 46.3** Mr Abbas Sarfraz Khan, Director of CSM, holds office of profit for performing extra services, for which approval was obtained vide Extraordinary general meeting dated June 21, 2019 under section 171 of the Companies Act, 2017. His remuneration includes monthly salary, bonus as per CSM policy, CSM maintained vehicle and reimbursement of all travelling and medical expenses. The Board of Directors of CSM are also entitled to reimbursement of all travelling, telephone and medical expenses, as approved vide 31st annual general meeting of CSM's members dated March 29, 2019.
- 46.4** In case of FSM, no managerial remuneration was paid to chief executive and directors during the current and preceding years; however, they are provided with free use of FSM's maintained cars.
- 46.5** Remuneration of the directors does not include amounts paid or provided for, if any, by the Associated Companies.

<b>47. CAPACITY AND PRODUCTION</b>		<b>2020</b>	<b>2019</b>
<b>47.1 The Holding Company</b>			
<b>Sugar Cane Plant</b>			
Rated crushing capacity per day	M.Tonnes	<b>3,810</b>	3,810
Cane crushed	M.Tonnes	<b>36,528</b>	154,414
Sugar produced	M.Tonnes	<b>3,149</b>	16,768
Days worked	Nos.	<b>94</b>	137
Sugar recovery	%	<b>8.77</b>	10.9
<b>Sugar Beet Plant</b>			
Rated slicing capacity per day	M.Tonnes	<b>2,500</b>	2,500
<b>Distillery</b>			
Rated capacity per day	Gallons	<b>10,000</b>	10,000
Ethanol produced	Gallons	<b>751,755</b>	0
Days worked	Nos.	<b>98</b>	0

- The normal season days are 150 days for Sugar Cane crushing.
- Production was restricted to the availability of raw materials to the Holding Company.
- After shifting of distillery from Mardan to Ramak, Dera Ismail Khan, the operations of distillery have been recommenced during the current financial year.

## 47.2 CSM

### Sugar Cane Plants

Rated crushing capacity (Metric Tonnes / day)	<b>18,000</b>	18,000
On the basis of average number of 107 days (2019:98 days)	<b>1,926,000</b>	1,764,000
Actual cane crushed (Metric Tonnes)	<b>1,432,075</b>	1,562,413
Sugar produced (Metric Tonnes)	<b>151,013</b>	166,252

### Ethanol Fuel Plant

Rated production capacity (Litres / day)	<b>125,000</b>	125,000
On the basis of average number of 354 days (2019:355 days) (Litres)	<b>44,250,000</b>	44,375,000
Actual production (Litres)	<b>43,462,330</b>	43,260,426

### Storage facility

Storage capacity (metric tonnes)	<b>20,000</b>	20,000
----------------------------------	---------------	--------

### No. of days worked:

Sugar Unit - I	<b>103</b>	97
Sugar Unit - II	<b>111</b>	99
Ethanol Fuel Plant	<b>354</b>	355

### Reasons for Shortfall

Sugar division performed at less than installed capacity due to non-availability of sugar cane and atmospheric effect. Capacity of ethanol unit was under utilised due to routine overhauling and cleaning shut downs.

## 47.3 FSM

### Sugar Cane Plant

Rated crushing capacity per day	M.Tonnes	<b>880</b>	880
---------------------------------	----------	------------	-----

### Sugar Beet Plant

Rated slicing capacity per day	M.Tonnes	<b>1,000</b>	1,000
--------------------------------	----------	--------------	-------

Due to non-availability of raw materials, sugar cane and beet plants of FSM had remained closed during the current and preceding years.

**48. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS  
ARISING FROM FINANCING ACTIVITIES**

	Liabilities						Total
	Long term finances	Lease finances	Loans from related parties	Short term borrowings	Accrued mark-up	Dividend	
	Rupees in thousand						
Balance as at September 30, 2019	1,833,086	64,124	179,325	4,652,665	166,431	16,236	6,911,867
Changes from financing activities							
Finances - net	0	0	0	(1,001,672)	0	0	(1,001,672)
Finances obtained - net	80,407	76,611	15,000	0	0	0	172,018
Mark-up accrued	0	0	0	0	851,953	0	851,953
Mark-up paid	0	0	0	0	(793,290)	0	(793,290)
Dividend declared	0	0	0	0	0	(21,532)	(21,532)
Dividend paid	0	0	0	0	0	22,192	22,192
	80,407	76,611	15,000	(1,001,672)	58,663	660	(770,331)
Balance as at September 30, 2019	1,913,493	140,735	194,325	3,650,993	225,094	16,896	6,141,536
Changes from financing activities							
Finances - net	0	0	0	(980,583)	0	0	(980,583)
Finances - obtained	165,889	377,327	25,000	0	0	0	568,216
- repaid	0	(141,294)	0	0	0	0	(141,294)
Mark-up accrued	0	0	0	0	953,165	0	953,165
Mark-up paid	0	0	0	0	(1,057,445)	0	(1,057,445)
Dividend declared	0	0	0	0	0	(71,773)	(71,773)
Dividend paid	0	0	0	0	0	82,732	82,732
	165,889	236,033	25,000	(980,583)	(104,280)	10,959	(646,982)
Balance as at September 30, 2020	2,079,382	376,768	219,325	2,670,410	120,814	27,855	5,494,554

**49. PROVIDENT FUNDS RELATING DISCLOSURES**

The Group operates funded contributory provident fund schemes for all its permanent and eligible employees. The following information is based on the un-audited and audited financial statements for the year ended September 30, 2020 and September 30, 2019:

	2020	2019
	Rupees in thousand	
Size of the funds - total assets	216,708	180,753
Cost of investments made	205,907	155,459
Fair value of investments made	212,693	177,555
	----- % -----	
Percentage of investments made	95.02	86.01

49.1 The break-up of fair value of investments is as follows:

	2020	2019	2020	2019
	----- % -----		Rupees in thousand	
Term deposit receipts	94.17	93.53	193,900	145,400
Saving and deposit accounts in scheduled banks	5.83	6.47	12,007	10,059
	<u>100.00</u>	<u>100.00</u>	<u>205,907</u>	<u>155,459</u>

49.2 Investments out of the provident funds have been made in accordance with the requirements of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 50. OPERATING SEGMENT

### 50.1 The Holding Company

Upto September 30, 2019, the Holding Company considered itself to be a single reportable segment on the basis of its internal reporting structure. Effective from current financial year, the Holding Company's reportable segments are as follows:

- Sugar
- Distillery

#### Segment operating results for the year ended September 30, 2020

	Sugar Division 2020	Ethanol Division 2020	Total 2020
	----- Rupees in thousand -----		
Sales			
-External customers	750,054	272,793	1,022,847
-Intersegment	18,355	0	18,355
	768,409	272,793	1,041,202
Less : sales tax & commission	(96,259)	(6,539)	(102,798)
Sales - net	672,150	266,254	938,404
Segment expenses:			
Cost of sales	(733,265)	(190,543)	(923,808)
Less: Intersegment cost	0	(18,355)	(18,355)
	(733,265)	(208,898)	(942,163)
Gross (loss) / profit	(61,115)	57,356	(3,759)
Distribution cost	(3,142)	(10,768)	(13,910)
Administrative expenses	(57,009)	0	(57,009)
	(60,151)	(10,768)	(70,919)
(Loss) / profit form operations	(121,266)	46,588	(74,678)
Other income	0	0	123,212
Other expenses	0	0	(1,386)
	0	0	121,826
Segment results	(121,266)	46,588	47,148
Finance cost			(95,618)
Loss before taxation			(48,470)
Taxation			(279)
Loss after taxation			(48,749)

## 50.2 Segment assets and liabilities

	2020	2020
	Rupees in thousand	
	Assets	Liabilities
Sugar	1,746,495	540,076
Ethanol	283,969	165,947
Total for reportable segment	<u>2,030,464</u>	<u>706,023</u>

50.3 Sales to domestic customers in Pakistan are 78.06% and to customers outside Pakistan are 21.94% of the revenues during the current financial year.

50.4 All non-current assets of the Holding Company as at September 30, 2020 are located in Pakistan.

50.5 The Holding Company does not have transactions with any customer which amount to 10% or more of its sales.

## 50.6 CSM

(a) Segment operating results for the year ended September 30, 2020

	Sugar Division		Ethanol Division		Total	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
<b>Sales</b>						
-External Customers	13,419,160	10,112,064	4,636,810	3,316,105	18,055,970	13,428,169
-Inter segment	<u>1,004,832</u>	<u>614,977</u>	<u>0</u>	<u>0</u>	<u>1,004,832</u>	<u>614,977</u>
	14,423,992	10,727,041	4,636,810	3,316,105	19,060,802	14,043,146
Less : sales tax & others	<u>(1,977,012)</u>	<u>(903,905)</u>	<u>(149,268)</u>	<u>(103,553)</u>	<u>(2,126,280)</u>	<u>(1,007,458)</u>
Sales - net	12,446,980	9,823,136	4,487,542	3,212,552	16,934,522	13,035,688
<b>Segment expenses:</b>						
Cost of Sales	(10,097,834)	(8,548,785)	(2,942,604)	(1,634,871)	(13,040,438)	(10,183,656)
less: Inter segment cost	<u>0</u>	<u>0</u>	<u>(1,004,832)</u>	<u>(614,977)</u>	<u>(1,004,832)</u>	<u>(614,977)</u>
	(10,097,834)	(8,548,785)	(3,947,436)	(2,249,848)	(14,045,270)	(10,798,633)
Gross profit	2,349,146	1,274,351	540,106	962,704	2,889,252	2,237,055
Selling and distribution expenses	(167,793)	(38,838)	(528,319)	(305,857)	(696,112)	(344,695)
Administrative and general expenses	(514,658)	(462,784)	(66,164)	(46,819)	(580,822)	(509,603)
Others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,393)</u>	<u>(7,560)</u>
	(682,451)	(501,622)	(594,483)	(352,676)	(1,288,327)	(861,858)
Profit / (loss) from operations	1,666,695	772,729	(54,377)	610,028	1,600,925	1,375,197
Other income	84,995	42,369	2,508	1,640	87,503	44,009
Other expenses	<u>(53,249)</u>	<u>(40,718)</u>	<u>0</u>	<u>0</u>	<u>(53,249)</u>	<u>(40,718)</u>
	31,746	1,651	2,508	1,640	34,254	3,291
Segment results	<u>1,698,441</u>	<u>774,380</u>	<u>(51,869)</u>	<u>611,668</u>	1,635,179	1,378,488
Finance cost					<u>(903,920)</u>	<u>(749,548)</u>
Profit before tax					731,259	628,940
Taxation					<u>3,444</u>	<u>(57,852)</u>
Profit for the year					<u>734,703</u>	<u>571,088</u>
Segment assets and liabilities						

(b) Segment assets and liabilities

	2020		2019	
	----- (Rupees in thousand) -----			
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Sugar	9,318,606	2,395,920	9,042,725	3,261,581
Ethanol	5,571,354	3,088,321	4,263,337	2,403,240
Total for reportable segment	14,889,960	5,484,241	13,306,062	5,664,821
Others	243,994	1,979,631	396,563	1,725,375
Total assets / liabilities	15,133,954	7,463,872	13,702,625	7,390,196

51. NUMBER OF EMPLOYEES

2020                      2019  
----- Number -----

Number of persons employed as at September 30,

- permanent	1,129	1,392
- contractual	1,362	1,064
	<u>2,491</u>	<u>2,456</u>

Average number of employees during the year

- permanent	1,129	1,401
- contractual	1,630	1,488
	<u>2,759</u>	<u>2,889</u>

52. IMPACT OF COVID-19 (CORONA VIRUS)

52.1 The Holding Company

During March, 2020, Pakistan has enacted protection measures against COVID - 19 with a significant impact on daily life and supply chain. The evolution of COVID - 19 as well as its impact on Pakistan economy is very severe. The management has monitored the situation to ensure safety of its workers by introducing fool proof anti COVID - 19 measures and smooth operation of its business.

On March 23, 2020, the Government of the Khyber Pakhtunkhwa announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Holding Company, being engaged in production of food item, comes under the exemption given by the Government of KPK vide its Notification dated March 24, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Holding Company continued with its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. It is also expected that the outbreak may result in lower demand for the Holding Company's products in the foreseeable future. Due to this, management has assessed the accounting implications of these developments on its financial statements, including but not limited to the following areas:

- the impairment of assets under IAS 36, 'Impairment of non-financial assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- deferred taxation in accordance with IAS 12, 'Income taxes'
- provisions and contingent liabilities under IAS 37 ; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

## **52.2 CSM**

The spread of Covid-19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. It resulted in decrease of other projects revenue due to delayed implementation. Further, it also resulted in increased trade receivables as the receivables were not timely recovered. However, the businesses are now resuming as per relaxation given by the Authorities. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

## **53. NON-ADJUSTING EVENT AFTER THE REPORTING DATE**

The Board of Directors of CSM in its meeting held on February 01, 2021 has proposed a final cash dividend for the year ended September 30, 2020 @ Rs 5 per ordinary share (2019 @ Rs 5 per ordinary share), amounting to Rs 143,460 thousand (2019: Rs 143,460 thousand) for approval of the members in the annual general meeting to be held on February 25, 2021.

## **54. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison.

## **55. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements have been authorised for issue on February 01, 2021 by the board of directors of the Holding Company.



**ABBAS SARFARAZ KHAN**  
CHIEF EXECUTIVE



**ISKANDER M. KHAN**  
DIRECTOR



**RIZWAN ULLAH KHAN**  
CHIEF FINANCIAL OFFICER

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**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
Nowshera Road, Mardan.

**PROXY FORM**  
75th Annual General Meeting

I/We..... of .....being a member of **The Premier Sugar Mills & Distillery Company Limited** and holding .....ordinary shares as per share register Folio/CDC Account No..... hereby appoint Mr./Mrs .....of ..... another member of the Company having Folio / CDC Account No ..... CNIC No ..... or Passport No..... or failing him / her Mr. / Mrs ..... of ..... Folio / CDC Accounts No ..... CNIC No..... Or Passport No ..... Who is also a member of the Company, as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on February 25, 2021 and at any adjournment thereof.

Revenue Stamp  
Signature(Rs. 5.00)

\_\_\_\_\_  
Signature of Shareholder  
(The signature should agree with the specimen registered with the Company)

Dated this ..... day of ..... 2021.

Signature of Proxy \_\_\_\_\_

**1. Witness:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

**2. Witness:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

**Note:** Proxies, in order to be effective, must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

CDC Shareholders and their Proxies are each requested to attached an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

# دی پریمیر شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ

نوشہرہ روڈ مردان

نمائندگی کا فارم (پراکسی فارم)

75 واں سالانہ اجلاس عام

میں / ہم \_\_\_\_\_ کا / کی \_\_\_\_\_ بحیثیت رکن دی پریمیر شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ اور بذریعہ حصص رجسٹرڈ کے

فولیو نمبر / اسی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ حامل \_\_\_\_\_ عام حصص، کمپنی کے ایک دوسرے رکن

کا / کی \_\_\_\_\_ فولیو نمبر / اسی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_ یا پاسپورٹ نمبر \_\_\_\_\_ یا بصورت دیگر کمپنی کے اور رکن

کا / کی \_\_\_\_\_ فولیو نمبر / اسی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_ یا پاسپورٹ نمبر \_\_\_\_\_، کو میری / ہماری غیر حاضری میں کمپنی کے سالانہ اجلاس عام

میں، جو بتاریخ 25 فروری، 2021، 11:30 بجے منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پراکسی) مقرر کرتا / کرتے ہیں۔

حصص دار کے دستخط

(دستخط کمپنی میں رجسٹرڈ نمونے مطابقت رکھتے ہونے چاہے)

پانچ روپے کی ریونیو شامپ

نمائندہ کے دستخط: \_\_\_\_\_

بتاریخ \_\_\_\_\_ مہینہ \_\_\_\_\_ 2021

2. گواہ

1. گواہ

دستخط:

دستخط:

نام:

نام:

پتہ:

پتہ:

شناختی کارڈ نمبر:

شناختی کارڈ نمبر:

نوٹ:

نمائندگی فارم (پراکسی فارم) کمپنی کے پاس کمپنی کے رجسٹرڈ پتہ نوشہرہ روڈ مردان پر اجلاس کے وقت سے کم از کم 48 گھنٹے پہلے موصول ہو جانا چاہئے، بصورت دیگر یہ فارم موثر تصور نہیں کیا جائے گا۔

سی ڈی سی حصص یافتگان اور ان کے نمائندوں (پراکسی) سے درخواست ہے کہ (پراکسی فارم) کمپنی کو جمع کروانے سے پہلے اس کے ساتھ اپنے

شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی لف کریں۔