

# annual report 2019

## THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

Page	CONTENTS
2	Company Profile
	<b>Governance</b>
3	Company Information
4	Management Committees
7	Vision and Mission Statement
8	Code of Conduct
	<b>Stakeholders' Information</b>
10	Ten Years' Review
11	Six Years' Performance at a Glance
12	Notice of Annual General Meeting
14	Chairman Review Report (English/Urdu)
16	Directors' Report to the Shareholders (English/Urdu)
26	Shareholders' Information
27	Pattern of Shareholding
29	Statement of Compliance with repealed Listed Companies (Code of Corporate Governance) Regulations 2017 and 2019
33	Independent Auditors' Report to the Members
39	Statement of Financial Position
40	Statement of Profit or Loss and Other Comprehensive Income
41	Statement of Cash Flows
42	Statement of Changes in Equity
43	Notice to the Financial Statements
	<b>Proxy Form</b>

# 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
Ms. Najda Sarfaraz	Director
Ms. Samyra Rashid	Independent Director
Mr. Iskander M. Khan	Director
Mr. Abdul Qadar Khattak	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

### 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. Abdul Qadar Khattak (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

Ms. Samyra Rashid (Independent Director)	Chairperson
Mr. Aziz Sarfaraz Khan (Non-Executive Director)	Member
Ms. Najda 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**

Ms. Samyra Rashid (Independent Director)	Chairperson
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
2010	3,863.968	7.01	50.00	33,026.44	7.60	2,510.00
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	47,379.00	9.71	4,567.00
2014	117,589.000	8.90	10,402.00	NOT OPERATED		
2015	95,526.000	9.11	9,019.00			
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			

**PRODUCTION OF INDUSTRIAL ALCOHOL**

YEARS	MOLASSES	RECOVERY	PRODUCTION
	TONS	GLNS PER MND	IN GALLONS
2010	35.46	2.402	2,129.00
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			

## THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

### SIX YEARS' PERFORMANCE AT A GLANCE

PARTICULARS	2019	2018	2017	2016	2015	2014
(RUPEES IN THOUSAND)						
Turnover	1,072,460	1,262,508	892,219	1,470,677	225,479	781,125
Operating Profit / Loss	66,449	(144,494)	(191,250)	(226,746)	(22,091)	(200,516)
Profit / (loss) before tax	30,870	(166,513)	(171,931)	(195,530)	6,563	(140,924)
Profit / (loss) after tax	184	(195,735)	(147,178)	(149,793)	16,769	(78,509)
Share capital	37,500	37,500	37,500	37,500	37,500	37,500
Shareholders' equity	993,464	992,816	1,181,014	1,203,899	1,352,350	1,327,479
Non-current assets	1,265,092	1,399,585	1,493,750	1,328,521	1,497,519	1,601,222
Total assets	1,924,249	2,190,236	2,445,206	1,881,265	2,364,963	2,105,089
Non current liabilities	31,774	17,144	83,160	150,724	275,128	290,161
Current assets	659,157	790,651	951,456	552,744	867,444	503,867
Current liabilities	899,011	1,180,276	1,181,032	526,642	737,485	487,449
<b>Dividend</b>						
Cash dividend	0	0	0	0	20%	0
<b>Ratios:</b>						
<b>Profitability (%)</b>						
Operating profit / (loss)	6.20	(11.44)	(21.44)	(15.42)	(9.80)	(25.67)
Profit/ (Loss) before tax	2.88	(13.19)	(19.27)	(13.30)	2.91	(18.04)
Profit/(Loss) after tax	0.02	(15.50)	(16.50)	(10.19)	7.44	(10.05)
<b>Return to Shareholders</b>						
ROE - Before tax	3.11	(16.77)	(14.56)	(16.24)	0.49	(10.62)
ROE - After tax	0.02	(19.72)	(12.46)	(12.44)	1.24	(5.91)
Return on Capital Employed	0.02	(19.38)	(11.64)	(11.06)	1.03	(4.85)
E. P. S. - After tax	0.05	(52.20)	(39.25)	(39.94)	4.47	(20.94)
<b>Activity</b>						
Total assets turnover	0.52	0.54	0.41	0.69	0.10	0.40
Non-current assets turnover	0.80	0.87	0.63	1.04	0.15	0.56
<b>Liquidity/Leverage</b>						
Current ratio	0.73	0.67	0.81	1.05	1.18	1.03
Break up value per share	264.90	264.80	314.94	321.00	360.60	354.00
Total Liabilities to equity (Times)	(0.94)	(1.21)	(1.07)	(0.56)	(0.75)	(0.59)

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 74th Annual General Meeting of the shareholders of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** will be held on January 27, 2020 at 11:30 AM at the Registered Office of the Company at Nowshera Road, Mardan, for transacting the following business:-

- (1) To confirm the minutes of the Annual General Meeting held on March 29, 2019.
- (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, 2019.
- (3) To appoint the Auditors of the Company and to fix their remuneration for the financial year ending September 30, 2020. The present auditors' M/s ShineWing Hameed Chaudhri & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.
- (4) 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 January 17, 2020 to January 27, 2020 (both days inclusive).

**BY ORDER OF THE BOARD**



**(Mujahid Bashir)**  
Company Secretary

**Mardan:**  
January 02, 2020

### **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, 2019 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.
8. As per Section 72 of the Companies Act, 2017 every existing Listed Company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding 4 years from the commencement of this Act, i.e. May 30, 2017.

The Shareholders having physical shareholding are encouraged to open CDC Sub- account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares will not be permitted as per regulations of the Pakistan Stock Exchange.

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## CHAIRMAN'S REVIEW REPORT

I am pleased to welcome you to the 74th Annual General Meeting of your Company and present on behalf of the Board of Directors, the Audited Financial Statements for the year ended September 30, 2019 along with my review on the performance of your Company.

As required under Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation of the Board of the Company is carried out. The purpose of this exercise is to ensure that the Board's overall performance and effectiveness is measured and bench marked against expectations in the context of objectives set for the Company.

The year 2018-19 was a difficult year for Sugar Sector in general, due to slowing down of economic growth, increasing input costs, surging interest rates and massive devaluation of Pak Rupee, due to which the profitability ratio of Sugar Mills / Industry / Sector was badly affected.

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 six 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 ensured that the Board plays an effective role in fulfilling its responsibilities. The non-executive and independent directors are equally involved in important decisions.

On the behalf of the Board of Directors of your Company, I would like to take this opportunity to express my appreciation for the untiring efforts of our sincere services of employees of the Company.

I am also thankful for the valuable stakeholders including our valued customers, banks, suppliers and also shareholders for their patronage and confidence reposed in the Company.



**(Aziz Sarfaraz Khan)**  
Chairman

Mardan: January 02, 2020

## دی پریسیر شو گرملز اینڈ ڈسٹری کمپنی لمیٹڈ

### چیئرمین کی جائزہ رپورٹ

میں آپ کی کمپنی کے 74 ویں سالانہ جنرل میٹنگ میں آپ کو خوش آمدید کہتا ہوں اور میں اپنی بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی آڈیٹڈ فنانشل سٹیٹمنٹس برائے سال 2019، 30 ستمبر، اور مجموعی کارکردگی اپنے جائزہ کے ساتھ پیش کر رہا ہوں۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے مطابق اور کمپنی کے بورڈ کی سالانہ جائزہ لیا جا چکا ہے۔ اس جائزہ کا بنیادی مقصد یہ ہے کہ کمپنی کے طے شدہ مقاصد کے تناظر میں بورڈ کی مجموعی کارکردگی کا اور تاخیر کو ناپا جائے۔

سال 2018-19 عمومی طور پر چینی کی صنعت کے لیے ایک مشکل سال تھا، جس کی وجہ معیشت نمو کی سست روی، ان پٹ کاسٹ میں اضافہ، شرح سود کا بڑھنا اور روپے کی قدر میں بڑے پیمانے پر گراوٹ، جس کی وجہ سے شو گرملز، صنعت، سیکٹر کے منافع کا تناسب بری طرح متاثر ہوا۔

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 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 چھ 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 ریٹرنز 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۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے، میں اس موقع سے فائدہ اٹھاتے ہوئے کمپنی کے ملازمین کی مخلص خدمات اور انتھک کاوشوں کو سراہتا ہوں۔ میں ان قابل قدر اسٹیک ہولڈرز کا بھی شکریہ گزار ہوں جن میں معزز کسٹمرز، بینکنس، سپلائرز اور حصص یافتگان شامل ہیں جنہوں نے کمپنی کی سرپرستی اور مکمل بھروسہ کیا۔



عزیز سر فراز خان

چیئرمین

مردان، 02 جنوری، 2020

# 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, 2019.

### 1. SUMMARISED FINANCIAL RESULTS

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

	2019	2018
	<b>Rupees in thousand</b>	
Profit/(Loss) before taxation	<b>30,870</b>	(166,513)
Taxation		
Current		
- for the year	<b>(19,302)</b>	(21,685)
- for the prior year	<b>2,778</b>	1,613
	<b>(16,524)</b>	(20,072)
- Deferred	<b>(14,162)</b>	(9,150)
	<b>30,686</b>	29,222
Profit/(Loss) after taxation	<b>184</b>	(195,735)
	<b>----- Rupees -----</b>	
Profit/(Loss) per Share	<b>0.05</b>	(52.20)

### 2. REVIEW OF OPERATIONS

#### 2.1 CRUSHING SEASON 2018-19

The sugarcane crushing season 2018-19 commenced on November 30, 2018 and continued till March 31, 2019. The mills have crushed 154,414 tons (2018: 204,775 tons) of sugarcane and have produce 16,768 tons (2018: 22,778 tons) of sugar at an average recovery of 10.90% (2018: 11.12%). The crushing is reduced due to procurement of sugarcane for tax-free commercial Gur manufacturing at high prices.

#### 2.2 CRUSHING SEASON 2019-20

sugarcane crushing season 2019-20 commenced on November 09, 2019. The mills have crushed 35,145 tons of sugarcane and have produced 2,891 tons of sugar till December 29, 2019. The entire crop of sugarcane is being diverted towards tax-free Commercial Gur making by traders. The Government is losing Rs. 5.00 billion of taxes and its inaction will force the sugar industry to close its operations in Peshawar Valley.

### **3. SUGAR PRICE**

#### **3.1- CRUSHING SEASON 2018-19**

The sugar prices increased after closing of the crushing season due to low crushing throughout the country.

#### **3.2- CRUSHING SEASON 2019-20**

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

### **4. DISTILLERY**

During the current year, shifting and installation of the distillery plant has been completed. The Company produces industrial grade ethanol which is not feasible at the very high prices of molasses.

### **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 Listed Companies (Code of Corporate Governance) Regulations 2017 and 2019.
- 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, 2019, except for those disclosed in the financial statements.
- The value of investments of staff provident fund, based on audited accounts, was Rs. 41.173 million as at September 30, 2019.

- Seven (7) Out of eight (8) Directors of the Company have the prescribed education and experience under section 20 of Listed Companies (Code of Corporate Governance) Regulations, 2017 and remaining one Director of the Company will conduct Director Training Program by June 30, 2021.

## 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.

## 9. Related Party Transactions

The Related Parties transactions mentioned in 38 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. Board Meetings

During the year, eleven (11) 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	6	4	1
Begum Laila Sarfaraz	4	-	-
Ms. Zarmine Sarfaraz	3	4	-
Ms. Najda Sarfaraz	5	4	-
<b>Executive Directors</b>			
Mr. Abbas Sarfaraz Khan	5	-	-
Mr. Iskander M. Khan	6	-	1
Mr. Abdul Qadar Khattak	3	-	-
<b>Independent Director</b>			
Ms. Samyra Rashid	6	4	1

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

**11. 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.

**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, 2020.

**14. REPLY TO AUDITORS' OBSERVATIONS**

**Note. 15.4 (a)**

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

Furthermore, the balance confirmation letter has been circulated to the bank for direct confirmation to the auditors and the reply will be received by the auditors directly.

**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, 2017 and 2019 relevant for the year ended September 30, 2019 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:  
January 02, 2020

## دی پرنسپلر شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ

### ڈائریکٹرز کی رپورٹ

دی پرنسپلر شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور 30 ستمبر 2019 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۔

2018	2019	
(ہزار روپے)		
(166,513)	(30,870)	ٹیکس سے پہلے نقصان
-----	-----	ٹیکسیشن
(21,685)	(19,302)	موجودہ سال کا ٹیکس
1,613	2,778	گزشتہ سال کا ٹیکس
(20,072)	(16,524)	
(9,150)	(14,162)	ڈیفریڈ ٹیکس
(29,222)	(30,686)	
(195,735)	184	نفع / نقصان بعد از ٹیکس
----- روپے -----	-----	
(52.20)	0.05	نفع / نقصان فی شیئر

#### 2۔ آپریشن کا جائزہ

##### 2.1۔ کرشنگ سیزن 2018-19

گنے کا کرشنگ سیزن 2018-19، 30 نومبر 2018 کو شروع ہوا اور 31 مارچ 2019 تک جاری رہا۔ ملز نے 154,414 ٹن (2018) میں 204,775 ٹن (گنا کرش کیا اور 10.90 فیصد اوسط (2018 میں 11.12 فیصد) کے حساب سے چینی کی پیداوار 16,768 ٹن (2018 میں 22,778 ٹن) رہی۔ ٹیکس فری، کمرشل گڑ بنانے والوں کی طرف سے گنے کی زیادہ قیمت ادا کرنے کی وجہ سے کرشنگ کم ہوئی

ہے۔

## 2.2۔ کرشنگ سیزن 2019-20

گئے کا کرشنگ سیزن 2019-20 کا آغاز 09 نومبر 2019 کو شروع ہوا۔ 29 دسمبر 2019 تک ملز نے 35,145 ٹن گنے کو کرش کرتے ہوئے 2,891 ٹن چینی کی پیداوار کی۔ تاجروں کی جانب سے گنے کی مکمل فصل کو ٹیکس فری کمرشل گڑ بنانے میں استعمال کیا جا رہا ہے۔ جس کی وجہ سے حکومت کو 5 بلین کے ٹیکسز کا نقصان ہو رہا ہے جبکہ حکومت کی اس بے عملی کی وجہ سے پشاور ویلی میں چینی کی صنعت کو اپنی کاروباریاں بند کرنے پر مجبور ہو جائے گی۔

## 3۔ چینی کی قیمت

### 3.1۔ چینی کا سیزن 2018-19

چینی کی قیمت میں اضافہ کرشنگ سیزن کے بند ہونے کے بعد ہوا جس کی وجہ پورے ملک میں کرشنگ کام ہونا ہے۔

### 3.2۔ چینی کا سیزن 2019-20

جیسا کہ اب تک 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 پائے گی۔

## 4۔ ڈسٹری

دوران سال ڈسٹری پلانٹ کی شفٹنگ اور انسٹالیشن کا کام مکمل ہو چکا ہے۔ چونکہ کمپنی انڈسٹریل لیول کا ہتھنول بناتی ہے جو کہ مولیسسز کی موجودہ انتہائی بڑھی ہوئی قیمتوں کی وجہ سے فائدہ مند نہیں۔

## 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۔ شیر 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 شوگر ملز اینڈ ڈسٹری بیوٹرز کی 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 نگرانی 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 کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 اور 2019 میں واضح کئے گئے ہیں کی مکمل پاسداری کرتی ہے۔

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

۔ 30 ستمبر 2019 تک کسی بھی قسم کی کوئی ٹیکس، فرائض، لیویز، چارجز، بقایاجات نہیں ہیں، سوائے ان کے جو مالیاتی بیانات میں بتائی گئیں ہیں۔

۔ 30 ستمبر 2019 کو آڈٹ شدہ اکاؤنٹس پر مبنی، اسٹاف پروویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 41.173 ملین تھی۔

۔ کمپنی کے آٹھ میں سے سات ڈائریکٹرز کی تعلیمی قابلیت اور تجربہ پاکستان اسٹاک ایکسچینج کی ریگولیشن سب کلاس 5.19.17 کے مطابق ہے اور باقی ایک ڈائریکٹر کے لیے کمپنی 30 جون 2021 سے پہلے ڈائریکٹر ٹریننگ پروگرام میں شرکت یقینی بنائے گی۔

## 8۔ شیئرز کی تجارت

سال کے دوران ڈائریکٹرز، سی ای او، سی ایف او، کمپنی کے سیکرٹری، ان کے ازواج اور چھوٹے بچوں کی جانب سے کمپنی کے حصص میں کوئی لین دین نہیں ہوا۔

## 9۔ متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں سے لین دین کے معاملے نوٹ 38 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 گیارہ بورڈ کے اجلاس منعقد ہوئے جن میں ہر ڈائریکٹر کی شمولیت کی تفصیل مندرجہ ذیل ہے؛

ڈائریکٹر کے نام تان۔ ایگزیکٹو ڈائریکٹرز	بورڈ آف ڈائریکٹرز کے اجلاس حاضری	آڈٹ کمیٹی کے اجلاس حاضری	ہیومن ریسورس اور معاوضہ کی کمیٹی حاضری
جناب عزیز سرفراز خان	6	4	1
بیگم ملی سرفراز	4	--	--
محترمہ زرین سرفراز	3	4	--
محترمہ نجمہ سرفراز	5	4	--
ایگزیکٹو ڈائریکٹرز			
جناب عباس سرفراز خان	5	--	--
جناب اسکندر محمد خان	6	--	1
جناب عبدالقادر فتحک	3	--	--
آزاد ڈائریکٹرز			
محترمہ سمیرہ راشد	6	4	1

جو ڈائریکٹر بورڈ میٹنگ 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 کرتا ہے۔

## 12۔ ڈویڈنڈ کی ادائیگی

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

## 13۔ آڈیٹرز

موجودہ آڈیٹرز میسرز سائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، لاہور، سالانہ اجلاس عام تک ریٹائرڈ ہو جائیں 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 2020 مالی سال کے اختتام تک مقرر کرنے کی گزارش کی ہے۔

## 14۔ آڈیٹرز کے مشاہدات کا جواب

### نوٹ 15.4(a)

کمپنی باقاعدہ طور پر اپنے آپ کو پیش کرتی ہے SECP کی جانب سے معزز لاہور ہائر کورٹ اڑکیے 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 دوران کمپنی کو 10 ملین کی خطیر رقم مقصود وصول ہوئی۔ بعد ازاں اس کے، رقم کی صحیح معلومات کے لیے ایک خط جاری کیا گیا ہے کہ بینک کی جانب سے آڈیٹر کو، اور آڈیٹر ان کو جواب دینے کا مجاز ہے۔

## 15۔ ضابطہ برائے کاروباری نظم و نسق

کمپنی کوڈ آف کارپوریٹ گورننس کے ضابطے جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2017 اور 2019 میں دیئے گئے ہیں اور 30 ستمبر 2019 کو 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: 02 جنوری، 2020

# 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 2019-20 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 17.01.2020 to 27.01.2020.

### 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

9/30/2019

2.2 No. of Shareholders	SHAREHOLDINGS		TOTAL SHARES HELD
	FROM	TO	
519	1	100	19,610
419	101	500	100,835
153	501	1000	109,746
172	1001	5000	348,564
23	5001	10000	162,417
8	10001	20000	111,257
9	20001	50000	247,030
1	50001	150000	97,000
1	150001	310000	307,370
1	310001	400000	400,000
0	400001	600000	-
2	600001	1125000	1,846,171
<b>1308</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	2,271,037	60.56
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	7,030	0.19
2.3.5	Insurance Companies	-	-
2.3.6	Modarba and Mutual Funds	-	-
2.3.7	Shareholder holdings 10%	2,246,171	59.90
2.3.8	General Public		
	Local	1,036,635	27.64
	Foreign		-
2.3.9	Others (to be Specified)		
	(Public Sector Companies & Corporations)	35,298	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>8</b>		<b>2,232,946</b>	
Mr. Aziz Sarfaraz Khan		1,080,620		28.82
Begum Laila Sarfaraz		307,370		8.20
Mr. Abbas Sarfaraz Khan		765,551		20.41
Ms. Zarmine Sarfaraz		22,925		0.61
Ms. Najda Sarfaraz		22,274		0.59
Mr. Iskander M. Khan		500		0.01
Mr. Abdul Qadar Khattak		33,705		0.90
Ms. Samyra Rashid		1		0.00
<b><u>Shares held by Relatives</u></b>	<b>2</b>	-	<b>38,084</b>	-
Baber Ali Khan		37,584		1.00
Mahnaz Saigol		500		0.01
<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>7,030</b>	
Trustee National Bank of Pakistan		6,716		0.18
Trustee National Bank of Pakistan		236		0.01
National Bank of Pakistan		41		0.00
United Bank Limited		37		0.00
<b><u>Public Sector Companies and Corporation</u></b>	<b>15</b>		<b>35,298</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
Mohammad Ahmed Nadeem Securities (SMC-Pvt) Limited		520		0.01
Investment Corporation of Pakistan		116		0.00
<b><u>Shares held by General Public</u></b>				
Held by General Public	<b>1277</b>		<b>1,036,635</b>	27.64
	<b>1308</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		765,551		20.41
M/s. Arpak International Investments Limited		400,000		10.67
		<b>2,246,171</b>		<b>59.90</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>	
-	-	-	-	

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**STATEMENT OF COMPLIANCE WITH REPEALED LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 AND LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

Name of Company: The Premier Sugar Mills & Distillery Company Limited (the Company)

Year ended: September 30, 2019

The Company has complied with the requirements of the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'Regulations') in the following manner:

1. The total numbers of Directors are eight as per the following:
  - a) Male: 4
  - b) Female: 4
2. The composition of the Board of Directors (the Board) is as follows:

Category	Names
<b>Independent Director</b>	Ms. Samyra Rashid
<b>Non-executive Director</b>	Mr. Aziz Sarfaraz Khan
<b>Executive Directors</b>	Mr. Abbas Sarfaraz Khan Mr. Iskander M. Khan Mr. Abdul Qadar Khattak
<b>Female Directors</b>	Begum Laila Sarfaraz ( <b>Non-executive Director</b> ) Ms. Samyra Rashid ( <b>Independent Director</b> ) Ms. Zarmine Sarfaraz ( <b>Non-executive Director</b> ) Ms. Najda Sarfaraz ( <b>Non-executive Director</b> )

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) Ms. Samyra Rashid      | <b>Chairperson</b> |
| b) Mr. Aziz Sarfaraz Khan | <b>Member</b>      |
| c) Ms. Zarmine Sarfaraz   | <b>Member</b>      |
| d) Ms. Najda Sarfaraz     | <b>Member</b>      |

**Human Resource and Remuneration Committee**

- |                           |                    |
|---------------------------|--------------------|
| a) Ms. Samyra Rashid      | <b>Chairperson</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>Yearly</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.
19. We confirm that all the requirements of repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 have been complied with.

**Mardan:**  
January 02, 2020



**(AZIZ SARFARAZ KHAN)**  
CHAIRMAN

**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 the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred to as 'Regulations'), prepared by the Board of Directors of **THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED** (the Company) for the year ended September 30, 2019 in accordance with the requirements of Regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

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

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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried-out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were

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, 2019.



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

Engagement Partner: Nafees ud din

**LAHORE;**  
January 03, 2020

**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, 2019, 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, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Qualified Opinion**

Provision against deposits with a non-banking finance company amounting Rs.29 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 26.3 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.79.115 million. Our report is not qualified 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
1.	<p><b>First time adoption of IFRS 9 'Financial Instruments'</b></p> <p>As referred to in note 3.1(a) to the financial statements, the Company has adopted IFRS 9 with effect from October 01, 2018. It was applicable for the first time for the preparation of the Company's annual financial statements for the year ended September 30, 2019.</p> <p>As disclosed in note 36, the Company has significant amounts of financial assets and liabilities. These instruments are subject to different initial recognition, subsequent measurement and disclosure requirements based on their respective categorisation.</p> <p>Adoption of IFRS 9 required significant audit attention as this involved assessment of the appropriate classification of the financial instruments into their respective categories based on their underlying characteristics and business model of the Company as well as compliance of the transition and disclosure requirements.</p>	<ul style="list-style-type: none"> <li>- Identified the Company's financial instruments from its financial statements and obtained management's assessment of their classification into relevant category of IFRS 9.</li> <li>- Assessed the purpose of acquiring the financial assets to ascertain their business model to ensure their appropriate classification.</li> <li>- Considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</li> </ul>
2.	<p><b>IFRS 15 'Revenue from Contracts with Customers'</b></p> <p>IFRS 15 is effective for the first time during the current year and it has changed the revenue recognition criteria. IFRS 15 introduces a single five steps model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers.</p> <p>Under IFRS 15 revenue from sale of goods is recognised when the Company satisfies its performance obligation by transferring the promised goods to customer under the contract with customer.</p>	<ul style="list-style-type: none"> <li>- Discussed with the management changes made in the revenue recognition criteria to comply with the requirements of new IFRS.</li> <li>- Obtained relevant underlying supporting documents to ensure that the management has complied with the revenue recognition criteria as introduced by IFRS 15.</li> <li>- Reviewed a sample of contractual arrangements entered into by the Company with its customers.</li> </ul>

	<p>We considered this as key audit matter due to the significant amounts involved and significant judgments made by management in respect of this matter.</p> <p><b>3. Property, plant and equipment</b></p> <p>The Company's property, plant and equipment represent 75% (2018: 66%) of its total non-current assets; further, these represent 49% (2018: 42%) 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>	<ul style="list-style-type: none"> <li>- Assessed the appropriateness of the related disclosures made by the management in the Company's financial statements.</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>
<b>S.No.</b>	<b>Key audit matters</b>	<b>How the matter was addressed in our</b>
	<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>	<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</li> <li>- production analysis at the various 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><b>4. Contingencies</b></p> <p>The Company is subject to litigations involving different Courts, which require management to make assessment and judgment with respect to likelihood and impact of such litigations.</p> <p>Management has engaged independent legal counsel on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgments required to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessments are disclosed in note 26 to the financial statements.</p>	<ul style="list-style-type: none"> <li>- In response to this matter, our audit procedures included:</li> <li>- Discussed legal cases with the legal department to understand the management's view point and obtained and reviewed the litigation documents in order to assess the facts and circumstances.</li> <li>- Obtained independent opinion of legal advisors dealing with such cases in the form of confirmations.</li> <li>- Evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets.</li> <li>- The 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 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 internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.,  
CHARTERED ACCOUNTANTS**

**LAHORE;**

January 03, 2020

# THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

		2019	2018
	Note	Rupees in thousand	
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	5	942,937	921,214
Investment property	6	26,647	27,607
Long term investments	7	170,006	170,006
Long term loan to Subsidiary Company	8	124,239	279,500
Security deposits		1,263	1,258
		<b>1,265,092</b>	<b>1,399,585</b>
<b>Current Assets</b>			
Stores and spares	9	110,873	108,029
Stock-in-trade	10	420,358	371,602
Trade debts		0	178,054
Advances	11	6,842	14,423
Trade deposits and short term prepayments	12	1,347	7,058
Accrued profit on bank deposits		123	69
Other receivables	13	10,546	9,429
Advance sales tax		0	25,000
Sales tax refundable		0	11,187
Income tax refundable, advance tax and tax deducted at source	14	6,099	14,080
Current portion of long term loan to Subsidiary Company	8	49,695	0
Bank balances	15	53,274	51,720
		<b>659,157</b>	<b>790,651</b>
<b>TOTAL ASSETS</b>		<b>1,924,249</b>	<b>2,190,236</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised capital			
5,750,000 (2018: 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	519,562	565,596
General revenue reserve		900,000	900,000
Accumulated loss		(463,599)	(510,281)
<b>Shareholders' Equity</b>		<b>993,464</b>	<b>992,816</b>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Liabilities against assets subject to finance lease	18	2,283	3,009
Staff retirement benefits - gratuity	19	15,139	14,135
Deferred taxation	20	14,352	0
		<b>31,774</b>	<b>17,144</b>
<b>Current Liabilities</b>			
Trade and other payables	21	185,447	114,237
Unclaimed dividends		7,636	7,674
Accrued mark-up	22	31,645	22,300
Short term borrowings	23	653,000	945,384
Current portion of:			
- long term finances	24	0	66,666
- liabilities against assets subject to finance lease	18	1,980	2,329
Taxation	25	19,303	21,686
		<b>899,011</b>	<b>1,180,276</b>
<b>Total Liabilities</b>		<b>930,785</b>	<b>1,197,420</b>
<b>Contingencies and commitments</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,924,249</b>	<b>2,190,236</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, 2019**

	Note	2019 Rupees in thousand	2018
Sales - Net	27	1,072,460	1,262,508
Cost of Sales	28	931,724	1,329,872
Gross Profit / (Loss)		140,736	(67,364)
Distribution Cost	29	7,928	12,548
Administrative Expenses	30	61,311	60,703
Other Expenses	31	5,048	3,879
		74,287	77,130
		66,449	(144,494)
Other Income	32	83,610	63,506
Profit / (Loss) from Operations		150,059	(80,988)
Finance Cost	33	119,189	85,525
Profit / (Loss) before Taxation		30,870	(166,513)
Taxation	34	30,686	29,222
Profit / (Loss) after Taxation		184	(195,735)
Other Comprehensive Income / (Loss)			
Item that will not be reclassified to profit or loss:			
Gain / (loss) on remeasurement of staff retirement benefit obligation - gratuity	19	654	(1,613)
Impact of tax		(190)	468
		464	(1,145)
Total Comprehensive Income / (Loss)		648	(196,880)
		----- Rupees -----	
Earnings / (Loss) per Share	35	0.05	(52.20)

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, 2019**

	2019	2018
	Rupees in thousand	
<b>Cash flows from operating activities</b>		
Profit / (loss) for the year - before taxation	30,870	(166,513)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	85,578	94,981
Depreciation on investment property	960	1,047
Mark-up on loan to Subsidiary Company and profit on bank deposits	(31,849)	(23,066)
Staff retirement benefits-gratuity (net)	1,709	(1,024)
Unclaimed payable balances written-back	(1,230)	(72)
Gain on disposal of vehicles	0	(478)
Uncollectible receivable balances written-off	188	526
Dividends	(20,627)	(20,627)
Finance cost	117,082	83,240
<b>Profit / (loss) before working capital changes</b>	182,681	(31,986)
<b>Effect on cash flows due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spares	(2,844)	(3,018)
Stock-in-trade	(48,756)	272,603
Trade debts	178,054	(175,993)
Advances	7,393	40,095
Trade deposits and short term prepayments	5,711	(5,197)
Other receivables	(1,117)	2,427
Sales tax refundable	11,187	(10,569)
Advance sales tax	25,000	32,000
Increase / (decrease) in trade and other payables	72,389	(121,316)
	247,017	31,032
<b>Cash generated from / (used in) operations</b>	429,698	(954)
Income tax paid	(10,926)	(12,916)
Security deposits	(5)	0
<b>Net cash generated from / (used in) operating activities</b>	418,767	(13,870)
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(107,301)	(4,058)
Sale proceeds of vehicles	0	2,673
Dividends received	20,627	20,627
Mark-up / profit received on loan to Subsidiary Company and bank deposits	31,795	23,022
<b>Net cash (used in) / generated from investing activities</b>	(54,879)	42,264
<b>Cash flows from financing activities</b>		
Long term finances repaid	(66,666)	(66,667)
Lease finances - net	(1,075)	(1,801)
Portion of long term loan to Subsidiary Company	105,566	0
Finance cost paid	(107,737)	(80,854)
Dividend paid	(38)	(32)
Short term borrowings - net	(292,384)	119,078
<b>Net cash used in financing activities</b>	(362,334)	(30,276)
<b>Net increase / (decrease) in cash and cash equivalents</b>	1,554	(1,882)
<b>Cash and cash equivalents - at beginning of the year</b>	51,720	53,602
<b>Cash and cash equivalents - at end of the year</b>	53,274	51,720

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, 2019**

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, 2017      37,500      1      607,776      900,000      (364,263)      1,181,014

Total comprehensive loss for the year ended September 30, 2018

- loss for the year	0	0	0	0	(195,735)	(195,735)
- other comprehensive loss	0	0	0	0	(1,145)	(1,145)
	0	0	0	0	(196,880)	(196,880)

Transfer from revaluation surplus on property, plant and equipment on account of incremental depreciation for the year (net of deferred taxation)

0      0      (50,862)      0      50,862      0

Resultant adjustment due to reduction in tax rate

0      0      8,682      0      0      8,682

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**

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, 2019**

**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.

**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 & 19.
- Estimation of provisions - note 4.12.
- Estimation of contingent liabilities - notes 4.13 & 26.
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 4.14, 4.20 & 25.

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 to published standards and interpretations that are effective in the current year**

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on October 01, 2018 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) IFRS 9 - Financial instruments**

IFRS 9 is applicable to accounting periods beginning on or after January 01, 2018. This standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after July 01, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The changes laid down by the new standard do not have any significant impact on these financial statements.

**(b) IFRS 15 - Revenue from contracts with customers**

IFRS 15 has been notified by SECP to be effective for annual periods beginning on or after July 01, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. This standard replaces IAS 18, "Revenue" and IAS 11, "Construction contracts" and related interpretations.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit / accumulated loss in the period of initial application. Comparative prior periods would not be adjusted. The application of IFRS 15 does not have any impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of accumulated loss in the period of initial application is nil.

**(c) IAS 40 - Investment property**

Transfers of investment property; amendments to IAS 40 are effective for annual periods beginning on or after January 01, 2018. The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The changes laid down by the new standard do not have any significant impact on these financial statements.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after October 01, 2019 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)** IFRS 16, 'Leases' is effective for accounting periods beginning on or after January 01, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the

combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of this standard on its financial statements.

- (b) 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.
- (c) 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 Company is yet to assess the full impact of this amendment on its financial statements.
- (d) IAS 23, 'Borrowing costs' is applicable to 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 are not likely to have material impact on the Company's financial statements.
- (e) IFRIC 23, 'Uncertainty over income tax treatments' is applicable to 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 Company is yet to assess the full impact of this interpretation on its financial statements.

#### **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, 2018 except for the change in the policies for financial assets' recognition and measurement and revenue recognition due to adoption of IFRS 9 and IFRS 15 respectively. The implications of these standards have insignificant impact on these financial statements of the Company.

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

### **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.

#### **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, 2019 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**

Effective October 01, 2018, the Company classifies its financial assets in the following measurement categories:

- i) Amortised cost where the effective interest rate method will apply;
- 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 will either be 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**

Effective October 01, 2018, 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**

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 43 to these financial statements.

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
Operating fixed assets	<b>5.1</b>	<b>837,371</b>	921,214
Capital work-in-progress			
- plant & machinery		<b>78,010</b>	0
- electric installation		<b>21,571</b>	0
- others		<b>5,985</b>	0
	<b>(a)</b>	<b>105,566</b>	0
		<b>942,937</b>	<b>921,214</b>

**(a)** These represent costs incurred for erection of distillery at Ramak, Dera Ismail Khan.

## 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	Leased		Total
	Leasehold	Freehold						Vehicles	Generator	
----- Rupees in thousand -----										
As at September 30, 2017										
Cost / revaluation	2,725	12,065	188,032	175,295	725,877	60,677	16,778	11,473	5,700	1,198,622
Accumulated depreciation	556	0	36,070	35,638	60,020	34,114	13,521	2,719	1,856	184,494
Book value	2,169	12,065	151,962	139,657	665,857	26,563	3,257	8,754	3,844	1,014,128
Year ended September 30, 2018:										
Additions	0	0	0	0	15	1,360	843	2,044	0	4,262
Disposals:										
- cost	0	0	0	0	0	0	(4,615)	0	0	(4,615)
- depreciation	0	0	0	0	0	0	2,420	0	0	2,420
Transfer from leased to owned										
- cost	0	0	0	0	5,700	0	2,752	(2,752)	(5,700)	0
- depreciation	0	0	0	0	(2,048)	0	(1,263)	1,263	2,048	0
Depreciation charge for the year	27	0	10,717	10,589	66,882	3,923	810	1,841	192	94,981
Book value as at September 30, 2018	2,142	12,065	141,245	129,068	602,642	24,000	2,584	7,468	0	921,214
Year ended September 30, 2019:										
Additions	0	0	0	0	0	176	0	1,559	0	1,735
Transfer from leased to owned										
- cost	0	0	0	0	0	0	1,693	(1,693)	0	0
- depreciation	0	0	0	0	0	0	(790)	790	0	0
Depreciation charge for the year	27	0	9,843	9,725	60,364	3,453	697	1,469	0	85,578
Book value as at September 30, 2019	2,115	12,065	131,402	119,343	542,278	20,723	2,790	6,655	0	837,371
As at September 30, 2018										
Cost / revaluation	2,725	12,065	188,032	175,295	731,592	62,037	15,758	10,765	0	1,198,269
Accumulated depreciation	583	0	46,787	46,227	128,950	38,037	13,174	3,297	0	277,055
Book value	2,142	12,065	141,245	129,068	602,642	24,000	2,584	7,468	0	921,214

## 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
		<u>11,645,494</u>	<u>807,188</u>

## 5.3 Depreciation for the year has been allocated as follows:

	2019	2018
	Rupees in thousand	
Cost of sales	80,595	89,324
Administrative expenses	4,983	5,657
	<u>85,578</u>	<u>94,981</u>

## 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:

- buildings on freehold land	16,284	17,062
- buildings on leasehold land	1,722	2,491
- plant & machinery	121,529	135,078
	<u>139,535</u>	<u>154,631</u>

## 5.5 Based on the revaluation report of Hamid Mukhtar & Co. (Pvt.) Ltd. dated October 16, 2017, the forced sale values of revalued fixed assets have been assessed as follows.

	Rupees in thousand
Buildings	230,601
Plant & machinery	532,000
	<u>762,601</u>

## 5.6 The Board of Directors, during the preceding year, has 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 and shifting work of distillery has been completed and erection work is under process.

- 5.7 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 and September 30, 2017 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million, Rs.76.240 million and Rs.5.328 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, 2017:			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	49,598	49,598
Book value	14,544	14,110	28,654
Year ended September 30, 2018:			
Depreciation charge	0	1,047	1,047
Book value	14,544	13,063	27,607
Year ended September 30, 2019:			
Depreciation charge	0	960	960
<b>Book value</b>	<b>14,544</b>	<b>12,103</b>	<b>26,647</b>
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
As at September 30, 2019			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	51,605	51,605
<b>Book value</b>	<b>14,544</b>	<b>12,103</b>	<b>26,647</b>
Depreciation rate (%)	0	5-10	

- 6.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2019 was Rs.260 million (2018: Rs.260 million).

**7. LONG TERM INVESTMENTS - in Related Parties**

<b>SUBSIDIARY COMPANIES</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Share-holding %</b>		<b>Rupees in thousand</b>	
<b>QUOTED:</b>				
<b>Chashma Sugar Mills Ltd.</b>				
13,751,000 (2018: 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.550.040 million (2018: Rs.673.799 million)				
- Value of investments based on net assets shown in the un-audited financial statements for the year ended September 30, 2019 Rs.3,026.045 million (2018: Rs.2,782.568 million)				
<b>UN-QUOTED:</b>				
<b>The Frontier Sugar Mills &amp; Distillery Ltd.</b>				
1,113,637 (2018: 1,113,637) ordinary shares of Rs.10 each	<b>82.49</b>	82.49	<b>26,509</b>	26,509
42,984 (2018: 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, 2019 Rs.146.766million (2018: Rs.154.181 million)				
			<b>27,106</b>	27,106
<b>ASSOCIATED COMPANIES</b>				
<b>QUOTED:</b>				
<b>Arpak International Investments Ltd. (AII)</b>				
229,900 (2018: 229,900) ordinary shares of Rs.10 each	<b>5.75</b>	5.75	<b>2,846</b>	2,846
Market value Rs.2.529 million (2018: Rs.4.136 million) <b>(note 7.2)</b>				

<b>SUBSIDIARY COMPANIES</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>UN-QUOTED:</b>	<b>Share-holding %</b>		<b>Rupees in thousand</b>	
<b>National Computers (Pvt.) Ltd. (NCPL)</b>				
14,450 (2018: 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 7.3</b> )			<b>0</b>	0
<b>Premier Board Mills Ltd.</b>				
47,002 (2018: 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, 2019 Rs.4.989 million (2018: Rs.4.418 million)				
<b>Azlak Enterprises (Pvt.) Ltd.</b>				
200,000 (2018: 200,000) ordinary shares of Rs.10 each	<b>40.00</b>	40.00	<b>2,000</b>	2,000
- Value of investments based on net assets shown in the un-audited financial statements for the year ended June 30, 2019 Rs.88.132 million (2018: Rs.78.496 million)				
			<b>170,006</b>	<b>170,006</b>

**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** The fall in the market value of investment is considered a temporary phenomenon as it has shown substantial increase subsequent to the reporting date.

**7.3** NCPL has no known assets and liabilities as at June 30, 2019 and June 30, 2018 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**

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 commencing February, 2020. 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 10.06% to

15.05% (2018: 7.51% to 9.26%) per annum. The loan is secured against a promissory note of Rs.374 million. The year-end balance has been arrived at as follows:

	Note	2019 Rupees in thousand	2018
Opening balance		279,500	279,500
Less: balance adjusted against costs incurred by CSM for erection of the Company's Distillery at Ramak		(105,566)	0
Balance as at September 30,		173,934	279,500
Less: current portion grouped under current assets		(49,695)	0
		<u>124,239</u>	<u>279,500</u>
<b>9. STORES AND SPARES</b>			
Stores		46,216	42,821
Spares		64,657	65,208
		<u>110,873</u>	<u>108,029</u>
<b>9.1</b>	Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.		
<b>10. STOCK-IN-TRADE</b>			
Sugar-in-process		3,003	2,117
Finished goods:			
- sugar		304,685	369,004
- molasses		112,670	481
		417,355	369,485
		<u>420,358</u>	<u>371,602</u>
<b>11. ADVANCES - Considered good</b>			
Suppliers and contractors		5,003	9,980
Employees		1,839	4,443
		<u>6,842</u>	<u>14,423</u>
<b>11.1</b>	No amount was due from key management personnel of the Company during the current and preceding years.		
<b>12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Excise duty deposit		136	136
Short term prepayments		1,211	6,922
		<u>1,347</u>	<u>7,058</u>

<b>13. OTHER RECEIVABLES</b>	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
Sugar export subsidy		<b>2,991</b>	2,991
Gas infrastructure development cess paid under protest - refundable	<b>26.3</b>	<b>3,018</b>	3,018
Due from related parties	<b>13.1</b>	<b>3,127</b>	1,984
Others		<b>1,410</b>	1,436
		<b>10,546</b>	<b>9,429</b>
<b>13.1 It represents due from following related parties:</b>			
Premier Board Mills Ltd. (lease rentals receivable)		<b>3,127</b>	1,972
The Frontier Sugar Mills & Distillery Ltd.		<b>0</b>	12
		<b>3,127</b>	<b>1,984</b>
<b>13.2 Maximum amounts due from related parties at any month-end during the year aggregated Rs.3.127 million (2018: Rs.6.868 million).</b>			
<b>14. INCOME TAX REFUNDABLE, TAX DEDUCTED AT SOURCE AND ADVANCE TAX</b>			
The movement in this account during the year was as follows:			
Opening balance		<b>14,080</b>	20,173
Add: taxes deducted at source during the year		<b>10,926</b>	12,916
Less: adjusted against completed assessments		<b>(18,907)</b>	(19,009)
Balance as at September 30,		<b>6,099</b>	<b>14,080</b>
<b>15. BANK BALANCES</b>			
Cash at banks on:			
- PLS accounts	<b>15.1</b>	<b>3,747</b>	4,366
- current accounts		<b>15,511</b>	13,095
- deposit accounts	<b>15.3</b>	<b>10,016</b>	10,014
- deposits with a non-banking finance company - unsecured	<b>15.4</b>	<b>29,000</b>	29,000
- dividend accounts		<b>0</b>	245
		<b>58,274</b>	<b>56,720</b>
Less: provision for doubtful bank balance	<b>15.5</b>	<b>5,000</b>	5,000
		<b>53,274</b>	<b>51,720</b>

- 15.1** These include Rs.299 thousand (2018: Rs.331 thousand) in security deposit account.
- 15.2** PLS and deposit accounts during the year carried profit / mark-up at the rates ranging from 3.75% to 15.05% (2018: 3.75% to 9.26%) per annum.
- 15.3** These include deposits amounting Rs.5 million (2018: 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 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</b>
	<b>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 year ended September 30, 2018	<b>(10,000)</b>
	<b>29,000</b>

- (b)** The realisability of these deposits is doubtful of recovery as these 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 has been decided by the LHC and LHC has appointed Joint Official Liquidator (JOL). The LHC, vide its order dated April 14, 2018 has 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, has been received by the Company during August, 2018. The management, for the release of further amount, anticipates that JOL will intimate in due course of time; no provision, therefore, for the remaining deposits aggregating Rs.29 million 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, has filed an appeal before the Peshawar High Court, which is pending adjudication. Full provision for the said doubtful amount exists in these financial statements.

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

2019 (No. of shares)		2018		2019 Rupees in thousand		2018	
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, 2019 and September 30, 2018.

**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 and September 30, 2014 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 and Rs.438.066 million respectively. These fixed assets were revalued by independent Valuers on the basis of depreciated market values.

- 17.2** The Company, during the financial year ended September 30, 2017, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [Hamid Mukhtar & Co. (Pvt.) Ltd. - Consulting Engineers, Surveyors and Valuation Consultants - 14-Q, Gulberg-2, Lahore] to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.166.651 million has been credited to statement of other comprehensive income to comply with the requirements of IAS 16. The year-end balance has been arrived at as follows:

	2019 Rupees in thousand	2018
Opening balance	796,614	868,251
Less: transferred to accumulated loss on account of incremental depreciation for the year	(64,837)	(71,637)
	<u>731,777</u>	<u>796,614</u>
Less: deferred tax on:		
- opening balance of surplus	231,018	260,475
- incremental depreciation for the year	(18,803)	(20,775)
	<u>212,215</u>	<u>239,700</u>
- resultant adjustment due to reduction in tax rate	0	(8,682)
	<u>519,562</u>	<u>565,596</u>
Closing balance		

#### 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2019			2018		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
Rupees in thousand						
Minimum lease payments	2,635	3,454	6,089	3,061	4,041	7,102
Less: finance cost allocated to future periods	490	300	790	403	314	717
	<u>2,145</u>	<u>3,154</u>	<u>5,299</u>	<u>2,658</u>	<u>3,727</u>	<u>6,385</u>
Less: security deposits adjustable on expiry of lease terms	165	871	1,036	329	718	1,047
Present value of minimum lease payments	<u>1,980</u>	<u>2,283</u>	<u>4,263</u>	<u>2,329</u>	<u>3,009</u>	<u>5,338</u>

- 18.1** 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 September, 2021. The Company intends to exercise its option to purchase the leased assets 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 9.97% to 15.73% (2018: 7.97% to 10.06%) per annum.

#### 19. 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:

Significant actuarial assumptions	2019	2018
- discount rate - per annum	12.50%	10.25%
- expected rate of growth per annum in future salaries	11.50%	9.25%
- mortality rates	SLIC	SLIC

	<b>2001-2005</b>	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>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Opening balance	<b>14,135</b>	12,126
Current service cost	<b>920</b>	737
Past service cost	<b>710</b>	267
Interest cost	<b>1,380</b>	909
Benefits payable to outgoing Members - grouped under current liabilities	<b>(50)</b>	(144)
Benefits paid	<b>(1,302)</b>	(1,373)
Remeasurements:		
-experience adjustments	<b>(706)</b>	1,563
-changes in financial assumptions	<b>52</b>	50
Closing balance	<b>15,139</b>	14,135
<b>Expense recognised in statement of profit or loss</b>		
Current service cost	<b>920</b>	737
Past service cost	<b>710</b>	267
Interest cost	<b>1,380</b>	909
Charge for the year	<b>3,010</b>	1,913
<b>Remeasurement recognised in statement of other comprehensive income</b>		
Experience adjustments	<b>(654)</b>	1,613

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>----- Rupees in thousand -----</b>				
Present value of defined benefit obligation	<b>15,139</b>	14,135	12,126	14,148	13,764
Experience adjustment on obligation	<b>(654)</b>	1,613	(17)	(783)	291

**Year-end Sensitivity Analysis:****Impact on defined benefit obligation**

	Change in assumption	Rupees in thousand	
		Increase	Decrease
Discount rate	1%	<u>14,042</u>	<u>16,367</u>
Salary growth rate	1%	<u>16,380</u>	<u>14,012</u>

**19.1** The expected contribution to defined benefit obligation for the year ending September 30, 2020 is Rs.2.844 million.

**20. DEFERRED TAXATION**

**2019**      **2018**

This is comprised of the following:	Note	Rupees in thousand	
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		9,841	12,559
- surplus on revaluation of property, plant and equipment		212,215	231,018
- lease finances		394	314
		<u>222,450</u>	<u>243,891</u>
Deductible temporary differences arising in respect of:			
- available unused tax losses		(153,041)	(176,552)
- staff retirement benefits - gratuity		(4,390)	(4,099)
- provision for doubtful bank balance		(1,450)	(1,450)
- minimum tax recoverable against normal tax charge in future years		(49,217)	(61,790)
		<u>(208,098)</u>	<u>(243,891)</u>
		<u>14,352</u>	<u>0</u>

**21. TRADE AND OTHER PAYABLES**

Due to related parties	21.1	107,157	78,875
Creditors		20,547	14,747
Bills payable		3,171	2,782
Accrued expenses		6,138	7,996
Due to employees		5,467	5,018
Deposits from contractors and others	21.2	1,155	1,427
Advances from customers - contract liabilities		12,105	0
Income tax deducted at source		333	64
Sales tax payable		24,007	14
Workers' (profit) participation fund - allocation for the year		1,625	0

	Note	2019 Rupees in thousand	2018
Gratuity payable to ex-employees		3,304	3,253
Employees' provident fund payable		357	0
Others		81	61
		<b>185,447</b>	<b>114,237</b>
<b>21.1 It represents due to the following related parties:</b>			
Chashma Sugar Mills Ltd.		107,157	74,135
Syntronics Ltd.		0	4,740
		<b>107,157</b>	<b>78,875</b>
<b>21.2</b> These include Rs.299 thousand (2018: Rs.331 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.			
<b>22. ACCRUED MARK-UP</b>			
Mark-up accrued on:			
- long term finances		0	1,931
- short term borrowings		31,645	20,369
		<b>31,645</b>	<b>22,300</b>
<b>23. SHORT TERM BORROWINGS</b>			
Secured	23.1	653,000	944,000
Un-secured - temporary bank overdraft		0	1,384
		<b>653,000</b>	<b>945,384</b>
<b>23.1</b> Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.1,500 million (2018: Rs.1,250 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. These facilities, during the year, carried mark-up at the rates ranging from 9.19% to 13.97% (2018: 7.15% to 7.93%) per annum and are expiring on various dates by March 31, 2020.			
<b>23.2</b> Facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2018: Rs.125 million). Out of the available facilities, facilities aggregating Rs.105 million (2018: 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>24. CURRENT PORTION OF LONG TERM FINANCES - Secured</b>			
Soneri Bank Limited (SBL), during September, 2014, against a term finance facility disbursed Rs.200 million. The finance facility carried mark-up at the rate of 6 months KIBOR + 1%; effective mark-up rate charged by SBL during the year ranged from 8.04% to 14.13% (2018: 7.15% to 8.04%) per annum. The finance facility was secured against first pari passu charge of Rs.267 million over plant and machinery of the Company and was repayable in six equal half-yearly instalments of Rs.33.333 million commenced from March, 2017.			

	Note	2019 Rupees in thousand	2018
<b>25. TAXATION - Net</b>			
Opening balance		21,686	20,623
Add: provision made / (written-back) during the year:			
- current		19,302	21,685
- prior year		(2,778)	(1,613)
		16,524	20,072
		38,210	40,695
Less: payments / adjustments made against completed assessments		18,907	19,009
		19,303	21,686

**25.1** The returns for the Tax Years 2010 to 2019 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.

**25.2** No numeric tax rate reconciliation is presented in these financial statements as the Company during the current year 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.

**25.3** 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.

## **26. CONTINGENCIES AND COMMITMENTS**

**26.1** No commitments were outstanding as at September 30, 2019 and September 30, 2018.

**26.2** 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.

**26.3** The Company's petition filed before the Supreme Court of Pakistan (SCP) against imposition of Gas Infrastructure Development Cess (GIDC) is still pending adjudication. Sui Northern Gas Pipelines Ltd., along with gas bill for the month of September, 2019, has raised GIDC demands aggregating Rs.79.115 million, which are payable in case of an adverse judgment by the SCP. No provision for these GIDC demands has been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

**26.4** 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

- 26.5** 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.
- 26.6** 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.
- 26.7** 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.
- 26.8** 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.
- 26.9** Guarantees given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at September 30, 2019 were for Rs.20 million (2018: Rs.20 million). These guarantees are valid upto November 30, 2019.

<b>27. SALES - Net</b>		<b>2019</b>	<b>2018</b>
	<b>Note</b>	<b>Rupees in thousand</b>	
Local turnover		<b>1,190,271</b>	1,396,955
Less: sales tax		<b>117,811</b>	134,447
		<b>1,072,460</b>	1,262,508
<b>28. COST OF SALES</b>			
Raw materials consumed		<b>661,088</b>	734,366
Chemicals and stores consumed		<b>15,701</b>	20,110
Salaries, wages and benefits	<b>28.1</b>	<b>144,857</b>	152,626
Power and fuel		<b>36,277</b>	17,157
Insurance		<b>3,178</b>	3,408
Repair and maintenance		<b>38,784</b>	40,278
Depreciation	<b>5.3</b>	<b>80,595</b>	89,324
		<b>980,480</b>	1,057,269

		2019	2018
	Note	Rupees in thousand	
Adjustment of sugar-in-process:			
Opening		2,117	3,370
Closing	10	(3,003)	(2,117)
		(886)	1,253
Cost of goods manufactured		979,594	1,058,522
Adjustment of finished goods:			
Opening stock		369,485	640,835
Closing stock	10	(417,355)	(369,485)
		(47,870)	271,350
		931,724	1,329,872
<b>28.1</b> These include Rs.1.625 million (2018: Rs.1.576 million) and Rs. 2.317 million (2018: Rs.1.473 million) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.			
<b>29. DISTRIBUTION COST</b>			
Commission		1,280	1,439
Salaries, wages and amenities		1,224	873
Stacking and loading		3,279	3,947
Freight and packing charges for delivering sugar in small packets to a customer		1,167	4,601
Others		978	1,688
		7,928	12,548
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries and amenities	30.1	34,689	32,181
Travelling, vehicles' running and maintenance		2,461	2,650
Utilities		1,373	749
Directors' travelling		15	86
Rent, rates and taxes		2,504	2,666
Insurance		903	611
Repair and maintenance		2,833	5,391
Printing and stationery		1,695	2,124
Communication		1,541	1,359
Legal and professional charges (other than Auditors)		3,326	1,848
Subscription		669	1,229
Auditors' remuneration	30.2	1,576	1,433
Depreciation on:			
- operating fixed assets	5.3	4,983	5,657
- investment property	6	960	1,047
General office expenses		1,783	1,672
		61,311	60,703

**30.1** These include Rs.0.795 million (2018: Rs.0.786 million) and Rs.0.693 million (2018: Rs.0.440 million) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

<b>30.2 Auditors' remuneration</b>	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
<b>Statutory Auditors</b> (ShineWing Hameed Chaudhri & Co):			
- statutory audit fee		<b>721</b>	668
- half yearly review fee		<b>140</b>	133
- consultancy and certification charges		<b>655</b>	572
- out-of-pocket expenses		<b>60</b>	60
		<b>1,576</b>	1,433
<b>31. OTHER EXPENSES</b>			
Uncollectible receivable balances written-off		<b>188</b>	526
Prior year's sales tax on account of inadmissible input tax adjustment claimed		<b>0</b>	906
Sales tax paid under section 48 of the Sales Tax Act, 1990		<b>500</b>	0
Workers' (profit) participation fund		<b>1,625</b>	0
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>2,735</b>	2,447
		<b>5,048</b>	3,879
<b>32. OTHER INCOME</b>			
<b>Income from financial assets:</b>			
Mark-up on loan to Subsidiary Company		<b>30,140</b>	22,363
Mark-up / interest / profit on bank deposits / saving accounts and certificates		<b>1,709</b>	703
Dividends		<b>20,627</b>	20,627
<b>Income from other than financial assets:</b>			
Gain on disposal of vehicles		<b>0</b>	478
Rent	<b>32.1</b>	<b>26,521</b>	16,621
Sale of scrap		<b>12</b>	57
Unclaimed payable balances written-back		<b>1,230</b>	72
Sale of agricultural produce - net of expenses aggregating Rs. 4.004 million (2018: Rs.3.481 million)		<b>1,595</b>	520
Miscellaneous - net of sales tax amounting Rs.355 thousand (2018: Rs.392 thousand)		<b>1,776</b>	2,065
		<b>83,610</b>	63,506

- 32.1 (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 addendum lease agreement entered into between the Company and PBM on July 01, 2015, the lease has commenced from July 01, 2015 and will end on June 30, 2020. PBM is paying to the Company the sum of Rs.2.310 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.

**33. FINANCE COST**

	<b>Note</b>	<b>2019</b> <b>Rupees in thousand</b>	<b>2018</b>
Mark-up on:			
- long term finances		<b>5,139</b>	8,422
- short term borrowings		<b>111,943</b>	74,818
Lease finance charges		<b>513</b>	528
Bank charges		<b>1,594</b>	1,757
		<b>119,189</b>	<b>85,525</b>

**34. TAXATION**

**Current**

- for the year	<b>25</b>	<b>19,302</b>	21,685
- for prior years	<b>25</b>	<b>(2,778)</b>	(1,613)
		<b>16,524</b>	20,072

**Deferred:**

- on account of temporary differences	<b>20</b>	<b>14,162</b>	468
- resultant adjustment due to reduction in tax rate	<b>17</b>	<b>0</b>	8,682
		<b>14,162</b>	9,150
		<b>30,686</b>	<b>29,222</b>

<b>35. EARNINGS / (LOSS) PER SHARE</b>	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
Profit / (loss) after taxation attributable to ordinary shareholders		<u><b>184</b></u>	<u><b>(195,735)</b></u>
Weighted average number of shares outstanding during the year		<u><b>3,750,000</b></u>	<u><b>3,750,000</b></u>
		<b>----- Rupees -----</b>	
Earnings / (loss) per share		<u><b>0.05</b></u>	<u><b>(52.20)</b></u>

**35.1** Diluted earnings/ (loss) per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2019 and September 30, 2018, which would have any effect on the earnings / (loss) per share of the Company if the option to convert is exercised.

### **36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

#### **Financial instruments by category**

##### **Financial assets**

##### **At amortised cost**

Security deposits	<b>1,263</b>	1,258
Trade debts	<b>0</b>	178,054
Trade deposits	<b>136</b>	136
Accrued profit on bank deposits	<b>123</b>	69
Other receivables	<b>10,546</b>	9,429
Bank balances	<b>53,274</b>	51,720
	<u><b>65,342</b></u>	<u>240,666</u>

##### **Financial liabilities**

##### **At amortised cost**

Long term finances	<b>0</b>	66,666
Liabilities against assets subject to finance lease	<b>4,263</b>	5,338
Trade and other payables	<b>147,377</b>	114,159
Unclaimed dividends	<b>7,636</b>	7,674
Accrued mark-up	<b>31,645</b>	22,300
Short term borrowings	<b>653,000</b>	945,384
	<u><b>843,921</b></u>	<u>1,161,521</u>

#### **36.1 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.

### 36.2 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, 2019 and September 30, 2018 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:

	2019 ----- Effective rates -----	2018	2019 Carrying amount	2018 Rupees in thousand
<b>Fixed rate instruments</b>				
Deposits with a non-banking finance company	5%	5%	<u>29,000</u>	29,000
Bank balances	3.75% to 15.05%	3.75% to 9.26%	<u>13,763</u>	14,380
<b>Variable rate instruments</b>				
Long term loan to Subsidiary Company	10.06% to 15.05%	7.51% to 9.26%	<u>173,934</u>	279,500
Long term finances	8.04% to 14.13%	7.15% to 8.04%	<u>0</u>	66,666
Liabilities against assets subject to finance lease	9.97% to 15.73%	7.97% to 10.06%	<u>4,263</u>	5,338
Short term borrowings	9.19% to 13.97%	7.15% to 7.93%	<u>653,000</u>	944,000

#### 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, 2019, 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.4.833 million mainly as a result of higher interest expense on variable rate financial liabilities; (2018: loss before taxation for the year would have been

higher by Rs.7.365 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.

**36.3 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, 2019 along with comparative is tabulated below:

	2019	2018
	Rupees in thousand	
Security deposits	1,263	1,258
Trade debts	0	178,054
Trade deposits	136	136
Accrued profit on bank deposits	123	69
Other receivables	10,546	9,429
Deposits with a non-banking finance company	29,000	29,000
Bank balances	24,274	22,720
	<b>65,342</b>	<b>240,666</b>

- The management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-banking finance company as detailed in note 15.4.
- All the trade debts at September 30, 2018 represented domestic parties.

The ageing of trade debts at September 30, 2018 was as follows:

	2019	2018
	Rupees in thousand	
Not past due	0	45,233
Past due 30 days	0	15,487
Past due 60 days	0	117,334
	<u>0</u>	<u>178,054</u>

### 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 -----

#### 2019

Lease finances	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
	<u>843,921</u>	<u>861,778</u>	<u>859,195</u>	<u>2,583</u>

#### 2018

Long term finances	66,666	70,676	70,676	0
Lease finances	5,338	6,055	2,732	3,323
Trade and other payables	114,159	114,159	114,159	0
Unclaimed dividends	7,674	7,674	7,674	0
Accrued mark-up	22,300	22,300	22,300	0
Short term borrowings	945,384	961,137	961,137	0
	<u>1,161,521</u>	<u>1,182,001</u>	<u>1,178,678</u>	<u>3,323</u>

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.

### 37. 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 liabilities against assets subject to finance lease less bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The gearing ratio as at September 30, 2019 and September 30, 2018 is as follows:

	2019	2018
	Rupees in thousand	
Total debt	657,263	1,017,388
Bank balances	(53,274)	(51,720)
Net debt	603,989	965,668
Share capital	37,500	37,500
Share redemption reserve	1	1
Revaluation surplus on property, plant and equipment	519,562	565,596
General revenue reserve	900,000	900,000
Accumulated loss	(463,599)	(510,281)
<b>Equity</b>	<b>993,464</b>	<b>992,816</b>
<b>Capital</b>	<b>1,597,453</b>	<b>1,958,484</b>
<b>Gearing ratio (Net debt / (Net debt + Equity))</b>	<b>37.81%</b>	<b>49.31%</b>

### 38. TRANSACTIONS WITH RELATED PARTIES

- 38.1 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 and Associated Companies during the year were as follows:

i) <b>Subsidiary Companies</b>		2019	2018
	Note	Rupees in thousand	
<b>Chashma Sugar Mills Ltd.</b>			
- purchase of store items and bagasse		11,910	1,732
- sale of store items		4,390	55
- sale of molasses		22,617	114,784
- dividend received		20,627	20,627
- mark-up earned on long term loan		30,140	22,363
- salaries shared		14,709	14,803
- receivable balance of long term loan adjusted		105,566	0
- rental income		19,800	9,900
<b>The Frontier Sugar Mills &amp; Distillery Ltd.</b>			
- sale of store items		0	12
ii) <b>Associated Companies</b>			
- purchase of goods		15,269	15,159
- rental income		6,710	6,710
iii) <b>Key management personnel</b>			
- salaries and other benefits		16,360	15,768
- contribution towards provident fund		970	938

**38.2** 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:

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

### **38.3 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.

**39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Particulars	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	----- Rupees in thousand -----					
Managerial remuneration	<b>1,200</b>	1,200	<b>8,507</b>	9,235	<b>6,653</b>	5,288
Contribution to provident fund	<b>0</b>	0	<b>451</b>	451	<b>518</b>	487
Medical expenses reimbursed	<b>0</b>	0	<b>34</b>	45	<b>0</b>	0
	<b>1,200</b>	1,200	<b>8,992</b>	9,731	<b>7,171</b>	5,775
Number of persons	<b>1</b>	1	<b>2</b>	2	<b>2</b>	2

**39.1** 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.

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

**40. CAPACITY AND PRODUCTION****2019**

2018

**SUGAR CANE PLANT**

Rated crushing capacity per day	M.Tonnes	<b>3,810</b>	3,810
Cane crushed	M.Tonnes	<b>154,414</b>	204,775
Sugar produced	M.Tonnes	<b>16,768</b>	22,708
Days worked	Nos.	<b>137</b>	126
Sugar recovery	%	<b>10.90</b>	11.12

**SUGAR BEET PLANT**

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

**DISTILLERY**

Rated capacity per day	Gallons	<b>10,000</b>	10,000
------------------------	---------	---------------	--------

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

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

- The operations of distillery were closed during the financial year ended September 30, 2015 due to low prices of ethanol.

#### 41. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities					
	Long term finances	Lease finances	Short term borrowings	Accrued mark-up	Dividend	Total
	----- Rupees in thousand -----					
Balance as at October 01, 2017	133,333	7,139	826,306	19,914	7,706	994,398
<b>Changes from financing activities</b>						
Finances repaid	(66,667)	(3,591)	0	0	0	(70,258)
Lease finances obtained	0	1,790	0	0	0	1,790
Finances obtained - net	0	0	119,078	0	0	119,078
Mark-up accrued	0	0	0	83,240	0	83,240
Mark-up paid	0	0	0	(80,854)	0	(80,854)
Dividend paid	0	0	0	0	(32)	(32)
	(66,667)	(1,801)	119,078	2,386	(32)	52,964
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	<b>0</b>	<b>4,263</b>	<b>653,000</b>	<b>31,645</b>	<b>7,636</b>	<b>696,544</b>

#### 42. 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, 2018 and un-audited financial statements of the provident fund for the year ended September 30, 2019:

	2019 Rupees in thousand	2018
Size of the fund - total assets	<b>41,766</b>	42,986
Cost of investments made	<b>41,173</b>	42,661
Percentage of investments made	<b>98.58%</b>	99.24%
Fair value of investments made	<b>41,173</b>	42,661

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

	2019 ----- % -----	2018	2019 Rupees in thousand	2018
Term deposit receipts (TDRs)	<b>89.86%</b>	96.11%	<b>37,000</b>	41,000
Saving account in a scheduled bank	<b>10.14%</b>	3.89%	<b>4,173</b>	1,661
	<b>100.00%</b>	100.00%	<b>41,173</b>	42,661

**42.2** 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.

**43. OPERATING SEGMENT**

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

**43.1** Sugar sales represent 97% (2018: 92%) of the total gross sales of the Company.

**43.2** All sales have been made to customers in Pakistan.

**43.3** All non-current assets of the Company as at September 30, 2019 are located in Pakistan.

**43.4** One customer (2018: Two customers) of the Company contributed towards 88.99% (2018: 98.42%) of the gross sugar sales during the year aggregating Rs.1,033 million (2018: Rs.1,262 million).

**44. NUMBER OF EMPLOYEES**

	2019	2018
	----- Numbers -----	
Number of persons employed as at September 30,		
- permanent	472	453
- contractual	123	120
	<u>595</u>	<u>573</u>
Average number of employees during the year		
- permanent	482	469
- contractual	198	195
	<u>680</u>	<u>664</u>

**45. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on January 02, 2020 by the board of directors of the Company.

**46. 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**

# **2019**

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

---

# 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, 2019, 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, 2019, 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.58 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 its 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 statements 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 to these consolidated financial statements; and
- (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 29.3 to the consolidated financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.79.115 million. Our report is not qualified 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>First time adoption of IFRS 9 'Financial Instruments'</b></p> <p>As referred to in note 4.1(a) to the consolidated financial statements, the Group has adopted IFRS 9 with effect from October 01, 2018. It was applicable for the first time for the preparation of the Group's annual consolidated financial statements for the year ended September 30, 2019.</p> <p>As disclosed in note 40, the Group has significant amounts of financial assets and liabilities. These instruments are subject to different initial recognition, subsequent measurement and disclosure requirements based on their respective categorisation.</p> <p>Adoption of IFRS 9 required significant audit attention as this involved assessment of the appropriate classification of the financial instruments into their respective categories based on their underlying characteristics and business model of the Group as well as compliance of the transition and disclosure requirements.</p>	<ul style="list-style-type: none"> <li>- Identified the Group's financial instruments from its consolidated financial statements and obtained management's assessment of their classification into relevant category of IFRS 9.</li> <li>- Assessed the purpose of acquiring the financial assets to ascertain their business model to ensure their appropriate classification.</li> <li>- Considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</li> </ul>
2.	<p><b>IFRS 15 'Revenue from Contracts with Customers'</b></p> <p>IFRS 15 is effective for the first time during the current year and it has changed the revenue recognition criteria. IFRS 15 introduces a single five steps model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers.</p> <p>Under IFRS 15 revenue from sale of goods is recognised when the Group satisfies its performance obligation by transferring the promised goods to customer under the contract with customer.</p> <p>We considered this as key audit matter due to the significant amounts involved and significant judgments made by management in respect of this matter.</p>	<ul style="list-style-type: none"> <li>- Discussed with the management changes made in the revenue recognition criteria to comply with the requirements of new IFRS.</li> <li>- Obtained relevant underlying supporting documents to ensure that the management has complied with the revenue recognition criteria as introduced by IFRS 15.</li> <li>- Reviewed a sample of contractual arrangements entered into by the Group with its customers.</li> <li>- Assessed the appropriateness of the related disclosures made by the management in the Group's consolidated financial statements.</li> </ul>

S.No.	Key audit matters	How the matter was addressed in our audit
3.	<p><b>Property, plant and equipment</b></p> <p>The Group's property, plant and equipment represent 99% (2018: 98%) of its total non-current assets; further, these represent 68% (2018: 67%) 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> <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 judgment involved in determining useful lives and residual values, this has been identified as a key audit matter.</p>	<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> <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 Group'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 various 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>

S.No.	Key audit matters	How the matter was addressed in our audit
4.	<p><b>Contingencies</b></p> <p>The Group is subject to litigations involving different courts, which require management to make assessment and judgments with respect to likelihood and impact of such litigations.</p> <p>Management has engaged independent legal counsel on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgments required to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessment are disclosed in note 29 to these consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>- In response to this matter, our audit procedures included:</li> <li>- Discussed legal cases with the legal department to understand the management's view point and obtained and reviewed the litigation documents in order to assess the facts and circumstances.</li> <li>- Obtained independent opinion of legal advisors dealing with such cases in the form of confirmations.</li> <li>- Evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets.</li> </ul> <p>The disclosures of legal exposures and provisions were assessed for completeness and accuracy.</p>

#### **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.



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

**LAHORE;**  
January 03, 2020

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2019**

Assets		2019	2018
Non-current Assets	Note	--- Rupees in thousand ---	
Property, plant and equipment	7	10,568,405	10,570,992
Investment property	8	26,647	27,607
Long term investments	9	110,273	124,539
Security deposits		16,439	15,208
		<u>10,721,764</u>	<u>10,738,346</u>
<b>Current Assets</b>			
Stores and spares	10	612,913	483,059
Stock-in-trade	11	2,145,182	2,614,240
Trade debts	12	57,011	397,180
Loans and advances	13	1,183,483	237,075
Trade deposits, short term prepayments and other receivables	14	353,099	413,880
Accrued profit on bank deposits		123	69
Tax refunds due from the Government	15	54,714	492,024
Advance sales tax		0	25,000
Short term investments	16	28,837	12,939
Bank balances	17	312,499	360,878
		<u>4,747,861</u>	<u>5,036,344</u>
<b>TOTAL ASSETS</b>		<u>15,469,625</u>	<u>15,774,690</u>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorised capital			
5,750,000 (2018: 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	2,447,144	2,646,568
General revenue reserve		1,010,537	1,010,537
Fair value reserve on available-for-sale investments		0	16,052
Unappropriated profit		737,032	263,315
<b>Equity Attributable to Equity</b>			
Holders of the Holding Company		4,232,214	3,973,973
<b>Non-controlling Interest</b>		<u>3,192,360</u>	<u>2,939,859</u>
		7,424,574	6,913,832
<b>Non-current Liabilities</b>			
Long term finances	20	1,312,000	1,177,828
Loans from related parties	21	163,089	179,325
Liabilities against assets subject to finance lease	22	97,253	37,111
Deferred liabilities	23	1,108,251	1,169,085
		<u>2,680,593</u>	<u>2,563,349</u>
<b>Current Liabilities</b>			
Trade and other payables	24	787,798	758,096
Unclaimed dividends		7,636	7,674
Accrued mark-up	25	225,094	166,431
Short term borrowings	26	3,650,993	4,652,665
Current portion of non-current liabilities	27	654,531	682,271
Dividends payable to non-controlling interest		9,260	8,562
Taxation	28	29,146	21,810
		<u>5,364,458</u>	<u>6,297,509</u>
<b>TOTAL LIABILITIES</b>		<u>8,045,051</u>	<u>8,860,858</u>
<b>Contingencies and Commitments</b>	29		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>15,469,625</u>	<u>15,774,690</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 PROFIT OR LOSS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Note	2019 Rupees in thousand	2018
Gross sales	30	14,595,823	12,550,414
Sales tax, other government levies and commissions	31	(1,125,269)	(1,018,857)
Sales - net		13,470,554	11,531,557
Cost of sales	32	11,094,489	10,222,234
Gross profit		2,376,065	1,309,323
Selling and distribution expenses	33	352,623	336,754
Administrative and general expenses	34	568,082	459,284
Other income	35	(58,855)	(110,857)
Other expenses	36	45,766	21,954
		907,616	707,135
Operating profit		1,468,449	602,188
Finance cost	37	840,145	547,525
		628,304	54,663
Gain on sale of long term investments	9.8	20,088	0
Share of profit from Associated Companies - net	9.4	10,907	2,475
Profit before taxation		659,299	57,138
Taxation			
- Group	38	88,605	89,059
- Associated Companies	9.4	386	2,549
		88,991	91,608
Profit / (loss) after taxation		570,308	(34,470)
Attributable to:			
- Equity holders of the Holding Company		282,723	(128,820)
- Non-controlling interest		287,585	94,350
		570,308	(34,470)
		----- Rupees-----	
Combined earnings / (loss) per share	39	75.39	(34.35)

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, 2019**

	Note	2019 Rupees in thousand	2018
<b>Profit / (loss) after taxation</b>		<b>570,308</b>	<b>(34,470)</b>
<b>Other comprehensive income / (loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available for-sale investments		0	(2,276)
Adjustment of gain included in statement of profit or loss upon sale of available-for-sale investments	9	(19,671)	0
Share of other comprehensive income from Associated Companies	9.4	41	47
Gain / (loss) on remeasurement of staff retirement benefit-gratuity		966	(2,423)
Impact of tax		(280)	688
		686	(1,735)
Surplus arisen upon revaluation of property, plant and equipment	19	0	2,079,452
Impact of tax		0	(561,452)
		0	1,518,000
		(18,944)	1,514,036
<b>Total Comprehensive Income</b>		<b>551,364</b>	<b>1,479,566</b>
<b>Attributable to:</b>			
- Equity holders of the Holding Company		267,398	626,456
- Non-controlling interest		283,966	853,110
		<b>551,364</b>	<b>1,479,566</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 CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018
	Rupees in thousand	
<b>Cash flows from operating activities</b>		
Profit for the year - before taxation	659,299	57,138
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	914,392	764,297
Depreciation on investment property	960	1,047
Amortisation charged to property, plant and equipment	915	0
Profit from Associated Companies - net	(10,907)	(2,475)
Return on bank deposits	(8,518)	(4,895)
Staff retirement benefits - gratuity (net)	(4,583)	(4,481)
Un-claimed payable balances written-back	(1,230)	(72)
Gain on disposal of operating fixed assets	(5,407)	(1,458)
Gain on redemption of short term investments	(1,759)	8
Gain on re-measurement of short term investments to fair value	(139)	(277)
Uncollectible receivable balances written-off	188	526
Dividend income	(608)	(406)
Gain on sale of long term investments	(20,088)	0
Finance cost	851,953	568,682
Provision for obsolete items	0	35,948
Loss allowance for doubtful debts	224	1,528
Loss allowance for doubtful advances	1,499	26,401
<b>Profit before working capital changes</b>	<b>2,376,191</b>	<b>1,441,511</b>
<b>Effect on cash flows due to working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(129,854)	(3,787)
Stock-in-trade	469,058	(616,501)
Trade debts	340,393	(238,629)
Loans and advances	(948,095)	12,584
Trade deposits, short term prepayments and other receivables	60,781	(117,401)
Sales tax refundable - net	396,192	(191,726)
Advance sales tax	25,000	32,000
<b>Increase in current liabilities</b>		
Trade and other payables	33,429	98,010
	<b>246,904</b>	<b>(1,025,450)</b>
<b>Cash generated from operations</b>	<b>2,623,095</b>	<b>416,061</b>
Income tax paid	(139,549)	(194,525)
Security deposits	(1,231)	60
<b>Net cash generated from operating activities</b>	<b>2,482,315</b>	<b>221,596</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(918,856)	(367,471)
Sale proceeds of operating fixed assets	12,458	9,362
Return on bank deposits received	8,464	4,851
Proceeds from long term investments	25,768	0
Short term investments - net	(14,000)	(4,785)
Dividend received	608	406
<b>Net cash used in investing activities</b>	<b>(885,558)</b>	<b>(357,637)</b>
<b>Cash flows from financing activities</b>		
Long term finances - net	80,407	(562,802)
Lease finances - net	76,611	(4,805)
Loans from related parties - net	15,000	70,000
Short term borrowings - net	(1,001,672)	1,373,952
Finance cost paid	(793,290)	(539,020)
Dividends paid	(22,192)	(19,689)
<b>Net cash (used in) / generated from financing activities</b>	<b>(1,645,136)</b>	<b>317,636</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(48,379)</b>	<b>181,595</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>360,878</b>	<b>179,283</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>312,499</b>	<b>360,878</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, 2019

	----- Attributable to equity holders of the Holding Company -----						Non-controlling interest	Total equity	
	Share capital	Capital		Reserves					Total
		Share redemption	Revaluation surplus on property, plant and equipment	General revenue	Fair value reserve on available-for-sale investments	Unappropriated profit			
----- Rupees in thousand -----									
Balance as at September 30, 2017	37,500	1	1,982,765	1,010,537	17,929	253,304	3,302,036	2,069,465	5,371,501
Transaction with owners:									
Cash dividend at the rate of Rs.1.50 per ordinary share	0	0	0	0	0	0	0	(18,893)	(18,893)
Total comprehensive income / (loss) for the year ended September 30, 2018									
(Loss) / profit after taxation	0	0	0	0	0	(128,820)	(128,820)	94,350	(34,470)
Other comprehensive income / (loss)	0	0	758,545	0	(1,877)	(1,392)	755,276	758,760	1,514,036
	0	0	758,545	0	(1,877)	(130,212)	626,456	853,110	1,479,566
Effect of items directly credited in equity by Associated Companies	0	0	0	0	0	665	665	0	665
Transfer from revaluation surplus on property, plant and equipment (net of deferred taxation)	0	0	0	0	0	139,558	139,558	88,195	227,753
- on account of incremental depreciation for the year	0	0	(139,558)	0	0	0	(139,558)	(88,195)	(227,753)
Resultant adjustment due to reduction in tax rate	0	0	44,816	0	0	0	44,816	36,177	80,993
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									
Profit after taxation	0	0	0	0	0	282,723	282,723	287,585	570,308
Other comprehensive income / (loss)	0	0	0	0	(16,052)	727	(15,325)	(3,619)	(18,944)
	0	0	0	0	(16,052)	283,450	267,398	283,966	551,364
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	737,032	4,232,214	3,192,360	7,424,574

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, 2019**

**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 (which was 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 by 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.

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, 2019. 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, 2018.

**(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. These financial statements, 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 consolidated 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 Group 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 5.1, 5.4, 7 & 8.
- Provision for impairment of inventories - notes 5.6, 5.7, 10 & 11.
- Impairment loss of non-financial assets other than inventories - note 5.18.
- Allowance for expected credit loss - notes 5.8 & 12
- Staff retirement benefits - gratuity - notes 5.12 & 23.
- Estimation of provisions - note 5.14.
- Estimation of contingent liabilities - notes 5.15 & 29.
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 5.16, 23 & 28.

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. PRINCIPLES OF CONSOLIDATION**

These consolidated financial statements include the financial statements of the Holding Company, consolidated financial statements of CSM and the financial statements FSM as at and for the year ended September 30, 2019. The Holding Company's direct interest, as at September 30, 2019, in CSM was 47.93% (2018: 47.93%) and in FSM was 82.49% (2018: 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All significant inter-company transactions, balances, income and expenses on transactions between Group Companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

#### **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 to published standards and interpretations that are effective in the current year**

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on October 01, 2018 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) IFRS 9 - Financial instruments**

IFRS 9 is applicable to accounting periods beginning on or after January 01, 2018. This standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after July 01, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The changes laid down by the new standard do not have any significant impact on these consolidated financial statements.

###### **(b) IFRS 15 - Revenue from contracts with customers**

IFRS 15 has been notified by SECP to be effective for annual periods beginning on or after July 01, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the consolidated financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. This standard replaces IAS 18, "Revenue" and IAS 11, "Construction contracts" and related interpretations.

The Group has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior periods would not be adjusted. The application of IFRS 15 does not have any impact on the revenue recognition policy of the Group and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

###### **(c) IAS 40 - Investment property**

Transfers of investment property; amendments to IAS 40 are effective for annual periods beginning on or after January 01, 2018. The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of

investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The changes laid down by the new standard do not have any significant impact on these consolidated 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**

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after October 01, 2019 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following:

- (a) IFRS 16, 'Leases' is effective for accounting periods beginning on or after January 01, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Group is yet to assess the full impact of this standard on its consolidated financial statements.
- (b) Amendments to IFRS 3, 'Business Combinations' is effective for periods beginning on or after January 01, 2020. The amendments have narrowed and clarified the definition of a business, aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The Group is yet to assess the full impact of these amendments on its consolidated financial statements.
- (c) Amendment to IFRS 9, 'Financial Instruments', on prepayment features with negative compensation and modification of financial liabilities is effective for periods beginning on or after January 01, 2019. This amendment confirmed that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest. This amendment also confirmed that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Group is yet to assess the full impact of this amendment on its consolidated financial statements.

- (d) Amendments to IFRS 11, 'Joint Arrangement', is effective for periods beginning on or after January 01, 2019. The proposed amendments eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation in transactions in which an entity obtains control, or joint control, of a joint operation that meets the definition of a business. The Group is yet to assess the full impact of these amendments on its consolidated financial statements.
- (e) 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.
- (f) Amendment to IAS 12, 'Income Taxes' recognises the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised is effective for periods beginning on or after January 01, 2019. The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transaction that generates the distributable profits. The Group is yet to assess the full impact of this amendment on its consolidated financial statements.
- (g) 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 Group is yet to assess the full impact of this amendment on its consolidated financial statements.
- (h) Amendment to IAS 28, 'Investments in Associates and Joint Ventures' is effective for periods beginning on or after January 01, 2019. This amendment clarifies that an entity may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture measuring an associate or joint venture at fair value. The amendment clarifies that an entity applies IFRS 9 'Financial Instruments' long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group is yet to assess the full impact of this amendment on its consolidated financial statements.
- (i) IAS 23, 'Borrowing Costs' is applicable to 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 are not likely to have material impact on the Group's consolidated financial statements.

- (j) IFRIC 23, 'Uncertainty Over Income Tax Treatments' is applicable to 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 Group is yet to assess the full impact of this interpretation on its consolidated financial statements.

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

The significant accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended September 30, 2018 except for the change in the policies for financial assets' recognition and measurement and revenue recognition due to adoption of IFRS 9 and IFRS 15 respectively. The implications of these standards have insignificant impact on these consolidated financial statements of the Group.

### **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 7.1. 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 consolidated 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**

Operating fixed assets except freehold land, buildings & 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. Capital work-in-progress, major spare parts and stand-by equipment are stated at cost. Cost in relation to certain plant & machinery items include borrowing cost related to the financing of major projects during construction phase.

CSM carries-out triennial revaluations, considering the change in circumstances and assumptions from prior year.

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 consolidated 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 consolidated 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 consolidated statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in consolidated other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to consolidated 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 7.1.

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

Gain or loss on disposal of an asset, calculated as difference between the sale proceeds and carrying amount of the asset, is recognised in consolidated statement of profit or loss for the year.

## **5.2 Assets subject to finance lease**

At its inception, a lease is classified as either a finance lease or an operating lease. Finance leases transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Finance leases are capitalised at commencement of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the consolidated statement of financial position.

Rentals payable under operating leases are charged to consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Minimum lease payments receivable under operating leases are recognised on a straight-line basis over the lease term.

## **5.3 Intangible assets and amortisation thereon**

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life.

## **5.4 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 consolidated statement of profit or loss.

## **5.5 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 consolidated 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 consolidated statement of profit or loss for the year.

## **5.6 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 upto the reporting date.

The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

## **5.7 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.

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.

#### **5.8 Trade debts and other receivables**

Trade debts are recognised and carried at the original invoice amounts, being the fair value, less an allowance for uncollectible amounts, if any. As explained in note 5.22 to these consolidated financial statements, for measurement of loss allowance for trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses; previously, loss allowance was measured under incurred loss model of IAS 39.

#### **5.9 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 the consolidated statement of profit or loss.

#### **5.10 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise of balances with banks in current, deposit and saving accounts.

#### **5.11 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 consolidated 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 consolidated statement of profit or loss.

#### **5.12 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, 2019 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 consolidated statement of profit or loss.

**(b) FSM**

**Defined contribution plan**

FSM is operating a provident fund scheme for all its permanent employees; equal monthly contribution to the fund is made at the rate of 8% of the basic salaries both by the employees and 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 consolidated statement of profit or loss.

**Defined benefit plans**

CSM operates an un-funded gratuity scheme covering its eligible employees under their employment contracts. The liability for gratuity is recognised on the basis of actuarial valuation conducted as at September 30, 2019, using Projected Unit Credit Method.

**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 obligation, legal or constructive, as a result of a past event, it is probable that the Group 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 adjustments to the amount of previously recognised provision is recognised in the consolidated statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

### **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 determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years, which arise from assessments finalised during the year. Income tax expense is recognised in consolidated statement of profit or loss except to extent that it relates to items recognised directly in consolidated equity or in consolidated other comprehensive income.

#### **Deferred**

Deferred tax is recognised using the consolidated 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 consolidated 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 or substantively enacted by the reporting date. Deferred tax is charged or credited to income except in the case of items credited or charged to consolidated equity in which case it is included in consolidated equity.

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

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

#### **5.18 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 consolidated 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 Group recognises the reversal immediately in the consolidated 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.

#### **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 the amounts collected on behalf of third parties. Revenue is disclosed net of discount rebates and returns.

##### **Contract assets**

Contract assets arise when the Group 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 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 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 consolidated statement of profit or loss.

### **5.22 Financial instruments**

Financial assets and financial liabilities 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 consolidated statement of profit or loss.

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

##### **Classification**

Effective October 01, 2018, the Group classifies its financial assets in the following measurement categories:

- i) Amortised cost where the effective interest rate method will apply;
- 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 will either be recorded in consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated statement of profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated 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**

Effective October 01, 2018, 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 ongoing 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 debt balances 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.

### **Recognition of loss allowance**

The Group recognises an impairment gain or loss in the consolidated 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 consolidated other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated 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. 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 consolidated 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 consolidated 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.

### **5.23 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.

### **5.24 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 consolidated 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 consolidated 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.

## **6. CHANGE IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Group's consolidated financial statements that have been applied with effect from October 01, 2018.

### **6.1 Financial Instruments**

IFRS 9 'Financial Instruments' (IFRS 9) replaces IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and effective for reporting year ending on June 30, 2019.

IFRS 9 introduces new requirements for (i) classification and measurement of financial assets and financial liabilities (ii) impairment for financial assets and (iii) hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption has been recognised in unappropriated profit as of October 01, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Group's financial statements are described below:

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

The new standard requires the Group to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Group has for a specific class of financial assets.

IFRS 9 no longer has an "Available-for-sale" classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured at either:

- Amortised cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Except for change in classification of financial assets and liabilities, the IFRS 9 had no material impact on the consolidated financial statements of the Group.

On the date of initial application, October 01, 2018, the financial instruments of the Group were as follows, with any reclassification noted:

	Classification		Measurement category		Carrying amounts		
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
<b>Current financial assets</b>					----- Rupees in thousand -----		
Trade debts	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	397,180	397,180	0
Loans and advances	--- do ---	--- do ---	--- do ---	--- do ---	237,075	237,075	0
Trade deposits and other receivables	--- do ---	--- do ---	--- do ---	--- do ---	413,880	413,880	0
Bank balances	--- do ---	--- do ---	--- do ---	--- do ---	360,878	360,878	0
<b>Non-current financial liabilities</b>							
Long term finances	Other financial liabilities	--- do ---	--- do ---	--- do ---	1,177,828	1,177,828	0
Loans from related parties	--- do ---	--- do ---	--- do ---	--- do ---	179,325	179,325	0
Liabilities against assets subject to finance lease	--- do ---	--- do ---	--- do ---	--- do ---	64,124	64,124	0
<b>Current financial liabilities</b>							
Trade and other payables	--- do ---	Other financial liabilities	Other financial liabilities	Other financial liabilities	758,096	758,096	0
Short term borrowings	--- do ---	Amortised cost	Amortised cost	Amortised cost	4,652,665	4,652,665	0
Current portion of non-current liabilities	--- do ---	--- do ---	--- do ---	--- do ---	682,271	682,271	0

## ii) Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Group to recognise an allowance for doubtful debt on all financial assets, carried at amortised cost (including, for example, trade debts and other receivables) as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets (advances, other receivables and bank balances) i.e. to measure ECL through loss allowance at an amount equal to 12-months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition as explained in note 5.22 to these consolidated financial statements.

## 6.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. IFRS 15 is applicable on the Group with effect from October 01, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. 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 unappropriated profit as of October 01, 2018 and comparatives are not restated.

The changes laid down by IFRS 15 do not have any significant impact on these consolidated financial statements of the Group.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Note	2019 Rupees in thousand	2018
Operating fixed assets - tangible	7.1	10,045,946	10,098,009
Capital work-in-progress	7.10	522,459	472,983
		<u>10,568,405</u>	<u>10,570,992</u>

7.1 Operating fixed assets - tangible

Particulars	Leasehold land	Owned														Leased			Total
		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			
----- Rupees in thousand -----																			
As at September 30, 2017																			
Cost / revaluation	2,835	1,110,828	1,683,235	175,295	7,329,604	914	206	419,788	120	165,407	947	64,274	59	54	127,243	5,700	11,086,509		
Accumulated depreciation	555	0	450,917	35,637	1,596,497	913	205	158,014	116	77,178	496	50,248	58	47	39,688	1,856	2,412,425		
Book value	2,280	1,110,828	1,232,318	139,658	5,733,107	1	1	261,774	4	88,229	451	14,026	1	7	87,555	3,844	8,674,084		
Year ended September 30, 2018:																			
Additions	0	62,149	3,650	0	15	0	0	100	0	12,221	0	4,751	0	0	33,788	0	116,674		
Revaluation adjustments:																			
- cost	0	224,549	83,478	0	0	0	0	0	0	0	0	0	0	0	0	0	308,027		
- depreciation	0	0	511,378	0	1,260,047	0	0	0	0	0	0	0	0	0	0	0	1,771,425		
Disposals:																			
- cost	0	0	0	0	0	0	0	0	0	0	0	(15,915)	0	0	0	0	(15,915)		
- depreciation	0	0	0	0	0	0	0	0	0	0	0	8,011	0	0	0	0	8,011		
Transfers from leased to owned:																			
- cost	0	0	0	0	5,700	0	0	0	0	0	0	13,340	0	0	(13,340)	(5,700)	0		
- depreciation	0	0	0	0	(2,048)	0	0	0	0	0	0	(6,400)	0	0	6,400	2,048	0		
Depreciation charge	27	0	118,783	10,589	573,551	0	0	26,187	0	10,624	45	3,477	0	1	20,821	192	764,297		
Book value as at																			
September 30, 2018	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		
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		
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	98,342	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		
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			

- 7.2** 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>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Freehold land	<b>140,141</b>	165,502
Buildings & roads	<b>744,798</b>	656,958
Buildings on leasehold land	<b>1,763</b>	2,491
Plant & machinery	<b>3,077,383</b>	2,849,973
	<b>3,964,085</b>	3,674,924

- 7.3** The forced sale values of revalued fixed assets of the Group, assessed by the management, are as follows.

	<b>Rupees in thousand</b>
Freehold land	<b>1,150,894</b>
Buildings & roads	<b>1,569,194</b>
Plant & machinery	<b>4,909,434</b>
	<b>7,629,522</b>

**7.4 Particulars of immovable property of the Holding Company**

<b>Location</b>	<b>Usage of immovable property</b>	<b>Total Area (square feet)</b>	<b>Covered Area (In square feet) approx.</b>
<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>

- 7.5** 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	1,488.15	144.72
Whole Foods (Pvt.) Ltd. (land)	Storage facility	32	0

- 7.6** The Board of Directors, during the preceding year, has 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 and shifting work of distillery has been completed and erection work is under process.

- 7.7** 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 and September 30, 2017 and revaluation surplus on these assets aggregating Rs.116.886 million, Rs.17.376 million, Rs.76.240 million and Rs.5.328 million respectively was incorporated in the books of account of the Holding Company.

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>7.8 Depreciation for the year has been allocated as follows:</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Cost of sales	<b>874,340</b>	730,194
Administrative expenses	<b>40,052</b>	34,103
	<b>914,392</b>	<b>764,297</b>

## 7.9 Disposals of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Sold to:
----- Rupees in thousand -----							
CSM							
Plant and machinery	3,000	2,381	619	1,600	981		Scrapped.
Leased vehicles							
	1,703	590	1,113	1,330	217	Insurance claim	IGI Insurance Co. Ltd.
	1,363	809	554	881	327	As per CSM policy	Syed Muhammad Athar Hussain.
	1,144	431	713	985	272	--- do ---	Muhammad Usman Mehboob.
	1,852	1,113	739	926	187	--- do ---	Mr. Nusrat Ali Khan.
	2,597	1,870	727	1,500	773	--- do ---	Mr. Nusrat Ali Khan.
	8,659	4,813	3,846	5,622	1,776		
2019	11,659	7,194	4,465	7,222	2,757		
2018	15,915	8,011	7,904	9,362	1,458		

## 7.10 Capital work-in-progress

	Buildings on freehold land	Plant and machinery	Electric installations	Office equipment	Vehicles - leased	Plant and machinery - leased	Advance payments to Contractors	Others	Total
----- Rupees in thousand -----									
As at October 01, 2017	34,821	151,828	11,192	0	16,442	0	7,058	0	221,341
Additions during the year	59,470	178,516	25,525	0	24,666	0	33,958	0	322,135
Capitalised during the year	(3,650)	0	0	0	(31,407)	0	(35,436)	0	(70,493)
Balance as at September 30, 2018	90,641	330,344	36,717	0	9,701	0	5,580	0	472,983
As at October 01, 2018	90,641	330,344	36,717	0	9,701	0	5,580	0	472,983
Additions during the year	169,900	572,970	78,897	6,557	93,142	35,416	31,914	5,985	994,781
Capitalised during the year	(45,617)	(535,215)	(60,571)	0	(90,127)	0	(1,567)	0	(733,097)
Adjustment against long term loan - PSML	(112,627)	(78,010)	(21,571)	0	0	0	0	0	(212,208)
Balance as at September 30, 2019	102,297	290,089	33,472	6,557	12,716	35,416	35,927	5,985	522,459

- (a) Additions in plant and machinery include an amount of Rs. 6.067 million capitalised in respect of borrowing cost on long term loans obtained for the purpose of importing and setting up of plant and machinery.

## 8. INVESTMENT PROPERTY

Particulars	Freehold land	Buildings on freehold land	Total
----- Rupees in thousand -----			
As at September 30, 2017:			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	49,598	49,598
Book value	14,544	14,110	28,654
Year ended September 30, 2018:			
Depreciation charge	0	1,047	1,047
Book value	14,544	13,063	27,607
Year ended September 30, 2019:			
Depreciation charge	0	960	960
<b>Book value</b>	<b>14,544</b>	<b>12,103</b>	<b>26,647</b>
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
As at September 30, 2019			
Cost	14,544	63,708	78,252
Accumulated depreciation	0	51,605	51,605
<b>Book value</b>	<b>14,544</b>	<b>12,103</b>	<b>26,647</b>
Depreciation rate (%)	0	5-10	

- 8.1 Fair value of the investment property, based on the management's estimation, as at September 30, 2019 was Rs.260 million (2018: Rs.260 million).

## 9. LONG TERM INVESTMENTS

### ASSOCIATED COMPANIES

#### QUOTED:

##### Arpak International Investments Ltd. (AAIL)

229,900 (2018: 229,900) ordinary shares of Rs.10 each

2019 2018  
Equity held (%) Rupees in thousand

Market value Rs.2.529 million  
(2018: Rs.4.136 million) (note 9.2)

#### UN-QUOTED:

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

14,450 (2018: 14,450) ordinary shares of Rs.100 each

- Value of investments based on net assets shown in the un-audited financial statements for the year ended June 30, 2013 - Rs. Nil (note 9.3)

**Premier Board Mills Ltd. (PBML)**

47,002 (2018: 47,002) ordinary shares of Rs.10 each                      **0.83**      0.83                      **4,535**                      4,402

- Value of investments based on net assets shown in the audited financial statements for the year ended June 30, 2019  
Rs.4.989 million (2018: Rs.4.418 million)

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

200,000 (2018: 200,000) ordinary shares of Rs.10 each                      **40.00**      40.00                      **88,132**                      78,497

- Value of investments based on net assets shown in the un-audited financial statements for the year ended June 30, 2019 Rs.88.132 million (2018: Rs.78.496 million)

<b>110,273</b>	99,188
----------------	--------

**OTHERS - QUOTED** (Available-for-sale)**Ibrahim Fibres Ltd.**

Nil shares (2018: 405,670 ordinary shares of Rs.10 each) - **note 9.8**

Add: adjustment arising from re-measurement to fair value

<b>0</b>	5,680
<b>0</b>	19,671
<b>0</b>	25,351
<b>110,273</b>	124,539

- 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** The fall in the market value of investment is considered a temporary phenomenon as it has shown substantial increase subsequent to the reporting date.
- 9.3** NCPL has no known assets and liabilities as at June 30, 2019 and June 30, 2018 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.

#### 9.4 Investments in equity instruments of Associated Companies

	2019	2018
	Rupees in thousand	
Opening balance - cost	5,638	5,638
Add: post acquisition profit brought forward	93,308	92,670
	98,946	98,308
Add: share for the year:		
- profit - net	10,907	2,475
- other comprehensive income	41	47
- items directly credited in equity	765	665
Less: taxation - net	(386)	(2,549)
	11,327	638
Balance as at 30 September,	110,273	98,946

- 9.5 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, 2019 is as follows:

Summarised statement of financial position		(Restated)
Non-current assets	256,513	243,591
Current assets	56,340	45,098
	312,853	288,689
Non-current liabilities	192	185
Current liabilities	6,471	5,217
	6,663	5,402
<b>Net assets</b>	<b>306,190</b>	<b>283,287</b>
<b>Reconciliation to carrying amount</b>		
Opening net assets	283,287	300,649
Profit / (loss) for the year	11,330	(35,212)
Effects of items directly credited in equity by Associated Companies	4,704	17,769
Other comprehensive loss for the year	(10)	(522)
Adjustment	6,879	603
Closing net assets	306,190	283,287
The Holding Company's share percentage 5.75% (2018: 5.75%)		
The Holding Company's share	17,606	16,289

**Summarised statement of profit or loss**

	2019	2018
	Rupees in thousand	
Income	<u>16,029</u>	<u>11,588</u>
Profit / (loss) before taxation	<u>13,234</u>	<u>(33,819)</u>
Profit / (loss) after taxation	<u>11,330</u>	<u>(35,212)</u>

- 9.6** 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, 2019 is as follows:

**Summarised statement of financial position**

Non-current assets	<b>484,227</b>	498,484
Current assets	<b>64,259</b>	32,884
	<b>548,486</b>	531,368
Current liabilities	<b>2,045</b>	955
<b>Net assets</b>	<b>546,441</b>	530,413

**Reconciliation to carrying amount**

Opening net assets	<b>530,413</b>	548,839
Profit / (loss) for the year	<b>28,257</b>	(18,255)
Effects of items directly credited in equity by an Associated Company	<b>3,615</b>	2,133
Other comprehensive loss for the year	<b>(15,844)</b>	(2,304)
Closing net assets	<b>546,441</b>	530,413
The Holding Company's share percentage 0.83% (2018: 0.83%)		
The Holding Company's share	<b>4,535</b>	4,402

**Summarised statement of profit or loss**

Income	<b>26,479</b>	5,795
Profit / (loss) before taxation	<b>28,702</b>	(18,192)
Profit / (loss) after taxation	<b>28,257</b>	(18,255)

- 9.7** 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 audited financial statements for the year ended June 30, 2019 is as follows:

	2019	2018
	Rupees in thousand	
<b>Summarised statement of financial position</b>		
Non-current assets	219,889	133,168
Current assets	90,573	153,080
	<b>310,462</b>	286,248
Non-current liabilities	23,646	24,414
Current liabilities	66,487	65,592
	<b>90,133</b>	90,006
<b>Net assets</b>	<b>220,329</b>	196,242

#### Reconciliation to carrying amount

Opening net assets	196,242	191,164
Profit for the year	24,087	5,257
Other comprehensive loss for the year	0	(179)
Closing net assets	<b>220,329</b>	196,242
The Holding Company's share percentage 40% (2018: 40%)		
The Holding Company's share	<b>88,132</b>	78,497

#### Summarised statement of profit or loss

Storage and handling income	<b>88,472</b>	68,785
Profit before taxation	<b>24,771</b>	11,427
Profit after taxation	<b>24,087</b>	5,256

- 9.8** FSM, during the year, has 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 has been credited to consolidated statement of profit or loss for the year.

#### 10. STORES AND SPARES

Stores and spares	648,862	519,007
Less: provision for obsolete items	35,949	35,948
	<b>612,913</b>	483,059

- 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 (2018: 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	2019	2018
		Rupees in thousand	
Finished goods			
- sugar		1,688,849	2,022,939
- molasses		333,242	391,745
- ethanol		110,948	189,656
	11.1	2,133,039	2,604,340
Work-in-process		12,143	9,900
		<u>2,145,182</u>	<u>2,614,240</u>
11.1	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		57,011	397,180
Considered doubtful		1,752	1,528
		<u>58,763</u>	<u>398,708</u>
Less: loss allowance	12.2	1,752	1,528
		<u>57,011</u>	<u>397,180</u>
12.1	Trade debts include amount relating to export sales to United Arab Emirates and Netherland amounting to Rs. 44.303 million and Rs. 12.731 million respectively (2018: Hong Kong Rs. 10.760 million).		
12.2 Movement in loss allowance			
Opening balance under IAS 39		1,528	0
Effect of change in accounting policy due to adoption of IFRS 9 - note 6.1		0	0
		<u>1,528</u>	<u>0</u>
Opening balance under IFRS 9		1,528	0
Expected credit loss for the year		224	1,528
Closing balance		<u>1,752</u>	<u>1,528</u>
13. LOANS AND ADVANCES			
Advances to (unsecured and considered good):			
Employees	13.1	5,563	11,121
Suppliers and contractors		1,004,253	250,056
Letters of credit		204,004	4,736
		<u>1,213,820</u>	<u>265,913</u>
Less:	13.2		
- provision for doubtful advances		28,838	28,838
- loss allowance		1,499	0
		<u>1,183,483</u>	<u>237,075</u>

<b>13.1</b>	No amount was due from Chief Financial Officer (CFO) as at September 30, 2019; (2018: an amount of Rs.1.250 million was due from CFO.)		<b>2019</b>	<b>2018</b>
<b>13.2</b>	Provision for doubtful advances	<b>Note</b>	<b>Rupees in thousand</b>	
	Opening balance		<b>28,838</b>	2,437
	Provision made during the year		<b>0</b>	26,401
	Closing balance		<b>28,838</b>	<b>28,838</b>
<b>13.3</b>	Maximum amounts due from related parties at any month-end during the year aggregated Rs.3.127 million (2018: Rs.6.868 million).			
<b>14.</b>	<b>TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Sugar export subsidy receivable	<b>14.1</b>	<b>308,510</b>	342,884
	Prepayments		<b>6,312</b>	13,890
	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.)		<b>3,127</b>	1,972
	Insurance claim receivable		<b>0</b>	142
	Guarantees issued	<b>14.2</b>	<b>19,000</b>	15,000
	Trade deposits		<b>33</b>	5,500
	Letters of credit		<b>9,726</b>	0
	Other receivables		<b>3,237</b>	31,338
			<b>353,099</b>	<b>413,880</b>
<b>14.1</b>	This represents subsidy receivable from the Government of Khyber Pakhtunkhwa and Federal Government on account of subsidy on sugar exports. During the year, Rs Nil (2018: Rs 86.670 million) has been recognised in this respect.			
<b>14.2</b>	This represents guarantee given by CSM for performance of its obligations in respect of agreements entered into with Food Department, Government of the Punjab.			
<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>7,941</b>	49,559
	Sales tax refundable		<b>46,773</b>	442,465
			<b>54,714</b>	<b>492,024</b>

**16. SHORT TERM INVESTMENTS - At fair value through profit or loss**

		<b>2019</b>	<b>2018</b>
	<b>Note</b>	<b>Rupees in thousand</b>	
First Habib Cash Fund			
Opening balance - 127,050 Units (2018: 80,140 Units)		<b>12,939</b>	8,154
Investments made during the year - 209,330 Units (2018: 98,237 Units)		<b>21,000</b>	10,000
Gain on redemption / re-measurement to fair value		<b>1,898</b>	285
Bonus received during the year - 17,656 Units (2018: 2,658 Units)		<b>0</b>	0
Units redeemed during the year - 69,251 Units (2018: 53,985 Units)		<b>(7,000)</b>	(5,500)
Closing balance - 284,785 Units (2018: 127,050 Units)		<b>28,837</b>	12,939

**17. BANK BALANCES**

Cash at banks on:

- PLS accounts	<b>17.1 &amp; 17.2</b>	<b>14,292</b>	39,614
- saving accounts	<b>17.2</b>	<b>1,405</b>	452
- deposit accounts	<b>17.1 &amp; 17.2</b>	<b>12,695</b>	12,142
- current accounts	<b>17.4</b>	<b>231,107</b>	255,670
- deposits with a non-banking finance company - unsecured	<b>17.5</b>	<b>58,000</b>	58,000
		<b>317,499</b>	365,878
Less: provision for doubtful bank balance	<b>17.6</b>	<b>5,000</b>	5,000
		<b>312,499</b>	360,878

**17.1** These include Rs.299 thousand (2018: Rs.331 thousand) in security deposit account.

**17.2** PLS, saving and deposit accounts during the year carried profit / mark-up at the rates ranging from 3.25% to 15.05% (2018: 3.75% to 9.26%) per annum.

**17.3** These include deposit amounting Rs.5 million (2018: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** These include dividend account balance of Rs 0.303 million (2018: Rs 3.160 million).

- 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</b>
	<b>Rupees in thousand</b>
July 29, 2009	15,600
July 29, 2010	15,600
July 29, 2011	15,600
July 29, 2012	31,200
	<b>78,000</b>
Less: amounts realised during the year ended September 30, 2018	<b>(20,000)</b>
	<b>58,000</b>

- (b) The realisability of these deposits is doubtful of recovery as these could not be encashed on their respective maturity dates; further, year-end balance confirmation certificates from IIBL were 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 has been decided by the LHC and LHC has appointed Joint Official Liquidator (JOL). The LHC, vide its order dated April 14, 2018 has approved release of payment upto Rs.20 million in respect of principal amounts only subject to verification as per the laws. The amounts of Rs.20 million, as per the LHC order, have been received by the Group during August, 2018. The management, for the release of further amounts, anticipates that JOL will intimate in due course of time; no provisions, therefore, for the remaining deposits aggregating Rs.58 million have 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 Ltd. 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 Ltd., 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 Ltd. 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 Ltd.. 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, has filed an appeal before the Peshawar High Court, which is pending adjudication. Full provision for the said doubtful 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.8.170 million (2018: Rs.9.670 million) in respect of the various guarantees extended by the banks.

**18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

<b>2019</b>		<b>2018</b>		<b>2019</b>		<b>2018</b>	
<b>(No. of shares)</b>				<b>Rupees in thousand</b>			
<b>1,476,340</b>	1,476,340	ordinary shares of Rs.10 each fully paid in cash		<b>14,763</b>		14,763	
<b>2,273,660</b>	2,273,660	ordinary shares of Rs.10 each issued as fully paid bonus shares		<b>22,737</b>		22,737	
<b>3,750,000</b>	3,750,000			<b>37,500</b>		37,500	

- 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, 2019 and September 30, 2018.

**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 and September 30, 2014 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 and Rs.438.066 million respectively. These fixed assets were revalued by independent Valuers on the basis of depreciated market values.

- 19.2** The Holding Company, during the financial year ended September 30, 2017, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers [Hamid Mukhtar & Co. (Pvt.) Ltd. - Consulting Engineers, Surveyors and Valuation Consultants - 14-Q, Gulberg-2, Lahore] to replace the carrying amounts of these assets with their depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.166.651 million has been credited to consolidated statement of other comprehensive income to comply with the requirements of IAS 16.

- 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 freehold land, buildings & roads and plant & machinery of its units was assessed by management based on independent valuation performed by an external property valuation expert as at September 30, 2018. For valuation of buildings, the depreciated replacement cost method was used, whereby, current cost of construction of similar buildings in similar locations had been adjusted using suitable depreciation rates to arrive at present market value. This technique required significant judgment as to estimate value of property, plant and equipment in terms of their quality, structure, layout and locations. During the current year, the management has assessed that there are no significant change in underlying assumptions requiring a fresh valuation.
- 19.6** The year-end balance has been arrived at as follows:

	<b>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Opening balance	<b>6,050,898</b>	4,285,054
Add: surplus arisen on revaluation carried-out during the preceding year	<b>0</b>	2,079,452
Less: transferred to unappropriated profit on account of incremental depreciation for the year	<b>(468,100)</b>	(313,608)
	<b>5,582,798</b>	6,050,898
Less: deferred tax on:		
- opening balance of surplus	<b>1,378,185</b>	983,581
- surplus on revaluation carried-out during the preceding year	<b>0</b>	561,452
- incremental depreciation for the year	<b>(135,505)</b>	(85,855)
	<b>1,242,680</b>	1,459,178
- resultant adjustment due to deferred taxation	<b>19,855</b>	(80,993)
	<b>1,262,535</b>	1,378,185
Closing balance	<b>4,320,263</b>	4,672,713
Share of the Holding Company	<b>2,447,145</b>	2,646,569
Share of Non-controlling Interest	<b>1,873,118</b>	2,026,144
	<b>4,320,263</b>	4,672,713

## 20. LONG TERM FINANCES - Secured

Lending Institutions	September 30, 2019					September 30, 2018	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 and other financial institutions</u>							
The Holding Company							
Soneri Bank Ltd.	6 months KIBOR +1%	200,000	0	0	0	66,666	First pari passu charge of Rs.267 million over plant and machinery of the Holding Company.
CSM							
Bank Al Falah Ltd.	6 months KIBOR +2%	250,000	0	0	0	25,000	Secured against first joint pari passu charge on present and future fixed assets of CSM for Rs.386.667 million.
Bank Al Habib Ltd.	6 months KIBOR + 1.5%	700,000	170,206	127,504	297,710	331,316	Secured against first joint pari passu charge on present and future fixed assets of CSM for Rs.933.330 million.
Faysal Bank Ltd.	6 months KIBOR + 1.5%	500,000	0	0	0	83,327	Secured against first joint pari passu charge on present and future fixed assets of CSM for Rs.667 million.
Soneri Bank Ltd.	6 months KIBOR + 1.5%	1,650,000	414,261	124,591	538,852	256,320	Secured against first joint pari passu charge on present and future fixed assets of CSM for Rs.667 million. The loan at 6% is secured by way of first charge of Rs.334 million over all the present and future fixed assets of CSM and equitable mortgage of Rs.13.600 million on 32 kanals agricultural land. CSM has issued corporate guarantee of Rs.250 million against these facilities.
	3 months KIBOR + 1.75%						
	6% per annum						
The Bank of Punjab	6 months KIBOR + 1.3%	500,000	14,130	89,036	103,166	193,019	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 + 2%	1,000,000	487,466	194,986	682,452	877,438	Secured against pari passu hypothecation charge over all fixed assets of CSM for Rs.1.330 billion.
MCB Bank Ltd.	3 months KIBOR + 1.10%	306,000	247,617	43,696	291,313	0	Secured against ranking charge of Rs.438 million on CSM's entire fixed assets.
Total			1,333,680	579,813	1,913,493	1,833,086	
Less: amount payable within next 12 months							
The Holding Company							
- Principal					0	66,666	
CSM							
- Principal (note 20.1)					579,813	588,592	
- deferred benefit of below market rate of interest on refinance facility (note 23.7)					21,680	0	
					601,493	655,258	
Amount due after September 30, (note 20.2)					1,312,000	1,177,828	

**20.1** This includes instalments due on September 30, 2019 for an aggregate amount of Rs.5.960 million, which have been paid subsequently on October 01, 2019.

**20.2** 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**

LOANS FROM RELATED PARTIES - Secured		2019	2018
	Note	Rupees in thousand	
Associated Companies:			
Premier Board Mills Limited	21.1	65,575	65,575
Arpak International Investments Limited	21.2	43,750	43,750
Azlak Enterprises (Private) Limited	21.3	85,000	70,000
		194,325	179,325
Less: amount payable within next twelve months		31,236	0
		163,089	179,325

**21.1** The long term finance facility had been renewed on November 04, 2016. The principal is repayable in 7 semi annual instalments commencing from November, 2019. 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.

**21.2** The long term finance facility had been renewed on November 04, 2016. The principal is repayable in 7 semi annual instalments commencing from November, 2019. 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 in prior year. 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.

**21.4** Subsequent to the year-end, CSM has agreed extension of grace period with Arpak International Investments Limited and Premier Board Mills Limited for three years.

**22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured**

Particulars	2019			2018		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
----- Rupees in thousand -----						
Minimum lease payments	60,336	118,049	178,385	31,820	41,618	73,438
Less: finance cost allocated to future periods	16,689	19,925	36,614	4,478	3,789	8,267
	43,647	98,124	141,771	27,342	37,829	65,171
Less: security deposits adjustable on expiry of lease terms	165	871	1,036	329	718	1,047
Present value of minimum lease payments	43,482	97,253	140,735	27,013	37,111	64,124

- 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 September, 2021. The Holding Company intends to exercise its option to purchase the leased assets 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 9.97% to 15.73% (2018: 7.97% to 10.06% ) 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 7.82% to 13.13% (2018: 4.72% to 8.45%) per annum.

**23. DEFERRED LIABILITIES**

	Note	2019 Rupees in thousand	2018
<b>Deferred taxation</b>			
- The Holding Company	23.1	14,352	0
- FSM	23.2	0	0
- CSM	23.3	1,050,320	1,147,169
		<b>1,064,672</b>	<b>1,147,169</b>
<b>Staff retirement benefits - gratuity</b>			
- The Holding Company	23.4	15,139	14,135
- FSM	23.5	178	156
- CSM	23.6	6,582	7,625
		<b>21,899</b>	<b>21,916</b>
Deferred benefit of below market rate of interest on refinance facility	23.7	21,680	0
		<b>1,108,251</b>	<b>1,169,085</b>
<b>23.1</b> This is comprised of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		9,841	12,559
- revaluation surplus on property, plant and equipment		212,215	231,018
- lease finances		394	314
		<b>222,450</b>	<b>243,891</b>
Deductible temporary differences arising in respect of:			
- available unused tax losses		(153,041)	(176,552)
- staff retirement benefits - gratuity		(4,390)	(4,099)
- provision for doubtful bank balance		(1,450)	(1,450)
- minimum tax recoverable against normal tax charge in future years		(49,217)	(61,790)
		<b>(208,098)</b>	<b>(243,891)</b>
		<b>14,352</b>	<b>0</b>

- 23.2** 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>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
<b>23.3</b> Deferred tax comprises of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	<b>368,866</b>	272,336
- revaluation surplus on property, plant and equipment	<b>1,050,320</b>	1,147,169
- lease finances	<b>26,581</b>	7,379
	<b>1,445,767</b>	1,426,884
Deductible temporary differences arising in respect of:		
- provision for doubtful advances	<b>(8,363)</b>	(7,786)
- provision for obsolete items	<b>(10,425)</b>	(9,706)
- loss allowance on trade debts	<b>(475)</b>	(412)
- provision for gratuity	<b>(1,909)</b>	(2,059)
- unused tax losses	<b>(121,607)</b>	(144,447)
- minimum tax recoverable against normal tax charge in future years	<b>(252,668)</b>	(115,305)
	<b>(395,447)</b>	(279,715)
	<b>1,050,320</b>	1,147,169

- 23.4** 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>	<b>2019</b>	<b>2018</b>
- discount rate - per annum	<b>12.50%</b>	10.25%
- expected rate of growth per annum in future salaries	<b>11.50%</b>	9.25%
- mortality rates	<b>SLIC</b>	SLIC
	<b>2001-2005</b>	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 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>	<b>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Opening balance	<b>14,135</b>	12,126
Current service cost	<b>920</b>	737
Past service cost	<b>710</b>	267
Interest cost	<b>1,380</b>	909
Benefits payable to outgoing Members - grouped under current liabilities	<b>(50)</b>	(144)
Benefits paid	<b>(1,302)</b>	(1,373)
Remeasurements:		
- experience adjustments	<b>(706)</b>	1,563
- changes in financial assumptions	<b>52</b>	50
Closing balance	<b>15,139</b>	14,135

<b>Expense recognised in statement of profit or loss of the Holding Company</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Current service cost	<b>920</b>	737
Past service cost	<b>710</b>	267
Interest cost	<b>1,380</b>	909
Charge for the year	<b>3,010</b>	1,913

**Remeasurement recognised in statement of other comprehensive income of the Holding Company**

Experience adjustments	<b>(654)</b>	1,613
------------------------	--------------	-------

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>----- Rupees in thousand -----</b>				
Present value of defined benefit obligation	<b>15,139</b>	14,135	12,126	14,148	13,764
Experience adjustment on obligation	<b>(654)</b>	1,613	(17)	(783)	291

**Year-end Sensitivity Analysis:**

	<b>Change in assumption</b>	<b>Increase</b>	<b>Decrease</b>
		<b>Rupees in thousand</b>	
Discount rate	<b>1%</b>	<b>14,042</b>	<b>16,367</b>
Salary growth rate	<b>1%</b>	<b>16,380</b>	<b>14,012</b>

In case of the Holding Company, the expected contribution to defined benefit obligation for the year ending September 30, 2020 is Rs.2.844 million.

	Note	2019 Rupees in thousand 2019	2018
<b>23.5 FSM</b>		<b>Rupees in thousand</b>	
Balance as at September 30, 2018		156	
Add: benefits accrued during the year based on management's estimate		22	
Balance as at September 30, 2019		178	
<b>23.6</b>	In case of CSM, the latest actuarial valuation of the employees' defined benefit plan was conducted at September 30, 2019 using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:		
Present value of defined benefit obligation		6,582	7,625
Fair value of plan assets		0	0
Net liability		6,582	7,625
<b>Movement in net liability recognised</b>		<b>2019</b>	<b>2018</b>
Opening net liability		7,625	0
Expense for the year recognised in statement of profit or loss		2,500	7,616
Remeasurement (gain) / loss recognised in statement of other comprehensive income (OCI)		(312)	813
Benefits paid		(3,231)	(804)
		6,582	7,625
<b>Expense for the year</b>			
Current service cost		1,899	7,202
Net interest expense		601	414
		2,500	7,616
<b>Changes in the present value of defined benefit obligation:</b>			
Opening defined benefit obligation		7,625	0
Current service cost		1,899	7,202
Interest cost		601	414
Benefits paid		(3,231)	(804)
Remeasurement loss on defined benefit obligation		(312)	813
Closing defined benefit obligation		6,582	7,625

	Note	2019 Rupees in thousand	2018
--	------	----------------------------	------

**Principal actuarial assumptions used in the actuarial valuation:**

The Projected Unit Credit Method using the following significant assumptions was used for the valuation of the scheme:

	2019	2018
Discount rate used for interest cost	10.00%	9.00%
Discount rate used for year end obligation	13.25%	9.00%
Salary increase rate - long term	12.25%	9.00%
Salary increase rate - short term	12.25%	9.00%

**Demographic assumptions**

	SLIC 2001-05	SLIC 2001-05
Mortality rates		

During the year 2020, CSM expects to contribute Rs.573,380 to its gratuity scheme.

	2019 Rupees in thousand	2018
--	----------------------------	------

**Remeasurement recognised in OCI during the year:**

Remeasurement (gain) / loss on defined benefit obligation	(312)	813
---	-------	-----

The weighted average number of years of defined benefit obligation is given below:

Plan duration	Years
September 30, 2019	9.8
September 30, 2018	9.7

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.

	Change in assumption	Increase Rupees in thousand	Decrease
<b>2019</b>			
Discount rate	1%	(591)	693
Future salary growth	1%	682	(590)
<b>2018</b>			
Discount rate	1%	(676)	798
Future salary growth	1%	785	(676)

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.

- 23.7** The loan is carried at present value computed at market based interest rate. The difference between present value and loan proceeds is recognised as deferred benefit. The deferred benefit is recognised as income using the effective interest method over the period of the loan. Movement of deferred benefit during the year is as follows:

	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
Additions during the year		<b>22,595</b>	0
Amortisation charged to property, plant and equipment during the year		<b>(915)</b>	0
Closing balance		<b>21,680</b>	0

**24. TRADE AND OTHER PAYABLES**

Creditors		<b>251,054</b>	220,651
Bills payable		<b>3,171</b>	2,782
Due to Associated Companies	<b>24.1</b>	<b>19,145</b>	26,995
Accrued expenses		<b>78,033</b>	100,489
Retention money		<b>13,981</b>	15,962
Security deposits - interest free repayable on demand	<b>24.2</b>	<b>2,070</b>	2,222
Advance payments from customers		<b>275,407</b>	297,802
Income tax deducted at source		<b>23,127</b>	17,828
Sales tax payable		<b>24,007</b>	14
Gratuity payable to ex-employees		<b>5,139</b>	5,268

		2019	2018
	Note	Rupees in thousand	
Advance received against sale of scrap		2,024	2,024
Payable for workers' welfare obligations	24.3	46,537	16,570
Payable to provident fund		2,955	2,201
Payable to employees		35,535	27,562
Others		5,613	19,726
		<b>787,798</b>	<b>758,096</b>
<b>24.1</b>	This represents due to the following related parties:		
- Azlak Enterprises (Pvt.) Ltd.		18,202	17,570
- Syntronics Ltd.		943	9,425
		<b>19,145</b>	<b>26,995</b>
<b>24.2</b>	(a) Security deposits include Rs.299 thousand (2018: Rs.331 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 aggregating Rs.894 thousand (2018:Rs.774 thousand), which are repayable on demand and cannot be utilised for the purpose of business of CSM in accordance with the terms of written agreements with these parties. No amount in this respect has been kept in separate bank account.		
<b>24.3</b>	<b>Payable for workers' welfare obligations</b>		
Balance at the beginning of the year		16,570	6,615
Charge for the year			
- Holding Company		1,625	0
- CSM		40,148	16,570
		<b>58,343</b>	<b>23,185</b>
Interest on funds utilised in the CSM's business		1,228	557
Payments made by CSM during the year		(13,034)	(7,172)
Balance at the end of the year		<b>46,537</b>	<b>16,570</b>
<b>25.</b>	<b>ACCRUED MARK-UP</b>		
	Mark-up accrued on:		
- long term finances		73,488	50,537
- loans from related parties		17,012	6,320
- short term borrowings		134,594	109,574
		<b>225,094</b>	<b>166,431</b>

26.	SHORT TERM BORROWINGS		2019	2018
		Note	Rupees in thousand	
	The Holding Company			
	Secured	26.1	653,000	944,000
	Un-secured - temporary bank overdraft		0	1,384
			653,000	945,384
	FSM			
	Un-secured - temporary bank overdraft		0	282
	CSM			
	Cash / running finances and export re-finances - secured	26.3	2,997,993	3,706,999
			3,650,993	4,652,665
26.1	Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.1,500 million (2018: Rs.1,250 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. These facilities, during the year, carried mark-up at the rates ranging from 9.19% to 13.97% (2018: 7.15% to 7.93%) per annum and are expiring on various dates by March 31, 2020.			
26.2	In case of the Holding Company, facilities available for opening letters of guarantee and credit from commercial banks aggregate Rs.125 million (2018: Rs.125 million). Out of the available facilities, facilities aggregating Rs.105 million (2018: 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.			
26.3	Finance facilities available to CSM from various commercial banks under mark-up arrangements aggregate Rs.6 billion and are secured against pledge of sugar stocks and charge on present and future current assets of CSM.			
27.	CURRENT PORTION OF NON-CURRENT LIABILITIES			
	Long term finances	20	579,813	655,258
	Loans from related parties	21	31,236	0
	Liabilities against assets subject to finance lease	22	43,482	27,013
			654,531	682,271

<b>28. TAXATION - Net</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Opening balance	<b>21,810</b>	46,447
Add: provision made during the year		
- current	<b>193,153</b>	145,540
- prior year	<b>(1,915)</b>	(772)
	<b>191,238</b>	144,768
Less: provision balance adjusted against income tax refundable	<b>164,905</b>	71,849
	<b>48,143</b>	119,366
Less: adjustments made against completed assessments	<b>18,997</b>	97,556
Closing balance	<b>29,146</b>	21,810

#### **The Holding Company**

- 28.1** The returns for the Tax Years 2010 to 2019 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.
- 28.2** 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**

- 28.3** 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.
- 28.4** The returns upto tax year 2019 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. CONTINGENCIES AND COMMITMENTS**

#### **The Holding Company**

- 29.1** No commitments were outstanding as at September 30, 2019 and September 30, 2018.
- 29.2** 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.

- 29.3** The Holding Company's petition filed before the Supreme Court of Pakistan (SCP) against imposition of Gas Infrastructure Development Cess (GIDC) is still pending adjudication. Sui Northern Gas Pipelines Ltd., along with gas bill for the month of September, 2019, has raised GIDC demands aggregating Rs.79.115 million, which are payable in case of an adverse judgment by the SCP. No provision for these GIDC demands has been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.
- 29.4** 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 Holding 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 additional wage liabilities aggregate Rs.2.359 million approximately.
- 29.5** 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.
- 29.6** 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.
- 29.7** 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.
- 29.8** 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.
- 29.9** Guarantees given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Holding Company outstanding as at September 30, 2019 were for Rs.20 million (2018: Rs.20 million). These guarantees are valid upto November 30, 2019.

## **FSM**

- 29.10** 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.
- 29.11** 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.
- 29.12** FSM, by filing a writ petition before the PHC, has challenged the Notification issued by the Government of Khyber Pakhtunkhwa (KPK) dated August 12, 2015 to the extent of its retrospective application with effect from July 01, 2014. The Government of KPK, through the said Notification, has fixed minimum wages for unskilled workers working in the industrial and commercial establishments in the Province at Rs.12,000 per month. An adverse judgment by the PHC will create additional wage liabilities aggregating Rs.1.148 million approximately. The petition is pending adjudication.
- 29.13** No commitments were outstanding as at September 30, 2019 and September 30, 2018.

## **CSM**

### **Contingencies**

- 29.14** 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 the CSM's contention. The tax department filed a reference in this respect before the PHC, which is yet to be decided.
- 29.15** 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 PHC which is yet to be decided.
- 29.16** During the year, the Assistant Commissioner Inland Revenue issued show cause notice dated October 3, 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 PHC, challenging the said notice and accordingly stay was granted in this respect by the PHC vide order dated November 02, 2018. Subsequently, the PHC 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 proceedings in the instant notice have not yet been completed. Further, various appellate forums can be reached out to seek relief, if so necessitated. In addition, related matter is already decided as per CSM's contention in identical matters of certain other entities.

- 29.17** During the year, the Director General, Environmental Protection Agency (EPA) filed complaints against CSM before Environmental Protection Tribunal, Khyber Pakhtunkhwa, Peshawar alleging that CSM has violated the provisions of the Environmental Protection Agency Act, 2014. There were 8 complaints in aggregate against Chashma Unit I, Chashma Unit II and Ethanol Fuel Plant. The case is pending for hearing at EPA tribunal.

No provision on account of contingencies disclosed in notes 29.14 to 29.16 above has been made in these consolidated financial statements as the management and its tax and legal advisors are of the view that these matters will eventually be settled in favour of CSM.

- 29.18** CSM has letters of guarantee facilities aggregating Rs.100 million (2018: Rs.100 million) available from Bank Al Habib Limited. The amount availed on these facilities as at September 30, 2019 is Rs 8.170 million (2018: Rs 9.670 million). These facilities are secured by master counter guarantee and 100% cash margin.

- 29.19** CSM has obtained letters of credit facilities aggregating Rs.1,050 million (2018: Rs.231 million) from Bank Al Habib Limited, Habib Metropolitan Bank Limited, Soneri Bank Limited and MCB Bank Limited. The amount availed on these facilities as at September 30, 2019 is Rs.204 million (2018: Rs.4.730 million). These facilities are secured by lien on shipping documents.

- 29.20** CSM has cash finance facilities available from various banks aggregating to Rs.4.800 billion (2018: Rs.5.850 billion), out of which Rs.2.040 billion (2018: Rs.2.750 billion) has been availed by CSM as at September 30, 2019. These facilities are secured against pledge charge over crystalline sugar inclusive of margin of 10%.

- 29.21** CSM has Export Re-Finance / Finance Against Packing Credit (ERF / FAPC) facility from various commercial banks for Rs.1,200 million (2018: Rs.1,200 million), out of which Rs.955 million (2018: Rs.959 million) has been availed by CSM as at September 30, 2019. These facilities are secured by the joint pari passu hypothecation charge over current assets of CSM and lien over export documents.

- 29.22** 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 these consolidated financial statements in this regard.

<b>29.23</b>	In case of CSM, commitments in respect of :	<b>Note</b>	<b>2019</b>	<b>2018</b>
			<b>Rupees in thousand</b>	
	- foreign letters of credit for purchase of plant and machinery		<b>79,403</b>	68,041
	- capital expenditure other than for letters of credit		<b>94,034</b>	30,240

<b>30. GROSS SALES</b>	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
- local		<b>11,945,764</b>	10,044,088
- export	<b>30.1</b>	<b>2,650,059</b>	2,506,326
		<b>14,595,823</b>	12,550,414
<b>30.1</b> Export sales by CSM comprise of the sales made in the following regions:			
Afghanistan		<b>0</b>	318,793
Japan		<b>890,950</b>	1,202,553
Singapore		<b>714,268</b>	650,862
Spain		<b>258,136</b>	201,012
Hong Kong		<b>222,294</b>	87,587
Switzerland		<b>247,292</b>	0
United Arab Emirates		<b>204,674</b>	45,519
Netherland		<b>93,548</b>	0
Tajikistan		<b>18,897</b>	0
		<b>2,650,059</b>	2,506,326
<b>31. SALES TAX, OTHER GOVERNMENT LEVIES AND COMMISSIONS</b>			
Indirect taxes		<b>1,113,123</b>	1,008,249
Discounts		<b>12,146</b>	10,608
		<b>1,125,269</b>	1,018,857
<b>32. COST OF SALES</b>			
Raw materials consumed		<b>8,430,570</b>	8,912,024
Chemicals and stores consumed		<b>249,629</b>	248,532
Salaries, wages and benefits	<b>32.1</b>	<b>634,632</b>	592,755
Power and fuel		<b>103,256</b>	76,635
Insurance		<b>14,722</b>	16,619
Repair and maintenance		<b>318,282</b>	226,028
Provision for obsolete items		<b>0</b>	35,948
Depreciation	<b>7.8</b>	<b>874,340</b>	730,194
		<b>10,625,431</b>	10,838,735

	Note	2019 Rupees in thousand	2018
Adjustment of work-in-process:			
Opening		9,900	11,318
Closing	11	(12,143)	(9,900)
		(2,243)	1,418
Cost of goods manufactured		10,623,188	10,840,153
Adjustment of finished goods:			
Opening stock		2,604,340	1,986,421
Closing stock	11	(2,133,039)	(2,604,340)
		471,301	(617,919)
		11,094,489	10,222,234

**32.1** Salaries, wages and benefits include Rs.15.702 million (2018:Rs.13.169 million) in respect of retirement benefits.

### **33. SELLING AND DISTRIBUTION EXPENSES**

Salaries and benefits	33.1	13,429	12,134
Loading and stacking		17,242	20,948
Export development surcharge		6,568	6,841
Freight and other expenses on exports		313,239	290,542
Freight and packing charges for delivering sugar in small packets to a customer		1,167	4,601
Others		978	1,688
		352,623	336,754

**33.1** Salaries and benefits include Rs.172 thousand (2018: Rs.157 thousand) in respect of retirement benefits.

<b>34. ADMINISTRATIVE AND GENERAL EXPENSES</b>	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
Salaries and benefits	<b>34.1</b>	<b>354,803</b>	286,094
Travelling:			
- directors		<b>15</b>	86
- others		<b>40,736</b>	12,922
Utilities		<b>1,373</b>	749
Vehicles' running and maintenance		<b>15,999</b>	12,056
Rent, rates and taxes		<b>6,295</b>	5,322
Insurance		<b>4,466</b>	3,623
Repair and maintenance		<b>25,928</b>	18,430
Printing and stationery		<b>8,822</b>	9,530
Communication		<b>11,880</b>	7,696
Fees and subscription		<b>5,525</b>	5,890
Auditors' remuneration	<b>34.2</b>	<b>5,062</b>	4,845
Legal and professional charges (other than Auditors)		<b>12,940</b>	7,724
Depreciation on:			
- operating fixed assets	<b>7.8</b>	<b>40,052</b>	34,103
- investment property	<b>8</b>	<b>960</b>	1,047
Loss allowance for doubtful advances		<b>1,499</b>	26,401
Loss allowance for doubtful debts	<b>12.2</b>	<b>224</b>	1,528
General		<b>31,503</b>	21,238
		<b>568,082</b>	459,284

**34.1** Salaries and benefits include Rs.7.250 million (2018: Rs.11.882 million) in respect of retirement benefits.

<b>34.2 Auditors' remuneration</b>			<b>2019</b>	<b>2018</b>
		<b>Note</b>	<b>Rupees in thousand</b>	
ShineWing Hameed Chaudhri & Co.				
- statutory audits			<b>846</b>	805
- half-yearly reviews			<b>203</b>	196
- consultancy and certification charges			<b>655</b>	572
- out-of-pocket expenses			<b>93</b>	96
			<b>1,797</b>	1,669
A.F.Ferguson & Co.				
(statutory auditors of CSM and its Subsidiary)				
- statutory audits			<b>2,043</b>	1,957
- half year review			<b>400</b>	469
- consolidation			<b>200</b>	200
- Group reporting			<b>150</b>	150
- certification and others			<b>400</b>	150
- out-of-pocket expenses			<b>72</b>	250
			<b>3,265</b>	3,176
			<b>5,062</b>	4,845
<b>35. OTHER INCOME</b>				
<b>Income from financial assets:</b>				
Return on bank deposits			<b>8,518</b>	4,895
Gain on redemption of short term investments			<b>1,759</b>	8
Fair value gain on re-measurement of short term investments			<b>139</b>	277
Dividend			<b>608</b>	406
<b>Income from other than financial assets:</b>				
Rent		<b>35.1</b>	<b>6,721</b>	6,721
Sale of scrap - net of sales tax			<b>15,195</b>	1,294
Sale of press mud - net of sales tax			<b>2,930</b>	4,795
Unclaimed payable balances written-back			<b>1,230</b>	72
Gain on sale of operating fixed assets - net			<b>5,407</b>	1,458
Sale of agricultural produce - net of expenses aggregating Rs.4.004 million (2018: Rs.3.481 million)			<b>1,647</b>	630
Seed sales net of expenses			<b>11,491</b>	911
Sale of fusel oil - net of sales tax			<b>1,434</b>	513
Export subsidy			<b>0</b>	86,670
Insurance claim			<b>0</b>	142
Miscellaneous - net of sales tax			<b>1,776</b>	2,065
			<b>58,855</b>	110,857

- 35.1 (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 addendum lease agreement entered into between the Holding Company and PBM on July 01, 2015, the lease has commenced from July 01, 2015 and will end on June 30, 2020. PBM is paying to the Holding Company the sum of Rs.2.310 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 Holding 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.

**36. OTHER EXPENSES**

	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
Donations (without directors' interest)	<b>36.1</b>	<b>570</b>	1,505
Uncollectible receivable balances written-off		<b>188</b>	526
Workers' profit participation and workers' welfare obligations	<b>24.3</b>	<b>41,773</b>	16,570
Prior year's sales tax on account of inadmissible input tax adjustment claimed		<b>0</b>	906
Sales tax paid under section 48 of the Sales Tax Act, 1990		<b>500</b>	0
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>2,735</b>	2,447
		<b>45,766</b>	21,954

- 36.1** These include donation amounting Rs. Nil (2018: these included Rs.1 million paid to Shandana Humayun Khan).

**37. FINANCE COST**

Mark-up on:

- long term finances		<b>217,451</b>	164,315
- loans from Associated Companies		<b>23,768</b>	9,225
- short term borrowings		<b>598,624</b>	389,271
Interest on workers' (profit) participation fund	<b>24.3</b>	<b>1,228</b>	557
Lease finance charges		<b>10,882</b>	5,314
Bank charges		<b>23,984</b>	6,197
Exchange gain - net		<b>(35,792)</b>	(27,354)
		<b>840,145</b>	547,525

38. TAXATION		2019	2018
<b>Current</b>	<b>Note</b>	<b>Rupees in thousand</b>	
- for the year	28	193,153	145,540
- prior year		(1,915)	(772)
		<u>191,238</u>	<u>144,768</u>
<b>Deferred:</b>			
- resultant adjustment due to reduction in tax rate	19	(19,855)	80,993
- on account of temporary differences		82,778	(136,702)
		<u>(102,633)</u>	<u>(55,709)</u>
		<u>88,605</u>	<u>89,059</u>

#### The Holding Company

- 38.1. No numeric tax rate reconciliation is presented in these consolidated financial statements as the Holding Company during the current year 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 Income Tax Ordinance, 2001 (the Ordinance).
- 38.2. No numeric tax rate reconciliation is presented in these consolidated financial statements as FSM during the current and preceding years was mainly liable to pay tax due under sections 5 and 37A (Capital gains on sale of securities) of the Ordinance.

#### CSM

#### 38.3 Reconciliation of taxation with accounting profit

Profit before taxation	<u>628,940</u>	<u>251,694</u>
Tax rate	<u>29%</u>	<u>30%</u>
Tax on profit	182,393	75,508
Tax effect of:		
Lower rate income	46,145	46,393
Deferred tax asset recognised in respect of prior year temporary differences	(195,785)	(55,374)
Others	25,099	(6,986)
	<u>57,852</u>	<u>59,541</u>

- 38.4 By virtue of amendments introduced through Finance Act 2017, the provisions of section 5A of the Income Tax Ordinance, 2001 were amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the said tax year through cash or bonus shares, shall be liable to pay tax at the rate of 7.5% of its accounting profit before tax. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires. CSM has distributed 40% of its after tax profits for the Tax Year 2018.

<b>39. COMBINED EARNINGS / (LOSS) PER SHARE</b>		<b>2019</b>	<b>2018</b>
Profit / (loss) attributable to equity holders of the Holding Company		<b>Rupees in thousand</b>	
		<b>282,723</b>	<b>(128,820)</b>
		<b>No. of shares</b>	
Weighted average number of shares outstanding during the year		<b>3,750,000</b>	<b>3,750,000</b>
		<b>----- Rupees -----</b>	
<b>39.1</b>	Combined earnings / (loss) per share	<b>75.39</b>	<b>(34.35)</b>
Diluted earnings / (loss) per share has not been presented as there are no convertible instruments in issue as at September 30, 2019 and September 30, 2018, which would have any effect on the combined earnings / (loss) per share if the option to convert is exercised.			
<b>40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES</b>			
<b>Financial instruments by category</b>			
<b>Financial assets</b>			
<b>At fair value through other comprehensive income</b>			
Long term investments (available-for-sale)		<b>0</b>	<b>25,351</b>
<b>At fair value through profit or loss</b>			
Short term investments		<b>28,837</b>	<b>12,939</b>
<b>At amortised cost (2018: loans &amp; receivables)</b>			
Maturity upto one year			
Trade debts		<b>57,011</b>	<b>397,180</b>
Accrued profit on bank deposits		<b>123</b>	<b>69</b>
Trade deposits and other receivables		<b>343,769</b>	<b>396,972</b>
Bank balances		<b>312,499</b>	<b>360,878</b>
Maturity after one year			
Long term security deposits		<b>16,439</b>	<b>15,208</b>
		<b>729,841</b>	<b>1,170,307</b>
<b>Financial liabilities</b>			
<b>At amortised cost (2018: other financial liabilities)</b>			
Maturity upto one year			
Trade and other payables		<b>418,720</b>	<b>425,882</b>
<b>At amortised cost</b>			
Unclaimed dividends		<b>7,636</b>	<b>7,674</b>
Accrued mark-up		<b>225,094</b>	<b>166,431</b>
Short term borrowings		<b>3,650,993</b>	<b>4,652,665</b>

	<b>Note</b>	<b>2019</b> <b>Rupees in thousand</b>	<b>2018</b>
Current maturity of non-current liabilities		<b>654,531</b>	682,271
Maturity after one year			
Long term finances		<b>1,333,680</b>	1,177,828
Loans from related parties		<b>163,089</b>	179,325
Liabilities against assets subject to finance lease		<b>97,253</b>	37,111
		<b>6,550,996</b>	<b>7,329,187</b>

#### **40.1 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.

#### **40.2 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.57.030 million (2018: Rs.10.760 million), which were subject to currency risk.

<b>Rupees per U.S.\$</b>	<b>2019</b>	<b>2018</b>
Average rate	<b>140.28</b>	114.60
Reporting date rate	<b>156.37</b>	124.20

##### **Sensitivity analysis**

As at September 30, 2019, if the currency had weakened / strengthened by 10% against U.S. \$ with all other variables held constant, profit before taxation for the year would have been Rs.4.040 million (2018: Rs.0.760 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:

	2019	2018	2019	2018
	Effective rate		Carrying amount	
Fixed rate instruments	%	%	Rupees in thousand	
<b>Financial assets</b>				
Deposit with a non-banking finance Company	5.00	5.00	<b>58,000</b>	58,000
Bank balances	3.25 to 15.05	3.75 to 9.26	<b>28,392</b>	52,208
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	3 to 6 months KIBOR + spread rate		<b>1,913,493</b>	1,833,086
Loans from Associated Companies	1 month KIBOR + 1.25%		<b>194,325</b>	179,325
Liabilities against assets subject to finance lease	7.82 to 15.73	4.72 to 10.06	<b>140,735</b>	64,124
Short term borrowings	3 to 9 months KIBOR + spread rate 9.19 to 13.97		<b>3,650,993</b>	4,650,999

#### **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, 2019, 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.58.995 million (2018: Rs.67.275 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, 2019, 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, 2019, a 10% increase / decrease in redemption value of Units of the Mutual Fund would have increased / decreased profit before taxation for the year by Rs.2,884 thousand (2018: Rs.1,294 thousand)

The sensitivity analysis prepared is not necessarily indicative of the effects on consolidated statement of profit or loss and investments of the Group.

#### 40.3 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.

Credit risk primarily arises from trade debts, loans & advances, 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 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 Group's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the Group.

CSM recognises ECL for trade debts using the simplified approach as explained in note 5.22. As per the aforementioned approach, the loss allowance as at September 30, 2019 and October 01, 2018 (on adoption of IFRS 9) was determined as follows:

	1 - 180 days	181-365 days	More than 365 days	Total
	----- Rupees in thousand -----			
<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>
<b>October 01, 2018</b>				
Gross carrying value	219,017	110	1,528	220,654
Loss allowance	434	110	1,528	2,072

The loss allowances for trade debts as of September 30, 2019 reconcile to the opening loss allowance as follows:

	<b>2019 Rupees in thousand</b>
Amount calculated under IAS 39 as at September 30, 2018	<b>1,528</b>
Amounts adjusted in opening retained earnings	<b>0</b>
Opening loss allowance as at October 01, calculated under IFRS 9	<b>1,528</b>
Increase in loss allowance recognised in consolidated statement of profit or loss - net	<b>224</b>
Loss allowance as at September 30, 2019	<b>1,752</b>

The restatement on transitions to IFRS 9 as a result of applying the ECL model was insignificant so the impact of loss allowance has been taken in the current year.

ECL on other receivables is calculated using general approach (as explained in note 5.22). As at the reporting date, the Group 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 the Group 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 as at September 30, 2019 and October 01, 2018 (on adoption of IFRS 9) is determined as follows:

**September 30, 2019**

<b>Gross carrying value</b>	<b>107,157</b>
<b>Loss allowance</b>	<b>1,499</b>
October 01, 2018	
Gross carrying value	27,218
Loss allowance	0

The closing loss allowances for other receivables as at September 30, 2019 reconciles to the opening loss allowance as follows:

Amount calculated under IAS 39 as at September 30, 2018	<b>0</b>
Amounts adjusted in opening retained earnings	<b>0</b>
Opening loss allowance as at October 01 calculated under IFRS 9	<b>0</b>
Increase in loss allowance recognised in statement of profit or loss - net	<b>1,499</b>
Loss allowance as at September 30, 2019	<b>1,499</b>

Based on past experience, the management believes that no further impairment allowance is necessary in respect of trade debts, loans & advances and other financial assets.

<b>Exposure to credit risk</b>	<b>Note</b>	<b>2019 Rupees in thousand</b>	<b>2018</b>
The maximum exposure to credit risk as at September 30, 2019 along with comparative is tabulated below:			
Long term investments (available-for-sale)		0	25,351
Security deposits		16,439	15,208
Trade debts		57,011	397,180
Loans and advances		1,177,920	225,954
Trade deposits and other receivables		343,769	396,972
Accrued profit on bank deposits		123	69
Short term investments		28,837	12,939
Deposits with a non-banking finance company		58,000	58,000
Bank balances		254,499	302,878
		<b>1,936,598</b>	<b>1,434,551</b>

The Group management does not expect any losses from non-performance by these counter parties except for deposits lying with a non-banking finance company as detailed in note 17.5.

Trade debts exposure by geographic region is as follows:

Domestic	0	386,420
Export	57,011	10,760
	<b>57,011</b>	<b>397,180</b>

- Export debts of the Group are situated in Asia and Europe.

- The ageing of trade debts at the year-end was as follows:

- 0 to 6 months	57,011	386,311
- 6 to 12 months	0	10,869
	<b>57,011</b>	<b>397,180</b>

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 Group's investments at respective year-ends:**

The credit quality of the 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.

		Fund stability rating assigned by JCR-VIS	
September 30, 2019		AA	
September 30, 2018		AA	
CSM's bank balances		2019	2018
		Rupees in thousand	
	A1+	0	128,288
	A1	0	3,542
	A-1+	225,560	56,198
	A-1	3,088	754
		<b>228,648</b>	<b>188,782</b>

#### 40.4 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>2019</b>	----- Rupees in thousand -----			
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 finances	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>

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
2018	----- Rupees in thousand -----			
Long term finances	1,833,086	1,833,086	655,258	1,177,828
Loans from related parties	179,325	179,325	0	179,325
Lease finances	64,124	72,391	31,491	40,900
Trade and other payables	425,882	425,640	425,640	0
Unclaimed dividends	7,674	7,674	7,674	0
Accrued mark-up	166,431	166,431	166,431	0
Short term borrowings	4,652,665	4,652,665	4,652,665	0
	<u>7,329,187</u>	<u>7,337,212</u>	<u>5,939,159</u>	<u>1,398,053</u>

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 consolidated financial statements.

#### 41. FAIR VALUES OF FINANCIAL INSTRUMENTS AND HIERARCHY

**41.1** 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, 2019, the carrying values of all financial assets and liabilities reflected in the consolidated 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, 2019, 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..

#### 41.2 Fair value hierarchy

Fair value of certain property, plant and equipment has been derived using the comparison approach. Sales 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.

## 42. 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 consolidated statement of financial position plus net debt. The Group's gearing ratio is as follows:

	2019	2018
	Rupees in thousand	
Long term finances	1,913,493	1,833,086
Loans from related parties	194,325	179,325
Liabilities against assets subject to finance lease	140,735	64,124
Short term borrowings	3,650,993	4,652,665
Total debt	5,899,546	6,729,200
Less: bank balances	(312,499)	(360,878)
Net debt	5,587,047	6,368,322
Share capital	37,500	37,500
Share redemption reserve	1	1
Revaluation surplus on property, plant and equipment	2,447,144	2,646,568
General revenue reserve	1,010,537	1,010,537
Fair value reserve on available-for-sale investments	0	16,052
Unappropriated profit	737,032	263,315
<b>Equity</b>	<b>4,232,214</b>	<b>3,973,973</b>
<b>Capital</b>	<b>9,819,261</b>	<b>10,342,295</b>
<b>Gearing ratio (Net debt / (Net debt + Equity))</b>	<b>56.90%</b>	<b>61.58%</b>

#### 43. TRANSACTIONS WITH RELATED PARTIES

- 43.1 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:

	2019	2018
The Holding Company	Rupees in thousand	
<b>Associated Companies</b>		
- purchase of goods	15,269	15,159
- rental income	6,710	6,710
<b>Key management personnel</b>		
- salaries and other benefits	16,360	15,768
- contribution towards provident fund	970	938

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:

- |                      |  |
|----------------------|--|
| - Syntronics Limited | - Premier Construction and Housing Limited |
| - Syntron Limited    | - Phipson & Co. Pakistan (Pvt.) Ltd.       |

#### 43.2 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.

##### 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.

##### 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:

	2019	2018
	Rupees in thousand	
<b>Arpak International Investments Ltd.</b>		
Mark-up charged	5,482	0
<b>Syntronics Ltd.</b>		
Purchase of store items	943	26,182
Dividend paid	5,386	5,386
<b>Syntron Ltd.</b>		
Purchase of store items	122,499	70,617
<b>Azlak Enterprises (Pvt.) Ltd.</b>		
Services rendered	27,030	0
Mark-up charged	10,069	477
Expenses paid	2,052	4,307
Dividend paid	2,194	2,194
<b>Phipson &amp; Company Pakistan (Pvt.) Ltd.</b>		
Dividend paid	461	461
<b>Premier Board Mills Ltd.</b>		
Mark-up charged	8,217	0
<b>Provident fund</b>		
Contribution to provident fund	15,175	13,201

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.	Associated Company	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%

#### 44. 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	
	2019	2018	2019	2018	2019	2018
----- Rupees in thousand-----						
Managerial remuneration including bonus	1,200	1,200	31,507	10,435	39,823	23,222
Allowances and utilities	0	0	0	0	17,377	11,150
Contribution to provident fund	0	0	451	451	2,204	1,684
Medical expenses reimbursed	0	0	3,140	2,441	473	133
Other expenses	0	0	23,229	0	0	0
	<b>1,200</b>	<b>1,200</b>	<b>58,327</b>	<b>13,327</b>	<b>59,877</b>	<b>36,189</b>
Number of persons	1	1	6	3	17	14

- 44.1** 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.
- 44.2** 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.
- 44.3** 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.
- 44.4** 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.
- 44.5** Remuneration of the directors does not include amounts paid or provided for, if any, by the Associated Companies.

<b>45. CAPACITY AND PRODUCTION</b>		<b>2019</b>	<b>2018</b>
<b>45.1 The Holding Company</b>	<b>Note</b>	<b>Rupees in thousand</b>	
<b>Sugar Cane Plant</b>			
Rated crushing capacity per day	<b>M.Tonnes</b>	<b>3,810</b>	3,810
Cane crushed	<b>M.Tonnes</b>	<b>154,414</b>	204,775
Sugar produced	<b>M.Tonnes</b>	<b>16,768</b>	22,708
Days worked	<b>Nos.</b>	<b>137</b>	126
Sugar recovery	<b>%</b>	<b>10.90</b>	11.12
<b>Sugar Beet Plant</b>			
Rated slicing capacity per day	<b>M.Tonnes</b>	<b>2,500</b>	2,500
<b>Distillery</b>			
Rated capacity per day	<b>Gallons</b>	<b>10,000</b>	10,000
- The normal season days are 150 days for Sugar Cane crushing.			
- Production was restricted to the availability of raw materials to the Holding Company.			
- The operations of distillery were closed during the financial year ended September 30, 2015 due to low prices of ethanol.			
<b>45.2 CSM</b>			
<b>Sugar Cane Plants</b>			
Rated crushing capacity (Metric Tonnes / day)		<b>18,000</b>	18,000
On the basis of average number of 98 days (2018:131 days)		<b>1,764,000</b>	2,358,000
Actual cane crushed (Metric Tonnes)		<b>1,562,413</b>	2,040,734
Sugar produced (Metric Tonnes)		<b>166,252</b>	193,322
<b>Ethanol Fuel Plant</b>			
Rated production capacity (Litres / day)		<b>125,000</b>	125,000
On the basis of average number of 355 days (2018:257 days) (Litres)		<b>44,375,000</b>	44,625,000
Actual production (Litres)		<b>43,260,426</b>	44,617,163
<b>No. of days worked:</b>			
Sugar Unit - I		<b>97</b>	133
Sugar Unit - II		<b>99</b>	129
Ethanol Fuel Plant		<b>355</b>	357
<b>Reasons for Shortfall</b>			
Sugar division performed at less than installed capacity due to non-availability of sugar cane, strike of growers and atmospheric effect. Capacity of ethanol unit was under utilised due to overhauling and cleaning shut downs.			

**45.3 FSM**
**2019**
**2018**
**Sugar Cane Plant**

Rated crushing capacity per day

**M.Tonnes**
**880**

880

**Sugar Beet Plant**

Rated slicing capacity per day

**M.Tonnes**
**1,000**

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.

**46. 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 October 01, 2017	2,395,888	68,929	109,325	3,278,713	136,769	15,440	6,005,064
Changes from financing activities							
Finances - net	(562,802)	(4,805)	0	0	0	0	(567,607)
Finances obtained - net	0	0	70,000	1,373,952	0	0	1,443,952
Mark-up accrued	0	0	0	0	568,682	0	568,682
Mark-up paid	0	0	0	0	(539,020)	0	(539,020)
Dividend declared	0	0	0	0	0	(18,893)	(18,893)
Dividend paid	0	0	0	0	0	19,689	19,689
	(562,802)	(4,805)	70,000	1,373,952	29,662	796	906,803
Balance as at September 30, 2018	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

**47. 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, 2019 and September 30, 2018:

	2019	2018
	Rupees in thousand	
Size of the funds - total assets	<b>180,753</b>	152,205
Cost of investments made	<b>155,459</b>	124,990
Fair value of investments made	<b>177,555</b>	149,665
	----- % -----	
Percentage of investments made	<b>86.01</b>	82.12

**47.1** The break-up of fair value of investments is as follows:

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>----- % -----</b>		<b>Rupees in thousand</b>	
Term deposit receipts	<b>93.53</b>	73.93	<b>145,400</b>	92,400
Saving and deposit accounts in scheduled banks	<b>6.47</b>	26.07	<b>10,059</b>	32,590
	<b>100.00</b>	100.00	<b>155,459</b>	124,990

**47.2** 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.

#### **48. OPERATING SEGMENT**

##### **48.1 The Holding Company**

- (a) Sugar sales represent 97% (2018: 92%) of the total gross sales of the Holding Company.
- (b) All sales have been made to customers in Pakistan.
- (c) All non-current assets of the Holding Company as at September 30, 2019 are located in Pakistan.
- (d) One customer (2018: Two customers) of the Holding Company's customers contributed towards 88.99% (2018: 98.42%) of the gross sugar sales during the year aggregating Rs.1,033 million (2018: Rs.1,262 million).

## 48.2 CSM

### (a) Segment operating results for the year ended September 30, 2019

	Sugar Division		Ethanol Division		Total	
	2019	2018	2019	2018	2019	2018
	----- Rupees in thousand -----					
<b>Sales</b>						
- External Customers	10,112,064	8,659,059	3,316,105	2,609,184	13,428,169	11,268,243
- Intersegment	614,977	804,180	0	0	614,977	804,180
	10,727,041	9,463,239	3,316,105	2,609,184	14,043,146	12,072,423
<b>Less : sales tax &amp; commission</b>	(903,905)	(825,177)	(103,553)	(168,062)	(1,007,458)	(993,239)
<b>Sales - net</b>	9,823,136	8,638,062	3,212,552	2,441,122	13,035,688	11,079,184
<b>Segment expenses:</b>						
<b>Cost of sales</b>	(8,548,785)	(7,900,398)	(1,634,871)	(1,104,428)	(10,183,656)	(9,004,826)
<b>less: Intersegment cost</b>	0	0	(614,977)	(804,180)	(614,977)	(804,180)
	(8,548,785)	(7,900,398)	(2,249,848)	(1,908,608)	(10,798,633)	(9,809,006)
<b>Gross profit</b>	1,274,351	737,664	962,704	532,514	2,237,055	1,270,178
<b>Selling and distribution expenses</b>	(38,838)	60,645	(305,857)	(276,022)	(344,695)	(215,377)
<b>Administrative and general expenses</b>	(462,784)	(354,291)	(46,819)	(43,027)	(509,603)	(397,318)
<b>Others</b>	0	0	0	0	(7,560)	0
	(501,622)	(293,646)	(352,676)	(319,049)	(861,858)	(612,695)
<b>Profit from operations</b>	772,729	444,018	610,028	213,465	1,375,197	657,483
<b>Other income</b>	42,369	95,104	1,640	30,366	44,009	125,470
<b>Other expenses</b>	(40,718)	(18,075)	0	0	(40,718)	(18,075)
	1,651	77,029	1,640	30,366	3,291	107,395
<b>Segment results</b>	774,380	521,047	611,668	243,831	1,378,488	764,878
<b>Finance cost</b>					(749,548)	(484,360)
<b>Profit before tax</b>					628,940	280,518
<b>Taxation</b>					(57,852)	(59,541)
<b>Profit for the year</b>					571,088	220,977

### (b) Segment assets and liabilities

	September 30, 2019		September 30, 2018	
	----- Rupees in thousand -----			
	Assets	Liabilities	Assets	Liabilities
Sugar	9,042,725	3,261,581	7,995,346	3,089,189
Ethanol	4,263,337	2,403,240	5,819,420	3,265,854
Total for reportable segment	13,306,062	5,664,821	13,814,766	6,355,043
Others	396,563	1,725,375	0	1,655,711
Total assets / liabilities	13,702,625	7,390,196	13,814,766	8,010,754

## 49. NUMBER OF EMPLOYEES

2019                      2018

----- Number -----

Number of persons employed as at September 30,

- permanent	1,392	1,397
- contractual	1,064	1,041
	<u>2,456</u>	<u>2,438</u>

Average number of employees during the year

- permanent	1,401	1,403
- contractual	1,488	1,454
	<u>2,889</u>	<u>2,857</u>

**50. NON-ADJUSTING EVENT AFTER THE REPORTING DATE**

The Board of Directors of CSM in its meeting held on January 02, 2020 has proposed a final cash dividend for the year ended September 30, 2019 @ Rs.5.00 per ordinary share (2018 @ Rs.1.50 per ordinary share), amounting to Rs.143,460 thousand (2018: Rs.43,038 thousand) for approval of the members in the annual general meeting to be held on January 27, 2020.

**51. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified as follows, for the purposes of comparison and better presentation as per the reporting framework. However, the change in corresponding figures has no material impact on previously reported financial position, financial performance and cash flows of the Group.

Reclassified from	Reclassified to	Rupees in thousand
Other income	Finance cost	27,354
Sales tax, other government levies and discounts	Selling and distribution expenses	108,829

**52. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements have been authorised for issue on January 02, 2020 by the board of directors of the Holding Company.



**ABBAS SARFARAZ KHAN**  
CHIEF EXECUTIVE



**ISKANDER M. KHAN**  
DIRECTOR



**RIZWAN ULLAH KHAN**  
CHIEF FINANCIAL OFFICER

## Information message on (Jama Punji)

[www.jamapunji.pk](http://www.jamapunji.pk)



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

**Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)**

### Key features:

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

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



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

[jamapunji.pk](https://www.facebook.com/jamapunji.pk)

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

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

**THE PREMIER SUGAR MILLS & DISTILLERY COMPANY LIMITED**  
Nowshera Road, Mardan.

**PROXY FORM**  
74th 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 at 11:30 am, on January 27, 2020 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 ..... 2020.

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 پریمیئر شوگر ملز اینڈ ڈسٹری کمپنی لمیٹڈ

نوشہرہ روڈ مردان

نمائندگی کا فارم (پراکسی فارم)

74 واں سالانہ اجلاس عام

میں / ہم \_\_\_\_\_ کا / کی \_\_\_\_\_ بحیثیت رکن دی پریمیئر 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 27 جنوری 2020ء، 11.30 بجے منعقد ہو رہا ہے، یا کسی بھی ملتی 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 \_\_\_\_\_ 2020

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۔